### CHAPTER 401

**UNIFORM COMMERCIAL CODE — GENERAL PROVISIONS**

#### SUBCHAPTER I

**GENERAL PROVISIONS**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
</table>
| 401.101 | Short titles. (1) Chapters 401 to 411 may be cited as the uniform commercial code. (2) This chapter may be cited as uniform commercial code — general provisions.  
  History: 2009 a. 320. |
| 401.102 | Scope of chapter. This chapter applies to a transaction to the extent that it is governed by another chapter in chs. 402 to 411.  
  History: 2009 a. 320. |
| 401.103 | Construction of uniform commercial code to promote its purposes and policies; applicability of supplemental principles of law. (1) Chapters 401 to 411 must be liberally construed and applied to promote its underlying purposes and policies, which are all of the following:  
  (a) To simplify, clarify, and modernize the law governing commercial transactions.  
  (b) To permit the continued expansion of commercial practices through custom, usage, and agreement of the parties.  
  (c) To make uniform the law among the various jurisdictions.  
  (2) Unless displaced by the particular provisions of chs. 401 to 411, the principles of law and equity, including the law merchant and the law relative to capacity to contract, principal and agent, estoppel, fraud, misrepresentation, duress, coercion, mistake, bankruptcy, or other validating or invalidating cause shall supplement its provisions.  
  History: 2009 a. 320. |
| 401.104 | Construction against implied repeal. Chapters 401 to 411 being a general act intended as a unified coverage of its subject matter, no part of it shall be deemed to be implicitly repealed by subsequent legislation if such construction can reasonably be avoided.  
  History: 2009 a. 320. |
| 401.106 | Use of singular and plural; gender. In chs. 401 to 411, unless the statutory context otherwise requires, all of the following apply:  
  (1) Words in the singular number include the plural, and those in the plural include the singular.  
  (2) Words of any gender also refer to any other gender.  
  History: 2009 a. 320. |
| 401.201 | General definitions.  
  History: 2009 a. 320. |
| 401.202 | Notice; knowledge. |
| 401.203 | Lease distinguished from security interest. |
| 401.204 | Value. |
| 401.205 | Reasonable time; seasonableness. |
| 401.301 | Territorial applicability; parties’ power to choose applicable law. |
| 401.302 | Variation by agreement. |
| 401.303 | Course of performance, course of dealing, and usage of trade. |
| 401.304 | Obligation of good faith. |
| 401.305 | Remedies to be liberally administered. |
| 401.306 | Waiver or renunciation of claim or right after breach. |
| 401.307 | Prima facie evidence by 3rd-party documents. |
| 401.308 | Performance or acceptance under reservation of rights. |
| 401.309 | Option to accelerate at will. |
| 401.310 | Subordinated obligations. |

#### SUBCHAPTER II

**GENERAL DEFINITIONS AND PRINCIPLES OF INTERPRETATION**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
</table>
| 401.201 | General definitions. (1) Unless the context otherwise requires, words or phrases defined in this section, or in the additional definitions contained in chs. 402 to 411 that apply to particular chapters or subchapters thereof, have the meanings stated.  
  (2) Subject to definitions contained in chs. 402 to 411 that apply to particular chapters or subchapters thereof, in chs. 401 to 411:  
  (a) “Action,” in the sense of a judicial proceeding, includes recoupment, counterclaim, setoff, suit in equity, and any other proceeding in which rights are determined.  
  (am) “Aggrieved party” means a party entitled to pursue a remedy.  
  (b) “Agreement” means the bargain of the parties in fact, as found in their language or inferred from other circumstances, including course of performance, course of dealing, or usage of trade as provided in s. 401.303.  
  (c) “Bank” means a person engaged in the business of banking and includes a savings bank, savings and loan association, credit union, and trust company.  
  (cm) “Bearer” means a person in control of a negotiable electronic document of title or person in possession of an instrument, negotiable tangible document of title, or certificated security payable to bearer or endorsed in blank.  
  (d) “Bill of lading” means a document of title evidencing the receipt of goods for shipment issued by a person engaged in the business of directly or indirectly transporting or forwarding goods. The term does not include a warehouse receipt.  
  (dm) “Branch” includes a separately incorporated foreign branch of a bank.  
  (e) “Burden of establishing” a fact means the burden of persuading the trier of fact that the existence of the fact is more probable than its nonexistence.  
  (em) “Buyer in ordinary course of business” means a person that buys goods in good faith, without knowledge that the sale violates the rights of another person in the goods, and in the ordinary course from a person, other than a pawnbroker, in the business of...
selling goods of that kind. A person buys goods in the ordinary course if the sale to the person comports with the usual or customary practices in the kind of business in which the seller is engaged or with the seller’s own usual or customary practices. A person that sells oil, gas, or other minerals at the wellhead or minehead is a person in the business of selling goods of that kind. A buyer in ordinary course of business may buy for cash, by exchange of other property, or on secured or unsecured credit, and may acquire goods or documents of title under a preexisting contract for sale. Only a buyer that takes possession of the goods or has a right to recover the goods from the seller under ch. 402 may be a buyer in ordinary course of business. A person that acquires goods in a transfer in bulk or as security for or in total or partial satisfaction of a money debt is not a buyer in ordinary course of business.

(f) “Conspicuous.” with reference to a term, means so written, displayed, or presented that a reasonable person against which it is to operate ought to have noticed it. Whether a term is “conspicuous” or not is a decision for the court. Conspicuous terms include any of the following:

1. A heading in capitals equal to or greater in size than the surrounding text, or in contrasting type, font, or color to the surrounding text of the same or lesser size.
2. Language in the body of a record or display in larger type than the surrounding text, or in contrasting type, font, or color to the surrounding text of the same size, or set off from surrounding text of the same size by symbols or other marks that call attention to the language.

(fm) “Consumer” means an individual who enters into a transaction primarily for personal, family, or household purposes.

(g) “Contract” means the total legal obligation that results from the parties’ agreement as determined by chs. 401 to 411 as supplemented by any other applicable laws. (Compare “Agreement.”)

(gm) “Creditor” includes a general creditor, a secured creditor, a lien creditor, and any representative of creditors, including an assignee for the benefit of creditors, a trustee in bankruptcy, a receiver in equity, and an executor or administrator of an insolvent debtor’s or assignor’s estate.

(h) “Defendant” includes a person in the position of defendant in a counterclaim or 3rd party claim.

(hm) “Delivery” with respect to electronic documents of title means voluntary transfer of control and with respect to instruments, tangible documents of title, chattel paper, or certificated securities means voluntary transfer of possession.

(i) “Document of title” means a record that in the regular course of business or financing is treated as adequately evidencing that the person in possession or control of the record is entitled to receive, control, hold, and dispose of the record and the goods the record covers; and that purports to be issued by or addressed to a bailee and to cover goods in the bailee’s possession which are either identified or are fungible portions of an identified mass. The term includes a bill of lading, transport document, dock warrant, dock receipt, warehouse receipt, and order for delivery of goods. An electronic document of title is evidenced by a record consisting of information stored in an electronic medium. A tangible document of title is evidenced by a record consisting of information that is inscribed on a tangible medium.

(im) “Fault” means a wrongful act, omission, breach, or default.

(j) “Fungible goods” means any of the following:

1. Goods of which any unit, by nature or usage of trade, is the equivalent of any other like unit.
2. Goods which by agreement are treated as equivalent.

(jm) “Genuine” means free of forgery or counterfeiting.

(k) “Good faith” means honesty in fact in the conduct or transaction concerned.

(km) “Holder” means any of the following:

1. The person in possession of a negotiable instrument that is payable either to bearer or to an identified person that is the person in possession.
2. A person in possession of a document of title if the goods are deliverable either to bearer or to the order of the person in possession.

(L) “Insolvency proceeding” includes an assignment for the benefit of creditors or other proceeding intended to liquidate or rehabilitate the estate of the person involved.

(Lm) “Insolvent” means any of the following:

1. Having generally ceased to pay debts in the ordinary course of business other than as a result of bona fide dispute.
2. Unable to pay debts as they become due.
3. Insolvent within the meaning of federal bankruptcy law.

(m) “Money” means a medium of exchange currently authorized or adopted by a domestic or foreign government. The term includes a monetary unit of account established by an intergovernmental organization or by agreement between 2 or more countries.

(mm) “Organization” means a person other than an individual.

(n) “Party,” as distinct from a “3rd party,” means a person that has engaged in a transaction or made an agreement subject to chs. 401 to 411.

(nm) “Person” means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision, agency, or instrumentality, public corporation, or any other legal or commercial entity.

(p) “Present value” means the amount as of a date certain of one or more sums payable in the future, discounted to the date certain by use of either an interest rate specified by the parties if that rate is not manifestly unreasonable at the time the transaction is entered into or, if an interest rate is not so specified, a commercially reasonable rate that takes into account the facts and circumstances at the time the transaction is entered into.

(pm) “Presumption” or “presumed” means that the trier of fact must find the existence of the fact presumed unless and until evidence is introduced which would support a finding of its nonexistence.

(q) “Purchase” means taking by sale, lease, discount, negotiation, mortgage, pledge, lien, security interest, issue or reissue, gift, or any other voluntary transaction creating an interest in property.

(r) “Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

(rm) “Remedy” means any remedial right to which an aggrieved party is entitled with or without resort to a tribunal.

(s) “Representative” means any person empowered to act for another, including an agent, an officer of a corporation or association, and a trustee, executor, or administrator of an estate.

(sm) “Right” includes remedy.

(t) “Security interest” means an interest in personal property or fixtures which secures payment or performance of an obligation. The term also includes any interest of a consignor and a buyer of accounts, chattel paper, a payment intangible, or a promissory note in a transaction that is subject to ch. 409. The special property interest of a buyer of goods on identification of those goods to a contract for sale under s. 402.401 is not a “security interest,” but a buyer may also acquire a “security interest” by complying with ch. 409. Except as otherwise provided in s. 402.505, the right of a seller or lessor of goods under ch. 402 or 411 to retain or acquire possession of the goods is not a “security interest,” but a seller or lessor may also acquire a “security interest” by complying with ch. 409. The retention or reservation of
title by a seller of goods notwithstanding shipment or delivery to the buyer (s. 402.401) is limited in effect to a reservation of a “security interest.” Whether a transaction in the form of a lease creates a “security interest” is determined pursuant to s. 401.203.

(1) Notice; knowledge. (1) Subject to sub. (6), a person has “notice” of a fact if the person satisfies any of the following:

(a) Has actual knowledge of it.
(b) Has received a notice or notification of it.
(c) From all the facts and circumstances known to the person at the time in question, has reason to know that it exists.

(2) “Knowledge” means actual knowledge.

(3) “Discover,” “learn,” or words of similar import refer to knowledge rather than to notice.

(4) A person “notifies” or “gives” a notice or notification to another by taking such steps as may be reasonably required to inform the other in ordinary course, whether or not the other person actually comes to know of it.

(5) Subject to sub. (6), a person “receives” a notice or notification when any of the following apply:

(a) It comes to that person’s attention.
(b) It is duly delivered in a form reasonable under the circumstances at the place of business through which the contract was made or at another location held out by that person as the place for receipt of such communications.

(6) Notice, knowledge, or a notice or notification received by an organization is effective for a particular transaction from the time it is brought to the attention of the individual conducting that transaction and, in any event, from the time it would have been brought to the individual’s attention if the organization had exercised due diligence. An organization exercises due diligence if it maintains reasonable routines for communicating significant information to the person conducting the transaction and there is reasonable compliance with the routines. Due diligence does not require an individual acting for the organization to communicate information unless the communication is part of the individual’s regular duties or the individual has reason to know of the transaction and that the transaction would be materially affected by the information.

History: 2009 a. 320.

401.203 Lease distinguished from security interest.

(1) Whether a transaction in the form of a lease creates a lease or security interest is determined by the facts of each case.

(2) A transaction in the form of a lease creates a security interest if the consideration that the lessee is to pay the lessor for the right to possession and use of the goods is an obligation for the term of the lease and is not subject to termination by the lessee, and if any of the following apply:

(a) The original term of the lease is equal to or greater than the remaining economic life of the goods.
(b) The lessee is bound to renew the lease for the remaining economic life of the goods or is bound to become the owner of the goods.
(c) The lessee has an option to renew the lease for the remaining economic life of the goods for no additional consideration or for nominal additional consideration upon compliance with the lease agreement.
(d) The lessee has an option to become the owner of the goods for no additional consideration or for nominal additional consideration upon compliance with the lease agreement.

(3) A transaction in the form of a lease does not create a security interest merely because of any of the following:

(a) The present value of the consideration the lessee is obligated to pay the lessor for the right to possession and use of the goods is substantially equal to or is greater than the fair market value of the goods at the time the lease is entered into.
(b) The lessee assumes risk of loss of the goods.
(c) The lessee agrees to pay taxes, insurance, filing, recording, or registration fees, or service or maintenance costs with respect to the goods.
(d) The lessee has an option to renew the lease or to become the owner of the goods.
(e) The lessee has an option to renew the lease for a fixed rent that is equal to or greater than the reasonably predictable fair market rent for the use of the goods for the term of the renewal at the time the option is to be performed.
(f) The lessee has an option to become the owner of the goods for a fixed price that is equal to or greater than the reasonably predictable fair market value of the goods at the time the option is to be performed.

(4) Additional consideration is nominal if it is less than the lessee’s reasonably predictable cost of performing under the lease agreement if the option is not exercised. Additional consideration is not nominal if any of the following apply:

(a) When the option to renew the lease is granted to the lessee, the rent is stated to be the fair market rent for the use of the goods for the term of the renewal determined at the time the option is to be performed.
(b) When the option to become the owner of the goods is granted to the lessee, the price is stated to be the fair market value of the goods determined at the time the option is to be performed.

(5) The “remaining economic life of the goods” and “reasonably predictable” fair market rent, fair market value, or cost of performing under the lease agreement must be determined with reference to the facts and circumstances at the time the transaction is entered into.

History: 2009 a. 320.

401.204 Value. Except as otherwise provided in chs. 403, 404, and 405, a person gives value for rights if the person acquires them under any of the following circumstances:

(1) In return for a binding commitment to extend credit or for the extension of immediately available credit, whether or not
drawn upon and whether or not a charge—back is provided for in the event of difficulties in collection.

(2) As security for, or in total or partial satisfaction of, a preexisting claim.

(3) By accepting delivery under a preexisting contract for purchase.

(4) In return for any consideration sufficient to support a simple contract.


401.205 Reasonable time; seasonableness. (1) Whether a time for taking an action required by chs. 401 to 411 is reasonable depends on the nature, purpose, and circumstances of the action.

(2) An action is taken seasonably if it is taken at or within the time agreed or, if no time is agreed, at or within a reasonable time.

History: 2009 a. 320.

SUBCHAPTER III
TERRITORIAL APPLICABILITY AND GENERAL RULES

401.301 Territorial applicability; parties’ power to choose applicable law. (1) Except as otherwise provided in this section, when a transaction bears a reasonable relation to this state and to another state or nation the parties may agree that the law either of this state or of such other state or nation shall govern their rights and duties.

(2) In the absence of an agreement under sub. (1), and except as provided in sub. (3), chs. 401 to 411 apply to transactions bearing an appropriate relation to this state.

(3) If one of the following provisions of chs. 401 to 411 specifies the applicable law, that provision governs and a contrary agreement is effective only to the extent permitted by the law so specified:

(a) Section 402.402.

(b) Sections 411.105 and 411.106.

(c) Section 404.102.

(d) Section 410.507.

(e) Section 405.116.

(g) Section 408.110.

(h) Sections 409.301 through 409.307.

401.304 Obligation of good faith. Every contract or duty within chs. 401 to 411 imposes an obligation of good faith in its performance and enforcement.

History: 2009 a. 320.

This section does not support an independent cause of action for failure to act in good faith under a contract. Hauer v. Union State Bank of Wautoma, 192 Wis. 2d 576, 532 N.W.2d 456 (Ct. App. 1995).

Good faith under the code. Eisenberg, 54 MLR 1.

401.305 Remedies to be liberally administered. (1) The remedies provided by chs. 401 to 411 must be liberally administered to the end that the aggrieved party may be put in as good a position as if the other party had fully performed but neither consequential or special damages nor penalty damages may be had except as specifically provided in chs. 401 to 411 or by other rule of law.

(2) Any right or obligation declared by chs. 401 to 411 is enforceable by action unless the provision declaring it specifies a different and limited effect.

History: 2009 a. 320.

401.306 Waiver or renunciation of claim or right after breach. A claim or right arising out of an alleged breach may be
discharged in whole or in part without consideration by agreement of the aggrieved party in an authenticated record.

401.307 Prima facie evidence by 3rd-party documents. A document in due form purporting to be a bill of lading, policy or certificate of insurance, official weigher’s or inspector’s certificate, consular invoice, or any other document authorized or required by the contract to be issued by a 3rd party shall be prima facie evidence of its own authenticity and genuineness and of the facts stated in the document by the 3rd party.

401.308 Performance or acceptance under reservation of rights. (1) A party that with explicit reservation of rights performs or promises performance or assents to performance in a manner demanded or offered by the other party does not thereby prejudice the rights reserved. Such words as “without prejudice,” “under protest,” or the like are sufficient.

(2) Subsection (1) does not apply to an accord and satisfaction.

401.310 Subordinated obligations. An obligation may be issued as subordinated to performance of another obligation of the person obligated, or a creditor may subordinate its right to performance of an obligation by agreement with either the person obligated or another creditor of the person obligated. Subordination does not create a security interest as against either the common debtor or a subordinated creditor.