

Removing the "Automatic" from Automatic Renewal Provisions

Beginning May 1, 2011, a new Wisconsin law affects the enforceability of automatic renewal clauses in certain business-to-business contracts. Generally, the law applies to business-to-business contracts for the lease of business equipment or for providing business services, with some exceptions. The law defines these contracts as "Business Contracts." The law protects businesses that contract for services or lease equipment by making sure they have adequate notice that a Business Contract will automatically renew unless they cancel it first.

Under Wisconsin Statutes Section 134.49, an automatic renewal provision in a Business Contract is void and unenforceable unless the service provider/lessor gives the customer proper notice, as described in the statute. A service provider/lessor who attempts to enforce a contract that violates Section 134.49 may be liable for damages. Examples of "Business Contracts" This law applies to many types of business-to-business contracts, such as:

- leases for office equipment
- contracts for the pickup of trash
- contracts to provide landscaping or cleaning services
- contracts to provide security guard services

These are just a few examples of the many contracts this law may affect. However, there are exceptions. For example, the law will not apply to vehicle leases or contracts for the lease or purchase of real property.

Information That Must Be Included in the Contract

For all Business Contracts entered into, modified or renewed after April 30, 2011, an automatic renewal provision will be unenforceable unless the contract contains the required notice provisions. For example, a contract must include a statement indicating the duration of the renewal period and a description of the actions the customer must take to decline renewal. Additionally, the service provider/lessor must obtain the customer's initials in a specific location on the contract.

For Business Contracts with terms longer than one year, the service provider/lessor must notify the customer of an upcoming automatic renewal. The

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notice must include, among other things, information regarding the length of the renewal period and whether there will be an increase in costs upon renewal. The service provider/lessor must provide the notice between 15 and 60 days prior to the deadline for the customer to decline renewal (in other words, not too early, and not too late). The law specifies how the notice must be given. This notice requirement may also apply to contracts entered into before May 1, 2011.

Questions About the New Law

If you provide services or lease equipment to other businesses and your contracts contain automatic renewal clauses, this law may affect the enforceability of those provisions. If you receive a contract that automatically renewed without your knowledge, you may have defenses.

If you have any questions or would like help making sure you understand and comply with this new law, feel free to contact your Reinhart attorney or a member of Reinhart's [Commercial and Competition Law Group](#).

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