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## OHIO INTRODUCES BILL TO RECOGNIZE RECORDS STORED ON A BLOCKCHAIN AND SMART CONTRACTS

In May, an Ohio state senator introduced S.B. 300, a bill that clarifies the legal enforceability of (i) records or signatures stored on a blockchain and (ii) contracts with smart contract terms. Specifically, the bill proposes the following amendments to Ohio's Uniform Electronic Transactions Act ("UETA"):

- Expressly define "electronic record" to include a record or contract that is secured through blockchain technology.
- Expressly define "electronic signature" to include a signature that is secured through blockchain technology.
- Recognize that smart contracts may exist in commerce.
- Provide that a contract may not be denied legal effect or enforceability solely because the contract contains smart contract terms.
- Clarify that securing information using blockchain technology does not affect any rights of ownership or use that a person had with respect to the information before the person secured that information using blockchain technology.

The bill defines "blockchain technology" as distributed ledger technology that uses a distributed, decentralized, shared and replicated ledger, which may be public or private, permissioned or permissionless or driven by tokenized crypto economics or tokenless. The data on the ledger is protected with cryptography, is immutable and auditable and provides an uncensored truth. "Smart contract" means an event-driven program that runs on a distributed, decentralized, shared and replicated ledger and that can take custody over and instruct transfer of assets on the ledger. Nearly every state has adopted a version of the UETA, which effectuates transactions when electronic records or electronic signatures are used.

Ohio joins other states including California and Florida that have introduced bills to clarify the legal effect or enforceability of transactions affected using blockchain technology or smart contract terms. Last year, Arizona became the first state to pass such legislation followed by Tennessee, which passed legislation in March.

The bill was introduced at a time when legislation at the Ohio Statehouse was stalled as the House of Representatives speaker resigned amid a FBI probe. The House has since selected a new speaker and has resumed legislative activities. S.B. 300 has been assigned to the Senate Insurance and Financial Institutions committee.

Ohio's technology and startup community has received national attention recently. Last fall, a statewide Fintech accelerator was launched with support from major Ohio companies. See ALERT of May 4, 2017. The bill appears to be the latest effort to position Ohio as a tech- and startup-friendly state.

We will continue to monitor the bill. □

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