

House Study Bill 679 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE
ON JUDICIARY BILL BY
CHAIRPERSON HOLT)

A BILL FOR

1 An Act relating to contract enforceability regarding smart
2 contracts and distributed ledger technology.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 554D.103, subsections 4, 8, and 9, Code
2 2022, 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 8. "*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 9. "*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, subsections 5 and 16, Code 2022,
17 are amended by striking the subsections.

18 Sec. 3. Section 554D.108, subsection 2, Code 2022, is
19 amended to read as follows:

20 2. A contract shall not be denied legal effect or
21 enforceability solely because an electronic record was used in
22 its formation ~~or because the contract is a smart contract or
23 contains a smart contract provision.~~

24 Sec. 4. NEW SECTION. 554E.1 Definitions.

25 As used in this chapter, unless the context otherwise
26 requires:

27 1. "*Account*" means the same as defined in section 554.9102.

28 2. "*Chattel paper*" means the same as defined in section
29 554.9102.

30 3. "*Contract*" means same as defined in section 554D.103.

31 4. "*Controllable account*" means an account evidenced by a
32 controllable electronic record that provides that the account
33 debtor undertakes to pay a person that under the uniform
34 commercial code has control of the controllable electronic
35 record.

1 5. "*Controllable electronic record*" means an electronic
2 record that can be subjected to control under any applicable
3 article of the uniform commercial code. "*Controllable*
4 *electronic record*" does not include a deposit account,
5 electronic copy of a record evidencing chattel paper,
6 electronic chattel paper, electronic document of title,
7 electronic money, investment property, or a transferable
8 record.

9 6. "*Controllable payment intangible*" means a payment
10 intangible evidenced by a controllable electronic record that
11 provides that the account debtor undertakes to pay a person
12 that under any applicable article of the uniform commercial
13 code has control of the controllable electronic record.

14 7. "*Deposit account*" means the same as defined in section
15 554.9102.

16 8. "*Digital asset*" means any electronic record that
17 represents or evidences economic value or economic,
18 proprietary, or access rights and may be used as payment.
19 "*Digital asset*" does not include a deposit account, electronic
20 copy of a record evidencing chattel paper, electronic chattel
21 paper, account or general intangible that is evidenced by an
22 electronic record, controllable account, controllable payment
23 intangible, electronic money, electronic document of title,
24 investment property, or transferable records.

25 9. "*Distributed ledger technology*" means:

26 a. An electronic ledger where the ledger is redundantly
27 maintained or processed by more than one computer or machine
28 to guarantee the consistency.

29 b. An electronic record of transaction or data where
30 the electronic record is uniformly ordered and maintained
31 or processed to guarantee nonrepudiation of the recorded
32 transactions.

33 10. "*Electronic chattel paper*" means the same as defined in
34 section 554.9102.

35 11. "*Electronic document of title*" the same as defined in

1 section 554.1201.

2 12. "*Electronic money*" means an electronic medium of
3 exchange currently authorized or adopted by a domestic
4 or foreign government, not including a deposit account.
5 "*Electronic money*" includes a monetary unit of account
6 established by an intergovernmental organization or by
7 agreement between two or more countries.

8 13. "*Investment property*" means the same as defined in
9 section 554.9102.

10 14. "*Payment intangible*" means the same as defined in
11 section 554.9102.

12 15. "*Record*" means the same as defined in section 554D.103.

13 16. "*Smart contract*" means an electronic record that is an
14 event-driven program or computerized transaction protocol that
15 runs on a distributed, decentralized, shared, and replicated
16 ledger that executes the term of a contract, including but not
17 limited to taking custody over and instructing the transfer of
18 assets.

19 17. "*Transaction*" means a sale, trade, exchange, transfer,
20 payment, or conversion of a digital asset or other property or
21 any other action or set of actions occurring between two or
22 more persons relating to the conduct of business, commercial,
23 or governmental affairs.

24 18. "*Transferable record*" means the same as electronic
25 signatures defined in the federal Electronic Signatures in
26 Global and National Commerce Act, 15 U.S.C. §7021(a)(1) and as
27 defined in the uniform electronic transactions Act, section
28 554D.118, subsection 1.

29 Sec. 5. NEW SECTION. 554E.2 Classification of digital
30 assets.

31 Digital assets are intangible personal property.

32 Sec. 6. NEW SECTION. 554E.3 Legal effect of distributed
33 ledger technology and smart contract.

34 1. A record, signature, or contract shall not be denied
35 legal effect or enforceability solely because it is created,

1 generated, sent, signed, adopted, communicated, received,
2 recorded, or stored by means of distributed ledger technology
3 or a smart contract.

4 2. A contract shall not be denied legal effect or
5 enforceability solely because of any of the following:

6 a. The contract contains a smart contract term.

7 b. An electronic record, distributed ledger technology, or a
8 smart contract was used in the formation of the contract.

9 3. Notwithstanding any other provision to the contrary, a
10 person owning or lawfully using distributed ledger technology
11 to secure information in the course of engaging in or affecting
12 interstate commerce or foreign commerce retains the same
13 rights of ownership or use with respect to such information as
14 before the person secured the information using distributed
15 ledger technology. This subsection does not apply to the use
16 of distributed ledger technology to secure information in
17 connection with a transaction to the extent that the terms of
18 the transaction expressly provide for the transfer of rights of
19 ownership or use with respect to such information.

20 Sec. 7. NEW SECTION. 554E.4 Construction and application.

21 This chapter shall be construed and applied as follows:

22 1. To facilitate transactions and the use of distributed
23 ledger technology and smart contracts consistent with other
24 applicable law.

25 2. To be consistent with reasonable practices concerning
26 distributed ledger technology and smart contracts and with the
27 continued expansion of those practices.

28 Sec. 8. REPEAL. Section 554D.106A, Code 2022, is repealed.

29 EXPLANATION

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

32 This bill relates to digital assets, smart contracts, and
33 distributed ledger technology.

34 The bill defines "controllable account" to mean an account
35 evidenced by an electronic record that the debtor undertakes to

1 pay the person that has control of the controllable electronic
2 record. The bill defines "controllable payment intangible" to
3 mean a payment intangible that is evidenced by a controllable
4 electronic record that the account debtor undertakes to pay
5 the person that has control of the controllable electronic
6 record. The bill defines "digital asset" to mean any
7 electronic record that represents or evidences economic value
8 or economic, proprietary, or access rights that may be used
9 as a payment with exceptions. The bill defines "distributed
10 ledger technology" to mean an electronic ledger where the
11 ledger is redundantly maintained or processed by more than
12 one computer or machine to guarantee the consistency and an
13 electronic record of transaction or data where the electronic
14 record is uniformly ordered and maintained or processed to
15 guarantee nonrepudiation of the recorded transactions. The
16 bill defines "electronic money" to mean an electronic medium
17 of exchange currently authorized or adopted by a domestic or
18 foreign government, but not including a deposit account. The
19 bill defines "smart contract" to mean an electronic record
20 that is an event-driven, automated transaction that runs on
21 a distributed, decentralized, shared, and replicated ledger
22 that executes the terms of the contract. The bill defines
23 "transaction" to mean the sale, trade, exchange, transfer,
24 payment, or conversion of a digital asset or other property
25 or actions relating to the conduct of business, commercial,
26 or governmental affairs. The bill defines "transferable
27 record" to mean the same as defined in the uniform electronic
28 transaction Act and as "electronic signatures" are defined
29 in the federal Electronic Signatures in Global and National
30 Commerce Act.

31 The bill provides that digital assets are classified
32 as intangible personal property. The bill provides that
33 signatures, records, and contracts executed, created,
34 generated, sent, communicated, received, signed, adopted,
35 recorded, or stored by means of distributed ledger or smart

1 contract are valid documents or agreements that maintain
2 full legal effect. A person engaging in commerce who uses
3 distributed ledger technology to secure information retains the
4 same rights of ownership with respect to the information as the
5 person had prior to using the distributed ledger technology.

6 The bill makes conforming amendments.

7 The bill repeals Code section 554D.106A regarding use of
8 distributed ledger technology.