1	CONSUMER PROTECTION AMENDMENTS
2	2004 GENERAL SESSION
3	STATE OF UTAH
4	Sponsor: Sheryl L. Allen
5	
6	LONG TITLE
7	General Description:
8	This bill modifies provisions of the Commerce and Trade Code dealing with the duties
9	of the Division of Consumer Protection.
10	Highlighted Provisions:
11	This bill:
12	 modifies certain definitions;
13	 deletes provisions that currently give the Division of Consumer Protection authority
14	to regulate the misuse of personal identifying information;
15	 modifies certain administrative fines imposed for violations of the Utah Consumer
16	Sales Practices Act;
17	 modifies the definition of a credit services organization for purposes of the Credit
18	Services Organizations Act;
19	 clarifies the definition of an assisted marketing plan for purposes of the Business
20	Opportunity Disclosure Act by adding an additional subsection to the definition;
21	 modifies the Charitable Solicitations Act to:
22	• change certain requirements for an application for registration to enable
23	electronic filing; and
24	• exempt certain corporations from the act;
25	 modifies the definitions of a telephone solicitation and a telephone solicitor for
26	purposes of the Telephone Fraud Prevention Act to be consistent with other statutes;
27	and



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28	 makes technical corrections.
29	Monies Appropriated in this Bill:
30	None
31	Other Special Clauses:
32	This bill provides an immediate effective date.
33	Utah Code Sections Affected:
34	AMENDS:
35	13-11-3, as last amended by Chapter 57, Laws of Utah 2000
36	13-11-17, as last amended by Chapters 198 and 237, Laws of Utah 1995
37	13-15-2, as last amended by Chapter 196, Laws of Utah 2001
38	13-21-2, as last amended by Chapter 83, Laws of Utah 1995
39	13-22-6, as last amended by Chapter 187, Laws of Utah 1996
40	13-22-8, as last amended by Chapter 210, Laws of Utah 2001
41	13-26-2, as last amended by Chapter 92, Laws of Utah 1997
42	REPEALS:
43	13-11-4.5, as enacted by Chapter 57, Laws of Utah 2000
44	
45	Be it enacted by the Legislature of the state of Utah:
46	Section 1. Section 13-11-3 is amended to read:
47	13-11-3. Definitions.
48	As used in this chapter:
49	(1) "Charitable solicitation" means any request directly or indirectly for money, credit,
50	property, financial assistance, or any other thing of value on the plea or representation that it
51	will be used for a charitable purpose. A charitable solicitation may be made in any manner,
52	including:
53	(a) any oral or written request, including a telephone request;
54	(b) the distribution, circulation, or posting of any handbill, written advertisement, or
55	
	publication; <u>or</u>
56	publication; <u>or</u>(c) the sale of, offer or attempt to sell, or request of donations for any book, card,
56 57	-
	(c) the sale of, offer or attempt to sell, or request of donations for any book, card,

59	with which any appeal is made for any charitable purpose, or where the name of any charitable
60	organization or movement is used or referred to as an inducement or reason for making any
61	purchase donation, or where, in connection with any sale or donation, any statement is made
62	that the whole or any part of the proceeds of any sale or donation will go to or be donated to
63	any charitable purpose. A charitable solicitation is considered complete when made, whether
64	or not the organization or person making the solicitation receives any contribution or makes
65	any sale.
66	(2) (a) "Consumer transaction" means a sale, lease, assignment, award by chance, or
67	other written or oral transfer or disposition of goods, services, or other property, both tangible
68	and intangible (except securities and insurance)[, including the use or misuse of personal
69	identifying information of any person in relation to a consumer transaction] to, or apparently to,
70	a person for <u>:</u>
71	(i) primarily personal, family, or household purposes[,]; or [for]
72	(ii) purposes that relate to a business opportunity that requires [both his]:
73	(A) expenditure of money or property [and his] by the person described in Subsection
74	<u>(2)(a); and</u>
75	(B) the person described in Subsection (2)(a) to perform personal services on a
76	continuing basis and in which [he] the person described in Subsection (2)(a) has not been
77	previously engaged[, or a solicitation or offer by a supplier].
78	(b) "Consumer transaction" includes:
79	(i) any of the following with respect [to any of these transfers or dispositions. It
80	includes any offer or solicitation, any agreement, any] to a transfer or disposition described in
81	Subsection (2)(a):
82	(A) an offer;
83	(B) a solicitation;
84	(C) an agreement; or
85	(D) performance of an agreement [with respect to any of these transfers or dispositions,
86	and any]; or
87	(ii) a charitable solicitation [as defined in this section].
88	(3) "Enforcing authority" means the Division of Consumer Protection.
89	(4) "Final judgment" means a judgment, including any supporting opinion, that

- determines the rights of the parties and concerning which appellate remedies have beenexhausted or the time for appeal has expired.
- 92 (5) "Person" means an individual, corporation, government, governmental subdivision
 93 or agency, business trust, estate, trust, partnership, association, cooperative, or any other legal
 94 entity.
- 95 (6) "Supplier" means a seller, lessor, assignor, offeror, broker, or other person who
 96 regularly solicits, engages in, or enforces consumer transactions, whether or not he deals
 97 directly with the consumer.
- 98 99

Section 2. Section **13-11-17** is amended to read:

- 13-11-17. Actions by enforcing authority.
- 100 (1) The enforcing authority may bring an action:
- 101 (a) to obtain a declaratory judgment that an act or practice violates this chapter;
- (b) to enjoin, in accordance with the principles of equity, a supplier who has violated,is violating, or is otherwise likely to violate this chapter; and
- (c) to recover, for each violation, actual damages, or obtain relief under Subsection
 (2)(b), on behalf of consumers who complained to the enforcing authority within a reasonable
 time after it instituted proceedings under this chapter.
- 107 (2) (a) The enforcing authority may bring a class action on behalf of consumers for the 108 actual damages caused by an act or practice specified as violating this chapter in a rule adopted 109 by the enforcing authority under Subsection 13-11-8(2) before the consumer transactions on which the action is based, or declared to violate Section 13-11-4 or 13-11-5 by final judgment 110 111 of courts of general jurisdiction and appellate courts of this state that was either reported 112 officially or made available for public dissemination under Subsection 13-11-7(1)(c) by the 113 enforcing authority ten days before the consumer transactions on which the action is based, or, 114 with respect to a supplier who agreed to it, was prohibited specifically by the terms of a consent 115 judgment that became final before the consumer transactions on which the action is based.
- (b) (i) On motion of the enforcing authority and without bond in an action under this
 Subsection (2), the court may make appropriate orders, including appointment of a master or
 receiver or sequestration of assets, but only if it appears that the defendant is threatening or is
 about to remove, conceal, or dispose of the defendant's property to the damage of persons for
 whom relief is requested. An appropriate order may include an order:

121 (A) to reimburse consumers found to have been damaged;

122 (B) to carry out a transaction in accordance with consumers' reasonable expectations;

123 (C) to strike or limit the application of unconscionable clauses of contracts to avoid an124 unconscionable result; or

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(D) to grant other appropriate relief.

126 (ii) The court may assess the expenses of a master or receiver against a supplier.

(c) If an act or practice that violates this chapter unjustly enriches a supplier and
damages can be computed with reasonable certainty, damages recoverable on behalf of
consumers who cannot be located with due diligence shall be transferred to the state treasurer
pursuant to Title 67, Chapter 4a, Unclaimed Property Act.

(d) If a supplier shows by a preponderance of the evidence that a violation of this
chapter resulted from a bona fide error notwithstanding the maintenance of procedures
reasonably adapted to avoid the error, recovery under <u>this</u> Subsection (2) is limited to the
amount, if any, by which the supplier was unjustly enriched by the violation.

(e) An action may not be brought by the enforcing authority under <u>this</u> Subsection (2)
more than two years after the occurrence of a violation of this chapter.

(3) (a) The enforcing authority may terminate an investigation or an action other than a
class action upon acceptance of the supplier's written assurance of voluntary compliance with
this chapter. Acceptance of an assurance may be conditioned on a commitment to reimburse
consumers or take other appropriate corrective action.

(b) An assurance is not evidence of a prior violation of this chapter. Unless an
assurance has been rescinded by agreement of the parties or voided by a court for good cause,
subsequent failure to comply with the terms of an assurance is prima facie evidence of a
violation.

(4) (a) In addition to other penalties and remedies set out under this chapter, and in
addition to its other enforcement powers under Title 13, Chapter 2, Division of Consumer
Protection, the division director may issue a cease and desist order and impose an
administrative fine of up to [\$1,000] \$5,000 for each violation of this chapter.

(b) All money received through administrative fines imposed under this section shall
be deposited in the Consumer Protection Education and Training Fund created by Section
13-2-8.

152	Section 3. Section 13-15-2 is amended to read:
152	13-15-2. Definitions.
155	As used in this chapter:
155	(1) (a) "Assisted marketing plan" means the sale or lease of any products, equipment,
156	supplies, or services that are sold to the purchaser upon payment of an initial required
157	consideration of \$300 or more for the purpose of enabling the purchaser to start a business, and
158	in which the seller represents:
159	(i) that the seller will provide locations or assist the purchaser in finding locations for
160	the use or operation of vending machines, racks, display cases, or other similar devices, or
161	currency operated amusement machines or devices, on premises neither owned nor leased by
162	the purchaser or seller;
163	(ii) that the seller will purchase any or all products made, produced, fabricated, grown,
164	or modified by the purchaser, using in whole or in part the supplies, services, or chattels sold to
165	the purchaser;
166	(iii) that the seller will provide the purchaser with a guarantee that the purchaser will
167	receive income from the assisted marketing plan that exceeds the price paid for the assisted
168	marketing plan, or repurchase any of the products, equipment, supplies, or chattels supplied by
169	the seller if the purchaser is dissatisfied with the assisted marketing plan; [or]
170	(iv) that upon payment by the purchaser of a fee or sum of money, which exceeds
171	\$300 to the seller, the seller will provide a sales program or marketing program that will enable
172	the purchaser to derive income from the assisted marketing plan that exceeds the price paid for
173	the marketing plan[-]: or
174	(v) that the seller will provide advice or training:
175	(A) to the purchaser by the seller or a person recommended by the seller; and
176	(B) pertaining to the sale of products, equipment, supplies, or services, including the
177	preparation or provision of:
178	(I) promotional literature, brochures, pamphlets, or advertising material;
179	(II) training regarding the promotion, operation, or management of the business
180	opportunity; or
181	(III) operational, managerial, technical, or financial guidelines or assistance.
182	(b) "Assisted marketing plan" does not include:

183 (i) the sale of an ongoing business when the owner of that business sells and intends to 184 sell only that one assisted marketing plan; 185 (ii) not-for-profit sale of sales demonstration equipment, materials, or samples for a 186 total price of \$300 or less; or 187 (iii) the sale of a package franchise or a product franchise defined by and in compliance 188 with Federal Trade Commission rules governing franchise and business opportunity ventures. 189 (c) As used in Subsection (1)(a)(iii) "guarantee" means a written agreement, signed by 190 the purchaser and seller, disclosing the complete details and any limitations or exceptions of 191 the agreement. 192 (2) "Business opportunity" means an assisted marketing plan subject to this chapter. 193 (3) "Division" means the Division of Consumer Protection of the Department of 194 Commerce. 195 (4) (a) "Initial required consideration" means the total amount a purchaser is obligated 196 to pay under the terms of the assisted marketing plan, either prior to or at the time of delivery 197 of the products, equipment, supplies, or services, or within six months of the commencement 198 of operation of the assisted marketing plan by the purchaser. If payment is over a period of 199 time, "initial required consideration" means the sum of the down payment and the total 200 monthly payments. 201 (b) "Initial required consideration" does not mean the not-for-profit sale of sales 202 demonstration equipment, materials, or supplies for a total price of less than \$300. 203 (5) "Person" means any natural person, corporation, partnership, organization, 204 association, trust, or any other legal entity. 205 (6) "Purchaser" means a person who becomes obligated to pay for an assisted 206 marketing plan. 207 (7) "Registered trademark" or "service mark" means a trademark, trade name, or 208 service mark registered with the United States Patent and Trademark Office, or Utah, or the 209 state of incorporation if a corporation. 210 (8) "Seller" means a person who sells or offers to sell an assisted marketing plan. 211 Section 4. Section 13-21-2 is amended to read: 212 13-21-2. Definitions -- Exemptions. 213 As used in this chapter:

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214	(1) "Buyer" means an individual who is solicited to purchase or who purchases the
215	services of a credit services organization.
216	(2) "Credit reporting agency" means a person that, for a monetary fee, dues, or on a
217	cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling
218	or evaluating consumer credit information or other information on consumers for the purpose
219	of furnishing consumer reports to third persons.
220	(3) (a) "Credit services organization" means a person who, with respect to the
221	extension of credit by others, sells, provides, or performs, or represents that the person can or
222	will sell, provide, or perform, in return for the payment of money or other valuable
223	consideration any of the following services:
224	(i) improving a buyer's credit record, history, or rating;
225	(ii) obtaining an extension of credit for a buyer; [or]
226	(iii) providing advice, assistance, instruction, or instructional materials to a buyer with
227	regard to either Subsection (3)(a)(i) or (ii)[-]:
228	(iv) debt reduction or debt management plans;
229	(v) represent itself or its employee as a debt professional or credit counselor; or
230	(vi) negotiate with a buyer's creditor.
231	(b) "Credit services organization" does not include:
232	(i) a person authorized to make loans or extensions of credit under the laws of this state
233	or the United States who is subject to regulation and supervision by this state or the United
234	States and who derives at least 35% of the person's income from making loans and extensions
235	of credit;
236	(ii) a depository institution as defined in Section 7-1-103;
237	(iii) a person licensed as a real estate broker by this state if the person is acting within
238	the course and scope of that license;
239	(iv) a person licensed to practice law in this state if the person renders services within
240	the course and scope of the person's practice as an attorney;
241	(v) a broker-dealer registered with the Securities and Exchange Commission or the
242	Commodity Futures Trading Commission if the broker-dealer is acting within the course and
243	scope of that regulation; or
244	(vi) a credit reporting agency.

245	(4) "Extension of credit" means the right to defer payment of debt or to incur debt and
246	defer its payment, offered or granted primarily for personal, family, or household purposes.
247	Section 5. Section 13-22-6 is amended to read:
248	13-22-6. Application for registration.
249	(1) An applicant for registration or renewal of registration as a charitable organization
250	shall:
251	(a) pay an application fee as determined under Section 63-38-3.2; and
252	(b) submit [a written] an application[, verified under oath,] on a form approved by the
253	division which shall include:
254	(i) the organization's name, address, telephone number, facsimile number, if any, and
255	the names and addresses of any organizations or persons controlled by, controlling, or affiliated
256	with the applicant;
257	(ii) the specific legal nature of the organization, that is, whether it is an individual, joint
258	venture, partnership, limited liability company, corporation, association, or other entity;
259	(iii) the names and residence addresses of the officers and directors of the organization;
260	(iv) the name and address of the registered agent for service of process and a consent to
261	service of process;
262	(v) the purpose of the solicitation and use of the contributions to be solicited;
263	(vi) the method by which the solicitation will be conducted and the projected length of
264	time it is to be conducted;
265	(vii) the anticipated expenses of the solicitation, including all commissions, costs of
266	collection, salaries, and any other items;
267	(viii) a statement of what percentage of the contributions collected as a result of the
268	solicitation are projected to remain available for application to the charitable purposes declared
269	in the application, including a satisfactory statement of the factual basis for the projected
270	percentage;
271	(ix) a statement of total contributions collected or received by the organization within
272	the calendar year immediately preceding the date of the application, including a description of
273	the expenditures made from or the use made of the contributions;
274	(x) a copy of any written agreements with any professional fund raiser involved with
275	the solicitation;

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- (xi) disclosure of any injunction, judgment, or administrative order or conviction of
 any crime involving moral turpitude with respect to any officer, director, manager, operator, or
 principal of the organization;
- (xii) a copy of all agreements to which the applicant is, or proposes to be, a party
 regarding the use of proceeds for the solicitation or fundraising;
- (xiii) a statement of whether or not the charity, or its parent foundation, will be using
 the services of a professional fund raiser or of a professional fund raising counsel or consultant;
- (xiv) if either the charity or its parent foundation will be using the services of a
 professional fund raiser or a professional fund raising counsel or consultant:
 - (A) a copy of all agreements related to the services; and
- (B) an acknowledgment that fund raising in the state will not commence until both the
 charitable organization, its parent foundation, if any, and the professional fund raiser or
 professional fund raising counsel or consultant are registered and in compliance with this
 chapter; and
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(xv) any additional information the division may require by rule.

- (2) If any information contained in the application for registration becomes incorrect or
 incomplete, the applicant or registrant shall, within 30 days after the information becomes
 incorrect or incomplete, correct the application or file the complete information required by the
 division.
- (3) In addition to the registration fee, an organization failing to file a registration
 application or renewal by the due date or filing an incomplete registration application or
 renewal shall pay an additional fee of \$25 for each month or part of a month after the date on
 which the registration application or renewal were due to be filed.
- 299 Section 6. Section 13-22-8 is amended to read:
- 300 **13-22-8.** Exemptions.
- 301 (1) Section 13-22-5 does not apply to:
- 302 (a) a solicitation that an organization conducts among its own established and bona fide
 303 membership exclusively through the voluntarily donated efforts of other members or officers of
 304 the organization;
- 305
 - (b) a bona fide religious, ecclesiastical, or denominational organization if:
- 306 (i) the solicitation is made for a church, missionary, religious, or humanitarian purpose;

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307 and 308 (ii) the organization is either: 309 (A) a lawfully organized corporation, institution, society, church, or established 310 physical place of worship, at which nonprofit religious services and activities are regularly 311 conducted and carried on; 312 (B) a bona fide religious group: (I) that does not maintain specific places of worship; 313 314 (II) that is not subject to federal income tax; and 315 (III) not required to file an IRS Form 990 under any circumstance; or 316 (C) a separate group or corporation that is an integral part of an institution that is an 317 income tax exempt organization under 26 U.S.C. Sec. 501(c)(3) and is not primarily supported 318 by funds solicited outside its own membership or congregation; 319 (c) a solicitation by a broadcast media owned or operated by an educational institution 320 or governmental entity, or any entity organized solely for the support of that broadcast media; 321 (d) except as provided in Subsection 13-22-21(1), a solicitation for the relief of any 322 person sustaining a life-threatening illness or injury specified by name at the time of solicitation if the entire amount collected without any deduction is turned over to the named 323 324 person; 325 (e) a political party authorized to transact its affairs within this state and any candidate 326 and campaign worker of the party if the content and manner of any solicitation make clear that 327 the solicitation is for the benefit of the political party or candidate; 328 (f) a political action committee or group soliciting funds relating to issues or candidates 329 on the ballot if the committee or group is required to file financial information with a federal or 330 state election commission; 331 (g) any school accredited by the state, any accredited institution of higher learning, or 332 club or parent, teacher, or student organization within and authorized by the school in support 333 of the operations or extracurricular activities of the school; 334 (h) a public or higher education foundation established under Title 53A or 53B; 335 (i) a television station, radio station, or newspaper of general circulation that donates 336 air time or print space for no consideration as part of a cooperative solicitation effort on behalf 337 of a charitable organization, whether or not that organization is required to register under this

338	chapter;
339	(j) a volunteer fire department, rescue squad, or local civil defense organization whose
340	financial oversight is under the control of a local governmental entity; [and]
341	(k) any governmental unit of any state or the United States[-]: and
342	(1) any corporation:
343	(i) established by an act of the United States Congress; and
344	(ii) that is required by federal law to submit an annual report:
345	(A) on the activities of the corporation, including an itemized report of all receipts and
346	expenditures of the corporation; and
347	(B) to the United States Secretary of Defense to be:
348	(I) audited; and
349	(II) submitted to the United States Congress.
350	(2) Any organization claiming an exemption under this section bears the burden of
351	proving its eligibility for, or the applicability of, the exemption claimed.
352	(3) Each organization exempt from registration pursuant to this section that makes a
353	material change in its legal status, officers, address, or similar changes shall file a report
354	informing the division of its current legal status, business address, business phone, officers, and
355	primary contact person within 30 days of the change.
356	(4) The division may by rule:
357	(a) require organizations exempt from registration pursuant to this section to file a
358	notice of claim of exemption;
359	(b) prescribe the contents of the notice of claim; and
360	(c) require a filing fee for the notice, as determined under Section 63-38-3.2.
361	Section 7. Section 13-26-2 is amended to read:
362	13-26-2. Definitions.
363	As used in this chapter, unless the context otherwise requires:
364	(1) "Continuity plan" means a shipment, with the prior express consent of the buyer, at
365	regular intervals of similar special-interest products. A continuity plan is distinguished from a
366	subscription arrangement by no binding commitment period or purchase amount.
367	(2) "Division" means the Division of Consumer Protection.
368	(3) "Fictitious personal name" means a name other than an individual's true name. An

369 "individual's true name" is the name taken at birth unless changed by operation of law or by370 civil action.

371 (4) "Material statement" or "material fact" means information that a person of ordinary
372 intelligence or prudence would consider important in deciding whether or not to accept an offer
373 extended through a telephone solicitation.

(5) "Premium" means a gift, bonus, prize, award, certificate, or other document by
which a prospective purchaser is given a right, chance, or privilege to purchase or receive
goods or services with a stated or represented value of \$25 or more as an inducement to a
prospective purchaser to purchase other goods or services.

(6) "Subscription arrangements," "standing order arrangements," "supplements," and
"series arrangements" mean products or services provided, with the prior express request or
consent of the buyer, for a specified period of time at a price dependent on the duration of
service and to complement an initial purchase.

382 (7) (a) "Telephone solicitation," "sale," "selling," or "solicitation of sale" means:

383 (i) a sale or solicitation of goods or services in which:

[(i) (A)] (A) (I) the seller solicits the sale over the telephone;

385 [(B)] (II) the purchaser's agreement to purchase is made over the telephone; and

386 [(C)] (III) the purchaser, over the telephone, pays for or agrees to commit to payment
 387 for goods or services prior to or upon receipt by the purchaser of the goods or services;

388 [(ii)] (B) the solicitor, not exempt under Section 13-26-4, induces a prospective 389 purchaser over the telephone, to make and keep an appointment that directly results in the 390 purchase of goods or services by the purchaser that would not have occurred without the 391 telephone solicitation and inducement by the solicitor;

392 [(iii)] (C) the seller offers or promises a premium to a prospective purchaser if:

393 [(A)] (I) the seller induces the prospective purchaser to initiate a telephone contact with
 394 the telephone soliciting business; and

395

[(B)] (II) the resulting solicitation meets the requirements of Subsection (7)(a); or

396 [(iv)] (D) the solicitor solicits a charitable donation involving the exchange of any

397 premium, prize, gift, ticket, subscription, or other benefit in connection with any appeal made

for a charitable purpose by an organization that is not otherwise exempt under Subsection
13-26-4(2)(b)(iv)[-]; or

400	(ii) a telephone solicitation as defined in Section 13-25a-102.
401	(b) A solicitation of sale or telephone solicitation is considered complete when made,
402	whether or not the person receiving the solicitation agrees to the sale or to make a charitable
403	donation.
404	(8) "Telephone soliciting business" means a sole proprietorship, partnership, limited
405	liability company, corporation, or other association of individuals engaged in a common effort
406	to solicit sales regulated under this chapter.
407	(9) "Telephone solicitor" or "solicitor" means a person, partnership, limited liability
408	company, corporation, or other entity that:
409	(a) makes, places, or receives telephone calls for the purpose of selling or solicitation
410	of sales as defined in Subsection (7) over the telephone, whether the calls originate in Utah or
411	are received in Utah[-]; or
412	(b) is defined as a telephone solicitor in Section 13-25a-102.
413	Section 8. Repealer.
414	This bill repeals:
415	Section 13-11-4.5, Deceptive act or practice by person other than a supplier.
416	Section 9. Effective date.
417	If approved by two-thirds of all the members elected to each house, this bill takes effect
418	upon approval by the governor, or the day following the constitutional time limit of Utah
419	Constitution Article VII, Section 8, without the governor's signature, or in the case of a veto,
420	the date of veto override.

Legislative Review Note as of 12-22-03 7:41 AM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel