

SUBJECT: Contracts made over the Internet

COMMITTEE: Business and Industry — committee substitute recommended

VOTE: 7 ayes — Brimer, Rhodes, Corte, Elkins, Giddings, Solomons, Woolley
0 nays
2 absent — Dukes, Janek

WITNESSES: None

DIGEST: CSHB 306 would provide that contracts made over the Internet between a person located in Texas and one located outside of Texas with no office or agent in the state would be governed by Texas laws unless each party located in Texas was given notice of and agreed to the application of another state's laws. The burden of proof that notice was given and an agreement was obtained would rest upon the person who asserted that the laws of another state applied to the contract.

The bill also would suspend Texas laws prohibiting certain information from being transmitted or activity being conducted over the Internet if the actor was located in another state where the activity was legal and the other state provided for a reciprocal suspension of its laws.

CSHB 306 would not apply to a transaction where a party paid, received or lent more than \$1 million.

The bill would take effect September 1, 1997.

SUPPORTERS SAY: CSHB 306 would clearly define boundaries for applying Texas laws on the Internet and clarify a grey area in the the law. Traditionally, parties to a contract are governed by the laws of the state in which the contract is signed; since the Internet respects no political boundaries, conventional practices are not germane.

CSHB 306 would encourage Internet commerce by defining the jurisdiction of state laws governing contracts made over the Internet and protect persons

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engaging in legitimate business activities from inadvertently violating the laws of other states.

OPPONENTS
SAY: No apparent opposition.

NOTES: The committee substitute added the provision on reciprocal suspension of state laws.