

# TITLE 8

## COMMERCIAL TRANSACTIONS

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### Chapter 71

2009 EDITION

#### General Provisions for Uniform Commercial Code

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**COMMERCIAL TRANSACTIONS**

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## GENERAL PROVISIONS

**71.1010 Short titles.** (1) This chapter and ORS chapters 72, 72A, 73, 74, 74A, 75, 77, 78 and 79 may be cited as the Uniform Commercial Code.

(2) This chapter may be cited as Uniform Commercial Code—General Provisions. [1961 c.726 §71.1010; 1989 c.676 §79; 1991 c.83 §2; 1991 c.442 §§39,40; 2001 c.445 §129; 2009 c.181 §1]

**71.1020 Scope of chapter.** This chapter applies to a transaction to the extent that the transaction is governed by ORS chapter 72, 72A, 73, 74, 74A, 75, 77, 78 or 79. [1961 c.726 §71.1020; 2009 c.181 §2]

**71.1030 Construction to promote purposes and policies; applicability of supplemental principles of law.** (1) The Uniform Commercial Code must be liberally construed and applied to promote its underlying purposes and policies, which are:

(a) To simply, clarify and modernize the law governing commercial transactions;

(b) To permit the continued expansion of commercial practices through custom, usage and agreement of the parties; and

(c) To make uniform the law among the various jurisdictions.

(2) Unless displaced by the particular provisions of the Uniform Commercial Code, the principles of law and equity, including the law merchant and the law relative to capacity to contract, principal and agent, estoppel, fraud, misrepresentation, duress, coercion, mistake, bankruptcy and other validating or invalidating cause, supplement its provisions. [1961 c.726 §71.1030; 2009 c.181 §3]

**71.1040 Construction against implied repeal.** The Uniform Commercial Code being a general law intended as a unified coverage of its subject matter, no part of it shall be deemed to be impliedly repealed by subsequent legislation if such construction can reasonably be avoided. [1961 c.726 §71.1040]

**71.1050 Severability.** If any provision or clause of the Uniform Commercial Code or application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the Uniform Commercial Code that can be given effect without the invalid provision or application, and to this end the provisions of the Uniform Commercial Code are severable. [1961 c.726 §71.1050; 1973 c.504 §1; 1989 c.676 §80; 1991 c.83 §3; 1995 c.328 §66; 1997 c.150 §3; 2001 c.445 §130; 2009 c.181 §4]

**71.1060 Use of singular and plural; gender.** In the Uniform Commercial Code, unless the statutory context otherwise requires:

(1) Words in the singular number include the plural, and those in the plural include the singular; and

(2) Words of any gender also refer to any other gender. [1961 c.726 §71.1060; 2009 c.181 §5]

**71.1070 Captions.** The unit and section captions, though set forth in the Uniform Commercial Code, are not part of the statutory law of Oregon. [1961 c.726 §71.1070; 2009 c.181 §6]

**71.1080 Relation to Electronic Signatures in Global and National Commerce Act.** This chapter modifies, limits and supersedes the federal Electronic Signatures in Global and National Commerce Act, 15 U.S.C. 7001 et seq., except that nothing in this chapter modifies, limits or supersedes section 7001(c) of that Act or authorizes electronic delivery of any of the notices described in section 7003(b) of that Act. [1961 c.726 §71.1080; 2009 c.181 §7]

**71.1090** [1961 c.726 §71.1090; repealed by 2009 c.181 §116]

## GENERAL DEFINITIONS AND PRINCIPLES OF INTERPRETATION

**71.2010 General definitions.** (1) Unless the context otherwise requires, words or phrases defined in this section, or in the additional definitions contained in other chapters of the Uniform Commercial Code that apply to particular chapters or parts thereof, have the meanings stated.

(2) Subject to definitions contained in other chapters of the Uniform Commercial Code that apply to particular chapters or parts thereof:

(a) “Action” in the sense of a judicial proceeding includes recoupment, counterclaim, setoff, suit in equity and any other proceedings in which rights are determined.

(b) “Aggrieved party” means a party entitled to pursue a remedy.

(c) “Agreement,” as distinguished from “contract,” means the bargain of the parties in fact as found in their language or inferred from other circumstances including course of performance, course of dealing or usage of trade as provided in ORS 71.3030.

(d) “Bank” means a person engaged in the business of banking and includes a savings bank, savings and loan association, credit union and trust company.

(e) “Bearer” means a person in control of a negotiable electronic document of title or a person in possession of a negotiable instrument, negotiable tangible document of title or certificated security that is payable to bearer or indorsed in blank.

(f) “Bill of lading” means a document of title evidencing the receipt of goods for shipment issued by a person engaged in the business of directly or indirectly transporting or forwarding goods. The term does not include a warehouse receipt.

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

(h) “Burden of establishing” a fact means the burden of persuading the trier of fact that the existence of the fact is more probable than its nonexistence.

(i) “Buyer in ordinary course of business” means a person that buys goods in good faith, without knowledge that the sale violates the rights of another person in the goods, and in the ordinary course from a person, other than a pawnbroker, in the business of selling goods of that kind. A person buys goods in the ordinary course if the sale to the person comports with the usual or customary practices in the kind of business in which the seller is engaged or with the seller’s own usual or customary practices. A person that sells oil, gas or other minerals at the wellhead or minehead is a person in the business of selling goods of that kind. A buyer in ordinary course of business may buy for cash, by exchange of other property, or on secured or unsecured credit, and may acquire goods or documents of title under a preexisting contract for sale. Only a buyer that takes possession of the goods or has a right to recover the goods from the seller under ORS chapter 72 may be a buyer in ordinary course of business. “Buyer in ordinary course of business” does not include a person that acquires goods in a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

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

(A) A heading in capitals equal to or greater in size in than the surrounding text, or in contrasting type, font or color to the surrounding text of the same or lesser size; and

(B) Language in the body of a record or display in larger type than the surrounding text, or in contrasting type, font or color to the surrounding text of the same size, or set off from the surrounding text of the same size by symbols or other marks that call attention to the language.

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

(L) “Contract,” as distinguished from “agreement,” means the total legal obligation that results from the parties’ agreement as determined by the Uniform Commercial Code as supplemented by any other applicable laws.

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

(n) “Defendant” includes a person in the position of defendant in a counterclaim, cross claim or third party claim.

(o) “Delivery,” with respect to an electronic document of title means voluntary transfer of control and with respect to an instrument, a tangible document of title, or chattel paper means voluntary transfer of possession.

(p)(A) “Document of title” means a record:

(i) That in the regular course of business or financing is treated as adequately evidencing that the person in possession or control of the record is entitled to receive, control, hold and dispose of the record and the goods the record covers; and

(ii) That purports to be issued by or addressed to a bailee and to cover goods in the bailee’s possession that are either identified or are fungible portions of an identified mass.

(B) The term includes a bill of lading, transport document, dock warrant, dock receipt, warehouse receipt and order for delivery of goods.

(C) "Electronic document of title" means a document of title evidenced by a record consisting of information stored in an electronic medium.

(D) "Tangible document of title" means a document of title evidenced by a record consisting of information that is inscribed on a tangible medium.

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

(r) "Fungible goods" means:

(A) Goods of which any unit, by nature or usage of trade, is the equivalent of any other like unit; or

(B) Goods that by agreement are treated as equivalent.

(s) "Genuine" means free of forgery or counterfeiting.

(t) "Good faith," except as otherwise provided in ORS chapter 75, means honesty in fact and the observance of reasonable commercial standards of fair dealing.

(u) "Holder" means:

(A) The person in possession of a negotiable instrument that is payable either to bearer or to an identified person that is the person in possession;

(B) The person in possession of a negotiable tangible document of title if the goods are deliverable either to bearer or to the order of the person in possession; or

(C) The person in control of a negotiable electronic document of title.

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

(w) "Insolvent" means:

(A) Having generally ceased to pay debts in the ordinary course of business other than as a result of bona fide dispute;

(B) Being unable to pay debts as they become due; or

(C) Being insolvent within the meaning of federal bankruptcy law.

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

(y) "Organization" means a person other than an individual.

(z) "Party," as distinguished from "third party," means a person that has engaged in a transaction or made an agreement subject to the Uniform Commercial Code.

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

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

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

(dd) "Purchaser" means a person that takes by purchase.

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

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

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

(hh) "Right" includes remedy.

(ii)(A) "Security interest" means an interest in personal property or fixtures which secures payment or performance of an obligation. "Security interest" includes any interest of a consignor and a buyer of accounts, chattel paper, a payment intangible or a promissory note in a transaction that is subject to ORS chapter 79.

(B) "Security interest" does not include the special property interest of a buyer of goods on identification of such goods to a contract for sale under ORS 72.4010, but a buyer may also acquire a "security interest" by complying with ORS chapter 79.

(C) Except as otherwise provided in ORS 72.5050, the right of a seller or lessor of goods under ORS chapter 72 or 72A to retain or acquire possession of the goods is not a "security interest," but a seller or lessor may also acquire a "security interest" by complying with ORS chapter 79.

(D) The retention or reservation of title by a seller of goods notwithstanding ship-

ment or delivery to the buyer under ORS 72.4010 is limited in effect to a reservation of a “security interest.”

(E) Whether a transaction in the form of a lease creates a security interest is determined pursuant to ORS 71.2030.

(jj) “Send” in connection with a writing, record or notice means:

(A) To deposit in the mail or deliver for transmission by any other usual means of communication with postage or cost of transmission provided for and properly addressed and in the case of an instrument to an address specified thereon or otherwise agreed, or if there be none to any address reasonable under the circumstances; or

(B) In any other way to cause to be received any record or notice within the time it would have arrived if properly sent.

(kk) “Signed” includes using any symbol executed or adopted with present intention to adopt or accept a writing.

(LL) “State” means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands or any territory or insular possession subject to the jurisdiction of the United States.

(mm) “Surety” includes a guarantor or other secondary obligor.

(nn) “Term” means a portion of an agreement that relates to a particular matter.

(oo) “Unauthorized signature” means a signature made without actual, implied or apparent authority. The term includes a forgery.

(pp) “Warehouse receipt” means a document of title issued by a person engaged in the business of storing goods for hire.

(qq) “Writing” includes printing, typewriting or any other intentional reduction to tangible form. “Written” has a corresponding meaning. [1961 c.726 §71.2010; 1973 c.504 §2; 1985 c.676 §71.2010; 1989 c.676 §81; 1993 c.545 §1; 1995 c.79 §20; 1997 c.834 §1; 2001 c.445 §131; 2009 c.181 §8]

**71.2020 Notice; knowledge.** (1) Subject to subsection (6) of this section, a person has notice of a fact if the person:

(a) Has actual knowledge of it;

(b) Has received a notice or notification of it; or

(c) From all the facts and circumstances known to the person at the time in question, has reason to know that it exists.

(2) “Knowledge” means actual knowledge. “Knows” has a corresponding meaning.

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

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

(5) Subject to subsection (6) of this section, a person receives a notice or notification when:

(a) It comes to the person’s attention; or

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

(6) Notice, knowledge or a notice or notification received by an organization is effective for a particular transaction from the time it is brought to the attention of the individual conducting that transaction and, in any event, from the time it would have been brought to the individual’s attention if the organization had exercised due diligence. An organization exercises due diligence if it maintains reasonable routines for communicating significant information to the person conducting the transaction and there is reasonable compliance with the routines. Due diligence does not require an individual acting for the organization to communicate information unless the communication is part of the individual’s regular duties or the individual has reason to know of the transaction and that the transaction would be materially affected by the information. [1961 c.726 §71.2020; 2009 c.181 §9]

**71.2030 Lease distinguished from security interest.** (1) Whether a transaction in the form of a lease creates a lease or security interest is determined by the facts of each case.

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

(a) The original term of the lease is equal to or greater than the remaining economic life of the goods;

(b) The lessee is bound to renew the lease for the remaining economic life of the goods or is bound to become the owner of the goods;

(c) The lessee has an option to renew the lease for the remaining economic life of the

goods for no additional consideration or for nominal additional consideration upon compliance with the lease agreement; or

(d) The lessee has an option to become the owner of the goods for no additional consideration or for nominal additional consideration upon compliance with the lease agreement.

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

(a) The present value of the consideration the lessee is obligated to pay the lessor for the right to possession and use of the goods is substantially equal to or is greater than the fair market value of the goods at the time the lease is entered into;

(b) The lessee assumes risk of loss of the goods;

(c) The lessee agrees to pay, with respect to the goods, taxes, insurance, filing, recording or registration fees or service or maintenance costs;

(d) The lessee has an option to renew the lease or to become the owner of the goods;

(e) The lessee has an option to renew the lease for a fixed rent that is equal to or greater than the reasonably predictable fair market rent for the use of the goods for the term of the renewal at the time the option is to be performed; or

(f) The lessee has an option to become the owner of the goods for a fixed price that is equal to or greater than the reasonably predictable fair market value of the goods at the time the option is to be performed.

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

(a) When the option to renew the lease is granted to the lessee, the rent is stated to be the fair market rent for the use of the goods for the term of the renewal determined at the time the option is to be performed; or

(b) When the option to become the owner of the goods is granted to the lessee, the price is stated to be the fair market value of the goods determined at the time the option is to be performed.

(5) The remaining economic life of the goods and reasonably predictable fair market rent, fair market value or cost of performing under the lease agreement must be determined with reference to the facts and circumstances at the time the transaction is entered into. [1961 c.726 §71.2030; 2009 c.181 §10]

**71.2040 Value.** Except as otherwise provided in ORS chapters 73, 74 and 75, a person gives value for rights if the person acquires them:

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

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

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

(4) In return for any consideration sufficient to support a simple contract. [1961 c.726 §71.2040; 2009 c.181 §11]

**71.2050 Reasonable time; seasonableness.** (1) Whether a time for taking an action required by the Uniform Commercial Code is reasonable depends on the nature, purpose and circumstances of the action.

(2) An action is taken seasonably if it is taken at or within the time agreed or, if no time is agreed, at or within a reasonable time. [1961 c.726 §71.2050; 2009 c.181 §12]

**71.2060 Presumptions.** Whenever the Uniform Commercial Code creates a presumption with respect to a fact, or provides that a fact is presumed, the trier of fact must find the existence of the fact unless and until evidence is introduced that supports a finding of its nonexistence. [1961 c.726 §71.2060; 2009 c.181 §13]

**71.2070** [1961 c.726 §71.2070; 1993 c.545 §2; repealed by 2009 c.181 §116]

**71.2080** [1961 c.726 §71.2080; repealed by 2009 c.181 §116]

## TERRITORIAL APPLICABILITY AND GENERAL RULES

**71.3010 Territorial applicability; parties' power to choose applicable law.** (1) Except as provided in this section, when a transaction bears a reasonable relation to this state and also to another state or nation, the parties may agree that the law either of this state or of such other state or nation shall govern their rights and duties.

(2) In the absence of such an agreement effective under subsection (1) of this section and except as provided in subsection (3) of this section, the Uniform Commercial Code applies to transactions bearing an appropriate relation to this state.

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

(a) Rights of creditors against sold goods as specified in ORS 72.4020.

(b) Applicability of ORS chapter 72A on leases.

(c) Applicability of ORS chapter 74 as specified in ORS 74.1020.

(d) Applicability of ORS chapter 74A as specified in ORS 74A.5070.

(e) Applicability of ORS chapter 75 as specified in ORS 75.1160.

(f) Applicability of ORS chapter 78 as specified in ORS 78.1100.

(g) ORS 79.0301 to 79.0307 governing perfection, the effect of perfection or non-perfection and the priority of security interests and agricultural liens. [2009 c.181 §14]

**Note:** 71.3010 to 71.3100 were added to and made a part of the Uniform Commercial Code by legislative action but were not added to ORS chapter 71 or any series therein. See Preface to Oregon Revised Statutes for further explanation.

**71.3020 Variation by agreement.** (1) Except as otherwise provided in subsection (2) of this section or elsewhere in the Uniform Commercial Code, the effect of provisions of the Uniform Commercial Code may be varied by agreement.

(2) The obligations of good faith, diligence, reasonableness and care prescribed by the Uniform Commercial Code may not be disclaimed by agreement. The parties, by agreement, may determine the standards by which the performance of those obligations is to be measured if those standards are not manifestly unreasonable. Whenever the Uniform Commercial Code requires an action to be taken within a reasonable time, a time that is not manifestly unreasonable may be fixed by agreement.

(3) The presence in certain provisions of the Uniform Commercial Code of the phrase “unless otherwise agreed,” or words of similar import, does not imply that the effect of other provisions may not be varied by agreement under this section. [2009 c.181 §15]

**Note:** See note under 71.3010.

**71.3030 Course of performance, course of dealing and usage of trade.** (1) A “course of performance” is a sequence of conduct between the parties to a particular transaction that exists if:

(a) The agreement of the parties with respect to the transaction involves repeated occasions for performance by a party; and

(b) The other party, with knowledge of the nature of the performance and opportunity for objection to it, accepts the performance or acquiesces in it without objection.

(2) A “course of dealing” is a sequence of conduct concerning previous transactions between the parties to a particular transac-

tion that is fairly to be regarded as establishing a common basis of understanding for interpreting the parties’ expressions and other conduct.

(3) A “usage of trade” is any practice or method of dealing having such regularity of observance in a place, vocation, or trade as to justify an expectation that the practice or method will be observed with respect to the transaction in question. The existence and scope of the usage must be proved as fact. If it is established that the usage is embodied in a trade code or similar record, the interpretation of the record is a question of law.

(4) A course of performance or course of dealing between the parties or usage of trade in the vocation or trade in which the parties are engaged or of which they are or should be aware is relevant in ascertaining the meaning of the parties’ agreement, may give particular meaning to specific terms of the agreement and may supplement or qualify the terms of the agreement. A usage of trade applicable in the place in which part of the performance under the agreement is to occur may be so utilized as to that part of the performance.

(5) Except as otherwise provided in subsection (6) of this section, the express terms of an agreement and any applicable course of performance, course of dealing or usage of trade must be construed whenever reasonable as consistent with each other. If such a construction is unreasonable:

(a) Express terms prevail over course of performance, course of dealing and usage of trade;

(b) Course of performance prevails over course of dealing and usage of trade; and

(c) Course of dealing prevails over usage of trade.

(6) Subject to ORS 72.2090, a course of performance is relevant to show a waiver or modification of any term inconsistent with the course of performance.

(7) Evidence of a relevant usage of trade offered by one party is not admissible unless that party has given the other party notice that the court finds sufficient to prevent unfair surprise to the other party. [2009 c.181 §16]

**Note:** See note under 71.3010.

**71.3040 Obligation of good faith.** Every contract or duty within the Uniform Commercial Code imposes an obligation of good faith in its performance and enforcement. [2009 c.181 §17]

**Note:** See note under 71.3010.

**71.3050 Remedies to be liberally administered.** (1) The remedies provided by the Uniform Commercial Code must be liberally administered to the end that the aggrieved



party may be put in as good a position as if the other party had fully performed but consequential damages, special damages or penal damages may not be had except as specifically provided in the Uniform Commercial Code or by other rule of law.

(2) Any right or obligation declared by the Uniform Commercial Code is enforceable by action unless the provision declaring the right or obligation specifies a different and limited effect. [2009 c.181 §18]

**Note:** See note under 71.3010.

**71.3060 Waiver or renunciation of claim or right after breach.** A claim or right arising out of an alleged breach may be discharged in whole or in part without consideration by agreement of the aggrieved party in an authenticated record. [2009 c.181 §19]

**Note:** See note under 71.3010.

**71.3070 Prima facie evidence by third-party documents.** A document in due form purporting to be a bill of lading, policy or certificate of insurance, official weigher's or inspector's certificate, consular invoice or any other document authorized or required by the contract to be issued by a third party is prima facie evidence of the document's own authenticity and genuineness and of the facts stated in the document by the third party. [2009 c.181 §20]

**Note:** See note under 71.3010.

**71.3080 Performance or acceptance under reservation of rights.** (1) A party that with explicit reservation of rights per-

forms or promises performance or assents to performance in a manner demanded or offered by the other party does not thereby prejudice the rights reserved. Such words as "without prejudice," "under protest" or the like are sufficient.

(2) Subsection (1) of this section does not apply to an accord and satisfaction. [2009 c.181 §21]

**Note:** See note under 71.3010.

**71.3090 Option to accelerate at will.** A term providing that one party or that party's successor in interest may accelerate payment or performance or require collateral or additional collateral "at will" or when the party "deems itself insecure," or words of similar import, means that the party has power to do so only if that party in good faith believes that the prospect of payment or performance is impaired. The burden of establishing lack of good faith is on the party against which the power has been exercised. [2009 c.181 §22]

**Note:** See note under 71.3010.

**71.3100 Subordinated obligations.** An obligation may be issued as subordinated to performance of another obligation of the person obligated, or a creditor may subordinate its right to performance of an obligation by agreement with either the person obligated or another creditor of the person obligated. Subordination does not create a security interest as against either the common debtor or a subordinated creditor. [2009 c.181 §23]

**Note:** See note under 71.3010.

