

SENATE BILL NO. 2143

Introduced by

Judiciary Committee

(At the request of the Commission on Uniform State Laws)

1 A BILL for an Act to create and enact a new chapter 41-01 and section 41-01-09 of the North
2 Dakota Century Code, relating to Uniform Commercial Code Article 1 - General Provisions; to
3 amend and reenact subdivision b of subsection 2 of section 9-16-02, subsection 4 of section
4 9-16-15, subdivision b of subsection 1 of section 41-02-03, subsection 1 of section 41-02-09,
5 subsection 3 of section 41-02.1-03, subsection 4 of section 41-02.1-49, subsection 2 of section
6 41-02.1-66, subsection 1 of section 41-02.1-67, subsection 2 of section 41-02.1-75,
7 subsection 1 of section 41-02.1-76, subdivisions d and j of subsection 1 of section 41-03-03,
8 subsection 3 of section 41-04-04, subsection 1 of section 41-04.1-05, subsection 1 of section
9 41-04.1-06, subsection 2 of section 41-04.1-12, subsection 3 of section 41-05-03, subdivision e
10 of subsection 1 of section 41-07-02, section 41-07-06, subdivision k of subsection 1 of section
11 41-08-02, subdivision ss of subsection 1 of section 41-09-02, and section 47-15.1-02 of the
12 North Dakota Century Code, relating to chapter 41-01 and references to chapter 41-01; and to
13 repeal chapter 41-01 and sections 41-02-15 and 41-02.1-16 of the North Dakota Century Code,
14 relating to Uniform Commercial Code general provisions, contracts, and leases.

15 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

16 **SECTION 1. AMENDMENT.** Subdivision b of subsection 2 of section 9-16-02 of the
17 North Dakota Century Code is amended and reenacted as follows:

18 b. The Uniform Commercial Code other than ~~sections 41-01-07 and 41-01-16~~
19 section 41-01-20 and chapters 41-02 and 41-02.1; and

20 **SECTION 2. AMENDMENT.** Subsection 4 of section 9-16-15 of the North Dakota
21 Century Code is amended and reenacted as follows:

22 4. Except as otherwise agreed, a person having control of a transferable record is the
23 holder, as defined in section ~~41-01-14~~ 41-01-09, of the transferable record and has
24 the same rights and defenses as a holder of an equivalent record or writing under

1 title 41 including, if the applicable statutory requirements under subsection 1 of
2 section 41-03-28, section 41-07-30, or section 41-09-29 are satisfied, the rights
3 and defenses of a holder in due course, a holder to which a negotiable document
4 of title has been duly negotiated, or a purchaser, respectively. Delivery,
5 possession, and endorsement are not required to obtain or exercise any of the
6 rights under this subsection.

7 **SECTION 3.** Chapter 41-01 of the North Dakota Century Code is created and enacted
8 as follows:

9 Part 1

10 General Provisions

11 **41-01-01. (1-101) Short titles.**

- 12 1. This title may be cited as the Uniform Commercial Code.
13 2. This chapter may be cited as Uniform Commercial Code - General Provisions.

14 **41-01-02. (1-102) Scope of chapter.** This chapter applies to a transaction to the
15 extent that the transaction is governed by another chapter of this title.

16 **41-01-03. (1-103) Construction of title to promote the title's purposes and**
17 **policies - Applicability of supplemental principles of law.**

- 18 1. This title must be liberally construed and applied to promote the title's underlying
19 purposes and policies, which are:
20 a. To simplify, clarify, and modernize the law governing commercial transactions;
21 b. To permit the continued expansion of commercial practices through custom,
22 usage, and agreement of the parties; and
23 c. To make uniform the law among the various jurisdictions.
24 2. Unless displaced by the particular provisions of this title, the principles of law and
25 equity, including the law merchant and the law relative to capacity to contract,
26 principal and agent, estoppel, fraud, misrepresentation, duress, coercion, mistake,
27 bankruptcy, and other validating or invalidating cause supplement this title.

28 **41-01-04. (1-104) Construction against implied repeal.** This title is a general act
29 intended as a unified coverage of its subject matter. A part of this title may not be deemed to
30 be impliedly repealed by subsequent legislation if such construction can reasonably be avoided.

- 1 circumstances, including course of performance, course of dealing, or usage
2 of trade as provided under section 41-09-17.
- 3 d. "Bank" means a person engaged in the business of banking and includes a
4 savings bank, savings and loan association, credit union, and trust company.
- 5 e. "Bearer" means a person in possession of a negotiable instrument, document
6 of title, or certificated security that is payable to bearer or indorsed in blank.
- 7 f. "Bill of lading" means a document evidencing the receipt of goods for
8 shipment issued by a person engaged in the business of transporting or
9 forwarding goods.
- 10 g. "Branch" includes a separately incorporated foreign branch of a bank.
- 11 h. "Burden of establishing" a fact means the burden of persuading the trier of
12 fact that the existence of the fact is more probable than its nonexistence.
- 13 i. "Buyer in ordinary course of business" means a person that buys goods in
14 good faith, without knowledge that the sale violates the rights of another
15 person in the goods, and in the ordinary course from a person, other than a
16 pawnbroker, in the business of selling goods of that kind. A person buys
17 goods in the ordinary course if the sale to the person comports with the usual
18 or customary practices in the kind of business in which the seller is engaged
19 or with the seller's own usual or customary practices. A person that sells oil,
20 gas, or other minerals at the wellhead or minehead is a person in the
21 business of selling goods of that kind. A buyer in ordinary course of business
22 may buy for cash, by exchange of other property, or on secured or unsecured
23 credit, and may acquire goods or documents of title under a preexisting
24 contract for sale. Only a buyer that takes possession of the goods or has a
25 right to recover the goods from the seller under chapter 41-02 may be a buyer
26 in ordinary course of business. "Buyer in ordinary course of business" does
27 not include a person that acquires goods in a transfer in bulk or as security for
28 or in total or partial satisfaction of a money debt.
- 29 j. "Conspicuous", with reference to a term, means so written, displayed, or
30 presented that a reasonable person against which it is to operate ought to

- 1 have noticed it. Whether a term is "conspicuous" or not is a decision for the
2 court. Conspicuous terms include the following:
- 3 (1) A heading in capitals equal to or greater in size than the surrounding
4 text, or in contrasting type, font, or color to the surrounding text of the
5 same or lesser size; and
- 6 (2) Language in the body of a record or display in larger type than the
7 surrounding text, or in contrasting type, font, or color to the surrounding
8 text of the same size, or set off from surrounding text of the same size
9 by symbols or other marks that call attention to the language.
- 10 k. "Consumer" means an individual who enters into a transaction primarily for
11 personal, family, or household purposes.
- 12 l. "Contract", as distinguished from "agreement", means the total legal
13 obligation that results from the parties' agreement as determined by this title
14 as supplemented by any other applicable laws.
- 15 m. "Creditor" includes a general creditor, a secured creditor, a lien creditor, and
16 any representative of creditors, including an assignee for the benefit of
17 creditors, a trustee in bankruptcy, a receiver in equity, and an executor or
18 administrator of an insolvent debtor's or assignor's estate.
- 19 n. "Defendant" includes a person in the position of defendant in a counterclaim,
20 cross-claim, or third-party claim.
- 21 o. "Delivery", with respect to an instrument, document of title, or chattel paper,
22 means voluntary transfer of possession.
- 23 p. "Document of title" includes bill of lading, dock warrant, dock receipt,
24 warehouse receipt, or order for the delivery of goods, and also any other
25 document that in the regular course of business or financing is treated as
26 adequately evidencing that the person in possession of that document is
27 entitled to receive, hold, and dispose of the document and the goods that
28 document covers. To be a document of title, a document must purport to be
29 issued by or addressed to a bailee and purport to cover goods in the bailee's
30 possession which are either identified or are fungible portions of an identified
31 mass.

- 1 q. "Fault" means a default, breach, or wrongful act or omission.
- 2 r. "Fungible goods" means:
- 3 (1) Goods of which any unit, by nature or usage of trade, is the equivalent
- 4 of any other like unit; or
- 5 (2) Goods that by agreement are treated as equivalent.
- 6 s. "Genuine" means free of forgery or counterfeiting.
- 7 t. "Good faith", except as otherwise provided in chapter 41-05, means honesty
- 8 in fact and the observance of reasonable commercial standards of fair
- 9 dealing.
- 10 u. "Holder" means:
- 11 (1) The person in possession of a negotiable instrument that is payable
- 12 either to bearer or to an identified person that is the person in
- 13 possession; or
- 14 (2) The person in possession of a document of title if the goods are
- 15 deliverable either to bearer or to the order of the person in possession.
- 16 v. "Insolvency proceeding" includes an assignment for the benefit of creditors or
- 17 other proceeding intended to liquidate or rehabilitate the estate of the person
- 18 involved.
- 19 w. "Insolvent" means:
- 20 (1) Having generally ceased to pay debts in the ordinary course of
- 21 business other than as a result of bona fide dispute;
- 22 (2) Being unable to pay debts as they become due; or
- 23 (3) Being insolvent within the meaning of federal bankruptcy law.
- 24 x. "Money" means a medium of exchange currently authorized or adopted by a
- 25 domestic or foreign government. The term includes a monetary unit of
- 26 account established by an intergovernmental organization or by agreement
- 27 between two or more countries.
- 28 y. "Organization" means a person other than an individual.
- 29 z. "Party", as distinguished from "third party", means a person that has engaged
- 30 in a transaction or made an agreement subject to this title.

- 1 aa. "Person" means an individual, a corporation, a business trust, an estate, a
2 trust, a partnership, a limited liability company, an association, a joint venture,
3 a government, a governmental subdivision, an agency, or an instrumentality,
4 a public corporation, or any other legal or commercial entity.
- 5 bb. "Present value" means the amount as of a date certain of one or more sums
6 payable in the future, discounted to the date certain by use of either an
7 interest rate specified by the parties if that rate is not manifestly unreasonable
8 at the time the transaction is entered or, if an interest rate is not so specified,
9 a commercially reasonable rate that takes into account the facts and
10 circumstances at the time the transaction is entered.
- 11 cc. "Purchase" means taking by sale, lease, discount, negotiation, mortgage,
12 pledge, lien, security interest, issue or reissue, gift, or any other voluntary
13 transaction creating an interest in property.
- 14 dd. "Purchaser" means a person that takes by purchase.
- 15 ee. "Record" means information that is inscribed on a tangible medium or that is
16 stored in an electronic or other medium and is retrievable in perceivable form.
- 17 ff. "Remedy" means any remedial right to which an aggrieved party is entitled
18 with or without resort to a tribunal.
- 19 gg. "Representative" means a person empowered to act for another, including an
20 agent, an officer of a corporation or association, and a trustee, executor, or
21 administrator of an estate.
- 22 hh. "Right" includes remedy.
- 23 ii. "Security interest" means an interest in personal property or fixtures which
24 secures payment or performance of an obligation. "Security interest" includes
25 any interest of a consignor and a buyer of accounts, chattel paper, a payment
26 intangible, or a promissory note in a transaction that is subject to
27 chapter 41-09. "Security interest" does not include the special property
28 interest of a buyer of goods on identification of those goods to a contract for
29 sale under section 41-02-46, but a buyer may also acquire a "security
30 interest" by complying with chapter 41-09. Except as otherwise provided in
31 section 41-02-53, the right of a seller or lessor of goods under chapter 41-02

1 or 41-02.1 to retain or acquire possession of the goods is not a "security
2 interest", but a seller or lessor may also acquire a "security interest" by
3 complying with chapter 41-09. The retention or reservation of title by a seller
4 of goods notwithstanding shipment or delivery to the buyer under section
5 41-02-46 is limited in effect to a reservation of a "security interest". Whether a
6 transaction in the form of a lease creates a "security interest" is determined
7 under section 41-01-11.

8 jj. "Send" in connection with a writing, record, or notice means:

- 9 (1) To deposit in the mail or deliver for transmission by any other usual
10 means of communication with postage or cost of transmission provided
11 for and properly addressed and, in the case of an instrument, to an
12 address specified on the instrument or otherwise agreed, or if there be
13 none to any address reasonable under the circumstances; or
14 (2) In any other way to cause to be received any record or notice within the
15 time it would have arrived if properly sent.

16 kk. "Signed" includes using any symbol executed or adopted with present
17 intention to adopt or accept in writing.

18 ll. "State" means a state of the United States, the District of Columbia, Puerto
19 Rico, the United States Virgin Islands, or any territory or insular possession
20 subject to the jurisdiction of the United States.

21 mm. "Surety" includes a guarantor or other secondary obligor.

22 nn. "Term" means a portion of an agreement that relates to a particular matter.

23 oo. "Unauthorized signature" means a signature made without actual, implied, or
24 apparent authority. The term includes a forgery.

25 pp. "Warehouse receipt" means a receipt issued by a person engaged in the
26 business of storing goods for hire.

27 qq. "Writing" includes printing, typewriting, or any other intentional reduction to
28 tangible form. "Written" has a corresponding meaning.

29 **41-01-10. (1-202) Notice - Knowledge.**

30 1. Subject to subsection 6, a person has "notice" of a fact if the person:

- 31 a. Has actual knowledge of that fact;

- 1 b. Has received a notice or notification of that fact; or
- 2 c. From all the facts and circumstances known to the person at the time in
- 3 question, has reason to know that that fact exists.
- 4 2. "Knowledge" means actual knowledge. "Knows" has a corresponding meaning.
- 5 3. "Discover", "learn", or words of similar import refer to knowledge rather than to
- 6 reason to know.
- 7 4. A person "notifies" or "gives" a notice or notification to another person by taking
- 8 such steps as may be reasonably required to inform the other person in ordinary
- 9 course, whether or not the other person actually comes to know of it.
- 10 5. Subject to subsection 6, a person "receives" a notice or notification when:
- 11 a. It comes to that person's attention; or
- 12 b. It is duly delivered in a form reasonable under the circumstances at the place
- 13 of business through which the contract was made or at another location held
- 14 out by that person as the place for receipt of such communications.
- 15 6. Notice, knowledge, or a notice or notification received by an organization is
- 16 effective for a particular transaction from the time it is brought to the attention of the
- 17 individual conducting that transaction and, in any event, from the time it would have
- 18 been brought to the individual's attention if the organization had exercised due
- 19 diligence. An organization exercises due diligence if the organization maintains
- 20 reasonable routines for communicating significant information to the person
- 21 conducting the transaction and there is reasonable compliance with the routines.
- 22 Due diligence does not require an individual acting for the organization to
- 23 communicate information unless the communication is part of the individual's
- 24 regular duties or the individual has reason to know of the transaction and that the
- 25 transaction would be materially affected by the information.
- 26 **41-01-11. (1-203) Lease distinguished from security interest.**
- 27 1. Whether a transaction in the form of a lease creates a lease or security interest is
- 28 determined by the facts of each case.
- 29 2. A transaction in the form of a lease creates a security interest if the consideration
- 30 that the lessee is to pay the lessor for the right to possession and use of the goods

- 1 is an obligation for the term of the lease and is not subject to termination by the
2 lessee, and:
- 3 a. The original term of the lease is equal to or greater than the remaining
4 economic life of the goods;
- 5 b. The lessee is bound to renew the lease for the remaining economic life of the
6 goods or is bound to become the owner of the goods;
- 7 c. The lessee has an option to renew the lease for the remaining economic life
8 of the goods for no additional consideration or for nominal additional
9 consideration upon compliance with the lease agreement; or
- 10 d. The lessee has an option to become the owner of the goods for no additional
11 consideration or for nominal additional consideration upon compliance with
12 the lease agreement.
- 13 3. A transaction in the form of a lease does not create a security interest merely
14 because:
- 15 a. The present value of the consideration the lessee is obligated to pay the
16 lessor for the right to possession and use of the goods is substantially equal
17 to or is greater than the fair market value of the goods at the time the lease is
18 entered;
- 19 b. The lessee assumes risk of loss of the goods;
- 20 c. The lessee agrees to pay, with respect to the goods, taxes, insurance, filing,
21 recording, or registration fees, or service or maintenance costs;
- 22 d. The lessee has an option to renew the lease or to become the owner of the
23 goods;
- 24 e. The lessee has an option to renew the lease for a fixed rent that is equal to or
25 greater than the reasonably predictable fair market rent for the use of the
26 goods for the term of the renewal at the time the option is to be performed; or
- 27 f. The lessee has an option to become the owner of the goods for a fixed price
28 that is equal to or greater than the reasonably predictable fair market value of
29 the goods at the time the option is to be performed.

- 1 4. Additional consideration is nominal if that consideration is less than the lessee's
2 reasonably predictable cost of performing under the lease agreement if the option
3 is not exercised. Additional consideration is not nominal if:
4 a. When the option to renew the lease is granted to the lessee, the rent is stated
5 to be the fair market rent for the use of the goods for the term of the renewal
6 determined at the time the option is to be performed; or
7 b. When the option to become the owner of the goods is granted to the lessee,
8 the price is stated to be the fair market value of the goods determined at the
9 time the option is to be performed.
- 10 5. The "remaining economic life of the goods" and "reasonably predictable" fair
11 market rent, fair market value, or cost of performing under the lease agreement
12 must be determined with reference to the facts and circumstances at the time the
13 transaction is entered.

14 **41-01-12. (1-204) Value.** Except as otherwise provided in chapters 41-03, 41-04, and
15 41-05, a person gives value for rights if the person acquires the rights:

- 16 1. In return for a binding commitment to extend credit or for the extension of
17 immediately available credit, whether or not drawn upon and whether or not a
18 chargeback is provided for in the event of difficulties in collection;
19 2. As security for, or in total or partial satisfaction of, a preexisting claim;
20 3. By accepting delivery under a preexisting contract for purchase; or
21 4. In return for any consideration sufficient to support a simple contract.

22 **41-01-13. (1-205) Reasonable time - Seasonableness.**

- 23 1. Whether a time for taking an action required under this title is reasonable depends
24 on the nature, purpose, and circumstances of the action.
25 2. An action is taken seasonably if the action is taken at or within the time agreed or,
26 if no time is agreed, at or within a reasonable time.

27 **41-01-14. (1-206) Presumptions.** If this title creates a "presumption" with respect to a
28 fact or provides that a fact is "presumed", the trier of fact shall find the existence of the fact
29 unless and until evidence is introduced that supports a finding of the fact's nonexistence.

30 Part 3

31 Territorial Applicability and General Rules

1 **41-01-15. (1-301) Territorial applicability - Parties' power to choose applicable**

2 **law.**

- 3 1. Except as otherwise provided under this section, when a transaction bears a
4 reasonable relation to this state and also to another state or nation, the parties may
5 agree that the law either of this state or of such other state or nation shall govern
6 the parties' rights and duties.
- 7 2. In the absence of an agreement effective under subsection 1, and except as
8 provided under subsection 3, title 41 applies to transactions bearing an appropriate
9 relation to this state.
- 10 3. If one of the following provisions of this title specifies the applicable law, that
11 provision governs and a contrary agreement is effective only to the extent
12 permitted by the law so specified:
- 13 a. Section 41-02-47;
- 14 b. Sections 41-02.1-05 and 41-02.1-06;
- 15 c. Section 41-04-02;
- 16 d. Section 41-04.1-38;
- 17 e. Section 41-05-16;
- 18 f. Section 41-08-10; and
- 19 g. Sections 41-09-22 through 41-09-28.

20 **41-01-16. (1-302) Variation by agreement.**

- 21 1. Except as otherwise provided in subsection 2 or elsewhere under this title, the
22 effect of provisions of this title may be varied by agreement.
- 23 2. The obligations of good faith, diligence, reasonableness, and care prescribed
24 under this title may not be disclaimed by agreement. The parties, by agreement,
25 may determine the standards by which the performance of those obligations is to
26 be measured if those standards are not manifestly unreasonable. If this title
27 requires an action to be taken within a reasonable time, a time that is not
28 manifestly unreasonable may be fixed by agreement.
- 29 3. The presence in certain provisions of this title of the phrase "unless otherwise
30 agreed", or words of similar import, does not imply that the effect of other
31 provisions may not be varied by agreement under this section.

1 **41-01-17. (1-303) Course of performance - Course of dealing - Usage of trade.**

- 2 1. A "course of performance" is a sequence of conduct between the parties to a
3 particular transaction that exists if:
- 4 a. The agreement of the parties with respect to the transaction involves repeated
5 occasions for performance by a party; and
- 6 b. The other party, with knowledge of the nature of the performance and
7 opportunity for objection to it, accepts the performance or acquiesces in the
8 performance without objection.
- 9 2. A "course of dealing" is a sequence of conduct concerning previous transactions
10 between the parties to a particular transaction that is fairly to be regarded as
11 establishing a common basis of understanding for interpreting their expressions
12 and other conduct.
- 13 3. A "usage of trade" is any practice or method of dealing having such regularity of
14 observance in a place, vocation, or trade as to justify an expectation that it will be
15 observed with respect to the transaction in question. The existence and scope of
16 such a usage must be proved as facts. If it is established that such a usage is
17 embodied in a trade code or similar record, the interpretation of the record is a
18 question of law.
- 19 4. A course of performance or course of dealing between the parties or usage of
20 trade in the vocation or trade in which the parties are engaged or of which the
21 parties are or should be aware is relevant in ascertaining the meaning of the
22 parties' agreement, may give particular meaning to specific terms of the
23 agreement, and may supplement or qualify the terms of the agreement. A usage
24 of trade applicable in the place in which part of the performance under the
25 agreement is to occur may be so utilized as to that part of the performance.
- 26 5. Except as otherwise provided in subsection 6, the express terms of an agreement
27 and any applicable course of performance, course of dealing, or usage of trade
28 must be construed whenever reasonable as consistent with each other. If such a
29 construction is unreasonable:
- 30 a. Express terms prevail over course of performance, course of dealing, and
31 usage of trade;

1 b. Course of performance prevails over course of dealing and usage of trade;
2 and

3 c. Course of dealing prevails over usage of trade.

4 6. Subject to section 41-02-16, a course of performance is relevant to show a waiver
5 or modification of any term inconsistent with the course of performance.

6 7. Evidence of a relevant usage of trade offered by one party is not admissible unless
7 that party has given the other party notice that the court finds sufficient to prevent
8 unfair surprise to the other party.

9 **41-01-18. (1-304) Obligation of good faith.** Every contract or duty within this title
10 imposes an obligation of good faith in its performance and enforcement.

11 **41-01-19. (1-305) Remedies to be liberally administered.**

12 1. The remedies provided under this title must be liberally administered to the end
13 that the aggrieved party may be put in as good a position as if the other party had
14 fully performed but neither consequential or special damages nor penal damages
15 may be had except as specifically provided under this title or by other rule of law.

16 2. Any right or obligation declared under this title is enforceable by action unless the
17 provision declaring the right or obligation specifies a different and limited effect.

18 **41-01-20. (1-306) Waiver or renunciation of claim or right after breach.** A claim or
19 right arising out of an alleged breach may be discharged in whole or in part without
20 consideration by agreement of the aggrieved party in an authenticated record.

21 **41-01-21. (1-307) Prima facie evidence by third-party documents.** A document in
22 due form purporting to be a bill of lading, a policy or certificate of insurance, an official weigher's
23 or inspector's certificate, a consular invoice, or any other document authorized or required by
24 the contract to be issued by a third party is prima facie evidence of the document's own
25 authenticity and genuineness and of the facts stated in the document by the third party.

26 **41-01-22. (1-308) Performance or acceptance under reservation of rights.**

27 1. A party that with explicit reservation of rights performs or promises performance or
28 assents to performance in a manner demanded or offered by the other party does
29 not thereby prejudice the rights reserved. Such words as "without prejudice",
30 "under protest", or the like are sufficient.

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

1 **41-01-23. (1-309) Option to accelerate at will.** A term providing that one party or that
2 party's successor in interest may accelerate payment or performance or require collateral or
3 additional collateral "at will" or when the party "deems itself insecure", or words of similar
4 import, means that the party has power to do so only if that party in good faith believes that the
5 prospect of payment or performance is impaired. The burden of establishing lack of good faith
6 is on the party against which the power has been exercised.

7 **41-01-24. (1-310) Subordinated obligations.** An obligation may be issued as
8 subordinated to performance of another obligation of the person obligated, or a creditor may
9 subordinate the creditor's right to performance of an obligation by agreement with either the
10 person obligated or another creditor of the person obligated. Subordination does not create a
11 security interest as against either the common debtor or a subordinated creditor.

12 **SECTION 4.** If House Bill No. 1151 becomes effective, section 41-01-09 of the North
13 Dakota Century Code is created and enacted as follows:

14 **41-01-09. (1-201) General definitions.**

- 15 1. Unless the context otherwise requires, words or phrases defined in this section, or
16 in additional definitions contained in other chapters of this title which apply to
17 particular chapters or parts of chapters, have the meanings stated.
- 18 2. Subject to definitions contained in other chapters of this title which apply to
19 particular chapters or parts of chapters:
- 20 a. "Action", in the sense of a judicial proceeding, includes recoupment,
21 counterclaim, setoff, suit in equity, and any other proceeding in which rights
22 are determined.
- 23 b. "Aggrieved party" means a party entitled to pursue a remedy.
- 24 c. "Agreement", as distinguished from "contract", means the bargain of the
25 parties in fact, as found in their language or inferred from other
26 circumstances, including course of performance, course of dealing, or usage
27 of trade as provided under section 41-09-17.
- 28 d. "Bank" means a person engaged in the business of banking and includes a
29 savings bank, savings and loan association, credit union, and trust company.
- 30 e. "Bearer" means a person in control of a negotiable electronic document of title
31 or a person in possession of a negotiable instrument, negotiable tangible

- 1 document of title, or certificated security that is payable to bearer or indorsed
2 in blank.
- 3 f. "Bill of lading" means a document of title evidencing the receipt of goods for
4 shipment issued by a person engaged in the business of directly or indirectly
5 transporting or forwarding goods. The term does not include a warehouse
6 receipt.
- 7 g. "Branch" includes a separately incorporated foreign branch of a bank.
- 8 h. "Burden of establishing" a fact means the burden of persuading the trier of
9 fact that the existence of the fact is more probable than its nonexistence.
- 10 i. "Buyer in ordinary course of business" means a person that buys goods in
11 good faith, without knowledge that the sale violates the rights of another
12 person in the goods, and in the ordinary course from a person, other than a
13 pawnbroker, in the business of selling goods of that kind. A person buys
14 goods in the ordinary course if the sale to the person comports with the usual
15 or customary practices in the kind of business in which the seller is engaged
16 or with the seller's own usual or customary practices. A person that sells oil,
17 gas, or other minerals at the wellhead or minehead is a person in the
18 business of selling goods of that kind. A buyer in ordinary course of business
19 may buy for cash, by exchange of other property, or on secured or unsecured
20 credit, and may acquire goods or documents of title under a preexisting
21 contract for sale. Only a buyer that takes possession of the goods or has a
22 right to recover the goods from the seller under chapter 41-02 may be a buyer
23 in ordinary course of business. "Buyer in ordinary course of business" does
24 not include a person that acquires goods in a transfer in bulk or as security for
25 or in total or partial satisfaction of a money debt.
- 26 j. "Conspicuous", with reference to a term, means so written, displayed, or
27 presented that a reasonable person against which it is to operate ought to
28 have noticed it. Whether a term is "conspicuous" or not is a decision for the
29 court. Conspicuous terms include the following:

- 1 (1) A heading in capitals equal to or greater in size than the surrounding
2 text, or in contrasting type, font, or color to the surrounding text of the
3 same or lesser size; and
- 4 (2) Language in the body of a record or display in larger type than the
5 surrounding text, or in contrasting type, font, or color to the surrounding
6 text of the same size, or set off from surrounding text of the same size
7 by symbols or other marks that call attention to the language.
- 8 k. "Consumer" means an individual who enters into a transaction primarily for
9 personal, family, or household purposes.
- 10 l. "Contract", as distinguished from "agreement", means the total legal
11 obligation that results from the parties' agreement as determined by this title
12 as supplemented by any other applicable laws.
- 13 m. "Creditor" includes a general creditor, a secured creditor, a lien creditor, and
14 any representative of creditors, including an assignee for the benefit of
15 creditors, a trustee in bankruptcy, a receiver in equity, and an executor or
16 administrator of an insolvent debtor's or assignor's estate.
- 17 n. "Defendant" includes a person in the position of defendant in a counterclaim,
18 cross-claim, or third-party claim.
- 19 o. "Delivery", with respect to an electronic document of title means voluntary
20 transfer of control and with respect to an instrument, a tangible document of
21 title, or chattel paper, means voluntary transfer of possession.
- 22 p. "Document of title" means a record (i) that in the regular course of business or
23 financing is treated as adequately evidencing that the person in possession or
24 control of the record is entitled to receive, control, hold, and dispose of the
25 record and the goods the record covers and (ii) that purports to be issued by
26 or addressed to a bailee and to cover goods in the bailee's possession which
27 are either identified or are fungible portions of an identified mass. The term
28 includes a bill of lading, transport document, dock warrant, dock receipt,
29 warehouse receipt, and order for delivery of goods. An electronic document
30 of title means a document of title evidenced by a record consisting of
31 information stored in an electronic medium. A tangible document of title

- 1 means a document of title evidenced by a record consisting of information that
2 is inscribed on a tangible medium.
- 3 q. "Fault" means a default, breach, or wrongful act or omission.
- 4 r. "Fungible goods" means:
- 5 (1) Goods of which any unit, by nature or usage of trade, is the equivalent
6 of any other like unit; or
- 7 (2) Goods that by agreement are treated as equivalent.
- 8 s. "Genuine" means free of forgery or counterfeiting.
- 9 t. "Good faith", except as otherwise provided in chapter 41-05, means honesty
10 in fact and the observance of reasonable commercial standards of fair
11 dealing.
- 12 u. "Holder" means:
- 13 (1) The person in possession of a negotiable instrument that is payable
14 either to bearer or to an identified person that is the person in
15 possession;
- 16 (2) The person in possession of a document of title if the goods are
17 deliverable either to bearer or to the order of the person in possession;
18 or
- 19 (3) The person in control of a negotiable electronic document of title.
- 20 v. "Insolvency proceeding" includes an assignment for the benefit of creditors or
21 other proceeding intended to liquidate or rehabilitate the estate of the person
22 involved.
- 23 w. "Insolvent" means:
- 24 (1) Having generally ceased to pay debts in the ordinary course of
25 business other than as a result of bona fide dispute;
- 26 (2) Being unable to pay debts as they become due; or
- 27 (3) Being insolvent within the meaning of federal bankruptcy law.
- 28 x. "Money" means a medium of exchange currently authorized or adopted by a
29 domestic or foreign government. The term includes a monetary unit of
30 account established by an intergovernmental organization or by agreement
31 between two or more countries.

- 1 y. "Organization" means a person other than an individual.
- 2 z. "Party", as distinguished from "third party", means a person that has engaged
3 in a transaction or made an agreement subject to this title.
- 4 aa. "Person" means an individual, a corporation, a business trust, an estate, a
5 trust, a partnership, a limited liability company, an association, a joint venture,
6 a government, a governmental subdivision, an agency, or an instrumentality,
7 a public corporation, or any other legal or commercial entity.
- 8 bb. "Present value" means the amount as of a date certain of one or more sums
9 payable in the future, discounted to the date certain by use of either an
10 interest rate specified by the parties if that rate is not manifestly unreasonable
11 at the time the transaction is entered or, if an interest rate is not so specified,
12 a commercially reasonable rate that takes into account the facts and
13 circumstances at the time the transaction is entered.
- 14 cc. "Purchase" means taking by sale, lease, discount, negotiation, mortgage,
15 pledge, lien, security interest, issue or reissue, gift, or any other voluntary
16 transaction creating an interest in property.
- 17 dd. "Purchaser" means a person that takes by purchase.
- 18 ee. "Record" means information that is inscribed on a tangible medium or that is
19 stored in an electronic or other medium and is retrievable in perceivable form.
- 20 ff. "Remedy" means any remedial right to which an aggrieved party is entitled
21 with or without resort to a tribunal.
- 22 gg. "Representative" means a person empowered to act for another, including an
23 agent, an officer of a corporation or association, and a trustee, executor, or
24 administrator of an estate.
- 25 hh. "Right" includes remedy.
- 26 ii. "Security interest" means an interest in personal property or fixtures which
27 secures payment or performance of an obligation. "Security interest" includes
28 any interest of a consignor and a buyer of accounts, chattel paper, a payment
29 intangible, or a promissory note in a transaction that is subject to chapter
30 41-09. "Security interest" does not include the special property interest of a
31 buyer of goods on identification of those goods to a contract for sale under

1 section 41-02-46, but a buyer may also acquire a "security interest" by
2 complying with chapter 41-09. Except as otherwise provided in section
3 41-02-53, the right of a seller or lessor of goods under chapter 41-02 or
4 41-02.1 to retain or acquire possession of the goods is not a "security
5 interest", but a seller or lessor may also acquire a "security interest" by
6 complying with chapter 41-09. The retention or reservation of title by a seller
7 of goods notwithstanding shipment or delivery to the buyer under section
8 41-02-46 is limited in effect to a reservation of a "security interest". Whether a
9 transaction in the form of a lease creates a "security interest" is determined
10 under section 41-01-11.

11 jj. "Send" in connection with a writing, record, or notice means:
12 (1) To deposit in the mail or deliver for transmission by any other usual
13 means of communication with postage or cost of transmission provided
14 for and properly addressed and, in the case of an instrument, to an
15 address specified on the instrument or otherwise agreed, or if there be
16 none to any address reasonable under the circumstances; or
17 (2) In any other way to cause to be received any record or notice within the
18 time it would have arrived if properly sent.

19 kk. "Signed" includes using any symbol executed or adopted with present
20 intention to adopt or accept a writing.

21 ll. "State" means a state of the United States, the District of Columbia, Puerto
22 Rico, the United States Virgin Islands, or any territory or insular possession
23 subject to the jurisdiction of the United States.

24 mm. "Surety" includes a guarantor or other secondary obligor.

25 nn. "Term" means a portion of an agreement that relates to a particular matter.

26 oo. "Unauthorized signature" means a signature made without actual, implied, or
27 apparent authority. The term includes a forgery.

28 pp. "Warehouse receipt" means a document of title issued by a person engaged
29 in the business of storing goods for hire.

30 qq. "Writing" includes printing, typewriting, or any other intentional reduction to
31 tangible form. "Written" has a corresponding meaning.

1 **SECTION 5. AMENDMENT.** Subdivision b of subsection 1 of section 41-02-03 of the
2 North Dakota Century Code is amended and reenacted as follows:

3 b. ~~"Good faith" in the case of a merchant means honesty in fact and the~~
4 ~~observance of reasonable commercial standards of fair dealing in the trade.~~
5 (Reserved).

6 **SECTION 6. AMENDMENT.** Subsection 1 of section 41-02-09 of the North Dakota
7 Century Code is amended and reenacted as follows:

8 1. By course of performance, course of dealing, or usage of trade (section ~~41-01-15~~)
9 ~~or by course of performance (section 41-02-15 41-01-17); and~~

10 **SECTION 7. AMENDMENT.** Subsection 3 of section 41-02.1-03 of the North Dakota
11 Century Code is amended and reenacted as follows:

12 3. The following definitions also apply to this chapter:

- 13 a. "Account". Section 41-09-02.
14 b. "Between merchants". Subsection 1 of section 41-02-04.
15 c. "Buyer". Subdivision a of subsection 1 of section 41-02-03.
16 d. "Chattel paper". Section 41-09-02.
17 e. "Consumer goods". Section 41-09-02.
18 f. "Document". Section 41-09-02.
19 g. "Entrusting". Subsection 3 of section 41-02-48.
20 h. "General intangible". Section 41-09-02.
21 i. ~~"Good faith". Subdivision b of subsection 1 of section 41-02-03.~~
22 j. "Instrument". Section 41-09-02.
23 k. ~~j.~~ "Merchant". Subsection 3 of section 41-02-04.
24 l. ~~k.~~ "Mortgage". Section 41-09-02.
25 m. ~~l.~~ "Pursuant to commitment". Section 41-09-02.
26 n. ~~m.~~ "Receipt". Subdivision c of subsection 1 of section 41-02-03.
27 o. ~~n.~~ "Sale". Subdivision d of subsection 1 of section 41-02-06.
28 p. ~~o.~~ "Sale on approval". Subdivision a of subsection 1 of section 41-02-43.
29 q. ~~p.~~ "Sale or return". Subdivision b of subsection 1 of section 41-02-43.
30 r. ~~q.~~ "Seller". Subdivision d of subsection 1 of section 41-02-03.

1 **SECTION 8. AMENDMENT.** Subsection 4 of section 41-02.1-49 of the North Dakota
2 Century Code is amended and reenacted as follows:

3 4. Except as otherwise provided ~~in~~ under subsection 1 of section ~~41-01-06~~ 41-01-19,
4 this chapter, or the lease agreement, the rights and remedies referred to in
5 subsections 2 and 3 are cumulative.

6 **SECTION 9. AMENDMENT.** Subsection 2 of section 41-02.1-66 of the North Dakota
7 Century Code is amended and reenacted as follows:

8 2. Except as otherwise provided with respect to damages liquidated in the lease
9 agreement (section 41-02.1-52) or determined by agreement of the parties
10 (~~subsection 3 of section 41-01-02 and section~~ sections 41-01-16 and 41-02.1-51),
11 if a lessee's cover is by lease agreement substantially similar to the original lease
12 agreement and the new lease agreement is made in good faith and in a
13 commercially reasonable manner, the lessee may recover from the lessor as
14 damages the present value, as of the date of the commencement of the term of the
15 new lease agreement, of the rent under the new lease agreement applicable to that
16 period of the new lease term which is comparable to the then remaining term of the
17 original lease agreement minus the present value as of the same date of the total
18 rent for the then remaining lease term of the original lease agreement, and any
19 incidental or consequential damages, less expenses saved in consequence of the
20 lessor's default.

21 **SECTION 10. AMENDMENT.** Subsection 1 of section 41-02.1-67 of the North Dakota
22 Century Code is amended and reenacted as follows:

23 1. Except as otherwise provided with respect to damages liquidated in the lease
24 agreement (section 41-02.1-52) or determined by agreement of the parties
25 (~~subsection 3 of section 41-01-02 and section~~ sections 41-01-16 and 41-02.1-51),
26 if a lessee elects not to cover or a lessee elects to cover and the cover is by lease
27 agreement that for any reason does not qualify for treatment under subsection 2 of
28 section 41-02.1-66, or is by purchase or otherwise, the measure of damages for
29 nondelivery or repudiation by the lessor or for rejection or revocation of acceptance
30 by the lessee is the present value, as of the date of the default, of the then market
31 rent minus the present value as of the same date of the original rent, computed for

1 the remaining lease term of the original lease agreement together with incidental
2 and consequential damages, less expenses saved in consequence of the lessor's
3 default.

4 **SECTION 11. AMENDMENT.** Subsection 2 of section 41-02.1-75 of the North Dakota
5 Century Code is amended and reenacted as follows:

6 2. Except as otherwise provided with respect to damages liquidated in the lease
7 agreement (section 41-02.1-52) or determined by agreement of the parties
8 (~~subsection 3 of section 41-01-02 and section~~ sections 41-01-16 and 41-02.1-51),
9 if the disposition is by lease agreement substantially similar to the original lease
10 agreement and the lease agreement is made in good faith and in a commercially
11 reasonable manner, the lessor may recover from the lessee as damages accrued
12 and unpaid rent as of the date of the commencement of the new term of the new
13 lease agreement, the present value, as of the same date, of the total rent for the
14 remaining lease term of the original lease agreement minus the present value, as
15 of the same date, of the rent under the new lease agreement applicable to that
16 period of the new lease term which is comparable to the then remaining term of the
17 original lease agreement, and any incidental damages allowed under section
18 41-02.1-78, less expenses saved in consequence of the lessee's default.

19 **SECTION 12. AMENDMENT.** Subsection 1 of section 41-02.1-76 of the North Dakota
20 Century Code is amended and reenacted as follows:

21 1. Except as otherwise provided with respect to damages liquidated in the lease
22 agreement (section 41-02.1-52) or determined by agreement of the parties
23 (~~subsection 3 of section 41-01-02 and section~~ sections 41-01-16 and 41-02.1-51),
24 if a lessor elects to retain the goods or a lessor elects to dispose of the goods and
25 disposition is by lease agreement that for any reason does not qualify for treatment
26 under subsection 2 of section 41-02.1-75, or is by sale or otherwise, the lessor may
27 recover from the lessee as damages for a default described in subsection 1 of
28 section 41-02.1-71 or in subdivision a of subsection 3 of section 41-02.1-71, or, if
29 agreed, for other default of the lessee accrued and unpaid rent as of the date of
30 default if the lessee has never taken possession of the goods, or if the lessee has
31 taken possession of the goods, as of the date the lessor repossesses the goods or

1 an earlier date on which the lessee makes a tender of the goods to the lessor; the
2 present value, as of the same date, of the total rent for the then remaining lease
3 term of the original lease agreement minus the present value, as of the same date,
4 of the rent under the new lease agreement applicable to that period of the new
5 lease term which is comparable to the then remaining term of the original lease
6 agreement; and any incidental damages allowed under section 41-02.1-78, less
7 expenses saved in consequence of the lessee's default.

8 **SECTION 13. AMENDMENT.** Subdivisions d and j of subsection 1 of section 41-03-03
9 of the North Dakota Century Code are amended and reenacted as follows:

10 d. ~~"Good faith" means honesty in fact and the observance of reasonable~~
11 ~~commercial standards of fair dealing. (Reserved).~~

12 j. "Prove" with respect to a fact means to meet the burden of establishing the
13 fact (subdivision h of subsection 2 of section 41-01-14 41-01-09).

14 **SECTION 14. AMENDMENT.** Subsection 3 of section 41-04-04 of the North Dakota
15 Century Code is amended and reenacted as follows:

16 3. The following definitions in other chapters apply to this chapter:

17 a. "Acceptance". Section 41-03-46.

18 b. "Alteration". Section 41-03-44.

19 c. "Cashier's check". Section 41-03-04.

20 d. "Certificate of deposit". Section 41-03-04.

21 e. "Certified check". Section 41-03-45.

22 f. "Check". Section 41-03-04.

23 g. ~~"Good faith". Section 41-03-03.~~

24 h. "Holder in due course". Section 41-03-28.

25 i. ~~h.~~ h. "Instrument". Section 41-03-04.

26 j. ~~i.~~ i. "Notice of dishonor". Section 41-03-60.

27 k. ~~j.~~ j. "Order". Section 41-03-03.

28 l. ~~k.~~ k. "Ordinary care". Section 41-03-03.

29 m. ~~l.~~ l. "Person entitled to enforce". Section 41-03-27.

30 n. ~~m.~~ m. "Presentment". Section 41-03-58.

31 o. ~~n.~~ n. "Promise". Section 41-03-03.

1 ~~p. o.~~ "Prove". Section 41-03-03.

2 ~~e. p.~~ "Teller's check". Section 41-03-04.

3 ~~f. q.~~ "Unauthorized signature". Section 41-03-40.

4 **SECTION 15. AMENDMENT.** Subsection 1 of section 41-04.1-05 of the North Dakota
5 Century Code is amended and reenacted as follows:

6 1. In this chapter:

7 a. "Authorized account" means a deposit account of a customer in a bank
8 designated by the customer as a source of payment of payment orders issued
9 by the customer to the bank. If a customer does not so designate an account,
10 any account of the customer is an authorized account if payment of a
11 payment order from that account is not inconsistent with a restriction on the
12 use of that account.

13 b. "Bank" means a person engaged in the business of banking and includes a
14 savings bank, savings and loan association, credit union, and trust company.
15 A branch or separate office of a bank is a separate bank for purposes of this
16 chapter.

17 c. "Customer" means a person, including a bank, having an account with a bank
18 or from whom a bank has agreed to receive payment orders.

19 d. "Funds-transfer business day" of a receiving bank means the part of a day
20 during which the receiving bank is open for the receipt, processing, and
21 transmittal of payment orders and cancellations and amendments of payment
22 orders.

23 e. "Funds-transfer system" means a wire transfer network, automated
24 clearinghouse, or other communication system of a clearinghouse or other
25 association of banks through which a payment order by a bank may be
26 transmitted to the bank to which the order is addressed.

27 ~~f. "Good faith" means honesty in fact and the observance of reasonable~~
28 ~~commercial standards of fair dealing. (Reserved).~~

29 g. "Prove" with respect to a fact means to meet the burden of establishing the
30 fact. ~~Subsection 8 Subdivision h of subsection 2 of section 41-01-11~~
31 41-01-09.

1 **SECTION 16. AMENDMENT.** Subsection 1 of section 41-04.1-06 of the North Dakota
2 Century Code is amended and reenacted as follows:

3 1. The time of receipt of a payment order or communication canceling or amending a
4 payment order is determined by the rules applicable to receipt of a notice stated in
5 ~~subsection 27 of~~ under section ~~41-04-14~~ 41-01-10. A receiving bank may fix a
6 cutoff time or times on a funds-transfer business day for the receipt and processing
7 of payment orders and communications canceling or amending payment orders.
8 Different cutoff times may apply to payment orders, cancellations, or amendments,
9 or to different categories of payment orders, cancellations, or amendments. A
10 cutoff time may apply to senders generally or different cutoff times may apply to
11 different senders or categories of payment orders. If a payment order or
12 communication canceling or amending a payment order is received after the close
13 of a funds-transfer business day or after the appropriate cutoff time on a
14 funds-transfer business day, the receiving bank may treat the payment order or
15 communication as received at the opening of the next funds-transfer business day.

16 **SECTION 17. AMENDMENT.** Subsection 2 of section 41-04.1-12 of the North Dakota
17 Century Code is amended and reenacted as follows:

18 2. Reasonable time under subsection 1 may be fixed by agreement under
19 subsection 1 of section ~~41-04-14~~ 41-01-16, but the obligation of a receiving bank to
20 refund payment as stated in subsection 1 may not otherwise be varied by
21 agreement.

22 **SECTION 18. AMENDMENT.** Subsection 3 of section 41-05-03 of the North Dakota
23 Century Code is amended and reenacted as follows:

24 3. With the exception of this subsection, subsections 1 and 4 of this section,
25 subdivisions i and j of subsection 1 of section 41-05-02, subsection 4 of section
26 41-05-06, and subsection 4 of section 41-05-14, and except to the extent
27 prohibited in ~~subsection 3 of~~ under section ~~41-04-02~~ 41-01-16 and subsection 4 of
28 section 41-05-17, the effect of this chapter may be varied by agreement or by a
29 provision stated or incorporated by reference in an undertaking. A term in an
30 agreement or undertaking generally excusing liability or generally limiting remedies

1 for failure to perform obligations is not sufficient to vary obligations prescribed by
2 this chapter.

3 **SECTION 19. AMENDMENT.** Subdivision e of subsection 1 of section 41-07-02 of the
4 North Dakota Century Code is amended and reenacted as follows:

5 e. "Document" means document of title as defined in the general definitions in
6 chapter 41-01 (section ~~41-01-14~~ 41-01-09).

7 **SECTION 20. AMENDMENT.** Section 41-07-06 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 **41-07-06. Laws not repealed.** This chapter does not repeal or modify any laws
10 prescribing the form or contents of documents of title or the services or facilities to be afforded
11 by bailees, or otherwise regulating bailee's businesses in respects not specifically dealt with
12 herein; but the fact that such laws are violated does not affect the status of a document of title
13 which otherwise complies with the definition of a document of title (section ~~41-01-14~~ 41-01-09).

14 **SECTION 21. AMENDMENT.** Subdivision k of subsection 1 of section 41-08-02 of the
15 North Dakota Century Code is amended and reenacted as follows:

16 k. ~~"Good faith", for purposes of the obligation of good faith in the performance or~~
17 ~~enforcement of contracts or duties within this chapter, means honesty in fact~~
18 ~~and the observance of reasonable commercial standards of fair dealing.~~
19 (Reserved).

20 **SECTION 22. AMENDMENT.** Subdivision ss of subsection 1 of section 41-09-02 of the
21 North Dakota Century Code is amended and reenacted as follows:

22 ss. ~~"Good faith" means honesty in fact and the observance of reasonable~~
23 ~~commercial standards of fair dealing. (Reserved).~~

24 **SECTION 23. AMENDMENT.** Section 47-15.1-02 of the North Dakota Century Code is
25 amended and reenacted as follows:

26 **47-15.1-02. Inapplicability of other laws.** Consumer rental purchase agreements
27 under this chapter are not governed by the laws relating to a retail installment contract or a
28 retail installment sale as defined in section 51-13-01 or security interest as defined in section
29 ~~41-01-14~~ 41-01-09.

30 **SECTION 24. REPEAL.** Chapter 41-01 and sections 41-02-15 and 41-02.1-16 of the
31 North Dakota Century Code are repealed.