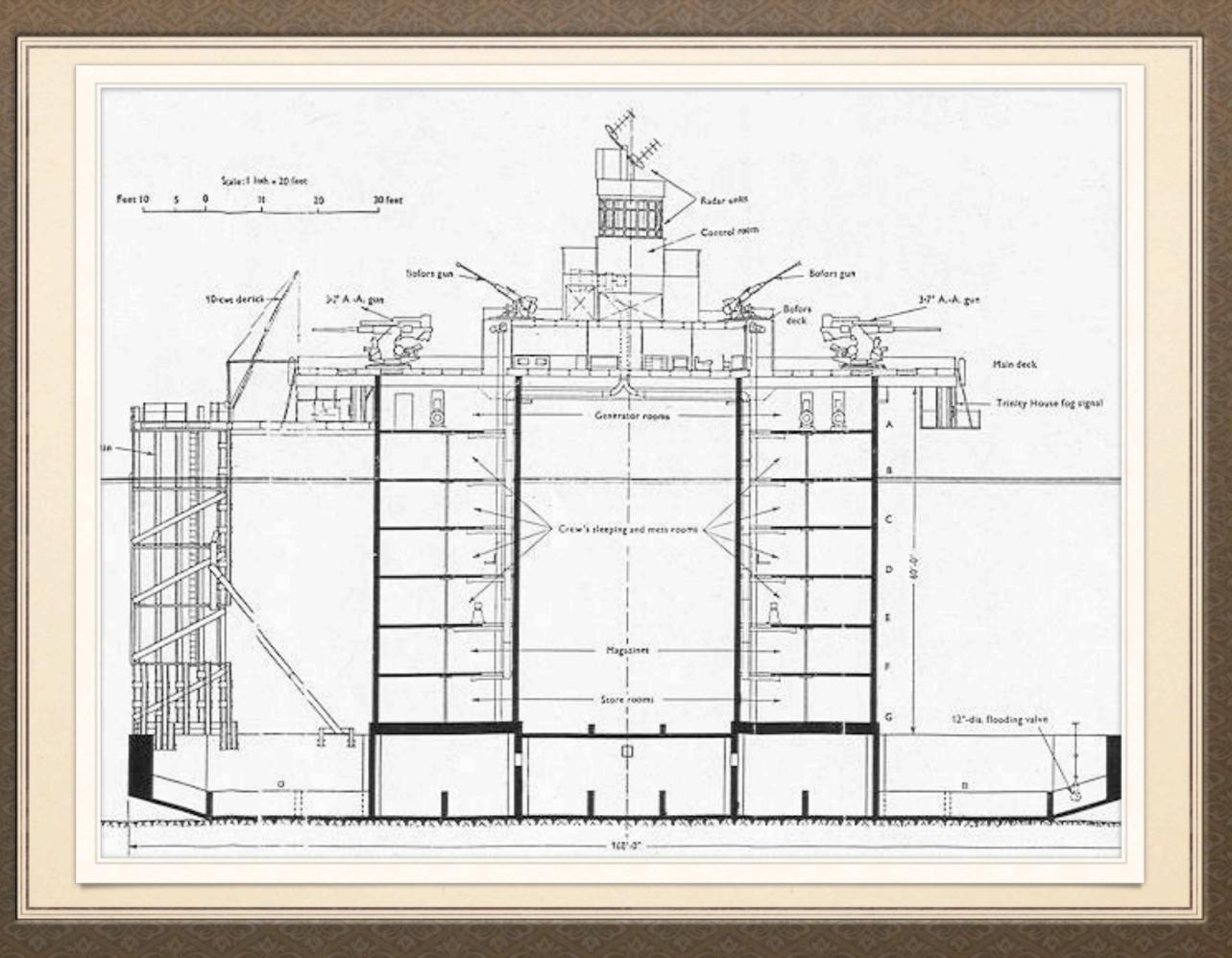
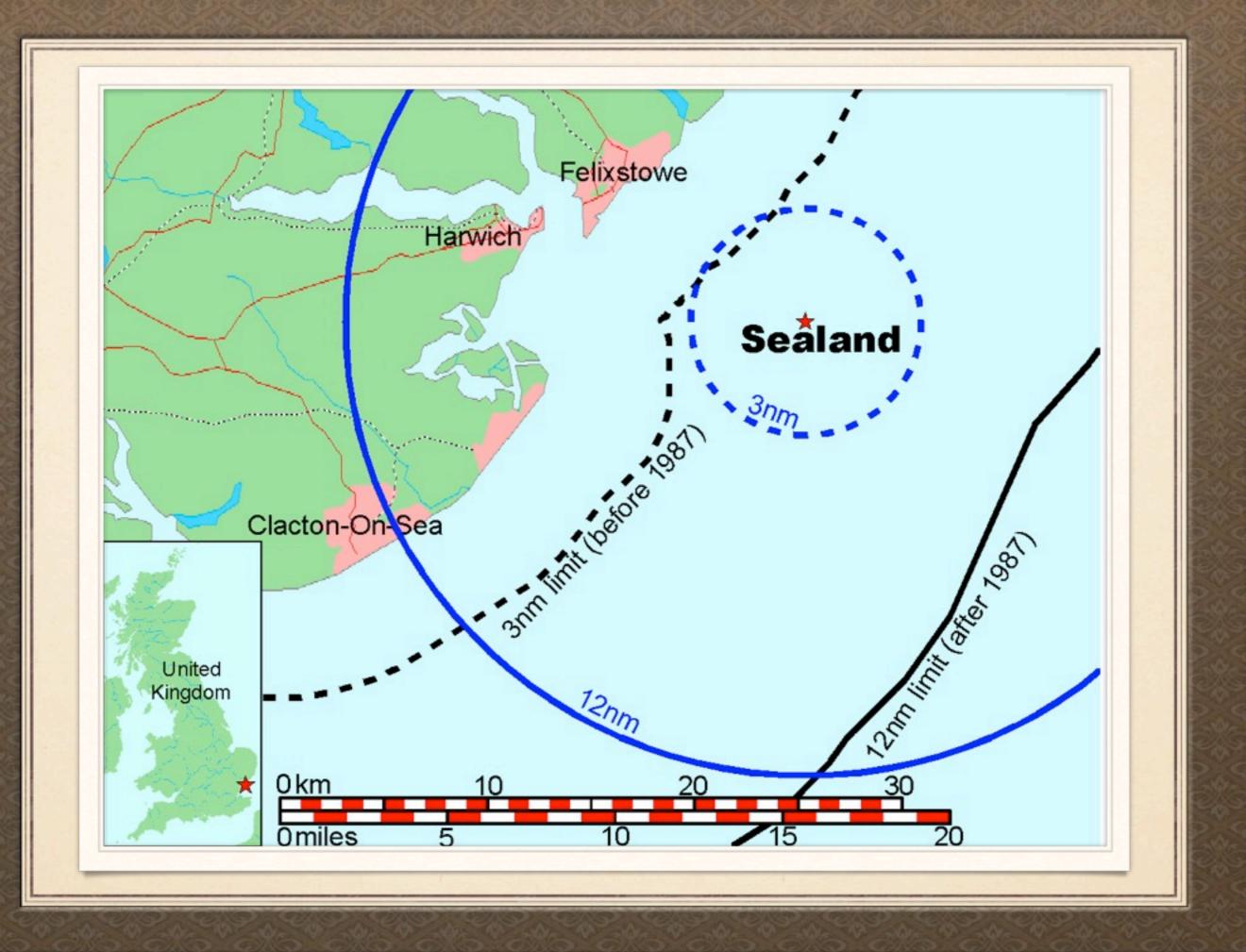
### SEALAND AND HAVENCO: A NEW INTERPRETATION

JAMES GRIMMELMANN BITS WITHOUT BORDERS SEPTEMBER 24, 2010

# I. HISTORY



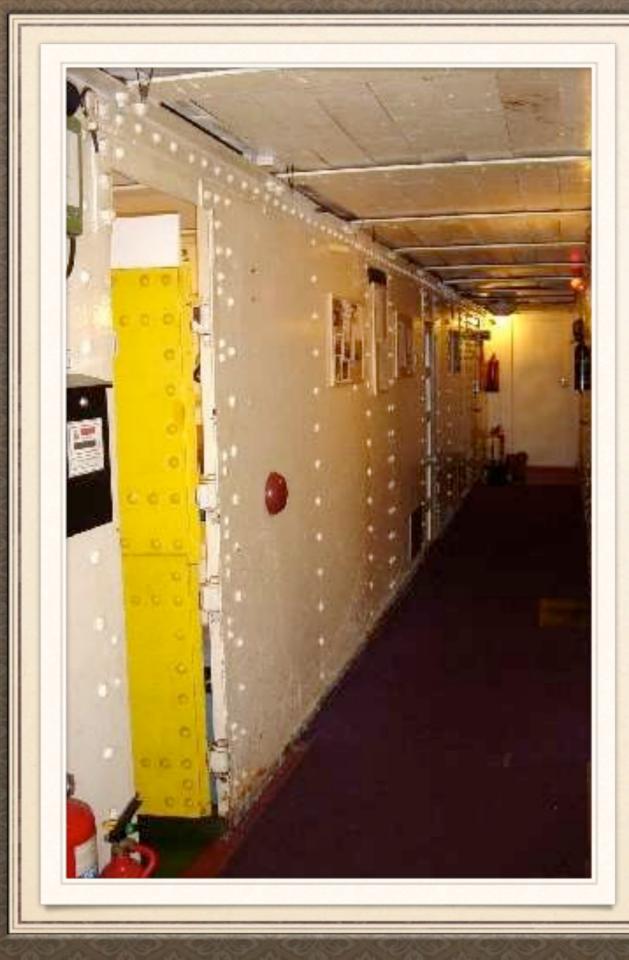




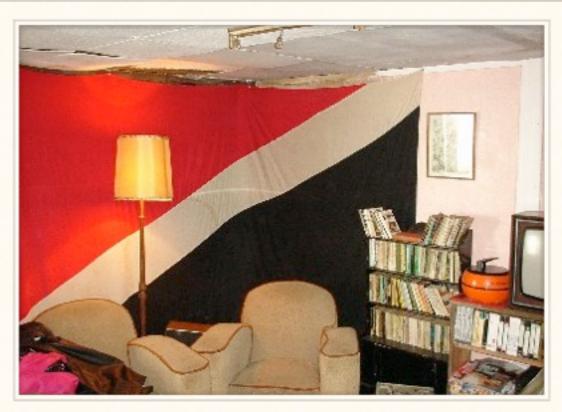




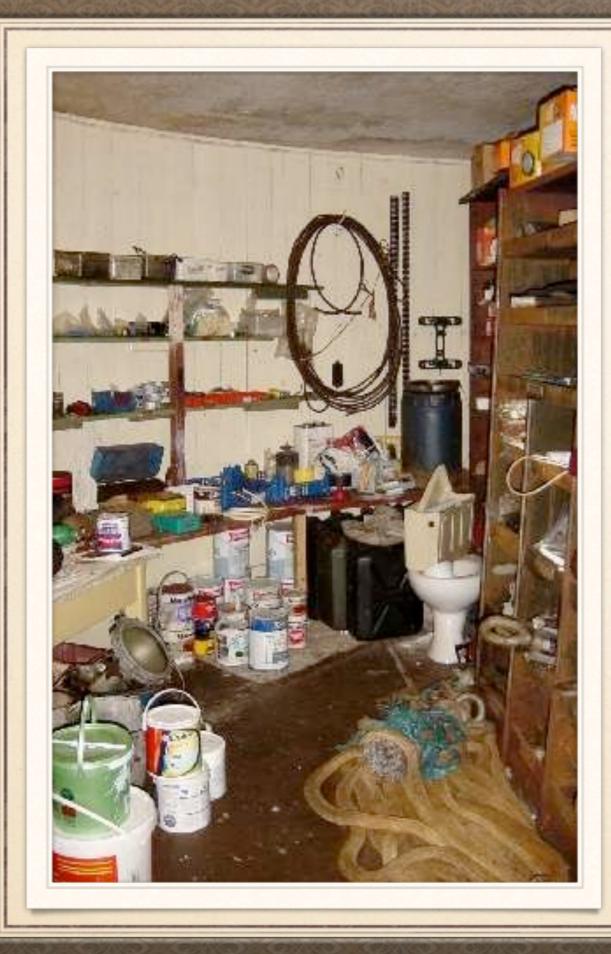




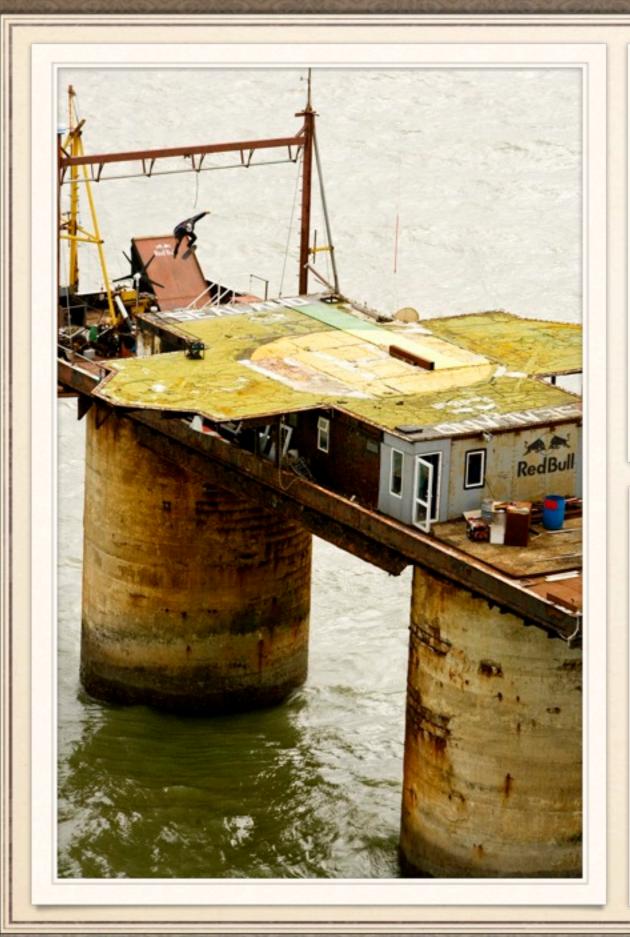
















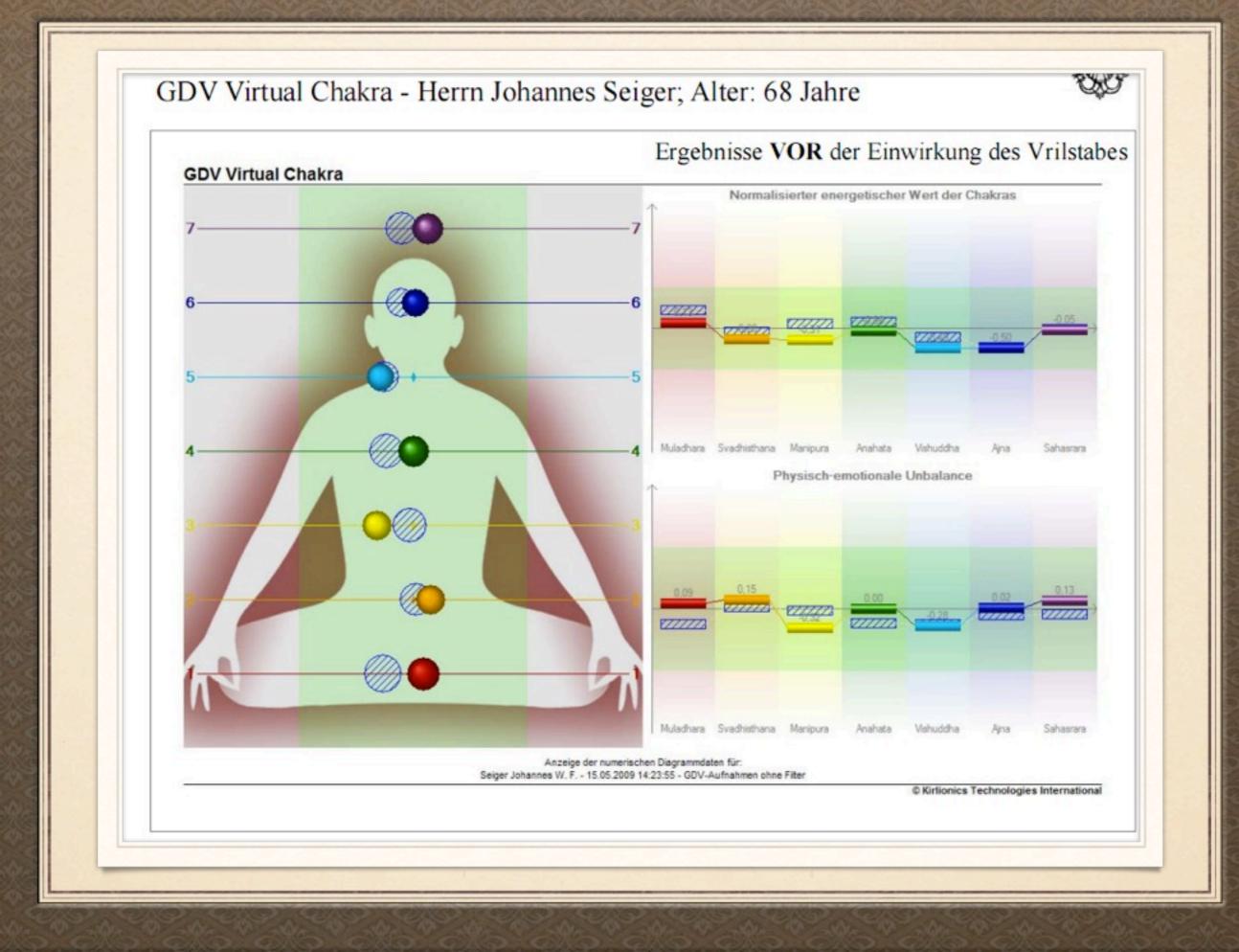




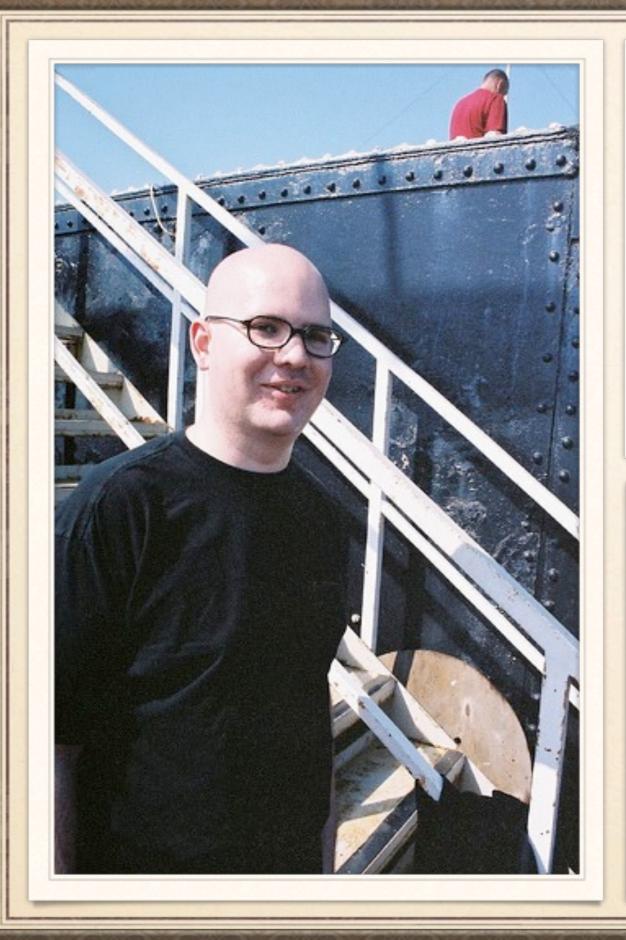














#### HAVENCO: THE RISE

- Data haven subject only to (minimal) Sealand law
  - Strong crypto-libertarian bona fides
  - First-world infrastructure, third-world regulation
  - Legal sovereignty, redundant links, physical security
- Launches in 2000 with a Wired cover story



#### HAVENCO: THE FALL

Never more than a dozen customers, mostly gambling

- The huge server racks were a myth; bandwidth was low
- Relationship with Sealand deteriorates
  - Sealand advisors have low tolerance for copyright risks
- Transition to Sealand control at first amicable, then not
- "Under new management" HavenCo gradually peters out





## II. INTERPRETATION

### TWO RELATED QUESTIONS

What was HavenCo's relationship to law?

National law

International law

Sealand law

Why did HavenCo fail?

#### NATIONAL LAW

HavenCo existed to undermine national laws and policies

- Its business model was extreme regulatory arbitrage:
  "Our customers don't want to break the law; they want a different set of laws they can comply with."
- But arguably, there wasn't much demand for its product:
  - Offshoring data doesn't suffice for real-world businesses
  - And true scofflaws don't need the veneer of legitimacy

#### INTERNATIONAL LAW

- HavenCo was a reseller of Sealand's sovereignty
  - Clients may pragmatically have concluded that Sealand's claims to independence were unlikely to stand up
  - The one court to face the issue squarely rejected them
- HavenCo's theory of government was minimalist:
  - One person suffices for a state
  - A passport stamp constitutes diplomatic recognition

#### INTERLUDE

- HavenCo rejects essentially all forms of national law
  - But is completely dependent on international law
- These two positions can be reconciled, if
  - Law is an autonomous system of binding rules
  - Human, political institutions are normatively irrelevant
- This is a thin vision of the rule of law

#### SEALAND LAW

- In the end, Sealand nationalized HavenCo
  - HavenCo couldn't object without undermining itself
- Sealand is a rule-of-law failure
  - An absolute monarch surrounded by courtiers
  - Frequent but irregular state violence
  - No professional judiciary, independent press, parties, etc.

#### ON THE RULE OF LAW

HavenCo got exactly what it wanted in Sealand:

- A minimal state, shielded by international law from interference, but with no domestic legal system of its own
- Sealand "law" was as thin and formalistic as it could be
- But this thin version of the rule of law doesn't work
- Laws don't protect people; people (using law) protect people

### III. IMPLICATION

#### CAN DATA ESCAPE LEVIATHAN?

- Neal Stephenson's Cryptonomicon\_gets it more right
  - Kinakuta is large, old, and oil-rich
- For cyberlibertarians, the physical body is an embarrassment
  - HavenCo's territoriality was theoretically anomalous
  - The pure vision imagines wholly online societies
  - But there is a problem ...

#### PURELY ONLINE STATES?

E.g., virtual worlds present a double problematic:

- Leviathan threatens to control them from without
- Leviathan reappears inside, in the form of the game gods
- We can solve either, but never both at the same time
  - Some form of law is inevitable for online spaces
- The Internet needs its Madisons

