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**BLOCKCHAIN LIABILITY AMENDMENTS**

2023 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Kirk A. Cullimore**

House Sponsor: \_\_\_\_\_

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**LONG TITLE**

**General Description:**

This bill creates a judicial cause of action and an agency action for the reversal of certain transactions occurring on a blockchain.

**Highlighted Provisions:**

This bill:

- ▶ defines terms;
- ▶ creates a cause of action for fraudulent transactions that have been committed on a blockchain that has specific technology implemented to allow reversal of transactions;
- ▶ creates an administrative agency action for fraudulent transactions that have been committed on a blockchain that has specific technology implemented to allow reversal of transactions; and
- ▶ authorizes the Attorney General's Office to operate a node on a blockchain that allows the Attorney General's Office to reverse a fraudulent transaction on a blockchain.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**



28 ENACTS:

29 [13-63-101](#), Utah Code Annotated 1953

30 [13-63-201](#), Utah Code Annotated 1953

31 [13-63-202](#), Utah Code Annotated 1953

32 [67-5-39](#), Utah Code Annotated 1953

33 [78B-3-112](#), Utah Code Annotated 1953

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35 *Be it enacted by the Legislature of the state of Utah:*

36 Section 1. Section [13-63-101](#) is enacted to read:

37 **[13-63-101](#).**

38 As used in this chapter:

39 (1) "Blockchain" means the same as that term is defined in Section [78B-3-112](#).

40 (2) "Claimant" means a person that brings a claim under this chapter.

41 (3) "Division" means the Division of Consumer Protection created in Section [13-2-1](#).

42 (4) "Fraudulent transaction" means the same as that term is defined in Section

43 [78B-3-112](#).

44 (5) "Reversible blockchain" means the same as that term is defined in Section

45 [78B-3-112](#).

46 (6) "Sheriff node" means the same as that term is defined in Section [78B-3-112](#).

47 (7) "Transaction" means the same as that term is defined in Section [78B-3-112](#).

48 Section 2. Section [13-63-201](#) is enacted to read:

49 **[13-63-201](#). Prohibited practices -- Claim for fraudulent transaction.**

50 (1) A claimant may bring a claim to the division for a fraudulent transaction that occurs  
51 on a reversible blockchain.

52 (2) To bring a claim for a fraudulent transaction under this section, a claimant must  
53 show that:

54 (a) the transaction occurred on a reversible blockchain;

55 (b) the transaction was a fraudulent transaction;

56 (c) the claimant entered into the transaction with reasonable reliance on another  
57 person's:

58 (i) fraudulent representation;

- 59 (ii) omission of material fact; or
- 60 (iii) use of a false or stolen identity; and
- 61 (d) the claimant was damaged as a result of such reliance.

62 Section 3. Section **13-63-202** is enacted to read:

63 **13-63-202. Enforcement.**

64 (1) After the receipt of a claim brought under this chapter, the division shall conduct an  
65 adjudicative proceeding, in accordance with Title 63G, Chapter 4, Administrative Procedures  
66 Act, to enforce the provisions of this chapter.

67 (2) The division shall make rules, in accordance with Title 63G, Chapter 3, Utah  
68 Administrative Rulemaking Act, to carry out the adjudicative proceeding described in  
69 Subsection (1).

70 (3) The exclusive remedy for a claim brought under this chapter is the reversal of the  
71 fraudulent transaction by the Office of the Attorney General.

72 (4) Upon a finding of a fraudulent transaction after an adjudicative proceeding  
73 conducted in accordance with Subsection (1), the department shall issue an order to the Office  
74 of the Attorney General to reverse the fraudulent transaction by operation of the sheriff node on  
75 a reversible blockchain.

76 (5) The remedy provided in this chapter is in addition to all other causes of actions,  
77 remedies, duties, prohibitions, and penalties provided by law.

78 Section 4. Section **67-5-39** is enacted to read:

79 **67-5-39. Sheriff Node Program.**

80 (1) As used in this section:

- 81 (a) "Blockchain" means the same as that term is defined in Section [78B-3-112](#).
- 82 (b) "Division" means the Division of Consumer Protection created in Section [13-2-1](#).
- 83 (c) "Reversible blockchain" means the same as that term is defined in Section  
84 [78B-3-112](#).

85 (d) "Sheriff node" means the same as that term is defined in Section [78B-3-112](#).

86 (e) "Transaction" means the same as that term is defined in Section [78B-3-112](#).

87 (2) (a) There is created a program known as the "Sheriff Node Program" within the  
88 Office of the Attorney General to operate a sheriff node on a reversible blockchain.

89 (b) The attorney general shall administer the program with funds available for this

90 purpose.

91 (3) The attorney general shall operate the program only to reverse a transaction on a  
92 reversible blockchain upon receipt of:

93 (a) a court order issued under Section [78B-3-112](#);

94 (b) an award issued in a valid and binding arbitration; or

95 (c) an administrative order from the division, issued in accordance with Section  
96 [13-63-202](#).

97 (4) The attorney general may make rules in accordance with Title 63G, Chapter 3, Utah  
98 Administrative Rulemaking Act, to carry out the program.

99 Section 5. Section **78B-3-112** is enacted to read:

100 **78B-3-112. Action for fraudulent transaction on a reversible blockchain.**

101 (1) As used in this section:

102 (a) "Blockchain" means a digital ledger of transactions:

103 (i) that is distributed across multiple nodes;

104 (ii) that is mathematically verified; and

105 (iii) where the validity of transactions is maintained by consensus of nodes.

106 (b) "Blockchain administrator" means a person that is responsible for maintaining and  
107 overseeing a blockchain.

108 (c) "Division" means the Division of Consumer Protection created in Section [13-2-1](#).

109 (d) "Fraudulent transaction" means a transaction that a person undertakes with the  
110 intent to deceive another person, including a transaction that involves:

111 (i) false representation;

112 (ii) omissions of material fact; or

113 (iii) the use of a false or stolen identity.

114 (e) "Node" means a computer connected to a blockchain.

115 (f) "Proof of identity" means government-issued identification that contains the  
116 following information:

117 (i) a person's name;

118 (ii) an individual's date of birth;

119 (iii) a person's address, which is:

120 (A) for an individual, a residential or business street address;

121 (B) for an individual who does not have a residential or business street address, a Post  
122 Office box number or the residential or business street address of next of kin or of another  
123 contact individual; or

124 (C) for a person other than an individual, the principal place of business; and

125 (iv) an identification number, which is:

126 (A) for a United States person, a taxpayer identification number; or

127 (B) for a non-United States person, a taxpayer identification number, passport number  
128 and country of issuance, alien identification card number, or the number and country of  
129 issuance of any other government-issued document evidencing nationality or residence and  
130 bearing a photograph or similar safeguard.

131 (g) "Reversible blockchain" means a blockchain that:

132 (i) requires the blockchain's users to:

133 (A) provide proof of identity to the blockchain administrator;

134 (B) acknowledge and agree that all transactions occurring on the blockchain are subject  
135 to reversal by a sheriff node; and

136 (C) agree to be subject to jurisdiction of a court in Utah; and

137 (ii) requires the blockchain administrator to:

138 (A) verify a user's identity by checking the user's proof of identity against

139 government-issued identification databases; and

140 (B) maintain records of a user's proof of identity for a minimum of five years.

141 (h) "Sheriff node" means a computer that:

142 (i) is connected to a reversible blockchain;

143 (ii) is administered by the Office of the Attorney General; and

144 (iii) allows the Office of the Attorney General to reverse a fraudulent transaction upon  
145 receipt of:

146 (A) a court order issued under this section;

147 (B) an award issued in a valid and binding arbitration; or

148 (C) an administrative order from the division, issued in accordance with Section

149 [13-63-202](#).

150 (i) "Transaction" means the transfer of digital assets, rights, privileges, or obligations  
151 from one person to another that occurs on a blockchain.

- 152 (j) (i) "User" means a person that interacts with a blockchain.
- 153 (ii) "User" includes a person that is:
- 154 (A) sending or receiving transactions;
- 155 (B) accessing data stored on the blockchain;
- 156 (C) participating in consensus or governance mechanisms;
- 157 (D) running a node on the blockchain;
- 158 (E) interacting with smart contracts or decentralized applications; or
- 159 (F) holding or managing digital assets.
- 160 (2) A plaintiff may bring a cause of action against a person to reverse a transaction on a
- 161 blockchain if:
- 162 (a) the transaction occurred on a reversible blockchain;
- 163 (b) the transaction was a fraudulent transaction;
- 164 (c) the plaintiff entered into the transaction with reasonable reliance on the person's:
- 165 (i) fraudulent representation;
- 166 (ii) omission of material fact; or
- 167 (iii) use of a false or stolen identity; and
- 168 (d) the plaintiff was injured as a result of that reasonable reliance.
- 169 (3) Upon a finding of a fraudulent transaction, the court shall issue an order to the
- 170 Office of the Attorney General to reverse the fraudulent transaction in accordance with Section
- 171 [67-5-39](#).