

Senator Kirk A. Cullimore proposes the following substitute bill:

BLOCKCHAIN LIABILITY AMENDMENTS

2023 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Kirk A. Cullimore

House Sponsor: Jordan D. Teuscher

LONG TITLE

General Description:

This bill creates a judicial cause of 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; 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:

ENACTS:



26 [67-5-39](#), Utah Code Annotated 1953

27 [78B-3-112](#), Utah Code Annotated 1953

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

30 Section 1. Section [67-5-39](#) is enacted to read:

31 **[67-5-39. Sheriff Node Program.](#)**

32 (1) As used in this section:

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

34 (b) "Reversible blockchain" means the same as that term is defined in Section
35 [78B-3-112](#).

36 (c) "Sheriff node" means a computer that:

37 (i) is connected to a reversible blockchain;

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

39 (iii) allows the Office of the Attorney General to reverse a mistaken or fraudulent
40 transaction upon receipt of:

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

42 (B) an award issued in a valid and binding arbitration.

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

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

46 (b) The attorney general shall administer the program with funds available for this
47 purpose.

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

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

51 (b) an award issued in a valid and binding arbitration.

52 (4) The attorney general may make rules in accordance with Title 63G, Chapter 3, Utah
53 Administrative Rulemaking Act, to carry out the program, including to:

54 (a) establish the number of reversible blockchains for which the attorney general may
55 administer a sheriff node;

56 (b) charge and assess fees and costs for the operation of a sheriff node on a reversible

57 blockchain;

58 (c) establish criteria for determining the validity of an arbitration award; and

59 (d) establish other rules reasonably necessary to efficiently carry out the sheriff node
60 program.

61 Section 2. Section **78B-3-112** is enacted to read:

62 **78B-3-112. Action for mistaken or fraudulent transaction on a reversible**
63 **blockchain.**

64 (1) As used in this section:

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

66 (i) that is distributed across multiple nodes;

67 (ii) that is mathematically verified; and

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

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

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

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

74 (i) false representation;

75 (ii) omissions of material fact; or

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

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

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

80 (i) a person's name;

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

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

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

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

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

- 88 (iv) an identification number, which is:
- 89 (A) for a United States person, a taxpayer identification number; or
- 90 (B) for a non-United States person, a taxpayer identification number, passport number
- 91 and country of issuance, alien identification card number, or the number and country of
- 92 issuance of any other government-issued document evidencing nationality or residence and
- 93 bearing a photograph or similar safeguard.
- 94 (g) "Reversible blockchain" means a blockchain that:
- 95 (i) requires the blockchain's users to:
- 96 (A) provide proof of identity to the blockchain administrator;
- 97 (B) acknowledge and agree that all transactions occurring on the blockchain are subject
- 98 to reversal by a sheriff node; and
- 99 (C) agree to be subject to jurisdiction of a court in Utah; and
- 100 (ii) requires the blockchain administrator to:
- 101 (A) verify a user's identity by checking the user's proof of identity against
- 102 government-issued identification databases; and
- 103 (B) maintain records of a user's proof of identity for a minimum of five years.
- 104 (h) "Sheriff node" means the same as that term is defined in Section [67-5-39](#).
- 105 (i) "Transaction" means the transfer of digital assets, rights, privileges, or obligations
- 106 from one person to another that occurs on a blockchain.
- 107 (j) (i) "User" means a person that interacts with a blockchain.
- 108 (ii) "User" includes a person that is:
- 109 (A) sending or receiving transactions;
- 110 (B) accessing data stored on the blockchain;
- 111 (C) participating in consensus or governance mechanisms;
- 112 (D) running a node on the blockchain;
- 113 (E) interacting with smart contracts or decentralized applications; or
- 114 (F) holding or managing digital assets.
- 115 (2) A plaintiff may bring a cause of action against a person to reverse:
- 116 (a) a fraudulent transaction if:
- 117 (i) the transaction occurred on a reversible blockchain;
- 118 (ii) the plaintiff entered into the transaction with reasonable reliance on the person's:

119 (A) fraudulent representation;
120 (B) omission of material fact; or
121 (C) use of a false or stolen identity; and
122 (iii) the plaintiff was injured as a result of that reasonable reliance; or
123 (b) a mistaken transaction if:
124 (i) the transaction occurs on a reversible blockchain;
125 (ii) the transaction resulted in a transfer of assets:
126 (A) to the wrong recipient; or
127 (B) in the wrong amount; and
128 (iii) the recipient's refusal to return the assets resulted in the unjust enrichment of the
129 recipient.
130 (3) Upon a finding of a mistaken or fraudulent transaction, the court shall issue an
131 order to the Office of the Attorney General to reverse the transaction in accordance with
132 Section [67-5-39](#).