1   **DECENTRALIZED AUTONOMOUS ORGANIZATION ACT AMENDMENTS**

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jordan D. Teuscher

Senate Sponsor: Kirk A. Cullimore

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3 **LONG TITLE**

4 **General Description:**

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

6 **Highlighted Provisions:**

7   This bill:

8   ‣ clarifies that the Division of Corporations and Commercial Code files a decentralized

9 autonomous organization's certificate of organization and does not issue a certificate of

10 organization;

11   ‣ makes modifications to the permitted names of a decentralized autonomous organization

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

13   ‣ makes technical and conforming changes.

14 **Money Appropriated in this Bill:**

15   None

16 **Other Special Clauses:**

17   None

18 **Utah Code Sections Affected:**

19 AMENDS:

20   **48-5-103**, as enacted by Laws of Utah 2023, Chapter 85

21   **48-5-105**, as enacted by Laws of Utah 2023, Chapter 85

22   **48-5-201**, as enacted by Laws of Utah 2023, Chapter 85

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

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

26   **48-5-103 . Powers of the division.**

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

28   to carry out this chapter.

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

30   Administrative Rulemaking Act.

31   (2) The division may by rule:

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

33   chapter;

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

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

36   and

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

38   organization has undergone security review for quality assurance.

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

40   **48-5-105 . Permitted names.**

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

42   contain the words limited liability decentralized autonomous organization or limited

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

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

45   be abbreviated as DAO.

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

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

48   division from:

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

50   registered with the division; or

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

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

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

54   more of the names described in Subsection (2).

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

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

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

58   which the applicant desires to file:

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

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

61   that is distinguishable from the name of the applicant; or

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

63   court of competent jurisdiction establishing the applicant's right to use the name in

64   this state.

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

66   with the division if the name contains one or more different words, letters, or numerals

67   from other names upon the division's records.

68 (5) The following differences are not distinguishing:

69   (a) the term:

70   (i) decentralized autonomous organization;

71   (ii) DAO;

72   (iii) limited liability decentralized autonomous organization;

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

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

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

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

77   "plus";

78   (d) differences in punctuation and special characters;

79   (e) differences in capitalization; or

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

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

82   autonomous organization is an agency of this state or any of the state's political

83   subdivisions, if the decentralized autonomous organization is not actually such a legally

84   established agency or subdivision.

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

86   as granted by the division does not:

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

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

89   or of the United States with respect to the right to acquire and protect names and

90   trademarks; or

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

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

93   (a) the term:

94   (i) association;

95   (ii) corporation;

96   (iii) incorporated;

97	(iv) partnership;
98	(v) limited liability company;
99	(vi) limited partnership; or
100	(vii) L.P.;
101	(b) any word or abbreviation that is of like import to the terms listed in Subsection (8)(a);
102	(c) without the written consent of the United States Olympic Committee, the words:
103	(i) Olympic;
104	(ii) Olympiad; or
105	(iii) Citius Altius Fortius; or
106	[(d) without the written consent of the Division of Consumer Protection issued in
107	accordance with Section 13-34-114, the terms:]
108	[(i) university;]
109	[(ii) college; or]
110	[(iii) institute or institution; or]
111	[(e)] (d) the number sequence 911.
112	(9) A person, other than a decentralized autonomous organization formed under this chapter
113	or another decentralized autonomous organization that is authorized to transact business
114	in this state, may not use in the person's name in this state the term:
115	(a) limited liability decentralized autonomous organization;
116	(b) limited decentralized autonomous organization;
117	(c) L.L.DAO or L.L.D; or
118	(d) L.DAO or L.D.
119	Section 3. Section **48-5-201** is amended to read:
120	**48-5-201 . Formation requirements.**
121	(1) (a) One or more persons may act as organizers to form a decentralized autonomous
122	organization by delivering to the division for filing a certificate of organization.
123	(b) At least one of the organizers of a decentralized autonomous organization shall be an
124	individual.
125	(2) (a) A certificate of organization shall provide:
126	(i) the name of the decentralized autonomous organization, which shall comply with
127	Section [48-3a-108] 48-5-105;
128	(ii) the name of an organizer that is an individual;
129	(iii) the street and mailing address of the organizer described in Subsection (2)(a)(ii);
130	(iv) the name and address of the legal representative; and

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

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

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

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

135   form required by the division that the decentralized autonomous organization has

136   complied with the following requirements:

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

138   blockchain;

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

140   which an individual can review and monitor the decentralized autonomous

141   organization's transactions;

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

143   public forum for any person to review;

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

145   quality assurance;

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

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

148   autonomous organization's smart contracts;

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

150   decentralized autonomous organization's smart contracts;

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

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

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

154   autonomous organization;

155   (f) the governance system of the decentralized autonomous organization is decentralized;

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

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

158   contact the registered agent of the decentralized autonomous organization and

159   provide legally recognized service; and

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

161   to access the contents of this communication mechanism; and

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

163   mechanism that is:

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

165   participants of the decentralized autonomous organization; and

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

167   dispute resolution.

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

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

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

171   members or participants in the decentralized autonomous organization.

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

173   organization's certificate of organization becomes effective and the decentralized

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

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

176   subject to the provisions of Section 48-5-202.

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

178   from the division to signify that the decentralized autonomous organization has

179   complied with the requirements for legal personality under this act.]

180   Section 4. **Effective date.**

181   This bill takes effect on May 1, 2024.