

SESSION OF 2007

SUPPLEMENTAL NOTE ON SENATE BILL NO. 183

As Amended by Senate Committee on
Judiciary

Brief*

SB 183, as amended, would amend Article I of the Uniform Commercial Code (UCC) which provides definitions and general provisions of the UCC.

The bill would clarify the following major provisions:

- The substantive rules of Article 1 apply only to transactions within the scope of other articles of the UCC;
- The application of supplemental principles of law with clearer distinctions where the UCC is preemptive;
- The definition of “good faith” is revised to mean “honesty in fact and the observance of reasonable commercial standards of fair dealing”; and
- That evidence of “course of performance” may be used to interpret a contract along with “course of dealing and usage of trade.”

Background

The proponent of the bill included John McCabe, Legal Counsel and Legislative Director Emeritus of the National Conference of Commissioners on Uniform State Laws; and Kathy Olsen, Kansas Bankers Association. Ms. Olsen testified in support of the bill but suggested an amendment to strike the new section on choice of law to retain the “reasonable relation” requirement of current law.

The opponents to the bill included David Hanson, Property and Casualty Insurers Association of America; and Matthew Goddard, Vice President of Heartland Community Bankers Association. The

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

opponents to the bill testified their concern was with the new section on choice of law which would eliminate the “reasonable relation” requirement of current law.

The Committee amended the bill to strike the new section on choice of law which would have bifurcated the approach with one rule for business-to-business transactions and another rule for consumer transactions. The Committee’s amendment retains the current choice of law provision which allows parties to a transaction to designate by agreement, which state law governs as long as the transaction bears a “reasonable relation” to that state.

The fiscal note from the Division of Budget states that, according to the Attorney General’s Office and the Office of Judicial Administration, the bill would have no fiscal effect on either agency’s operations.