

SB0160S01 compared with SB0160

~~{deleted text}~~ shows text that was in SB0160 but was deleted in SB0160S01.

inserted text shows text that was not in SB0160 but was inserted into SB0160S01.

DISCLAIMER: This document is provided to assist you in your comparison of the two bills. Sometimes this automated comparison will NOT be completely accurate. Therefore, you need to read the actual bills. This automatically generated document could contain inaccuracies caused by: limitations of the compare program; bad input data; or other causes.

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: _____

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

SB0160S01 compared with SB0160

- ▶ 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:

~~{ 13-63-101, Utah Code Annotated 1953~~

~~13-63-201, Utah Code Annotated 1953~~

~~13-63-202, Utah Code Annotated 1953~~

~~‡ 67-5-39, Utah Code Annotated 1953~~

~~78B-3-112, Utah Code Annotated 1953~~

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

Section 1. Section ~~{13-63-101}~~67-5-39 is enacted to read:

~~{ 13-63-101.~~

~~As used in this chapter:~~

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

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

~~(3) "Division" means the Division of Consumer Protection created in Section 13-2-1.~~

~~(4) "Fraudulent transaction" means the same as that term is defined in Section 78B-3-112.~~

~~(5) "Reversible blockchain" means the same as that term is defined in Section 78B-3-112.~~

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

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

Section 2. Section ~~13-63-201~~ is enacted to read:

~~13-63-201. Prohibited practices -- Claim for fraudulent transaction:~~

~~(1) A claimant may bring a claim to the division for a fraudulent transaction that occurs~~

SB0160S01 compared with SB0160

on a reversible blockchain.

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

~~—— (a) the transaction occurred on a reversible blockchain;~~

~~—— (b) the transaction was a fraudulent transaction;~~

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

~~—— (i) fraudulent representation;~~

~~—— (ii) omission of material fact; or~~

~~—— (iii) use of a false or stolen identity; and~~

~~—— (d) the claimant was damaged as a result of such reliance.~~

~~—— Section 3. Section ~~13-63-202~~ is enacted to read:~~

~~—— **13-63-202. Enforcement.**~~

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

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

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

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

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

~~—— Section 4. Section ~~67-5-39~~ is enacted to read:~~

~~‡ **67-5-39. Sheriff Node Program.**~~

~~(1) As used in this section:~~

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

SB0160S01 compared with SB0160

~~{ (b) "Division" means the Division of Consumer Protection created in Section 13-2-1.~~

‡ ~~{c}b~~ "Reversible blockchain" means the same as that term is defined in Section 78B-3-112.

~~{d}c~~ "Sheriff node" means ~~{the same as that term is defined in}~~ a computer that:

(i) is connected to a reversible blockchain;

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

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

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

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

~~{e}d~~ "Transaction" means the same as that term is defined in Section 78B-3-112.

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

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

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

(a) a court order issued under Section 78B-3-112; or

(b) an award issued in a valid and binding arbitration ~~{; or}~~.

~~{ (c) an administrative order from the division, issued in accordance with Section 13-63-202.~~

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

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

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

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

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

Section ~~{5}2~~. Section **78B-3-112** is enacted to read:

SB0160S01 compared with SB0160

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

(1) As used in this section:

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

(i) that is distributed across multiple nodes;

(ii) that is mathematically verified; and

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

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

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

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

(i) false representation;

(ii) omissions of material fact; or

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

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

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

(i) a person's name;

(ii) an individual's date of birth;

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

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

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

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

(iv) an identification number, which is:

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

(B) for a non-United States person, a taxpayer identification number, passport number and country of issuance, alien identification card number, or the number and country of issuance of any other government-issued document evidencing nationality or residence and

SB0160S01 compared with SB0160

bearing a photograph or similar safeguard.

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

(i) requires the blockchain's users to:

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

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

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

(ii) requires the blockchain administrator to:

(A) verify a user's identity by checking the user's proof of identity against government-issued identification databases; and

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

(h) "Sheriff node" means ~~fa computer that:~~

~~— (i) is connected to a reversible blockchain;~~

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

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

~~— (A) a court order issued under this section;~~

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

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

~~13-63-202} the same as that term is defined in Section 67-5-39.~~

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

(j) (i) "User" means a person that interacts with a blockchain.

(ii) "User" includes a person that is:

(A) sending or receiving transactions;

(B) accessing data stored on the blockchain;

(C) participating in consensus or governance mechanisms;

(D) running a node on the blockchain;

(E) interacting with smart contracts or decentralized applications; or

(F) holding or managing digital assets.

(2) A plaintiff may bring a cause of action against a person to reverse:

SB0160S01 compared with SB0160

(a) a fraudulent transaction ~~on a blockchain~~ if:

~~(a)i~~ the transaction occurred on a reversible blockchain;

~~(b) the transaction was a fraudulent transaction;~~

~~(c)ii~~ the plaintiff entered into the transaction with reasonable reliance on the person's:

~~(i)A~~ fraudulent representation;

~~(ii)B~~ omission of material fact; or

~~(iii)C~~ use of a false or stolen identity; and

~~(d)iii~~ the plaintiff was injured as a result of that reasonable reliance;

or

(b) a mistaken transaction if:

(i) the transaction occurs on a reversible blockchain;

(ii) the transaction resulted in a transfer of assets:

(A) to the wrong recipient; or

(B) in the wrong amount; and

(iii) the recipient's refusal to return the assets resulted in the unjust enrichment of the recipient.

(3) Upon a finding of a ~~mistaken or~~ fraudulent transaction, the court shall issue an order to the Office of the Attorney General to reverse the ~~fraudulent~~ transaction in accordance with Section 67-5-39.