

UNIFORM COMMERCIAL CODE (EXCERPT)
Act 174 of 1962
Part 2
FORMATION AND CONSTRUCTION OF LEASE CONTRACT

440.2851 Lease contract; enforcement by action or defense; conditions; sufficiency of description or writing; determination of term.

Sec. 2A201.

(1) A lease contract is not enforceable by way of action or defense unless 1 of the following applies:

(a) The total payments to be made under the lease contract, excluding payments for options to renew or buy, are less than \$1,000.00.

(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 subsection (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 subsection (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 subsection (1), but which is valid in other respects, is enforceable for any of the following:

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

(c) With respect to goods that have been received and accepted by the lessee.

(5) The lease term under a lease contract referred to in subsection (4) is determined as follows:

(a) Term specified 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.

(b) If 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) A reasonable lease term.

History: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2852 Final written expression; parol or extrinsic evidence.

Sec. 2A202.

Terms with respect to which the confirmatory memoranda of the parties agree or which 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 therein may not be contradicted by evidence of any prior agreement or of a contemporaneous oral agreement but may be explained or supplemented by any of the following:

(a) By course of dealing or usage of trade or by course of performance.

(b) By 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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2853 Effect of seal affixed to writing.

Sec. 2A203.

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

History: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2854 Lease contract; sufficiency to show agreement; conduct; open terms.

Sec. 2A204.

(1) A lease contract may be made in any manner sufficient to show agreement, including conduct by both parties which 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 1 or more terms are left open, a lease contract does not fail for indefiniteness if the parties have intended to make a lease contract and there is a reasonably certain basis for giving an appropriate remedy.

History: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2855 Firm offer; assurances to hold offer open.

Sec. 2A205.

An offer by a merchant to lease goods to or from another person in a signed writing that by its terms gives assurance 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. Any such term of assurance on a form supplied by the offeree must be separately signed by the offeror.

History: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2856 Offer to make lease contract; manner of acceptance; lapse.

Sec. 2A206.

(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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2857 Repealed. 2012, Act 86, Eff. July 1, 2013.

Compiler's Notes: The repealed section pertained to course of performance and construction of terms.

440.2858 Lease agreement; modification or rescission; waiver; retraction.

Sec. 2A208.

- (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 separately signed by the other party.
- (3) Although an attempt at modification or rescission does not satisfy the requirements of subsection (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 will 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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2859 Supply contract; extension of benefits of supplier promises and of warranties to lessee; limitations; effect of modification or rescission; retention of rights.

Sec. 2A209.

- (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 any third 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 do either of the following:
 - (a) Modify the rights and obligations of the parties to the supply contract, whether arising therefrom or otherwise.
 - (b) Impose any duty or liability under the supply contract on the lessee.
- (3) Any 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 has received 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 deemed 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 subsection (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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2860 Express warranties; creation.

Sec. 2A210.

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

(a) Any affirmation of fact or promise made by the lessor to the lessee which 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 which 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 "warranty" 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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2861 Warranty against claim or interest in goods; claim by way of infringement; specifications furnished by lessee.

Sec. 2A211.

(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, which 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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2862 Implied warranty of merchantability; other implied warranties.

Sec. 2A212.

(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) Goods to be merchantable must be at least all of the following:

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

(b) In the case of fungible goods, are of fair average quality within the description.

(c) Are 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) Are adequately contained, packaged, and labeled as the lease agreement may require.

(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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2863 Implied warranty of fitness for a particular purpose.

Sec. 2A213.

Except in a finance lease, if the lessor at the time 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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2864 Limiting, negating, excluding, or modifying warranties; construction of words or conduct.

Sec. 2A214.

(1) Words or conduct relevant to the creation of an express warranty and words or conduct tending to negate or limit a warranty must be construed wherever reasonable as consistent with each other, but, subject to the provisions of section 2A202 on parol or extrinsic evidence, negation or limitation is inoperative to the extent that the construction is unreasonable.

(2) Subject to subsection (3), to exclude or modify the implied warranty of merchantability or any part of it, the language must mention "merchantability", be by a writing, and be conspicuous. Subject to subsection (3), to exclude or modify any implied warranty of fitness, the exclusion must 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 subsection (2), but subject to subsection (4), all of the following apply:

(a) Unless the circumstances indicate otherwise, all implied warranties are excluded by expressions like "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 has examined the goods or the sample or model as fully as desired or has refused to examine the goods, there is no implied warranty with regard 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 (section 2A211) or any part of it, the language must 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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2865 Inconsistent warranties; intent; rules of construction.

Sec. 2A215.

Warranties, whether express or implied, must 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, the following rules apply:

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

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

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

History: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2866 Warranty; extension to persons in family, household, or to guest; exclusion, modification, or limitation.

Sec. 2A216.

A warranty to or for the benefit of a lessee under this article, 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 such 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 any beneficiary designated under this section.

History: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2867 Lease contract; identification of goods; absence of explicit agreement.

Sec. 2A217.

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

- (a) When the lease contract is made if the lease contract is for a lease of goods that are existing and identified.
- (b) When 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.
- (c) When the young are conceived, if the lease contract is for a lease of unborn young of animals.

History: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2868 Lease contract; insurable interest in goods.

Sec. 2A218.

(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 subsections (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 any insurable interest recognized under any other statute or rule of law.

(5) The parties by agreement may determine that 1 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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2869 Risk of loss; passage to lessee.

Sec. 2A219.

(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 the provisions of this article on the effect of default on risk of loss (section 2A220), if risk of loss is to pass to the lessee and the time of passage is not stated, the following rules apply:

(a) If the lease contract requires or authorizes the goods to be shipped by carrier and it does not require delivery at a particular destination, the risk of loss passes to the lessee when the goods are duly delivered to the carrier, but if it does require delivery at a particular destination and the goods are there duly tendered while in the possession of the carrier, the risk of loss passes to the lessee when the goods are there duly 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 subdivision (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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2870 Risk of loss; repudiation; default.

Sec. 2A220.

(1) Where risk of loss is to pass to the lessee and the time of passage is not stated, then the following rules 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, he or she, 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: Add. 1992, Act 101, Eff. Sept. 30, 1992

440.2871 Casualty to identified goods before delivery or risk of loss passes.

Sec. 2A221.

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 pursuant to the lease agreement or section 2A219, then the following rules apply:

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

(b) 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: Add. 1992, Act 101, Eff. Sept. 30, 1992