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## An Introduction to the Uniform Commercial Code

The Uniform Commercial Code has now become law in thirteen states.<sup>1</sup> It will be proposed in West Virginia in the near future, probably at the 1963 session of the Legislature. The Code is by far the most comprehensive and elaborate uniform law ever promulgated in the United States. It covers a broad field,<sup>2</sup> and in many respects, it covers it in much greater detail than prior uniform laws. The development of the Code is one of the truly significant legal events of the present century and its consideration should be a matter of prime concern to the bench and bar, to banking and credit institutions, and to the business community generally.

To facilitate the consideration of the Code in West Virginia, a study of its various articles is presently under way. The study of the sales article is published in part of this issue of the *Review*. Other parts of the Code will be discussed in subsequent issues of the *Review* to provide a wide circulation of information pertaining to the Commercial Code and its relation to existing West Virginia law. This brief introductory note is aimed primarily at calling attention to the Code and describing it in very general terms.

The Commercial Code is the culmination of a movement now almost three-quarters of a century old, aimed at achieving greater certainty and uniformity in laws relating to commercial affairs.<sup>3</sup> This demand grew from the development of a truly national economy in the United States in the latter part of the last century. The founding of the National Conference of Commissioners on Uniform

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<sup>1</sup> See, REPORT OF THE UNIFORM COMMERCIAL CODE COMM., NAT'L CONFERENCE OF COMM'RS OF UNIFORM STATE LAWS (1961). The states having adopted the Code are Arkansas, Connecticut, Illinois, Kentucky, Massachusetts, New Hampshire, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, and Wyoming.

<sup>2</sup> The Code is aimed at replacing seven standard uniform acts relating to commercial transactions as well as other numerous non-uniform but common commercial statutes. The uniform acts replaced are: Negotiable Instruments Law (1896); Warehouse Receipts Act (1906); Sales Act (1906); Bills of Lading Act (1909); Stock Transfer Act (1909); Conditional Sales Act (1918); Trust Receipts Act (1933). West Virginia has adopted all but two of these, the Sales Act and the Bills of Lading Act.

<sup>3</sup> See generally, Schnader, *The New Commercial Code*, 36 A.B.A.J. 179 (1950), and Carrington, *A Forward to the Study of the Uniform Commercial Code*, 14 Wyo. L.J. 17 (1959).

State Laws resulted from this demand, and the first uniform laws proposed by the Commissioners dealt strictly with commercial matters. The Uniform Negotiable Instruments Law (NIL) was the first of the acts promulgated by the Commissioners in 1896, and the Uniform Sales Act, coming ten years later, reflected this original purpose of the organization. As credit aspects of commercial life have grown in importance, uniform laws have been evolved in an attempt to afford the desired uniformity and stability—e.g., the Uniform Conditional Sales Act and the Uniform Trust Receipts Act.

By the 1930's, there was talk of revising some of the basic uniform commercial laws.<sup>4</sup> The NIL had been the subject of many conflicting interpretations and the goal of uniformity had been missed, though the act was eventually adopted by every state. The Sales Act was adopted by thirty-seven states, but it too fell short of the desired goal. It was based on the English Sale of Goods Act of 1893 and reflected basically the nineteenth century common law of England. It simply did not contemplate the mass merchandizing of the mid-twentieth century.

The dismal results of attempted amendments to the uniform acts showed that piecemeal revision was not a suitable method of improving upon the shortcomings of the basic commercial laws.<sup>5</sup> The movement toward a wholesale revision and combination of commercial laws thus began with the adoption in 1940 by the Commissioners of a proposal that a new code of commercial laws be prepared to replace the previous *ad hoc* collection of uniform statutes. A year later, the assistance of the American Law Institute was enlisted in view of the success of that organization in the preparation of the restatements. By 1945, financing was obtained to underwrite the expenses of drafting such a code and the most elaborate bill drafting program in the history of the nation was initiated. While the original basic commercial laws were the products of individual authors,<sup>6</sup> the Commercial Code represents a more com-

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<sup>4</sup> Dissatisfaction with the Uniform Sales Act had reached a point where a federal sales act was introduced in Congress in an attempt to modernize interstate sales law and hopefully to goad states into modernizing the Uniform Sales Act. See, Note, *A Federal "Uniform Sales Act"*, 24 VA. L. REV. 793 (1938).

<sup>5</sup> See Schnader, *supra* note 1, at 180. Amendments to the Warehouse Receipts Act were adopted by less than one-fourth of the states having adopted the act, and amendments to the Sales Act by less than one-half of the states having adopted it.

<sup>6</sup> The Negotiable Instruments Law was drafted by J. J. Crawford of New York, a recognized authority on negotiable instruments law. Professor Samuel Williston of Harvard University drafted the Sales Act.

posite form of drafting aimed at incorporating the views of the practicing lawyer, the judge and the law teacher.<sup>7</sup> By 1952, the original draft of the Code had been completed and was approved by the Commissioners, the American Law Institute, and the American Bar Association. Pennsylvania became the first state to adopt the Code and in 1953 the Code was submitted in New York. The legislature of that state gave the 1952 draft of the Code to its Law Revision Commission for study and a meticulous word-by-word study of the Code was made. By 1956, the New York Law Revision Commission completed its study and reported that the Code was "not satisfactory in its present form."<sup>8</sup> In response to the New York study and to a flood of comments on the Code which appeared in the various legal journals after its promulgation in 1952, a revision of the Code was made in 1957. The following year, the Commissioners on Uniform State Laws approved an act which overlapped somewhat with some portions of the Code and a supplement to the 1957 version was then adopted to absorb the 1958 Uniform Act for the simplification of Fiduciary Security Transfers. This supplement was then blended with the basic act to produce the "1958 Official Edition" of the Uniform Commercial Code.<sup>9</sup> This is the Commercial Code that will be proposed in West Virginia.

The Code is divided into ten articles. The first article is general and the last deals with repeals, effective date and similar problems. The eight middle articles deal with various substantive aspects of commercial law: Article 2 deals with sales; 3 with commercial paper; 4 with bank deposits and collections; 5 with letters of credit; 6 with bulk transfers; 7 with warehouse receipts, bills of lading and other documents of title; 8 with investment securities; and 9 with secured transactions.

The Code is published with official comments accompanying each section which help to convey the meaning of the words of the Code. Elaborate cross referencing points the reader to related sections and important definitions. The cross references are more-over a manifestation of the fact that the various articles, and pro-

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<sup>7</sup> The process by which the Code provisions were drafted and adopted is described in a comment to the title provision of the UNIFORM COMMERCIAL CODE (1958 official ed.).

<sup>8</sup> N.Y. LAW REVISION COMM'N REP. 68 (1956).

<sup>9</sup> See, Goodrich, *Foreword* to the UNIFORM COMMERCIAL CODE (1958 official ed.) at vi.

visions within each of the articles, are interrelated. One of the advantages of the Code, of course, is that it recognizes a commercial transaction as one which may involve sales, the extension of credit, the negotiation of credit paper and documents of title, and other related problems.

The Code is a very broad undertaking. Anyone who gives it serious study can hardly agree with everything that it provides, nor disagree with everything which it provides. The studies which follow should provide all who are interested in shaping informed opinions with sufficient information to form such judgments by mature consideration of the merits of the Code.