

**TESTIMONY OF THE
COMMISSION TO PROMOTE UNIFORM LEGISLATION**

ON S.B. NO. 2298, S.D.1, H.D.1

**RELATING TO THE UNIFORM FIDUCIARY ACCESS
TO DIGITAL ASSETS ACT.**

BEFORE THE HOUSE COMMITTEE ON FINANCE

DATE: Tuesday, April 5, 2016, at 2:31 p.m.
Conference Room 308, State Capitol

PERSON(S) TESTIFYING: Peter Hamasaki, Commissioner
Commission to Promote Uniform Legislation

To Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

This testimony is submitted on behalf of the Commission to Promote Uniform Legislation, which supports passage of the S. B. No. 2298, S.D.1, H.D.1, Relating to **THE UNIFORM FIDUCIARY ACCESS TO DIGITAL ASSETS ACT**. S. B. No. 2298, S.D.1, H.D.1, would enact a revised version of the Uniform Law Commission's ("ULC") Revised Uniform Fiduciary Access to Digital Assets Act (Revised UFADAA). S.B. No. 2298, S.D.1, H.D.1 is the companion to House Bill No. 2115, which previously was passed by this Committee as House Draft 2 on February 24, 2016. As S. B. No. 2298, S.D.1, H.D.1 currently has a defective effective date, we respectfully request that the effective date be changed to July 1, 2016.

Revised UFADAA represents the work of the ULC to address the concerns with the prior version raised by both the internet service providers, such as Google and Facebook, as well as various privacy advocates. As a result of these efforts, during the summer of 2015, the ULC adopted a revised version of UFADAA, which is being proposed for enactment in S. B. No. 2298, S.D.1, H.D.1. The ULC has secured the support of custodians Facebook and Google for its revisions (please see attached), and also has worked at the national level with privacy advocates such as the ACLU.

The purpose of Revised UFADAA is to modernize fiduciary law for the Internet age. Collectively, a person's digital property and electronic communications are referred to as "digital assets" and the companies that store those assets on their servers are called "custodians." Access to digital assets is usually governed by a terms-of-service agreement rather than by property law. This

creates problems when Internet users die or otherwise lose the ability to manage their own digital assets.

A fiduciary is a trusted person with the legal authority to manage another's property, and the duty to act in that person's best interest. Revised UFADAA addresses four common types of fiduciaries:

1. Executors or administrators of deceased persons' estates;
2. Court-appointed guardians or conservators of protected persons' estates;
3. Agents appointed under powers of attorney; and
4. Trustees.

Revised UFADAA gives Internet users the power to plan for the management and disposition of their digital assets in a similar way as they can make plans for their tangible property. In case of conflicting instructions, the act provides a three-tiered system of priorities:

1. If the custodian provides an online tool, separate from the general terms of service, that allows the user to name another person to have access to the user's digital assets or to direct the custodian to delete the user's digital assets, Revised UFADAA makes the user's online instructions legally enforceable.
2. If the custodian does not provide an online planning option, or if the user declines to use the online tool provided, the user may give legally enforceable directions for the disposition of digital assets in a will, trust, power of attorney, or other written record.
3. If the user has not provided any direction, either online or in a traditional estate plan, the terms of service for the user's account will determine whether a fiduciary may access the user's digital assets. If the terms of service do not address fiduciary access, the default rules of Revised UFADAA will apply.

Revised UFADAA's default rules attempt to balance the user's privacy interest with the fiduciary's need for access by making a distinction between the "content of electronic communications," the "catalogue of electronic communications", and other types of digital assets.

The content of electronic communications includes the subject line and body of a user's email messages, text messages, and other messages between private parties. A fiduciary may never access

the content of electronic communications without the user's consent. When necessary, a fiduciary may have a right to access a catalogue of the user's electronic communications – essentially a list of communications showing the addresses of the sender and recipient, and the date and time the message was sent.

For example, the executor of a decedent's estate may need to access a catalogue of the decedent's communications in order to compile an inventory of estate assets. If the executor finds that the decedent received a monthly email message from a particular bank or credit card company, the executor can contact that company directly and request a statement of the decedent's account.

Other types of digital assets are not communications, but intangible personal property. For example, an agent under a power of attorney who has authority to access the principal's business files will have access under Revised UFADAA to any files stored in "the cloud" as well as those stored in file cabinets. Similarly, an executor that is distributing funds from the decedent's bank account will also have access to the decedent's virtual currency account (*e.g.*, bitcoin).

Under Revised UFADAA Section 15, fiduciaries for digital assets are subject to the same fiduciary duties that normally apply to tangible assets. Thus, for example, an executor may not publish the decedent's confidential communications or impersonate the decedent by sending email from the decedent's account. A fiduciary's management of digital assets may also be limited by other law. For example, a fiduciary may not copy or distribute digital files in violation of copyright law, and may not exceed the user's authority under the account's terms of service.

In order to gain access to digital assets, Revised UFADAA requires a fiduciary to send a request to the custodian, accompanied by a certified copy of the document granting fiduciary authority, such as a letter of appointment, court order, or certification of trust. Custodians of digital assets that receive an apparently valid request for access are immune from any liability for acts done in good faith compliance.

Revised UFADAA is an overlay statute designed to work in conjunction with a state's existing laws on probate, guardianship, trusts, and powers of attorney. It is a vital statute for the digital age, and we respectfully urge your favorable consideration of S. B. No. 2298, S.D.1, H.D.1. Thank you for your consideration of the Commission's testimony.

Encls.

October 12, 2015

Uniform Law Commission
111 N. Wabash Avenue
Suite 1010
Chicago, Illinois 60602

Dear Uniform Law Commission:

Facebook appreciates the work of the ULC commissioners and staff in crafting a uniform act – the Revised Uniform Fiduciary Access to Digital Assets Act (“RUFADAA”) – which we believe creates a reasonable compromise regarding disposition of digital accounts upon death or incapacitation. We support the enactment of RUFADAA by state legislatures.

Recognizing that this is a sensitive issue involving an extremely complicated legal landscape and each state must conform RUFADAA to its own statutes, we will need to review proposed bills individually before determining our position. Uniformity in state law on this issue is important to Facebook and we are unlikely to support language that materially differs from RUFADAA.

Again, we appreciate the hard work of the ULC on this issue.

Sincerely,

A handwritten signature in black ink that reads "Dan Sachs". The signature is written in a cursive, flowing style.

Dan Sachs
Manager, State Policy
Facebook, Inc.



25 Massachusetts Ave., NW
Washington, DC 20001
Phone: 202-346-1100

October 13, 2015

Ben Orzeske
Chief Counsel
Uniform Law Commission
111 N. Wabash Ave.
Suite 1010
Chicago, IL 60602

Dear Mr. Orzeske:

I am writing to express Google's support for the Revised Uniform Fiduciary Access to Digital Assets Act. We are pleased to have found common accord with the Uniform Law Commission in both of our efforts to address access issues to digital information of decedents and others.

The revised Uniform Act accommodates the needs of settling and administering estates, providing full or limited access to information for guardians, holders of powers of attorney and others assisting people who may be incapacitated, while respecting the account holder's rights to privacy. In addition to commitments made to users, custodians' obligations under the federal Electronic Communications Privacy Act prohibit disclosures of content or account information except under specific circumstances. The Uniform Act appropriately recognizes these limitations and provides a consistent framework for anyone petitioning for information related to the contents of another's account.

Support for this legislation extends only as far as bills based on the Uniform Act remain consistent with it and we reserve the right to support or oppose individual bills based on the Uniform Act after their review.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ron Barnes".

Ron Barnes
Head of State Legislative Affairs

Before the House Finance Committee
Hawaii State Capitol, Room 308
April 5, 2016; 2:31 PM; **Agenda #4**
415 South Beretania St.
Honolulu, HI 96813

LATE

Written Testimony of Jim Halpert
on behalf of the
State Privacy and Security Coalition, Inc.

Dear Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

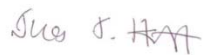
Thank you very much for the opportunity to submit testimony on Senate Bill 2298 SD1 HD1 Relating to the Uniform Fiduciary Access to Digital Assets Act.

The State Privacy & Security Coalition is comprised of 25 major technology and media companies and 6 trade associations representing companies in the technology, media and advertising sectors.

Our Coalition supports SB 2298 SD1 HD1, which would create a reasonable compromise regarding disposition of digital accounts upon death or incapacitation. The bill would accommodate the needs of settling and administering estates, providing full or limited access to information for guardians, holders of powers of attorney, and others assisting people who may be incapacitated, while respecting the account holder's rights to privacy. In addition to commitments made to users, custodians' obligations under the federal Electronic Communications Privacy Act prohibit disclosures of content or account information except under specific circumstances. This bill appropriately recognizes these limitations and provides a consistent framework for anyone petitioning for information related to the contents of another's account.

This is a sensitive issue involving an extremely complicated legal landscape; we appreciate your consideration of a measure that is in common accord with the revised model promulgated by the Uniform Law Commission. Uniformity in state law on this issue is very important to the Coalition. We urge the Committee to pass this bill with an appropriate effective date. Thank you for addressing this issue.

Respectfully submitted,



James J. Halpert
General Counsel
500 8th Street NW
Washington, DC 20005
(202) 799-4000
Jim.Halpert@dlapiper.com