1 # DECENTRALIZED AUTONOMOUS ORGANIZATION ACT
2 # AMENDMENTS
3 ## 2024 GENERAL SESSION
4 ## STATE OF UTAH
5 ### Chief Sponsor: Jordan D. Teuscher
6 ### Senate Sponsor: Kirk A. Cullimore

8 **LONG TITLE**

9 **General Description:**

10   This bill makes changes to the Decentralized Autonomous Organization Act.

11 **Highlighted Provisions:**

12   This bill:

13   ▸ clarifies that the Division of Corporations and Commercial Code files a

14 decentralized autonomous organization's certificate of organization and does not

15 issue a certificate of organization;

16   ▸ makes modifications to the permitted names of a decentralized autonomous

17 organization to align with permitted names for other entities formed in the state; and

18   ▸ makes technical and conforming changes.

19 **Money Appropriated in this Bill:**

20   None

21 **Other Special Clauses:**

22   None

23 **Utah Code Sections Affected:**

24 AMENDS:

25   **48-5-103**, as enacted by Laws of Utah 2023, Chapter 85

26   **48-5-105**, as enacted by Laws of Utah 2023, Chapter 85

27   **48-5-201**, as enacted by Laws of Utah 2023, Chapter 85

28

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

30   Section 1. Section **48-5-103** is amended to read:

31   **48-5-103.   Powers of the division.**

32   (1) (a) The division may make, amend, or rescind a rule, form, or order when necessary

33   to carry out this chapter.

34   (b) The division shall make rules in accordance with Title 63G, Chapter 3, Utah

35   Administrative Rulemaking Act.

36   (2) The division may by rule:

37   (a) provide the form and content of a registration requirement required under this

38   chapter;

39   (b) provide the method of determining whether formation requirements described in

40   Section 48-5-201 have been met and when to [issue] file a certificate of organization; and

41   (c) identify industry standards for determining whether the decentralized autonomous

42   organization has undergone security review for quality assurance.

43   Section 2. Section **48-5-105** is amended to read:

44   **48-5-105.   Permitted names.**

45   (1) (a) The name of a limited liability decentralized autonomous organization shall

46   contain the words limited liability decentralized autonomous organization or limited

47   decentralized autonomous organization or the abbreviation L.L.D., LLD, L.D., or LD.

48   (b) Limited may be abbreviated as Ltd., and decentralized autonomous organization

49   may be abbreviated as DAO.

50   (2) Except as authorized by Subsection (3), the name of a decentralized autonomous

51   organization shall be distinguishable as defined in Subsection (4) upon the records of the

52   division from:

53   (a) the actual name, reserved name, or fictitious or assumed name of any entity

54   registered with the division; or

55   (b) any tradename, trademark, or service mark registered with the division.

56   (3) (a) A decentralized autonomous organization may apply to the division for approval

57   to reserve a name that is not distinguishable upon the division's records from one or more of

58   the names described in Subsection (2).

59   (b) The division shall approve the name for which the decentralized autonomous

60   organization applies under Subsection (3)(a) if:

61   (i) the other person with a name that is not distinguishable from the name under which

62   the applicant desires to file:

63   (A) consents to the filing in writing; and

64   (B) files a form approved by the division to change the person's name to a name that is

65   distinguishable from the name of the applicant; or

66   (ii) the applicant delivers to the division a certified copy of the final judgment of a

67   court of competent jurisdiction establishing the applicant's right to use the name in this state.

68   (4) A name is distinguishable from other names, trademarks, and service marks

69   registered with the division if the name contains one or more different words, letters, or

70   numerals from other names upon the division's records.

71   (5) The following differences are not distinguishing:

72   (a) the term:

73   (i) decentralized autonomous organization;

74   (ii) DAO;

75   (iii) limited liability decentralized autonomous organization;

76   (iv) L.L.D. or L.L.DAO; or

77   (v) L.D. or L.DAO;

78   (b) an abbreviation of a word listed in Subsection (5)(a);

79   (c) the presence or absence of the words or symbols of the words "the," "and," "a," or

80   "plus";

81   (d) differences in punctuation and special characters;

82   (e) differences in capitalization; or

83   (f) differences in singular and plural forms of words.

84   (6) The division may not approve for filing a name that implies that a decentralized

85   autonomous organization is an agency of this state or any of the state's political subdivisions, if

86   the decentralized autonomous organization is not actually such a legally established agency or

87   subdivision.

88   (7) The authorization to reserve or register a decentralized autonomous organization

89   name as granted by the division does not:

90   (a) abrogate or limit the law governing unfair competition or unfair trade practices;

91   (b) derogate from the common law, the principles of equity, or the statutes of this state

92   or of the United States with respect to the right to acquire and protect names and trademarks; or

93   (c) create an exclusive right in geographic or generic terms contained within a name.

94   (8) The name of a decentralized autonomous organization may not contain:

95   (a) the term:

96   (i) association;

97   (ii) corporation;

98   (iii) incorporated;

99   (iv) partnership;

100   (v) limited liability company;

101   (vi) limited partnership; or

102   (vii) L.P.;

103   (b) any word or abbreviation that is of like import to the terms listed in Subsection

104   (8)(a);

105   (c) without the written consent of the United States Olympic Committee, the words:

106   (i) Olympic;

107   (ii) Olympiad; or

108   (iii) Citius Altius Fortius; <u>or</u>

109   [(d) ~~without the written consent of the Division of Consumer Protection issued in~~

110   ~~accordance with Section~~ 13-34-114~~, the terms:~~]

111   [~~(i) university;~~]

112   [~~(ii) college; or~~]

113   [~~(iii) institute or institution; or~~]

114   [~~(e)~~] <u>(d)</u> the number sequence 911.

115   (9) A person, other than a decentralized autonomous organization formed under this

116   chapter or another decentralized autonomous organization that is authorized to transact

117   business in this state, may not use in the person's name in this state the term:

118   (a) limited liability decentralized autonomous organization;

119   (b) limited decentralized autonomous organization;

120   (c) L.L.DAO or L.L.D; or

121   (d) L.DAO or L.D.

122   Section 3. Section **48-5-201** is amended to read:

123   **48-5-201. Formation requirements.**

124   (1) (a) One or more persons may act as organizers to form a decentralized autonomous

125   organization by delivering to the division for filing a certificate of organization.

126   (b) At least one of the organizers of a decentralized autonomous organization shall be

127   an individual.

128   (2) (a) A certificate of organization shall provide:

129   (i) the name of the decentralized autonomous organization, which shall comply with

130   Section [48-3a-108] 48-5-105;

131   (ii) the name of an organizer that is an individual;

132   (iii) the street and mailing address of the organizer described in Subsection (2)(a)(ii);

133   (iv) the name and address of the legal representative; and

134   (v) the information required by Subsection 16-17-203(1).

135   (b) An organizer may request that the information provided in Subsections (2)(a)(ii)

136   and (iii) is redacted by the division before any public disclosure of the filing.

137   (3) A decentralized autonomous organization shall submit evidence to the division in a

138   form required by the division that the decentralized autonomous organization has complied

139   with the following requirements:

140   (a) the decentralized autonomous organization is deployed on a permissionless

141   blockchain;

142   (b) the decentralized autonomous organization has a unique public address through

143   which an individual can review and monitor the decentralized autonomous organization's

144   transactions;

145   (c) the software code of the decentralized autonomous organization is available in a

146   public forum for any person to review;

147   (d) the software code of the decentralized autonomous organization has undergone

148   quality assurance;

149   (e) the decentralized autonomous organization has a graphical user interface that:

150   (i) allows a person to read the value of the key variables of the decentralized

151   autonomous organization's smart contracts;

152   (ii) allows a person to monitor all transactions originating from, or addressed to, the

153   decentralized autonomous organization's smart contracts;

154   (iii) specifies the restrictions on a member's ability to redeem tokens;

155   (iv) makes available the decentralized autonomous organization's by-laws; and

156   (v) displays the mechanism to contact the administrator of the decentralized

157   autonomous organization;

158   (f) the governance system of the decentralized autonomous organization is

159   decentralized;

160   (g) the decentralized autonomous organization has at least one member;

161   (h) (i) there is a publicly specified communication mechanism that allows a person to

162   contact the registered agent of the decentralized autonomous organization and provide legally

163   recognized service; and

164   (ii) a member or administrator of the decentralized autonomous organization is able to

165   access the contents of this communication mechanism; and

166   (i) the decentralized autonomous organization describes or provides a dispute

167   resolution mechanism that is:

168   (i) binding on the decentralized autonomous organization, the members, and

169   participants of the decentralized autonomous organization; and

170   (ii) able to resolve disputes with third parties capable of settlement by alternative

171   dispute resolution.

172   (4) Notwithstanding the requirements of Subsection (3)(e)(iv), a decentralized

173   autonomous organization may redact sensitive information from the by-laws before making the

174   by-laws available, if those redactions are necessary to protect the privacy of individual

175   members or participants in the decentralized autonomous organization.

176   (5) A decentralized autonomous organization is formed when the decentralized

177   autonomous organization's certificate of organization becomes effective and the decentralized

178   autonomous organization submits the evidence required in Subsection (3).

179   (6) Upon formation, the decentralized autonomous organization shall have limited

180   liability, subject to the provisions of Section 48-5-202.

181   [(7) A decentralized autonomous organization may request a certificate of organization

182   from the division to signify that the decentralized autonomous organization has complied with

183   the requirements for legal personality under this act.]

184   Section 4. **Effective date.**

185   This bill takes effect on May 1, 2024.