

House Study Bill 212 - Introduced

HOUSE FILE _____

BY (PROPOSED COMMITTEE ON
INFORMATION TECHNOLOGY BILL
BY CHAIRPERSON LOHSE)

A BILL FOR

1 An Act relating to electronic transactions by permitting the
2 use of distributed ledger technology and smart contracts.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 554D.103, subsections 4, 7, and 8, Code
2 2021, are amended to read as follows:

3 4. *“Contract”* means the total legal obligation resulting
4 from the parties’ agreement as affected by **this chapter** and
5 other applicable law. *“Contract”* includes any contract secured
6 through distributed ledger technology and a smart contract.

7 7. *“Electronic record”* means a record created, generated,
8 sent, communicated, received, or stored by electronic means.
9 *“Electronic record”* includes any record secured through
10 distributed ledger technology.

11 8. *“Electronic signature”* means an electronic sound, symbol,
12 or process attached to or logically associated with a record
13 and executed or adopted by a person with the intent to sign the
14 record. *“Electronic signature”* includes a signature that is
15 secured through distributed ledger technology.

16 Sec. 2. Section 554D.103, Code 2021, is amended by adding
17 the following new subsections:

18 NEW SUBSECTION. 4A. *“Distributed ledger technology”* means
19 an electronic record of transactions or other data to which all
20 of the following apply:

21 a. The electronic record is uniformly ordered.

22 b. The electronic record is redundantly maintained or
23 processed by one or more computers or machines to guarantee the
24 consistency or nonrepudiation of the recorded transactions or
25 other data.

26 c. The electronic record is validated by the use of
27 cryptography.

28 NEW SUBSECTION. 14A. *“Smart contract”* means an event-driven
29 program or computerized transaction protocol that runs on a
30 distributed, decentralized, shared, and replicated ledger that
31 executes the terms of a contract by taking custody over and
32 instructing transfer of assets on the ledger.

33 Sec. 3. NEW SECTION. 554D.106A **Use of distributed ledger**
34 **technology.**

35 A person who, in engaging in or affecting interstate or

1 foreign commerce, uses distributed ledger technology to secure
2 information that the person owns or has the right to use
3 retains the same rights of ownership or use with respect to
4 such information as before the person secured the information
5 using distributed ledger technology. This section does not
6 apply to the use of distributed ledger technology to secure
7 information in connection with a transaction to the extent that
8 the terms of the transaction expressly provide for the transfer
9 of rights of ownership or use with respect to such information.

10 Sec. 4. Section 554D.108, subsection 2, Code 2021, is
11 amended to read as follows:

12 2. A contract shall not be denied legal effect or
13 enforceability solely because an electronic record was used in
14 its formation or because the contract is a smart contract or
15 contains a smart contract provision.

16 EXPLANATION

17 The inclusion of this explanation does not constitute agreement with
18 the explanation's substance by the members of the general assembly.

19 Code chapter 554D, the uniform electronic transactions Act,
20 facilitates the use of electronic transactions in commerce by
21 giving legal recognition to electronic records, signatures, and
22 contracts. This bill modifies the Code chapter by permitting
23 the use of distributed ledger technology and smart contracts in
24 electronic transactions.

25 The bill defines "distributed ledger technology" as an
26 electronic record of transactions or other data that is
27 uniformly ordered, redundantly maintained or processed by one
28 or more computers or machines to guarantee the consistency or
29 nonrepudiation of the recorded transactions or other data, and
30 is validated by the use of cryptography. The bill defines
31 "smart contract" as an event-driven program or computerized
32 transaction protocol that runs on a distributed, decentralized,
33 shared, and replicated ledger that executes the terms of a
34 contract by taking custody over and instructing transfer of
35 assets on the ledger.

1 The bill adds contracts secured through distributed ledger
2 technology and smart contracts to the definition of "contract".
3 The bill adds the concept of security through distributed
4 ledger technology to the definitions of "electronic record" and
5 "electronic signature".

6 The bill provides that a person who, in engaging in or
7 affecting interstate or foreign commerce, uses distributed
8 ledger technology to secure information that the person owns
9 or has the right to use retains the same rights of ownership
10 or use with respect to such information as before the person
11 secured the information using distributed ledger technology,
12 unless in connection with a transaction with terms that
13 expressly provide for the transfer of rights of ownership or
14 use with respect to such information.

15 The bill provides that a contract shall not be denied legal
16 effect or enforceability solely because the contract is a smart
17 contract or contains a smart contract provision.