CHAPTER 401

UNIFORM COMMERCIAL CODE — GENERAL PROVISIONS

SUBCHAPTER I

GENERAL PROVISIONS

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.

History: 2009 a. 320.

Because, under sub. (1) (c), one underlying purpose of Wisconsin’s U.C.C. is to make uniform the law among the various jurisdictions, Wisconsin courts give substantial weight to cases from other jurisdictions when resolving issues that arise under that code. Deutsche Bank National Trust Company v. Wiensch, 2018 WI 35, 390 Wis. 2d 727, 911 N.W.2d 1, 15–0175.

(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 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being a general act intended as a unified coverage of its subject matter, no part of it shall be deemed to be impliedly repealed by subsequent legislation if such construction can reasonably be avoided.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.

History: 2009 a. 320.

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.

(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. 410.303. (Compare “Contract.”)

(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.

(d) “Bearing” 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 certificate of ownership payable to bearer or endorsed in blank.

(e) “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.

(f) “Branch” includes a separately incorporated foreign branch of a bank.

(g) “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.

(h) “Buyer in ordinary course of business” means a person that buys goods in good faith, without knowledge that the sale vio-
lates 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.

(jm) “Fault” means a wrongful act, omission, breach, or default of the following:

(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.

(pn) “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.

(qm) “Purchaser” means a person that takes by purchase.

(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.

(mm) “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.

(pm) “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 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.

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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.
(tm) “Send” in connection with a writing, record, or notice
means any of the following:
  1. To deposit in the mail or deliver for transmission by any
other usual means of communication with postage or cost of trans-
mission provided for and properly addressed and, in the case of an
instrument, to an address specified thereon or otherwise agreed,
or if there be none to any address reasonable under the circum-
stances.
  2. In any other way to cause to be received any record or
notice within the time it would have arrived if properly sent.
(u) “Signed” includes any symbol executed or adopted with
present intention to adopt or accept a writing.
(um) “State” means a state of the United States, the District of
Columbia, Puerto Rico, the United States Virgin Islands, or any
territory or insular possession subject to the jurisdiction of the
United States.
(v) “Surety” includes a guarantor or other secondary obligor.
(vm) “Term” means a portion of an agreement that relates to
a particular matter.
(w) “Unauthorized signature” means a signature made without
actual, implied, or apparent authority. The term includes a forg-
ery.
(wm) “Warehouse receipt” means a receipt issued by a person
engaged in the business of storing goods for hire.
(x) “Writing” includes printing, typewriting, or any other
intentional reduction to tangible form. “Written” has a corre-
sponding meaning.
History: 2009 a. 320.

**401.202 Notice; knowledge.** (1) Subject to sub. (6), a per-
son has “notice” of a fact if the person satisfies any of the follow-
ing:
  (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 per-
son actually comes to know of it.
(5) Subject to sub. (6), a person “receives” a notice or notifi-
cation 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 circum-
stances 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 exer-
cised 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 transac-
tion 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 inter-
est 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 consider-
ation upon compliance with the lease agreement.
(3) A transaction in the form of a lease does not create a secu-
ity interest merely because of any of the following:
  (a) The present value of the consideration the lessee is obli-
gated 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 mar-
ket 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 pre-
dictable 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 les-
see’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 “reason-
ably predictable” fair market rent, fair market value, or cost of per-
forming under the lease agreement must be determined with refer-
ence to the facts and circumstances at the time the transaction is
entered into.
History: 2009 a. 320.

2017–18 Wisconsin Statutes updated through 2019 Wis. Act 186 and through all Supreme Court and Controlled Substances
Board Orders filed before and in effect on May 1, 2020. Published and certified under s. 35.18. Changes effective after May 1,
2020, are designated by NOTES. (Published 5–1–20)
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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.


401.302 Variation by agreement. (1) Except as otherwise provided in sub. (2) or elsewhere in chs. 401 to 411, the effect of provisions of chs. 401 to 411 may be varied by agreement.
(2) The obligations of good faith, diligence, reasonableness, and care prescribed by chs. 401 to 411 may not be disclaimed by agreement. The parties, by agreement, may determine the standards by which the performance of those obligations is to be measured if those standards are not manifestly unreasonable. Whenever chs. 401 to 411 require any action to be taken within a reasonable time, any time which is not manifestly unreasonable may be fixed by agreement.
(3) The presence in certain provisions of chs. 401 to 411 of the phrase “unless otherwise agreed,” or words of similar import, does not imply that the effect of other provisions may not be varied by agreement under this section.

History: 2009 a. 320.

401.303 Course of performance, course of dealing, and usage of trade. (1) A “course of performance” is a sequence of conduct between the parties to a particular transaction that exists if any of the following apply:
   (a) The agreement of the parties with respect to the transaction involves repeated occasions for performance by a party.

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 penal 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
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.

History: 2009 a. 320.

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.

History: 2009 a. 320.

401.309 Option to accelerate at will. A term providing that one party or that party’s successor in interest may accelerate payment or performance or require collateral or additional collateral “at will” or when the party “deems itself insecure,” or words of similar import, means that the party has power to do so only if that party in good faith believes that the prospect of payment or performance is impaired. The burden of establishing lack of good faith is on the party against which the power has been exercised.

History: 2009 a. 320.

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.

History: 2009 a. 320.