# CHAPTER 411

# UNIFORM COMMERCIAL CODE — LEASES

SUBCHAPTER I
GENERAL PROVISIONS
411.101 Short title.
411.102 Scope.
411.103 Definitions and index of definitions.
411.104 Leases subject to other law.
411.105 Territorial application of chapter to goods covered by certificate of title.
411.106 Limitation on power of parties to consumer lease to choose applicable law and judicial forum.
411.107 Waiver or renunciation of claim or right after default.
411.108 Unconscionability.
411.109 Option to accelerate at will.
SUBCHAPTER II
FORMATION AND CONSTRUCTION OF LEASE CONTRACT
411.201 Statute of frauds.
411.202 Final written expression: parol or extrinsic evidence.
411.203 Seals inoperative.
411.204 Formation in general.
411.205 Firm offers.
411.206 Offer and acceptance in formation of lease contract.
411.207 Course of performance or practical construction.
411.208 Modification, rescission and waiver.
411.209 Lessee under finance lease as beneficiary of supply contract.
411.210 Express warranties.
411.211 Warranties against interference and against infringement; lessee's obligation against infringement.
411.212 Implied warranty of merchantability.
411.213 Implied warranty of fitness for particular purpose.
411.214 Exclusion or modification of warranties.
411.215 Cumulation and conflict of warranties express or implied.
411.216 Third-party beneficiaries of express and implied warranties.
411.217 Identification.
411.218 Insurance and proceeds.
411.219 Risk of loss.
411.220 Effect of default on risk of loss.
411.221 Casualty to identified goods.
SUBCHAPTER III
EFFECT OF LEASE CONTRACT
411.301 Enforceability of lease contract.
411.302 Title to and possession of goods.
411.303 Alienability of party's interest under lease contract or of lessor's residual interest in goods; delegation of performance; transfer of rights.
411.304 Subsequent lease of goods by lessor.
411.305 Sale or sublease of goods by lessee.
411.306 Priority of certain liens arising by operation of law.
411.307 Priority of liens arising by attachment or levy on, security interests in, and other claims to goods.
411.308 Special rights of creditors.
411.309 Lessor's and lessee's rights when goods become fixtures.
411.310 Lessor's and lessee's rights when goods become accessions.
411.311 Priority subject to subordination.
SUBCHAPTER IV
PERFORMANCE OF LEASE CONTRACT: REPUDIATED, SUBSTITUTED AND EXCUSED
411.401 Insecurity: adequate assurance of performance.
411.402 Anticipatory repudiation.
411.403 Retraction of anticipatory repudiation.
411.404 Substituted performance.
411.405 Excused performance.
411.406 Procedure on excused performance.
411.407 Irrevocable promises: finance leases.
SUBCHAPTER V
DEFAULT
411.501 Default: Procedure.
411.502 Notice after default.
411.503 Modification or impairment of rights and remedies.
411.504 Liquidation of damages.
411.505 Cancellation and termination and effect of cancellation, termination, rescission or fraud on rights and remedies.
411.506 Statute of limitations.
411.507 Proof of market rent: time and place.
411.508 Lessee's remedies.
411.509 Lessee's rights on improper delivery; rightful rejection.
411.510 Installment lease contracts: rejection and default.
411.511 Merchant lessee's duties as to rightfully rejected goods.
411.512 Lessee's duties as to rightfully rejected goods.
411.513 Cure by lessor of improper tender or delivery; replacement.
411.514 Waiver of lessee's objections.
411.515 Acceptance of goods.
411.516 Effect of acceptance of goods; notice of default; burden of establishing default after acceptance; notice of claim or litigation to person answerable over.
411.517 Revocation of acceptance of goods.
411.518 Cover; substitute goods.
411.519 Lessee's damages for nondelivery, repudiation, default and breach of warranty in regard to accepted goods.
411.520 Lessee's incidental and consequential damages.
411.521 Lessee's right to specific performance or replevin.
411.522 Lessee's right to goods on lessor's insolvency.
411.523 Lessor's remedies.
411.524 Lessor's right to identify goods to lease contract.
411.525 Lessor's right to possession of goods.
411.526 Lessor's stoppage of delivery in transit or otherwise.
411.527 Lessor's rights to dispose of goods.
411.528 Lessor's damages for nonacceptance, failure to pay, repudiation or other default.
411.529 Lessor's action for the rent.
411.530 Lessor's incidental damages.
411.531 Standing to sue 3rd parties for injury to goods.
411.532 Lessor's rights to residual interest.
SUBCHAPTER VI
TRANSITIONAL PROVISIONS
411.901 Applicability; written agreement to modify.

**Cross-reference:** See definitions in s. 401.201.

## SUBCHAPTER I

## GENERAL PROVISIONS

**411.101 Short title.** This chapter may be cited as the uniform commercial code — leases.

**History:** 1991 a. 148.

**411.102 Scope.** This chapter applies to any transaction, regardless of form, that creates a lease.

**History:** 1991 a. 148.

UCC Now Governs Personal Property Leases. Storm. Wis. Law. Oct. 1992.

**411.103 Definitions and index of definitions. (1)** In this chapter, unless the context requires otherwise:

(a) "Buyer in ordinary course of business" means a person who, in good faith and without knowledge that the sale to him or her is in violation of the ownership rights or security interest or leasehold interest of a 3rd party in the goods, buys in ordinary course from a person in the business of selling goods of that kind but does not include a pawnbroker. "Buying" may be for cash or by exchange of other property or on secured or unsecured credit and includes acquiring goods or documents of title under a preexisting contract for sale but does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

(b) "Cancellation" occurs when either party puts an end to the lease contract for default by the other party.

(c) "Commercial unit" means such a unit of goods as by commercial usage is a single whole for purposes of lease and division of which materially impairs its character or value on the market or in use. A commercial unit may be a single article, such as a machine, or a set of articles, such as a suite of furniture or a line of machinery, or a quantity, such as a gross or carload, or any other unit treated in use or in the relevant market as a single whole.

(d) "Conforming goods" or "performance under a lease contract" means goods or performance that is in accordance with the obligations under the lease contract.

(e) "Consumer lease" means a lease that a lessor regularly engaged in the business of leasing or selling makes to a lessee who is an individual and who takes under the lease primarily for a personal, family, or household purpose, if the total payments to be made under the lease contract, excluding payments for options to renew or buy, do not exceed $25,000.

(f) "Fault" means wrongful act, omission, breach or default.

(g) "Finance lease" means a lease with respect to which all of the following occur:

1. The lessor does not select, manufacture or supply the goods.

2. The lessor acquires the goods or the right to possession and use of the goods in connection with the lease.

3. One of the following occurs:

a. The lessee receives a copy of the contract by which the lessor acquired the goods or the right to possession and use of the goods before signing the lease contract.

b. The lessee's approval of the contract by which the lessor acquired the goods or the right to possession and use of the goods is a condition to effectiveness of the lease contract.

c. The lessee, before signing the lease contract, receives an accurate and complete statement designating the promises and warranties, and any disclaimers of warranties, limitations or modifications of remedies, or liquidated damages, including those of a 3rd party, such as the manufacturer of the goods, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods.

d. If the lease is not a consumer lease, the lessor, before the lessee signs the lease contract, informs the lessee in writing of the identity of the person supplying the goods to the lessor unless the lessee has selected that person and directed the lessor to acquire the goods or the right to possession and use of the goods from that person, that the lessee is entitled under this chapter to the promises and warranties, including those of a 3rd party, provided to the lessor by the person supplying the goods in connection with or as part of the contract by which the lessor acquired the goods or the right to possession and use of the goods and that the lessee may communicate with the person supplying the goods to the lessor and receive an accurate and complete statement of those promises and warranties, including any disclaimers and limitations of them or of remedies.

(h) "Goods" means all things that are movable at the time of identification to the lease contract, or are fixtures as defined in s. 411.309 (1) (d). "Goods" also includes the unborn young of animals. "Goods" does not include money, documents, instruments, accounts, chattel paper or general intangibles and does not include minerals or the like, including oil and gas, before extraction.

(i) "Installment lease contract" means a lease contract that authorizes or requires the delivery of goods in separate lots to be separately accepted, even though the lease contract contains a clause stating "each delivery is a separate lease" or its equivalent.

(j) "Lease" means a transfer of the right to possession and use of goods for a term in return for consideration, but a sale, including a sale on approval or a sale or return, or a retention or creation of a security interest is not a lease. Unless the context clearly indicates otherwise, "lease" includes a sublease.

(k) "Lease agreement" means the bargain, with respect to the lease, of the lessor and the lessee in fact as found in their language or by implication from other circumstances including course of dealing or usage of trade or course of performance as provided in this chapter. Unless the context clearly indicates otherwise, "lease agreement" includes a sublease agreement.

(L) "Lease contract" means the total legal obligation that results from the lease agreement as affected by this chapter and any other applicable rules of law. Unless the context clearly indicates otherwise, "lease contract" includes a sublease contract.

(m) "Leasehold interest" means the interest of the lessor or the lessee under a lease contract.

(n) "Lessee" means a person who acquires the right to possession and use of goods under a lease. Unless the context clearly indicates otherwise, "lessee" includes a sublessee.

(o) "Lessee in ordinary course of business" means a person who in good faith and without knowledge that the lease to him or her is in violation of the ownership rights or security interest or leasehold interest of a 3rd party in the goods leases in ordinary course from a person in the business of selling or leasing goods of that kind but does not include a pawnbroker. "Leasing" may be for cash or by exchange of other property or on secured or unsecured credit and includes acquiring goods or documents of title under a preexisting lease contract but does not include a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

(p) "Lessor" means a person who transfers the right to possession and use of goods under a lease. Unless the context clearly indicates otherwise, "lessor" includes a sublessor.

(q) "Lessor's residual interest" means the lessor's interest in the goods after expiration, termination or cancellation of the lease contract.

(r) "Lien" means a charge against or interest in goods to secure payment of a debt or performance of an obligation. "Lien" does not include a security interest.

(s) "Lot" means a parcel or a single article that is the subject matter of a separate lease or delivery, whether or not it is sufficient to perform the lease contract.

(t) "Merchant lessee" means a lessee that is a merchant with respect to goods of the kind subject to the lease.

(u) "Present value" means the amount, as of a date certain, of one or more sums payable in the future, discounted to the date certain. The discount is determined by the interest rate specified by the parties if the rate was not manifestly unreasonable when the transaction was entered into; otherwise, the discount is determined by a commercially reasonable rate that takes into account the facts and circumstances of each case when the transaction was entered into.

(v) "Purchase" includes taking by sale, lease, mortgage, security interest, pledge, gift or any other voluntary transaction creating an interest in goods.

(w) "Sublease" means a lease of goods the right to possession and use of which was acquired by the lessor as a lessee under an existing lease.

(x) "Supplier" means a person from whom a lessor buys or leases goods to be leased under a finance lease.

(y) "Supply contract" means a contract under which a lessor buys or leases goods to be leased.

(z) "Termination" occurs when either party pursuant to a power created by agreement or law puts an end to the lease contract otherwise than for default.

**(2)** Other definitions applying to this chapter and the sections in which they appear are:

(a) "Accessions" — s. 411.310 (1).

(b) "Construction mortgage" — s. 411.309 (1) (a).

(c) "Encumbrance" — s. 411.309 (1) (b).

(d) "Fixture filing" — s. 411.309 (1) (c).

(e) "Fixtures" — s. 411.309 (1) (d).

(f) "Purchase money lease" — s. 411.309 (1) (e).

**(3)** The following definitions in other chapters apply to this chapter:

(a) "Account" — s. 409.102 (1) (ag).

(b) "Between merchants" — s. 402.104 (1).

(c) "Buyer" — s. 402.103 (1) (a).

(d) "Chattel paper" — s. 409.102 (1) (cm).

(e) "Consumer goods" — s. 409.102 (1) (fm).

(f) "Document" — s. 409.102 (1) (hg).

(g) "Entrusting" — s. 402.403 (3).

(h) "General intangible" — s. 409.102 (1) (kg).

(i) "Good faith" — s. 402.103 (1) (b).

(j) "Instrument" — s. 409.102 (1) (Lm).

(k) "Merchant" — s. 402.104 (3).

(L) "Mortgage" — s. 409.102 (1) (nm).

(m) "Pursuant to commitment" — s. 409.102 (1) (qs).

(n) "Receipt" — s. 402.103 (1) (c).

(o) "Sale" — s. 402.106 (6).

(p) "Sale on approval" — s. 402.326 (1) (a).

(q) "Sale or return" — s. 402.326 (1) (b).

(r) "Seller" — s. 402.103 (1) (d).

**(4)** In addition, ch. 401 contains general definitions and principles of construction and interpretation applicable throughout this chapter.

**History:** 1991 a. 148; 2001 a. 10; 2009 a. 322.

**411.104 Leases subject to other law. (1)** A lease, although subject to this chapter, is also subject to any applicable:

(a) Certificate of title statute of this state, including ss. 30.531, 101.9203 and 342.05.

(b) Certificate of title statute of another jurisdiction.

(c) Consumer protection statute of this state or final consumer protection decision of a court of this state existing on July 1, 1992.

**(2)** In case of conflict between this chapter, other than ss. 411.105, 411.304 (3) and 411.305 (3), and a statute or decision referred to in sub. (1), the statute or decision referred to in sub. (1) controls.

**(3)** Failure to comply with an applicable law has only the effect specified therein.

**History:** 1991 a. 148; 1999 a. 9.

**411.105 Territorial application of chapter to goods covered by certificate of title.** Subject to ss. 411.304 (3) and 411.305 (3), with respect to goods covered by a certificate of title issued under a statute of this state or of another jurisdiction, compliance and the effect of compliance or noncompliance with a certificate of title statute are governed by the law, including the conflict of laws rules, of the jurisdiction issuing the certificate until the earlier of the surrender of the certificate, or 4 months after the goods are removed from that jurisdiction and thereafter until a new certificate of title is issued by another jurisdiction.

**History:** 1991 a. 148.

**411.106 Limitation on power of parties to consumer lease to choose applicable law and judicial forum. (1)** If the law chosen by the parties to a consumer lease is that of a jurisdiction other than a jurisdiction in which the lessee resides when the lease agreement becomes enforceable or within 30 days thereafter or in which the goods are to be used, the choice is not enforceable.

**(2)** If the judicial forum chosen by the parties to a consumer lease is a forum that would not otherwise have jurisdiction over the lessee, the choice is not enforceable.

**History:** 1991 a. 148.

**411.107 Waiver or renunciation of claim or right after default.** Any claim or right arising out of an alleged default or breach of warranty may be discharged in whole or in part without consideration by a written waiver or renunciation signed and delivered by the aggrieved party.

**History:** 1991 a. 148.

**411.108 Unconscionability. (1)** If the court as a matter of law finds a lease contract or any clause of a lease contract to have been unconscionable when it was made, the court may refuse to enforce the lease contract, or it may enforce the remainder of the lease contract without the unconscionable clause, or it may so limit the application of any unconscionable clause as to avoid any unconscionable result.

**(2)** With respect to a consumer lease, if the court as a matter of law finds that a lease contract or any clause of a lease contract has been induced by unconscionable conduct or that unconscionable conduct has occurred in the collection of a claim arising from a lease contract, the court may grant appropriate relief.

**(3)** Before making a finding of unconscionability under sub. (1) or (2), the court, on its own motion or that of a party, shall afford the parties a reasonable opportunity to present evidence as to the setting, purpose and effect of the lease contract or the clause of the lease contract, or of the conduct.

**(4)** In an action in which the lessee claims unconscionability with respect to a consumer lease, all of the following apply:

(a) If the court finds unconscionability under sub. (1) or (2), the court shall award reasonable attorney fees to the lessee, notwithstanding s. 814.04 (1).

(b) If the court does not find unconscionability and the lessee claiming unconscionability brought or maintained an action that he or she knew to be groundless, the court shall award reasonable attorney fees, notwithstanding s. 814.04 (1), to the party against whom the claim is made.

(c) In determining attorney fees, the amount of the recovery on behalf of the claimant under subs. (1) and (2) is not controlling.

**History:** 1991 a. 148.

**411.109 Option to accelerate at will. (1)** A term providing that one party or his or her successor in interest may accelerate payment or performance or require collateral or additional collateral "at will" or "when he or she considers himself or herself insecure" or in words of similar import means that he or she has power to do so only if he or she in good faith believes that the prospect of payment or performance is impaired.

**(2)** With respect to a consumer lease, the burden of establishing good faith under sub. (1) is on the party who exercised the power. With respect to a lease other than a consumer lease, the burden of establishing lack of good faith under sub. (1) is on the party against whom the power has been exercised.

**History:** 1991 a. 148.

## SUBCHAPTER II

## FORMATION AND CONSTRUCTION OF LEASE CONTRACT

**411.201 Statute of frauds. (1)** A lease contract is not enforceable by way of action or defense unless any of the following occurs:

(a) The total payments to be made under the lease contract,

excluding payments for options to renew or buy, are less than $1,000.

(b) There is a writing, signed by the party against whom enforcement is sought or by that party's authorized agent, sufficient to indicate that a lease contract has been made between the parties and to describe the goods leased and the lease term.

**(2)** Any description of leased goods or of the lease term is sufficient and satisfies sub. (1) (b), whether or not it is specific, if it reasonably identifies what is described.

**(3)** A writing is not insufficient because it omits or incorrectly states a term agreed upon, but the lease contract is not enforceable under sub. (1) (b) beyond the lease term and the quantity of goods shown in the writing.

**(4)** A lease contract that does not satisfy the requirements of sub. (1), but that is valid in other respects, is enforceable if any of the following occurs:

(a) The goods are to be specially manufactured or obtained for the lessee and are not suitable for lease or sale to others in the ordinary course of the lessor's business, and the lessor, before notice of repudiation is received and under circumstances that reasonably indicate that the goods are for the lessee, has made either a substantial beginning of their manufacture or commitments for their procurement.

(b) The party against whom enforcement is sought admits in that party's pleading, testimony or otherwise in court that a lease contract was made, except that the lease contract is not enforceable under this paragraph beyond the quantity of goods admitted.

(c) Goods have been received and accepted by the lessee, except that the lease contract is not enforceable under this paragraph beyond the quantity of goods received and accepted.

**(5)** The lease term under a lease contract referred to in sub. (4) is one of the following:

(a) If there is a writing signed by the party against whom enforcement is sought or by that party's authorized agent specifying the lease term, the term so specified.

(b) If par. (a) does not apply and the party against whom enforcement is sought admits in that party's pleading, testimony, or otherwise in court a lease term, the term so admitted.

(c) If par. (a) or (b) does not apply, a reasonable lease term.

**History:** 1991 a. 148.

**411.202 Final written expression: parol or extrinsic evidence.** Terms with respect to which the confirmatory memoranda of the parties agree or that are otherwise set forth in a writing intended by the parties as a final expression of their agreement with respect to such terms as are included in the writing may not be contradicted by evidence of an earlier agreement or of a contemporaneous oral agreement but may be explained or supplemented by all of the following:

**(1)** Course of dealing or usage of trade or by course of performance.

**(2)** Evidence of consistent additional terms unless the court finds the writing to have been intended also as a complete and exclusive statement of the terms of the agreement.

**History:** 1991 a. 148.

**411.203 Seals inoperative.** The affixing of a seal to a writing evidencing a lease contract or an offer to enter into a lease contract does not make the writing a sealed instrument and the law with respect to sealed instruments does not apply to the lease contract or offer.

**History:** 1991 a. 148.

**411.204 Formation in general. (1)** A lease contract may be made in any manner sufficient to show agreement, including conduct by both parties that recognizes the existence of a lease contract.

**(2)** An agreement sufficient to constitute a lease contract may be found although the moment of its making is undetermined.

**(3)** Although one or more terms are left open, a lease contract does not fail for indefiniteness if the parties intended to make a lease contract and there is a reasonably certain basis for giving an appropriate remedy.

**History:** 1991 a. 148.

**411.205 Firm offers.** An offer by a merchant to lease goods to or from another person in a signed writing that by its terms gives assurance that it will be held open is not revocable, for lack of consideration, during the time stated or, if no time is stated, for a reasonable time, but in no event may the period of irrevocability exceed 3 months. A term of assurance on a form supplied by the offeree shall be signed separately by the offeror.

**History:** 1991 a. 148.

**411.206 Offer and acceptance in formation of lease contract. (1)** Unless otherwise unambiguously indicated by the language or circumstances, an offer to make a lease contract must be construed as inviting acceptance in any manner and by any medium reasonable in the circumstances.

**(2)** If the beginning of a requested performance is a reasonable mode of acceptance, an offeror who is not notified of acceptance within a reasonable time may treat the offer as having lapsed before acceptance.

**History:** 1991 a. 148.

**411.207 Course of performance or practical construction. (1)** If a lease contract involves repeated occasions for performance by either party with knowledge of the nature of the performance and opportunity for objection to it by the other, any course of performance accepted or acquiesced in without objection is relevant to determine the meaning of the lease agreement.

**(2)** The express terms of a lease agreement and any course of performance, as well as any course of dealing and usage of trade, shall be construed whenever reasonable as consistent with each other; but if that construction is unreasonable, express terms control course of performance, course of performance controls both course of dealing and usage of trade, and course of dealing controls usage of trade.

**(3)** Subject to the provisions of s. 411.208 on modification and waiver, course of performance is relevant to show a waiver or modification of any term that is inconsistent with the course of performance.

**History:** 1991 a. 148.

**411.208 Modification, rescission and waiver. (1)** An agreement modifying a lease contract needs no consideration to be binding.

**(2)** A signed lease agreement that excludes modification or rescission except by a signed writing may not be otherwise modified or rescinded, but, except as between merchants, such a requirement on a form supplied by a merchant must be signed separately by the other party.

**(3)** Although an attempt at modification or rescission does not satisfy the requirements of sub. (2), it may operate as a waiver.

**(4)** A party who has made a waiver affecting an executory portion of a lease contract may retract the waiver by reasonable notification received by the other party that strict performance shall be required of any term waived, unless the retraction would

be unjust in view of a material change of position in reliance on the waiver.

**History:** 1991 a. 148.

**411.209 Lessee under finance lease as beneficiary of supply contract. (1)** The benefit of a supplier's promises to the lessor under the supply contract and of all warranties, whether express or implied, including those of a 3rd party provided in connection with or as part of the supply contract, extends to the lessee to the extent of the lessee's leasehold interest under a finance lease related to the supply contract, but is subject to the terms of the warranty and of the supply contract and all defenses or claims arising therefrom.

**(2)** The extension of the benefit of a supplier's promises and of warranties to the lessee does not modify the rights and obligations of the parties to the supply contract, whether arising therefrom or otherwise, or impose any duty or liability under the supply contract on the lessee.

**(3)** A modification or rescission of the supply contract by the supplier and the lessor is effective between the supplier and the lessee unless, before the modification or rescission, the supplier receives notice that the lessee has entered into a finance lease related to the supply contract. If the modification or rescission is effective between the supplier and the lessee, the lessor is considered to have assumed, in addition to the obligations of the lessor to the lessee under the lease contract, promises of the supplier to the lessor and warranties that were so modified or rescinded as they existed and were available to the lessee before modification or rescission.

**(4)** In addition to the extension of the benefit of the supplier's promises and of warranties to the lessee under sub. (1), the lessee retains all rights that the lessee may have against the supplier which arise from an agreement between the lessee and the supplier or under other law.

**History:** 1991 a. 148.

**411.210 Express warranties. (1)** Express warranties by the lessor are created as follows:

(a) Any affirmation of fact or promise made by the lessor to the lessee that relates to the goods and becomes part of the basis of the bargain creates an express warranty that the goods will conform to the affirmation or promise.

(b) Any description of the goods that is made part of the basis of the bargain creates an express warranty that the goods will conform to the description.

(c) Any sample or model that is made part of the basis of the bargain creates an express warranty that the whole of the goods will conform to the sample or model.

**(2)** It is not necessary to the creation of an express warranty that the lessor use formal words, such as "warrant" or "guarantee", or that the lessor have a specific intention to make a warranty, but an affirmation merely of the value of the goods or a statement purporting to be merely the lessor's opinion or commendation of the goods does not create a warranty.

**History:** 1991 a. 148.

**411.211 Warranties against interference and against infringement; lessee's obligation against infringement. (1)** There is in a lease contract a warranty that for the lease term no person holds a claim to or interest in the goods that arose from an act or omission of the lessor, other than a claim by way of infringement or the like, that will interfere with the lessee's enjoyment of its leasehold interest.

**(2)** Except in a finance lease, there is in a lease contract by a lessor who is a merchant regularly dealing in goods of the kind a warranty that the goods are delivered free of the rightful claim of any person by way of infringement or the like.

**(3)** A lessee who furnishes specifications to a lessor or a supplier shall hold the lessor and the supplier harmless against any claim by way of infringement or the like that arises out of compliance with the specifications.

**History:** 1991 a. 148.

**411.212 Implied warranty of merchantability. (1)** Except in a finance lease, a warranty that the goods will be merchantable is implied in a lease contract if the lessor is a merchant with respect to goods of that kind.

**(2)** To be merchantable, goods shall meet all of the following minimum standards:

(a) Pass without objection in the trade under the description in the lease agreement.

(b) If fungible goods, be of fair average quality within the description.

(c) Be fit for the ordinary purposes for which goods of that type are used.

(d) Run, within the variation permitted by the lease agreement, of even kind, quality and quantity within each unit and among all units involved.

(e) Be adequately contained, packaged and labeled as the lease agreement requires.

(f) Conform to any promises or affirmations of fact made on the container or label.

**(3)** Other implied warranties may arise from course of dealing or usage of trade.

**History:** 1991 a. 148.

**411.213 Implied warranty of fitness for particular purpose.** Except in a finance lease, if the lessor when the lease contract is made has reason to know of any particular purpose for which the goods are required and that the lessee is relying on the lessor's skill or judgment to select or furnish suitable goods, there is in the lease contract an implied warranty that the goods will be fit for that purpose.

**History:** 1991 a. 148.

**411.214 Exclusion or modification of warranties. (1)** Words or conduct relevant to the creation of an express warranty and words or conduct tending to negate or limit a warranty shall be construed wherever reasonable as consistent with each other; but, subject to s. 411.202, negation or limitation is inoperative to the extent that the construction is unreasonable.

**(2)** Subject to sub. (3), to exclude or modify the implied warranty of merchantability or a part of it the language shall mention "merchantability", be by a writing and be conspicuous. Subject to sub. (3), to exclude or modify an implied warranty of fitness the exclusion shall be by a writing and be conspicuous. Language to exclude all implied warranties of fitness is sufficient if it is in writing, is conspicuous and states, for example, "There is no warranty that the goods will be fit for a particular purpose."

**(3)** Notwithstanding sub. (2), but subject to sub. (4), all of the following apply:

(a) Unless the circumstances indicate otherwise, all implied warranties are excluded by expressions such as "as is", or "with all faults", or by other language that in common understanding calls the lessee's attention to the exclusion of warranties and makes plain that there is no implied warranty, if in writing and conspicuous.

(b) If the lessee before entering into the lease contract examines the goods or the sample or model as fully as desired or refuses to examine the goods, there is no implied warranty with re-

gard to defects that an examination ought in the circumstances to have revealed.

(c) An implied warranty may also be excluded or modified by course of dealing, course of performance, or usage of trade.

**(4)** To exclude or modify a warranty against interference or against infringement or any part of that warranty, the language shall be specific, be by a writing, and be conspicuous, unless the circumstances, including course of performance, course of dealing, or usage of trade, give the lessee reason to know that the goods are being leased subject to a claim or interest of any person.

**History:** 1991 a. 148.

**411.215 Cumulation and conflict of warranties express or implied.** Warranties, whether express or implied, shall be construed as consistent with each other and as cumulative, but if that construction is unreasonable, the intention of the parties determines which warranty is dominant. In ascertaining that intention, all of the following apply:

**(1)** Exact or technical specifications displace an inconsistent sample or model or general language of description.

**(2)** A sample from an existing bulk displaces inconsistent general language of description.

**(3)** Express warranties displace inconsistent implied warranties other than an implied warranty of fitness for a particular purpose.

**History:** 1991 a. 148.

**411.216 Third-party beneficiaries of express and implied warranties.** A warranty to or for the benefit of a lessee under this chapter, whether express or implied, extends to any natural person who is in the family or household of the lessee or who is a guest in the lessee's home if it is reasonable to expect that the person may use, consume or be affected by the goods and who is injured in person by breach of the warranty. This section does not displace principles of law and equity that extend a warranty to or for the benefit of a lessee to other persons. The operation of this section may not be excluded, modified or limited, but an exclusion, modification or limitation of the warranty, including any with respect to rights and remedies, effective against the lessee is also effective against a beneficiary designated under this section.

**History:** 1991 a. 148.

**411.217 Identification.** Identification of goods as goods to which a lease contract refers may be made at any time and in any manner explicitly agreed to by the parties. In the absence of explicit agreement, identification occurs when any of the following occurs:

**(1)** The lease contract is made if the lease contract is for a lease of goods that are existing and identified.

**(2)** The goods are shipped, marked, or otherwise designated by the lessor as goods to which the lease contract refers, if the lease contract is for a lease of goods that are not existing and identified.

**(3)** The young are conceived, if the lease contract is for a lease of unborn young of animals.

**History:** 1991 a. 148.

**411.218 Insurance and proceeds. (1)** A lessee obtains an insurable interest when existing goods are identified to the lease contract even though the goods identified are nonconforming and the lessee has an option to reject them.

**(2)** If a lessee has an insurable interest only by reason of the lessor's identification of the goods, the lessor, until default or insolvency or notification to the lessee that identification is final, may substitute other goods for those identified.

**(3)** Notwithstanding a lessee's insurable interest under subs. (1) and (2), the lessor retains an insurable interest until an option to buy has been exercised by the lessee and risk of loss has passed to the lessee.

**(4)** Nothing in this section impairs an insurable interest recognized under any other statute or rule of law.

**(5)** The parties, by agreement, may determine that one or more parties have an obligation to obtain and, pay for insurance covering the goods and, by agreement, may determine the beneficiary of the proceeds of the insurance.

**History:** 1991 a. 148.

**411.219 Risk of loss. (1)** Except in the case of a finance lease, risk of loss is retained by the lessor and does not pass to the lessee. In the case of a finance lease, risk of loss passes to the lessee.

**(2)** Subject to s. 411.220, if risk of loss is to pass to the lessee and the time of passage is not stated, all of the following apply:

(a) If the lease contract requires or authorizes the goods to be shipped by carrier and the lease contract does not require delivery at a particular destination, the risk of loss passes to the lessee when the goods are delivered to the carrier; but if the lease contract does require delivery at a particular destination and the goods are tendered while in the possession of the carrier, the risk of loss passes to the lessee when the goods are so tendered as to enable the lessee to take delivery.

(b) If the goods are held by a bailee to be delivered without being moved, the risk of loss passes to the lessee on acknowledgment by the bailee of the lessee's right to possession of the goods.

(c) In any case not within par. (a) or (b), the risk of loss passes to the lessee on the lessee's receipt of the goods if the lessor, or, in the case of a finance lease, the supplier, is a merchant; otherwise the risk passes to the lessee on tender of delivery.

**History:** 1991 a. 148.

**411.220 Effect of default on risk of loss. (1)** If risk of loss is to pass to the lessee and the time of passage is not stated, all of the following apply:

(a) If a tender or delivery of goods so fails to conform to the lease contract as to give a right of rejection, the risk of their loss remains with the lessor, or, in the case of a finance lease, the supplier, until cure or acceptance.

(b) If the lessee rightfully revokes acceptance, the lessee, to the extent of any deficiency in his or her effective insurance coverage, may treat the risk of loss as having remained with the lessor from the beginning.

**(2)** Whether or not risk of loss is to pass to the lessee, if the lessee as to conforming goods already identified to a lease contract repudiates or is otherwise in default under the lease contract, the lessor, or, in the case of a finance lease, the supplier, to the extent of any deficiency in his or her effective insurance coverage may treat the risk of loss as resting on the lessee for a commercially reasonable time.

**History:** 1991 a. 148.

**411.221 Casualty to identified goods.** If a lease contract requires goods identified when the lease contract is made, and the goods suffer casualty without fault of the lessee, the lessor or the supplier before delivery, or the goods suffer casualty before risk of loss passes to the lessee under the lease agreement or s. 411.219, then all of the following apply:

**(1)** If the loss is total, the lease contract is avoided.

**(2)** If the loss is partial or the goods have so deteriorated as to no longer conform to the lease contract, the lessee may nevertheless demand inspection and at his or her option either treat the lease contract as avoided or, except in a finance lease that is not a

consumer lease, accept the goods with due allowance from the rent payable for the balance of the lease term for the deterioration or the deficiency in quantity but without further right against the lessor.

**History:** 1991 a. 148.

SUBCHAPTER III

EFFECT OF LEASE CONTRACT

**411.301 Enforceability of lease contract.** Except as otherwise provided in this chapter, a lease contract is effective and enforceable according to its terms between the parties, against purchasers of the goods and against creditors of the parties.

**History:** 1991 a. 148.

**411.302 Title to and possession of goods.** Except as otherwise provided in this chapter, this chapter applies whether the lessor or a 3rd party has title to the goods, and whether the lessor, the lessee, or a 3rd party has possession of the goods, notwithstanding any statute or rule of law that possession or the absence of possession is fraudulent.

**History:** 1991 a. 148.

**411.303 Alienability of party's interest under lease contract or of lessor's residual interest in goods; delegation of performance; transfer of rights. (1)** In this section, "creation of a security interest" includes the sale of a lease contract that is subject to ch. 409 under s. 409.109 (1) (c).

**(2)** Except as provided in sub. (3) and s. 409.407, a provision in a lease agreement that prohibits the voluntary or involuntary transfer, including a transfer by sale, sublease, creation or enforcement of a security interest, or attachment, levy, or other judicial process, of an interest of a party under the lease contract or of the lessor's residual interest in the goods, or that makes such a transfer an event of default, gives rise to the rights and remedies provided in sub. (4), but a transfer that is prohibited or is an event of default under the lease agreement is otherwise effective.

**(3)** A provision in a lease agreement that prohibits a transfer of a right to damages for default with respect to the whole lease contract or of a right to payment arising out of the transferor's due performance of the transferor's entire obligation, or that makes such a transfer an event of default, is not enforceable, and such a transfer is not a transfer that materially impairs the prospect of obtaining return performance by, materially changes the duty of, or materially increases the burden or risk imposed on, the other party to the lease contract within the purview of sub. (4).

**(4)** Subject to sub. (3) and s. 409.407:

(a) If a transfer is made which is made an event of default under a lease agreement, the party to the lease contract not making the transfer, unless that party waives the default or otherwise agrees, has the rights and remedies under s. 411.501 (2).

(b) If par. (a) is not applicable and if a transfer is made that is prohibited under a lease agreement or that materially impairs the prospect of obtaining return performance by, materially changes the duty of, or materially increases the burden or risk imposed on the other party to the lease contract, unless the party not making the transfer agrees at any time to the transfer in the lease contract or otherwise, then, except as limited by contract, all of the following apply:

1. The transferor is liable to the party not making the transfer for damages caused by the transfer to the extent that the damages could not reasonably be prevented by the party not making the transfer.

2. A court having jurisdiction may grant other appropriate relief, including cancellation of the lease contract or an injunction against the transfer.

**(5)** A transfer of "the lease" or of "all my rights under the lease", or a transfer in similar general terms is a transfer of rights and, unless the language or the circumstances, as in a transfer for security, indicate the contrary, the transfer is a delegation of duties by the transferor to the transferee. Acceptance by the transferee constitutes a promise by the transferee to perform those duties. The promise is enforceable by either the transferor or the other party to the lease contract.

**(6)** Unless otherwise agreed by the lessor and the lessee, a delegation of performance does not relieve the transferor as against the other party of any duty to perform or of any liability for default.

**(7)** In a consumer lease, to prohibit the transfer of an interest of a party under the lease contract or to make a transfer an event of default, the language must be specific, by a writing and conspicuous.

**History:** 1991 a. 148; 2001 a. 10.

**411.304 Subsequent lease of goods by lessor. (1)** (a) Subject to s. 411.303, a subsequent lessee from a lessor of goods under an existing lease contract obtains, to the extent of the leasehold interest transferred, the leasehold interest in the goods that the lessor had or had power to transfer, and except as provided in sub. (2) and s. 411.527 (4), takes subject to the existing lease contract.

(b) A lessor with voidable title has power to transfer a good leasehold interest to a good faith subsequent lessee for value, but only to the extent set forth in par. (a).

(c) If goods have been delivered under a transaction of purchase, the lessor has that power even if any of the following occurs:

1. The lessor's transferor was deceived as to the identity of the lessor.

2. The delivery was in exchange for a check that is later dishonored.

3. It was agreed that the transaction was to be a cash sale.

4. The delivery was procured through fraud and is punishable under s. 943.20 or 943.34.

**(2)** A subsequent lessee in ordinary course of business from a lessor who is a merchant dealing in goods of that kind to whom the goods were entrusted by the existing lessee of that lessor before the interest of the subsequent lessee became enforceable against that lessor obtains, to the extent of the leasehold interest transferred, all of that lessor's and the existing lessee's rights to the goods, and takes free of the existing lease contract.

**(3)** A subsequent lessee from the lessor of goods that are subject to an existing lease contract and that are covered by a certificate of title issued under a statute of this state or of another jurisdiction takes no greater rights than those provided by this section and by the certificate of title statute.

**History:** 1991 a. 148.

**411.305 Sale or sublease of goods by lessee. (1)** (a) Subject to s. 411.303, a buyer or sublessee from the lessee of goods under an existing lease contract obtains, to the extent of the interest transferred, the leasehold interest in the goods that the lessee had or had power to transfer, and, except as provided in sub. (2) and s. 411.511 (4), takes subject to the existing lease contract.

(b) A lessee with a voidable leasehold interest has power to transfer a good leasehold interest to a good faith buyer for value or a good faith sublessee for value, but only to the extent set forth in par. (a).

(c) When goods have been delivered under a transaction of lease the lessee has that power even if any of the following occurs:

1. The lessor was deceived as to the identity of the lessee.

2. The delivery was in exchange for a check that is later dishonored.

3. The delivery was procured through fraud and is punishable under s. 943.20 or 943.34.

**(2)** A buyer in ordinary course of business or a sublessee in ordinary course of business from a lessee who is a merchant dealing in goods of that kind to whom the goods were entrusted by the lessor obtains, to the extent of the interest transferred, all of the lessor's and lessee's rights to the goods, and takes free of the existing lease contract.

**(3)** A buyer or sublessee from the lessee of goods that are subject to an existing lease contract and that are covered by a certificate of title issued under a statute of this state or of another jurisdiction takes no greater rights than those provided by this section and by the certificate of title statute.

**History:** 1991 a. 148.

**411.306 Priority of certain liens arising by operation of law.** If a person in the ordinary course of his or her business furnishes services or materials with respect to goods subject to a lease contract, a lien upon those goods in the possession of that person given by statute or rule of law for those materials or services takes priority over any interest of the lessor or lessee under the lease contract or this chapter unless the lien is created by statute and the statute provides otherwise or unless the lien is created by rule of law and the rule of law provides otherwise.

**History:** 1991 a. 148.

**411.307 Priority of liens arising by attachment or levy on, security interests in, and other claims to goods. (1)** Except as provided in s. 411.306, a creditor of a lessee takes subject to the lease contract.

**(2)** Except as provided in sub. (3) and ss. 411.306 and 411.308, a creditor of a lessor takes subject to the lease contract unless the creditor holds a lien that attached to the goods before the lease contract became enforceable.

**(3)** Except as otherwise provided in ss. 409.317, 409.321, and 409.323, a lessee takes a leasehold interest subject to a security interest held by a creditor of the lessor.

**History:** 1991 a. 148; 2001 a. 10.

**411.308 Special rights of creditors. (1)** A creditor of a lessor in possession of goods subject to a lease contract may treat the lease contract as void if as against the creditor retention of possession by the lessor is fraudulent under any statute or rule of law, but retention of possession in good faith and current course of trade by the lessor for a commercially reasonable time after the lease contract becomes enforceable is not fraudulent.

**(2)** Nothing in this chapter impairs the rights of a creditor of a lessor if all of the following occur:

(a) The lease contract becomes enforceable, not in current course of trade but in satisfaction of or as security for a preexisting claim for money, security or the like.

(b) The lease contract is made under circumstances that under any statute or rule of law apart from this chapter would constitute the transaction a fraudulent or voidable transfer or voidable preference.

**(3)** A creditor of a seller may treat a sale or an identification of goods to a contract for sale as void if as against the creditor retention of possession by the seller is fraudulent under any statute or rule of law, but retention of possession of the goods under a lease contract entered into by the seller as lessee and the buyer as lessor in connection with the sale or identification of the goods is not fraudulent if the buyer bought for value and in good faith.

**History:** 1991 a. 148; 2023 a. 246.

**411.309 Lessor's and lessee's rights when goods become fixtures. (1)** In this section:

(a) "Construction mortgage" means a mortgage that secures an obligation incurred for the construction of an improvement on land including the acquisition cost of the land, if the recorded writing so indicates.

(b) "Encumbrance" includes real estate mortgages and other liens on real estate and all other rights in real estate that are not ownership interests.

(c) "Fixture filing" means a filing, in the office where a record of a mortgage on real estate would be filed or recorded, of a financing statement covering goods that are or are to become fixtures and conforming to the requirements of s. 409.502 (1) and (2).

(d) "Fixtures" means goods that become so related to particular real estate that an interest in them arises under real estate law.

(e) "Purchase money lease" means a lease unless the lessee has possession or use of the goods or the right to possession or use of the goods before the lease agreement is enforceable.

**(2)** Under this chapter a lease may be of goods that are fixtures or may continue in goods that become fixtures, but no lease exists under this chapter of ordinary building materials incorporated into an improvement on land.

**(3)** This chapter does not prevent creation of a lease of fixtures under real estate law.

**(4)** The perfected interest of a lessor of fixtures has priority over a conflicting interest of an encumbrancer or owner of the real estate if any of the following occurs:

(a) The lease is a purchase money lease, the conflicting interest of the encumbrancer or owner arises before the goods become fixtures, the interest of the lessor is perfected by a fixture filing before the goods become fixtures or within 10 days thereafter, and the lessee has an interest of record in the real estate or is in possession of the real estate.

(b) The interest of the lessor is perfected by a fixture filing before the interest of the encumbrancer or owner is of record, the lessor's interest has priority over any conflicting interest of a predecessor in title of the encumbrancer or owner, and the lessee has an interest of record in the real estate or is in possession of the real estate.

**(5)** The interest of a lessor of fixtures, whether or not perfected, has priority over the conflicting interest of an encumbrancer or owner of the real estate if any of the following applies:

(a) The fixtures are readily removable factory or office machines, readily removable equipment that is not primarily used or leased for use in the operation of the real estate, or readily removable replacements of domestic appliances that are goods subject to a consumer lease, and before the goods become fixtures the lease contract is enforceable.

(b) The conflicting interest is a lien on the real estate obtained by legal or equitable proceedings after the lease contract is enforceable.

(c) The encumbrancer or owner consents in writing to the lease or disclaims an interest in the goods as fixtures.

(d) The lessee has a right to remove the goods as against the encumbrancer or owner. If the lessee's right to remove terminates, the priority of the interest of the lessor continues for a reasonable time.

**(6)** Notwithstanding sub. (4) (a) but otherwise subject to subs. (4) and (5), the interest of a lessor of fixtures, including the

lessor's residual interest, is subordinate to the conflicting interest of an encumbrancer of the real estate under a construction mortgage recorded before the goods become fixtures if the goods become fixtures before the completion of the construction. To the extent given to refinance a construction mortgage, the conflicting interest of an encumbrancer of the real estate under a mortgage has this priority to the same extent as the encumbrancer of the real estate under the construction mortgage.

**(7)** In cases not within subs. (2) to (6), priority between the interest of a lessor of fixtures, including the lessor's residual interest, and the conflicting interest of an encumbrancer or owner of the real estate who is not the lessee is determined by the priority rules governing conflicting interests in real estate.

**(8)** If the interest of a lessor of fixtures, including the lessor's residual interest, has priority over all conflicting interests of all owners and encumbrancers of the real estate, the lessor or the lessee may on default, expiration, termination, or cancellation of the lease agreement, but subject to the lease agreement and this chapter, or, if necessary to enforce other rights and remedies of the lessor or lessee under this chapter, remove the goods from the real estate, free and clear of all conflicting interests of all owners and encumbrancers of the real estate. The lessor or lessee shall reimburse any encumbrancer or owner of the real estate who is not the lessee and who has not otherwise agreed for the cost of repair of any physical injury, but not for any diminution in value of the real estate caused by the absence of the goods removed or by any necessity of replacing them. A person entitled to reimbursement may refuse permission to remove until the party seeking removal gives adequate security for the performance of this obligation.

**(9)** Even though the lease agreement does not create a security interest, the interest of a lessor of fixtures, including the lessor's residual interest, is perfected by filing a financing statement as a fixture filing for leased goods that are or are to become fixtures under ch. 409.

**History:** 1991 a. 148; 2001 a. 10.

**411.310 Lessor's and lessee's rights when goods become accessions.** **(1)** In this section, "accessions" means goods that are installed in or affixed to other goods.

**(2)** The interest of a lessor or a lessee under a lease contract entered into before the goods become accessions is superior to all interests in the whole except as provided in sub. (4).

**(3)** The interest of a lessor or a lessee under a lease contract entered into when or after the goods become accessions is superior to all subsequently acquired interests in the whole except as provided in sub. (4) but is subordinate to interests in the whole existing when the lease contract was made unless the holders of such interests in the whole consent in writing to the lease or disclaim in writing an interest in the goods as part of the whole.

**(4)** The interest of a lessor or a lessee under a lease contract described in sub. (2) or (3) is subordinate to the interest of any of the following:

(a) A buyer in the ordinary course of business or a lessee in the ordinary course of business of any interest in the whole acquired after the goods become accessions.

(b) A creditor with a security interest in the whole perfected before the lease contract is made to the extent that the creditor makes subsequent advances without knowledge of the lease contract.

**(5)** When under subs. (2) and (4) or under subs. (3) and (4) a lessor or a lessee of accessions holds an interest that is superior to all interests in the whole, the lessor or the lessee may on default, expiration, termination or cancellation of the lease contract by the other party but subject to the lease contract and this chapter, or if necessary to enforce his or her other rights and remedies under this chapter, remove the goods from the whole, free and clear of all interests in the whole, but he or she shall reimburse any holder of an interest in the whole who is not the lessee and who has not otherwise agreed for the cost of repair of any physical injury but not for any diminution in value of the whole caused by the absence of the goods removed or by any necessity for replacing them. A person entitled to reimbursement may refuse permission to remove until the party seeking removal gives adequate security for the performance of this obligation.

**History:** 1991 a. 148.

**411.311 Priority subject to subordination.** Nothing in this chapter prevents subordination by agreement by any person entitled to priority.

**History:** 1991 a. 148.

SUBCHAPTER IV

PERFORMANCE OF LEASE CONTRACT: REPUDIATED, SUBSTITUTED AND EXCUSED

**411.401 Insecurity: adequate assurance of performance.** **(1)** A lease contract imposes an obligation on each party that the other's expectation of receiving due performance shall not be impaired.

**(2)** If reasonable grounds for insecurity arise with respect to the performance of either party, the insecure party may demand in writing adequate assurance of due performance. Until the insecure party receives that assurance, if commercially reasonable the insecure party may suspend any performance for which he or she has not already received the agreed return.

**(3)** A repudiation of the lease contract occurs if assurance of due performance adequate under the circumstances of the particular case is not provided to the insecure party within a reasonable time, not to exceed 30 days after receipt of a demand by the other party.

**(4)** Between merchants, the reasonableness of grounds for insecurity and the adequacy of any assurance offered shall be determined according to commercial standards.

**(5)** Acceptance of a nonconforming delivery or payment does not prejudice the aggrieved party's right to demand adequate assurance of future performance.

**History:** 1991 a. 148.

**411.402 Anticipatory repudiation.** If either party repudiates a lease contract with respect to a performance not yet due under the lease contract, the loss of which performance will substantially impair the value of the lease contract to the other, the aggrieved party may do any of the following:

**(1)** For a commercially reasonable time, await retraction of repudiation and performance by the repudiating party.

**(2)** Make demand under s. 411.401 and await assurance of future performance adequate under the circumstances of the particular case.

**(3)** Resort to any right or remedy upon default under the lease contract or this chapter, even though the aggrieved party has notified the repudiating party that the aggrieved party would await the repudiating party's performance and assurance and has urged retraction. In addition, whether or not the aggrieved party is pursuing one of the foregoing remedies, the aggrieved party may suspend performance or, if the aggrieved party is the lessor, proceed in accordance with s. 411.524.

**History:** 1991 a. 148.

**411.403 Retraction of anticipatory repudiation.** **(1)**

Until the repudiating party's next performance is due, the repudiating party may retract the repudiation unless the aggrieved party has, since the repudiation, canceled the lease contract or materially changed the aggrieved party's position or otherwise indicated that the aggrieved party considers the repudiation final.

**(2)** Retraction may be by any method that clearly indicates to the aggrieved party that the repudiating party intends to perform under the lease contract and includes any assurance demanded under s. 411.401.

**(3)** Retraction reinstates a repudiating party's rights under a lease contract with due excuse and allowance to the aggrieved party for any delay occasioned by the repudiation.

**History:** 1991 a. 148.

**411.404 Substituted performance. (1)** If without fault of the lessee, the lessor and the supplier, the agreed berthing, loading or unloading facilities fail or the agreed type of carrier becomes unavailable or the agreed manner of delivery otherwise becomes commercially impracticable, but a commercially reasonable substitute is available, the substitute performance shall be tendered and accepted.

**(2)** If the agreed means or manner of payment fails because of domestic or foreign governmental regulation, all of the following apply:

(a) The lessor may withhold or stop delivery or cause the supplier to withhold or stop delivery unless the lessee provides a means or manner of payment that is commercially a substantial equivalent.

(b) If delivery has already been taken, payment by the means or in the manner provided by the regulation discharges the lessee's obligation unless the regulation is discriminatory, oppressive or predatory.

**History:** 1991 a. 148.

**411.405 Excused performance.** Subject to s. 411.404 on substituted performance, the following apply:

**(1)** Delay in delivery or nondelivery in whole or in part by a lessor or a supplier who complies with subs. (2) and (3) is not a default under the lease contract if performance as agreed has been made impracticable by the occurrence of a contingency the nonoccurrence of which was a basic assumption on which the lease contract was made or by compliance in good faith with any applicable foreign or domestic governmental regulation or order, whether or not the regulation or order later proves to be invalid.

**(2)** If the causes mentioned in sub. (1) affect only part of the lessor's or the supplier's capacity to perform, he or she shall allocate production and deliveries among his or her customers but at his or her option may include regular customers not then under contract for sale or lease as well as his or her own requirements for further manufacture. He or she may allocate in any manner that is fair and reasonable.

**(3)** The lessor seasonably shall notify the lessee and in the case of a finance lease the supplier seasonably shall notify the lessor and the lessee, if known, that there will be delay or nondelivery and, if allocation is required under sub. (2), of the estimated quota available for the lessee.

**History:** 1991 a. 148.

**411.406 Procedure on excused performance. (1)** If the lessee receives notification of a material or indefinite delay or an allocation justified under s. 411.405, the lessee may by written notification to the lessor as to any goods involved, and with respect to all of the goods if under an installment lease contract the value of the whole lease contract is substantially impaired, do any of the following:

(a) Terminate the lease contract.

(b) Except in a finance lease that is not a consumer lease, modify the lease contract by accepting the available quota in substitution, with due allowance from the rent payable for the balance of the lease term for the deficiency but without further right against the lessor.

**(2)** If after receipt of a notification from the lessor under s. 411.405 the lessee fails to modify the lease agreement within a reasonable time not exceeding 30 days, the lease contract lapses with respect to any deliveries affected.

**History:** 1991 a. 148.

**411.407 Irrevocable promises: finance leases. (1)** In the case of a finance lease that is not a consumer lease, the lessee's promises under the lease contract become irrevocable and independent upon the lessee's acceptance of the goods.

**(2)** A promise that becomes irrevocable and independent under sub. (1) is effective and enforceable between the parties, and by or against 3rd parties including assignees of the parties, and is not subject to cancellation, termination, modification, repudiation, excuse or substitution without the consent of the party to whom the promise runs.

**(3)** This section does not affect the validity under any other law of a covenant in a lease contract making the lessee's promises irrevocable and independent upon the lessee's acceptance of the goods.

**History:** 1991 a. 148.

Brothers at Arm's Length: U.C.C. Article 2A, Captive Finance Companies, and the Close-Connection Doctrine. Smith. 1999 WLR 1051.

## SUBCHAPTER V

## DEFAULT

**411.501 Default: Procedure. (1)** Whether the lessor or the lessee is in default under a lease contract is determined by the lease agreement and this chapter.

**(2)** If the lessor or the lessee is in default under the lease contract, the party seeking enforcement has rights and remedies as provided in this chapter and, except as limited by this chapter, as provided in the lease agreement.

**(3)** If the lessor or the lessee is in default under the lease contract, the party seeking enforcement may reduce the party's claim to judgment, or otherwise enforce the lease contract by self-help or any available judicial procedure or nonjudicial procedure, including administrative proceeding, arbitration or the like, in accordance with this chapter.

**(4)** Except as otherwise provided in s. 401.305 (1), this chapter or the lease agreement, the rights and remedies in subs. (2) and (3) are cumulative.

**(5)** If the lease agreement covers both real property and goods, the party seeking enforcement may proceed under this subchapter as to the goods, or under other applicable law as to both the real property and the goods in accordance with that party's rights and remedies in respect of the real property, in which case this subchapter does not apply.

**History:** 1991 a. 148; 2009 a. 320.

**411.502 Notice after default.** Except as otherwise provided in this chapter or the lease agreement, the lessor or lessee in default under the lease contract is not entitled to notice of default or notice of enforcement from the other party to the lease agreement.

**History:** 1991 a. 148.

**411.503 Modification or impairment of rights and remedies. (1)** Except as otherwise provided in this chapter, the lease agreement may include rights and remedies for default

in addition to or in substitution for those provided in this chapter and may limit or alter the measure of damages recoverable under this chapter.

**(2)** Resort to a remedy provided under this chapter or in the lease agreement is optional unless the remedy is expressly agreed to be exclusive. If circumstances cause an exclusive or limited remedy to fail of its essential purpose, or if provision for an exclusive remedy is unconscionable, remedy may be had as provided in this chapter.

**(3)** Consequential damages may be liquidated under s. 411.504, or may otherwise be limited, altered or excluded unless the limitation, alteration or exclusion is unconscionable. Limitation, alteration or exclusion of consequential damages for injury to the person in the case of consumer goods is prima facie unconscionable but limitation, alteration or exclusion of damages where the loss is commercial is not prima facie unconscionable.

**(4)** Rights and remedies on default by the lessor or the lessee with respect to any obligation or promise that is collateral or ancillary to the lease contract are not impaired by this chapter.

**History:** 1991 a. 148.

**411.504 Liquidation of damages. (1)** Damages payable by either party for default, or for any other act or omission, including indemnity for loss or diminution of anticipated tax benefits or loss of or damage to the lessor's residual interest, may be liquidated in the lease agreement but only at an amount or by a formula that is reasonable in light of the then anticipated harm caused by the default or other act or omission.

**(2)** If the lease agreement provides for liquidation of damages, and the provision does not comply with sub. (1), or the provision is an exclusive or limited remedy that circumstances cause to fail of its essential purpose, remedy may be had as provided in this chapter.

**(3)** If the lessor justifiably withholds or stops delivery of goods because of the lessee's default or insolvency, the lessee is entitled to restitution of any amount by which the sum of his or her payments exceeds any of the following:

(a) The amount to which the lessor is entitled by virtue of terms liquidating the lessor's damages in accordance with sub. (1).

(b) In the absence of terms liquidating the lessor's damages in accordance with sub. (1), 20 percent of the then present value of the total rent that the lessee was obligated to pay for the balance of the lease term, or, in the case of a consumer lease, the lesser of that amount or $500.

**(4)** A lessee's right to restitution under sub. (3) is subject to offset to the extent that the lessor establishes all of the following:

(a) A right to recover damages under provisions of this chapter other than sub. (1).

(b) The amount or value of any benefits received by the lessee directly or indirectly by reason of the lease contract.

**History:** 1991 a. 148.

**411.505 Cancellation and termination and effect of cancellation, termination, rescission or fraud on rights and remedies. (1)** On cancellation of the lease contract, all obligations that are still executory on both sides are discharged, but any right based on earlier default or performance survives, and the canceling party also retains any remedy for default of the whole lease contract or any unperformed balance.

**(2)** On termination of the lease contract, all obligations that are still executory on both sides are discharged but any right based on earlier default or performance survives.

**(3)** Unless the contrary intention clearly appears, expressions of "cancellation", "rescission" or the like of the lease contract may not be construed as a renunciation or discharge of any claim in damages for an earlier default.

**(4)** Rights and remedies for material misrepresentation or fraud include all rights and remedies available under this chapter for default.

**(5)** Neither rescission nor a claim for rescission of the lease contract nor rejection or return of the goods may bar or be considered inconsistent with a claim for damages or other right or remedy.

**History:** 1991 a. 148.

**411.506 Statute of limitations. (1)** An action for default under a lease contract, including breach of warranty or indemnity, shall be commenced within 4 years after the cause of action accrued. By the original lease contract the parties may reduce the period of limitation to not less than one year.

**(2)** A cause of action for default accrues when the act or omission on which the default or breach of warranty is based is or should have been discovered by the aggrieved party, or when the default occurs, whichever is later. A cause of action for indemnity accrues when the act or omission on which the claim for indemnity is based is or should have been discovered by the indemnified party, whichever is later.

**(3)** If an action commenced within the time limit under sub. (1) is so terminated as to leave available a remedy by another action for the same default or breach of warranty or indemnity, the other action may be commenced after the expiration of the time limit and within 6 months after the termination of the first action unless the termination resulted from voluntary discontinuance or from dismissal for failure or neglect to prosecute.

**(4)** This section does not alter the law on tolling of the statute of limitations nor does it apply to a cause of action that accrues before July 1, 1992.

**History:** 1991 a. 148.

**411.507 Proof of market rent: time and place. (1)** Damages based on market rent are determined according to the rent for the use of the goods concerned for a lease term identical to the remaining lease term of the original lease agreement and prevailing at the times specified in ss. 411.519 and 411.528.

**(2)** If evidence of rent for the use of the goods concerned for a lease term identical to the remaining lease term of the original lease agreement and prevailing at the times or places described in this chapter is not readily available, the rent prevailing within any reasonable time before or after the time described or at any other place or for a different lease term that in commercial judgment or under usage of trade would serve as a reasonable substitute for the one described may be used, making any proper allowance for the difference, including the cost of transporting the goods to or from the other place.

**(3)** Evidence of a relevant rent prevailing at a time or place or for a lease term other than the one described in this chapter offered by one party is not admissible unless he or she has given the other party notice that the court finds sufficient to prevent unfair surprise.

**(4)** If the prevailing rent or value of any goods regularly leased in any established market is in issue, reports in official publications or trade journals or in newspapers or periodicals of general circulation published as the reports of that market are admissible in evidence. The circumstances of the preparation of the report may be shown to affect its weight but not its admissibility.

**History:** 1991 a. 148.

**411.508 Lessee's remedies. (1)** If a lessor fails to deliver the goods in conformity to the lease contract or repudiates the lease contract, or a lessee rightfully rejects the goods or justifi-

ably revokes acceptance of the goods, then with respect to any goods involved, and with respect to all of the goods if under an installment lease contract the value of the whole lease contract is substantially impaired, the lessor is in default under the lease contract and the lessee may do any of the following:

(a) Cancel the lease contract.

(b) Recover so much of the rent and security as has been paid and is just under the circumstances.

(c) Cover and recover damages as to all goods affected whether or not they have been identified to the lease contract, or recover damages for nondelivery.

(d) Exercise any other rights or pursue any other remedies provided in the lease contract.

**(2)** If a lessor fails to deliver the goods in conformity to the lease contract or repudiates the lease contract, in addition to the remedies under sub. (1), the lessee may do any of the following:

(a) If the goods have been identified, recover them.

(b) In a proper case, obtain specific performance or replevy the goods.

**(3)** If a lessor is otherwise in default under a lease contract, the lessee may exercise the rights and pursue the remedies provided in the lease contract, which may include a right to cancel the lease, and in s. 411.519 (3).

**(4)** If a lessor has breached a warranty, whether express or implied, the lessee may recover damages.

**(5)** On rightful rejection or justifiable revocation of acceptance, a lessee has a security interest in goods in the lessee's possession or control for any rent and security that has been paid and any expenses reasonably incurred in their inspection, receipt, transportation and care and custody and may hold those goods and dispose of them in good faith and in a commercially reasonable manner, subject to s. 411.527 (5).

**(6)** Subject to s. 411.407, a lessee, on notifying the lessor of the lessee's intention to do so, may deduct all or any part of the damages resulting from a default under the lease contract from any part of the rent still due under the same lease contract.

**History:** 1991 a. 148.

**411.509 Lessee's rights on improper delivery; rightful rejection. (1)** Subject to s. 411.510, if the goods or the tender or delivery fail in any respect to conform to the lease contract, the lessee may reject or accept the goods or accept any commercial unit or units and reject the rest of the goods.

**(2)** Rejection of goods is ineffective unless it is within a reasonable time after tender or delivery of the goods and the lessee seasonably notifies the lessor.

**History:** 1991 a. 148.

**411.510 Installment lease contracts: rejection and default. (1)** Under an installment lease contract a lessee may reject a delivery that is nonconforming if the nonconformity substantially impairs the value of that delivery and cannot be cured or the nonconformity is a defect in the required documents; but, if the nonconformity does not fall within sub. (2) and the lessor or the supplier gives adequate assurance of its cure, the lessee shall accept that delivery.

**(2)** Whenever nonconformity or default with respect to one or more deliveries substantially impairs the value of the installment lease contract as a whole there is a default with respect to the whole. But, the aggrieved party reinstates the installment lease contract as a whole if the aggrieved party accepts a nonconforming delivery without seasonably notifying of cancellation or brings an action with respect only to past deliveries or demands performance as to future deliveries.

**History:** 1991 a. 148.

**411.511 Merchant lessee's duties as to rightfully rejected goods. (1)** Subject to any security interest of a lessee, if a lessor or a supplier has no agent or place of business at the market of rejection, a merchant lessee, after rejection of goods in his or her possession or control, shall follow any reasonable instructions received from the lessor or the supplier with respect to the goods. In the absence of those instructions, a merchant lessee shall make reasonable efforts to sell, lease or otherwise dispose of the goods for the lessor's account if they threaten to decline in value speedily. Instructions are not reasonable if on demand indemnity for expenses is not forthcoming.

**(2)** If a merchant lessee disposes of goods under sub. (1) or any other lessee disposes of goods under s. 411.512 (1) (b), he or she is entitled to reimbursement either from the lessor or the supplier or out of the proceeds for reasonable expenses of caring for and disposing of the goods and, if the expenses include no disposition commission, to a commission as is usual in the trade, or if there is none, to a reasonable sum not exceeding 10 percent of the gross proceeds.

**(3)** In complying with this section or s. 411.512, the lessee is held only to good faith. Good faith conduct under this subsection is neither acceptance or conversion nor the basis of an action for damages.

**(4)** A purchaser who purchases in good faith from a lessee under this section or s. 411.512 takes the goods free of any rights of the lessor and the supplier even though the lessee fails to comply with one or more of the requirements of this chapter.

**History:** 1991 a. 148.

**411.512 Lessee's duties as to rightfully rejected goods. (1)** Except as otherwise provided with respect to goods that threaten to decline in value speedily and subject to any security interest of a lessee, all of the following apply:

(a) The lessee, after rejection of goods in the lessee's possession, shall hold them with reasonable care at the lessor's or the supplier's disposition for a reasonable time after the lessee's seasonable notification of rejection.

(b) If the lessor or the supplier gives no instructions within a reasonable time after notification of rejection, the lessee may store the rejected goods for the lessor's or the supplier's account or ship them to the lessor or the supplier or dispose of them for the lessor's or the supplier's account with reimbursement as provided in s. 411.511 (2).

(c) Except as provided in pars. (a) and (b), the lessee has no further obligations with regard to goods rightfully rejected.

**(2)** Action by the lessee under sub. (1) is not acceptance or conversion.

**History:** 1991 a. 148.

**411.513 Cure by lessor of improper tender or delivery; replacement. (1)** If any tender or delivery by the lessor or the supplier is rejected because the tender or delivery is nonconforming and the time for performance has not yet expired, the lessor or the supplier may seasonably notify the lessee of the lessor's or the supplier's intention to cure and may then make a conforming delivery within the time provided in the lease contract.

**(2)** If the lessee rejects a nonconforming tender that the lessor or the supplier had reasonable grounds to believe would be acceptable with or without money allowance, the lessor or the supplier may have a further reasonable time to substitute a conforming tender if he or she seasonably notifies the lessee.

**History:** 1991 a. 148.

**411.514 Waiver of lessee's objections. (1)** In rejecting goods, a lessee's failure to state a particular defect that is ascer-

tainable by reasonable inspection precludes the lessee from relying on the defect to justify rejection or to establish default if any of the following circumstances exists:

(a) The lessor or the supplier could have cured the defect if the defect had been seasonably stated.

(b) Between merchants, the lessor or the supplier, after rejection, made a request in writing for a full and final written statement of all defects on which the lessee proposes to rely.

**(2)** A lessee's failure to reserve rights when paying rent or other consideration against documents precludes recovery of the payment for defects apparent in the documents.

**History:** 1991 a. 148; 2009 a. 322.

**411.515 Acceptance of goods. (1)** Acceptance of goods occurs after the lessee has a reasonable opportunity to inspect the goods and any of the following occurs:

(a) The lessee signifies or acts with respect to the goods in a manner that signifies to the lessor or the supplier that the goods are conforming or that the lessee will take or retain them in spite of their nonconformity.

(b) The lessee fails to make an effective rejection of the goods.

**(2)** Acceptance of a part of any commercial unit is acceptance of that entire unit.

**History:** 1991 a. 148.

**411.516 Effect of acceptance of goods; notice of default; burden of establishing default after acceptance; notice of claim or litigation to person answerable over. (1)** A lessee shall pay rent for any goods accepted in accordance with the lease contract, with due allowance for goods rightfully rejected or not delivered.

**(2)** A lessee's acceptance of goods precludes rejection of the goods accepted. In the case of a finance lease, if made with knowledge of a nonconformity, acceptance may not be revoked because of it. In any other case, if made with knowledge of a nonconformity, acceptance may not be revoked because of it unless the acceptance was on the reasonable assumption that the nonconformity would be seasonably cured. Acceptance does not of itself impair any other remedy provided by this chapter or the lease agreement for nonconformity.

**(3)** If a tender has been accepted all of the following apply:

(a) Within a reasonable time after the lessee discovers or should have discovered any default, the lessee shall notify the lessor and the supplier, if any, or be barred from any remedy against the party not notified.

(b) Except in the case of a consumer lease, within a reasonable time after the lessee receives notice of litigation for infringement or the like the lessee shall notify the lessor or be barred from any remedy over for liability established by the litigation.

(c) The burden is on the lessee to establish any default.

**(4)** If a lessee is sued for breach of a warranty or other obligation for which a lessor or a supplier is answerable over, all of the following apply:

(a) The lessee may give the lessor or the supplier, or both, written notice of the litigation. If the notice states that the person notified may come in and defend and that if the person notified does not do so that person will be bound in any action against that person by the lessee by any determination of fact common to the 2 litigations, then, unless the person notified after seasonable receipt of the notice does come in and defend, that person is so bound.

(b) The lessor or the supplier may demand in writing that the lessee turn over control of the litigation including settlement if the claim is one for infringement or the like or else be barred from any remedy over. If the demand states that the lessor or the supplier agrees to bear all expense and to satisfy any adverse judgment, then, unless the lessee after seasonable receipt of the demand does turn over control, the lessee is so barred.

**(5)** Subsections (3) and (4) apply to any obligation of a lessee to hold the lessor or the supplier harmless against infringement or the like.

**History:** 1991 a. 148.

**411.517 Revocation of acceptance of goods. (1)** A lessee may revoke acceptance of a lot or commercial unit the nonconformity of which substantially impairs its value to the lessee if any of the following occurs:

(a) Except in the case of a finance lease, the lessee accepted the lot or commercial unit on the reasonable assumption that its nonconformity would be cured and it has not been seasonably cured.

(b) The lessee accepted the lot or commercial unit without discovery of the nonconformity if the lessee's acceptance was reasonably induced either by the lessor's assurances or, except in the case of a finance lease, by the difficulty of discovery before acceptance.

**(2)** Except in the case of a finance lease that is not a consumer lease, a lessee may revoke acceptance of a lot or commercial unit if the lessor defaults under the lease contract and the default substantially impairs the value of that lot or commercial unit to the lessee.

**(3)** If the lease agreement so provides, the lessee may revoke acceptance of a lot or commercial unit because of other defaults by the lessor.

**(4)** Revocation of acceptance shall occur within a reasonable time after the lessee discovers or should have discovered the ground for it and before any substantial change in the condition of the goods that is not caused by the nonconformity. Revocation is not effective until the lessee notifies the lessor.

**(5)** A lessee who revokes under this section has the same rights and duties with regard to the goods involved as if the lessee had rejected them.

**History:** 1991 a. 148.

**411.518 Cover; substitute goods. (1)** After a default by a lessor under the lease contract of the type described in s. 411.508 (1), or, if agreed, after other default by the lessor, the lessee may cover by making any purchase or lease of or contract to purchase or lease goods in substitution for those due from the lessor.

**(2)** Except as otherwise provided with respect to damages liquidated in the lease agreement or otherwise determined pursuant to agreement of the parties, if a lessee's cover is by a lease agreement substantially similar to the original lease agreement and the new lease agreement is made in good faith and in a commercially reasonable manner, the lessee may recover from the lessor as damages the present value, as of the date of the commencement of the term of the new lease agreement, of the rent under the new lease agreement applicable to that period of the new lease term which is comparable to the then remaining term of the original lease agreement minus the present value as of the same date of the total rent for the then remaining lease term of the original lease agreement and any incidental or consequential damages, less expenses saved in consequence of the lessor's default.

**(3)** If a lessee's cover is by lease agreement that for any reason does not qualify under sub. (2), or is by purchase or otherwise, the lessee may recover from the lessor as if the lessee had elected not to cover and s. 411.519 governs.

**History:** 1991 a. 148.

**411.519 Lessee's damages for nondelivery, repudia-**

**tion, default and breach of warranty in regard to accepted goods. (1)** Except as otherwise provided with respect to damages liquidated in the lease agreement or otherwise determined pursuant to agreement of the parties, if a lessee elects not to cover or a lessee elects to cover and the cover is by lease agreement that does not qualify under s. 411.518 (2), or is by purchase or otherwise, the measure of damages for nondelivery or repudiation by the lessor or for rejection or revocation of acceptance by the lessee is the present value, as of the date of the default, of the then market rent minus the present value as of the same date of the original rent, computed for the remaining lease term of the original lease agreement, together with incidental and consequential damages, less expenses saved in consequence of the lessor's default.

**(2)** Market rent is determined as of the place for tender or, in cases of rejection after arrival or revocation of acceptance, as of the place of arrival.

**(3)** Except as otherwise agreed, if the lessee has accepted goods and given notification, the measure of damages for nonconforming tender or delivery or other default by a lessor is the loss resulting in the ordinary course of events from the lessor's default as determined in any manner that is reasonable together with incidental and consequential damages, less expenses saved in consequence of the lessor's default.

**(4)** Except as otherwise agreed, the measure of damages for breach of warranty is the present value at the time and place of acceptance of the difference between the value of the use of the goods accepted and the value if they had been as warranted for the lease term, unless special circumstances show proximate damages of a different amount, together with incidental and consequential damages, less expenses saved in consequence of the lessor's default or breach of warranty.

**History:** 1991 a. 148.

**411.520 Lessee's incidental and consequential damages. (1)** Incidental damages resulting from a lessor's default include expenses reasonably incurred in inspection, receipt, transportation and care and custody of goods rightfully rejected or goods the acceptance of which is justifiably revoked, any commercially reasonable charges, expenses or commissions in connection with effecting cover, and any other reasonable expense incident to the default.

**(2)** Consequential damages resulting from a lessor's default include all of the following:

(a) Any loss resulting from general or particular requirements and needs of which the lessor at the time of contracting had reason to know and that could not reasonably be prevented by cover or otherwise.

(b) Injury to person or property proximately resulting from any breach of warranty.

**History:** 1991 a. 148.

**411.521 Lessee's right to specific performance or replevin. (1)** Specific performance may be decreed if the goods are unique or may be decreed in other proper circumstances.

**(2)** A decree for specific performance may include any terms and conditions as to payment of the rent, damages or other relief that the court considers just.

**(3)** A lessee has a right of replevin, claim and delivery, or the like for goods identified to the lease contract if after reasonable effort the lessee is unable to effect cover for those goods or the circumstances reasonably indicate that the effort will be unavailing.

**History:** 1991 a. 148.

**411.522 Lessee's right to goods on lessor's insolvency. (1)** Subject to sub. (2) and even though the goods have not been shipped, a lessee who has paid a part or all of the rent and security for goods identified to a lease contract on making and keeping good a tender of any unpaid portion of the rent and security due under the lease contract may recover the goods identified from the lessor if the lessor becomes insolvent within 10 days after receipt of the first installment of rent and security.

**(2)** A lessee acquires the right to recover goods identified to a lease contract only if they conform to the lease contract.

**History:** 1991 a. 148.

**411.523 Lessor's remedies. (1)** If a lessee wrongfully rejects or revokes acceptance of goods or fails to make a payment when due or repudiates with respect to a part or the whole, then, with respect to any goods involved, and with respect to all of the goods if under an installment lease contract the value of the whole lease contract is substantially impaired, the lessee is in default under the lease contract and the lessor may do any of the following:

(a) Cancel the lease contract.

(b) Proceed respecting goods not identified to the lease contract.

(c) Withhold delivery of the goods and take possession of goods previously delivered.

(d) Stop delivery of the goods by any bailee.

(e) Dispose of the goods and recover damages, or retain the goods and recover damages, or in a proper case recover rent.

(f) Exercise any other rights or pursue any other remedies provided in the lease contract.

**(2)** If a lessor does not fully exercise a right or obtain a remedy to which the lessor is entitled under sub. (1), the lessor may recover the loss resulting in the ordinary course of events from the lessee's default as determined in any reasonable manner, together with incidental damages, less expenses saved in consequence of the lessee's default.

**(3)** If a lessee is otherwise in default under a lease contract, the lessor may exercise the rights and pursue the remedies provided in the lease contract, which may include a right to cancel the lease. In addition, unless otherwise provided in the lease contract the lessor may do any of the following:

(a) If the default substantially impairs the value of the lease contract to the lessor, exercise the rights and pursue the remedies provided in sub. (1) or (2).

(b) If the default does not substantially impair the value of the lease contract to the lessor, recover as provided in sub. (2).

**History:** 1991 a. 148.

**411.524 Lessor's right to identify goods to lease contract. (1)** After default by the lessee under the lease contract of the type described in s. 411.523 (1) or (3) (a) or, if agreed, after other default by the lessee, the lessor may do any of the following:

(a) Identify to the lease contract conforming goods not already identified if, when the lessor learned of the default, they were in the lessor's or the supplier's possession or control.

(b) Dispose of goods that demonstrably have been intended for the particular lease contract even though those goods are unfinished.

**(2)** If the goods are unfinished, in the exercise of reasonable commercial judgment for the purposes of avoiding loss and of effective realization, an aggrieved lessor or the supplier may complete manufacture and wholly identify the goods to the lease contract, cease manufacture and lease, sell or otherwise dispose of the goods for scrap or salvage value or proceed in any other reasonable manner.

**History:** 1991 a. 148.

**411.525 Lessor's right to possession of goods. (1)** If a lessor discovers that the lessee is insolvent, the lessor may refuse to deliver the goods.

**(2)** After a default by the lessee under the lease contract of the type described in s. 411.523 (1) or (3) (a) or, if agreed, after other default by the lessee, the lessor has the right to take possession of the goods. If the lease contract so provides, the lessor may require the lessee to assemble the goods and make them available to the lessor at a place designated by the lessor that is reasonably convenient to both parties. Without removal, the lessor may render unusable any goods employed in trade or business, and may dispose of goods on the lessee's premises.

**(3)** The lessor may proceed under sub. (2) without judicial process if it can be done without breach of the peace or the lessor may proceed by action.

**History:** 1991 a. 148.

**411.526 Lessor's stoppage of delivery in transit or otherwise. (1)** A lessor may stop delivery of goods in the possession of a carrier or other bailee if the lessor discovers that the lessee is insolvent and may stop delivery of carload, truckload, planeload or larger shipments of express or freight if the lessee repudiates or fails to make a payment due before delivery, whether for rent, security or otherwise under the lease contract, or for any other reason the lessor has a right to withhold or take possession of the goods.

**(2)** In pursuing its remedies under sub. (1), the lessor may stop delivery until any of the following occurs:

(a) Receipt of the goods by the lessee.

(b) Acknowledgment to the lessee by any bailee of the goods, except a carrier, that the bailee holds the goods for the lessee.

(c) Acknowledgment to the lessee by a carrier via reshipment or as a warehouse that the carrier holds the goods for the lessee.

**(3)** (a) To stop delivery, a lessor shall so notify as to enable the bailee by reasonable diligence to prevent delivery of the goods.

(b) After notification, the bailee shall hold and deliver the goods according to the directions of the lessor, but the lessor is liable to the bailee for any ensuing charges or damages.

(c) A carrier who has issued a nonnegotiable bill of lading is not obliged to obey a notification to stop received from a person other than the consignor.

**History:** 1991 a. 148; 2009 a. 322.

**411.527 Lessor's rights to dispose of goods. (1)** After a default by a lessee under the lease contract of the type described in s. 411.523 (1) or (3) (a) or after the lessor refuses to deliver or takes possession of goods, or, if agreed, after other default by a lessee, the lessor may dispose of the goods concerned or the undelivered balance of the goods by lease, sale or otherwise.

**(2)** Except as otherwise provided with respect to damages liquidated in the lease agreement or otherwise determined pursuant to agreement of the parties, if the disposition is by lease agreement substantially similar to the original lease agreement and the new lease agreement is made in good faith and in a commercially reasonable manner, the lessor may recover from the lessee as damages accrued and unpaid rent as of the date of the commencement of the term of the new lease agreement, the present value, as of the same date, of the total rent for the then remaining lease term of the original lease agreement minus the present value, as of the same date, of rent under the new lease agreement applicable to that period of the new lease term which is comparable to the then remaining term of the original lease agreement, and any incidental damages allowed under s. 411.530, less expenses saved in consequence of the lessee's default.

**(3)** If the lessor's disposition is by lease agreement that does not qualify under sub. (2), or is by sale or otherwise, the lessor may recover from the lessee as if the lessor had elected not to dispose of the goods and s. 411.528 governs.

**(4)** A subsequent buyer or lessee who buys or leases from the lessor in good faith for value as a result of a disposition under this section takes the goods free of the original lease contract and of any rights of the original lessee even though the lessor fails to comply with one or more of the requirements of this chapter.

**(5)** The lessor is not accountable to the lessee for any profit made on any disposition. A lessee who rightfully rejects or justifiably revokes acceptance shall account to the lessor for any excess over the amount of the lessee's security interest.

**History:** 1991 a. 148.

**411.528 Lessor's damages for nonacceptance, failure to pay, repudiation or other default. (1)** Except as otherwise provided with respect to damages liquidated in the lease agreement or otherwise determined pursuant to agreement of the parties, if a lessor elects to retain the goods or a lessor elects to dispose of the goods and the disposition is by lease agreement that does not qualify under s. 411.527 (2), or is by sale or otherwise, the lessor may recover from the lessee all of the following as damages for a default of the type described in s. 411.523 (1) or (3) (a), or, if agreed, for other default of the lessee:

(a) Accrued and unpaid rent as of the date of default if the lessee has never taken possession of the goods, or, if the lessee has taken possession of the goods, as of the date that the lessor repossesses the goods or an earlier date on which the lessee makes a tender of the goods to the lessor.

(b) The present value as of the date determined under par. (a) of the total rent for the then remaining lease term of the original lease agreement minus the present value as of the same date of the market rent at the place where the goods are located computed for the same lease term.

(c) Any incidental damages allowed under s. 411.530, less expenses saved in consequence of the lessee's default.

**(2)** If the measure of damages provided in sub. (1) is inadequate to put a lessor in as good a position as performance would have, the measure of damages is the present value of the profit, including reasonable overhead, that the lessor would have made from full performance by the lessee, together with any incidental damages allowed under s. 411.530, due allowance for costs reasonably incurred and due credit for payments or proceeds of disposition.

**History:** 1991 a. 148.

**411.529 Lessor's action for the rent. (1)** After default by the lessee under the lease contract of the type described in s. 411.523 (1) or (3) (a) or, if agreed, after other default by the lessee, if the lessor complies with sub. (2), all of the following apply:

(a) For goods accepted by the lessee and not repossessed by or tendered to the lessor and for conforming goods lost or damaged within a commercially reasonable time after risk of loss passes to the lessee, the lessor may recover from the lessee as damages accrued and unpaid rent as of the date of entry of judgment in favor of the lessor, the present value as of the same date of the rent for the then remaining lease term of the lease agreement, and any incidental damages allowed under s. 411.530, less expenses saved in consequence of the lessee's default.

(b) For goods identified to the lease contract if the lessor is unable after reasonable effort to dispose of them at a reasonable price or the circumstances reasonably indicate that that effort will be unavailing, the lessor may recover from the lessee as damages accrued and unpaid rent as of the date of entry of judgment in fa-

vor of the lessor, the present value as of the same date of the rent for the then remaining lease term of the lease agreement, and any incidental damages allowed under s. 411.530, less expenses saved in consequence of the lessee's default.

**(2)** Except as provided in sub. (3), the lessor shall hold for the lessee for the remaining lease term of the lease agreement any goods that have been identified to the lease contract and are in the lessor's control.

**(3)** The lessor may dispose of the goods at any time before collection of the judgment for damages obtained under sub. (1). If the disposition is before the end of the remaining lease term of the lease agreement, the lessor's recovery against the lessee for damages is governed by s. 411.527 or 411.528, and the lessor will cause an appropriate credit to be provided against a judgment for damages to the extent that the amount of the judgment exceeds the recovery available under s. 411.527 or 411.528.

**(4)** Payment of the judgment for damages obtained under sub. (1) entitles the lessee to the use and possession of the goods not then disposed of for the remaining lease term of and in accordance with the lease agreement.

**(5)** After default by the lessee under the lease contract of the type described in s. 411.523 (1) or (3) (a) or, if agreed, after other default by the lessee, a lessor who is held not entitled to rent under this section shall nevertheless be awarded damages for nonacceptance under s. 411.527 or 411.528.

**History:** 1991 a. 148.

**411.530 Lessor's incidental damages.** Incidental damages to an aggrieved lessor include any commercially reasonable charges, expenses or commissions incurred in stopping delivery, in the transportation, care and custody of goods after the lessee's default, in connection with return or disposition of the goods, or otherwise resulting from the default.

**History:** 1991 a. 148.

**411.531 Standing to sue 3rd parties for injury to goods. (1)** If a 3rd party so deals with goods that have been identified to a lease contract as to cause actionable injury to a party to the lease contract, all of the following apply:

(a) The lessor has a right of action against the 3rd party.

(b) The lessee also has a right of action against the 3rd party if any of the following occurs:

1. The lessee has a security interest in the goods.

2. The lessee has an insurable interest in the goods.

3. The lessee bears the risk of loss under the lease contract or has since the injury assumed that risk as against the lessor and the goods have been converted or destroyed.

**(2)** If at the time of the injury the party plaintiff did not bear the risk of loss as against the other party to the lease contract and there is no arrangement between them for disposition of the recovery, his or her suit or settlement, subject to his or her own interest, is as a fiduciary for the other party to the lease contract.

**(3)** Either party with the consent of the other may sue for the benefit of whom it may concern.

**History:** 1991 a. 148.

**411.532 Lessor's rights to residual interest.** In addition to any other recovery permitted by this chapter or other law, the lessor may recover from the lessee an amount that will fully compensate the lessor for any loss of or damage to the lessor's residual interest in the goods caused by the default of the lessee.

**History:** 1991 a. 148.

SUBCHAPTER VI

TRANSITIONAL PROVISIONS

**411.901 Applicability; written agreement to modify. (1)** This chapter applies to a lease contract that is entered into on or after July 1, 1992.

**(2)** This chapter applies to a lease contract that is entered into before July 1, 1992, or to a modification, extension or renewal of such a lease contract, if the parties agree in writing that the lease contract shall be governed by this chapter.

**History:** 1991 a. 148.