
By: **Delegate Doory**

Introduced and read first time: January 19, 2004

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Commercial Law - Uniform Commercial Code - Title 7 Revisions**

3 FOR the purpose of repealing Title 7 of the Maryland Uniform Commercial Code
4 relating to documents of title; adding Title 7 of the Maryland Uniform
5 Commercial Code, revised to provide a framework for the further development
6 of electronic documents of title and updated in light of State, federal, and
7 international developments; making certain conforming changes to certain titles
8 of the Maryland Uniform Commercial Code; providing that a document of title
9 issued or a bailment that arose before the effective date of this Act and the
10 rights, obligations, and interests flowing from that document or bailment are
11 governed by any statute or other rule amended or repealed by this Act as if the
12 amendment or repeal had not occurred and may be terminated, completed,
13 consummated, or enforced under that statute or other rule; providing for the
14 application of this Act; making stylistic changes; altering certain definitions;
15 and generally relating to the repeal and addition of Title 7 of the Maryland
16 Uniform Commercial Code.

17 BY repealing
18 Article - Commercial Law
19 Section 7-101 through 7-603, inclusive
20 Annotated Code of Maryland
21 (2002 Replacement Volume and 2003 Supplement)

22 BY repealing and reenacting, with amendments,
23 Article - Commercial Law
24 Section 1-201, 2-103(3), 2-104(2), 2-310, 2-323(2), 2-401(3), 2-503(4) and (5),
25 2-505, 2-506(2), 2-509(2), 2-605(2), 2-705(2) and (3), 2A-103(1)(a) and
26 (o), 2A-514(2), 2A-526(2), 4-104(c), 4-210(c), 9-102(a)(30) and (b),
27 9-203(b), 9-207(c), 9-208(b), 9-301, 9-310(b), 9-312(e), 9-313(a), 9-314(a)
28 and (b), 9-317(b) and (d), 9-338, and 9-601(b)
29 Annotated Code of Maryland
30 (2002 Replacement Volume and 2003 Supplement)

31 BY adding to

1 Article - Commercial Law
2 Section 7-101 through 7-603, inclusive, to be under the amended title "Title 7.
3 Documents of Title"; and 8-103(g)
4 Annotated Code of Maryland
5 (2002 Replacement Volume and 2003 Supplement)

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
7 MARYLAND, That Section(s) 7-101 through 7-603, inclusive, of Article -
8 Commercial Law of the Annotated Code of Maryland be repealed.

9 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
10 read as follows:

11 **Article - Commercial Law**

12 1-201.

13 Subject to additional definitions contained in the subsequent titles of this article
14 which are applicable to specific titles or subtitles thereof, and unless the context
15 otherwise requires, in Titles 1 through 10 of this article:

16 (1) "Action" in the sense of a judicial proceeding includes recoupment,
17 counterclaim, set-off, suit in [equity] EQUITY, and any other proceedings in which
18 rights are determined.

19 (2) "Aggrieved party" means a party entitled to resort to a remedy.

20 (3) "Agreement" means the bargain of the parties in fact as found in
21 their language or by implication from other circumstances including course of dealing
22 or usage of trade or course of performance as provided in Titles 1 through 10 of this
23 article (§§ 1-205 and 2-208). Whether an agreement has legal consequences is
24 determined by the provisions of Titles 1 through 10 of this article, if applicable;
25 otherwise by the law of contracts (§ 1-103). (Compare "Contract.")

26 (4) "Bank" means any person engaged in the business of banking.

27 (5) "Bearer" means [the] A person in CONTROL OF A NEGOTIABLE
28 ELECTRONIC DOCUMENT OF TITLE OR A PERSON IN possession of an instrument, A
29 NEGOTIABLE TANGIBLE document of title, or A certificated security payable to bearer
30 or indorsed in blank.

31 (6) "Bill of lading" means a document OF TITLE evidencing the receipt of
32 goods for shipment issued by a person engaged in the business of DIRECTLY OR
33 INDIRECTLY transporting or forwarding goods[, and includes an airbill. "Airbill"
34 means a document serving for air transportation as a bill of lading does for marine or
35 rail transportation, and includes an air consignment note or air waybill]. THE TERM
36 DOES NOT INCLUDE A WAREHOUSE RECEIPT.

37 (7) "Branch" includes a separately incorporated foreign branch of a bank.

1 (8) "Burden of establishing" a fact means the burden of persuading the
2 triers of fact that the existence of the fact is more probable than its nonexistence.

3 (9) "Buyer in ordinary course of business" means a person that buys
4 goods in good faith, without knowledge that the sale violates the rights of another
5 person in the goods, and in the ordinary course from a person, other than a
6 pawnbroker, in the business of selling goods of that kind. A person buys goods in the
7 ordinary course if the sale to the person comports with the usual or customary
8 practices in the kind of business in which the seller is engaged or with the seller's own
9 usual or customary practices. A person that sells oil, gas, or other minerals at the
10 wellhead or minehead is a person in the business of selling goods of that kind. A buyer
11 in ordinary course of business may buy for cash, by exchange of other property, or on
12 secured or unsecured credit, and may acquire goods or documents of title under a
13 preexisting contract for sale. Only a buyer that takes possession of the goods from the
14 seller under Title 2 may be a buyer in ordinary course of business. A person that
15 acquires goods in a transfer in bulk or as security for or in total or partial satisfaction
16 of a money debt is not a buyer in ordinary course of business.

17 (10) "Conspicuous"[: A], WITH REFERENCE TO A [term] TERM, [or clause
18 is conspicuous when it is] MEANS so written, DISPLAYED, OR PRESENTED that a
19 reasonable person against [whom] WHICH it is to operate ought to have noticed it. [A
20 printed heading in capitals (as: NONNEGOTIABLE BILL OF LADING) is
21 conspicuous. Language in the body of a form is "conspicuous" if it is in larger or other
22 contrasting type or color. But in a telegram any stated term is "conspicuous."]
23 Whether a term [or clause] is "conspicuous" or not is [for] A decision [by] FOR the
24 court. CONSPICUOUS TERMS INCLUDE THE FOLLOWING:

25 (A) A HEADING IN CAPITAL LETTERS EQUAL TO OR GREATER IN
26 SIZE THAN THE SURROUNDING TEXT, OR IN CONTRASTING TYPE, FONT, OR COLOR TO
27 THE SURROUNDING TEXT OF THE SAME OR LESSER SIZE; AND

28 (B) LANGUAGE IN THE BODY OF A RECORD OR DISPLAY IN LARGER
29 TYPE THAN THE SURROUNDING TEXT, OR IN CONTRASTING TYPE, FONT, OR COLOR
30 TO THE SURROUNDING TEXT OF THE SAME SIZE, OR SET OFF FROM SURROUNDING
31 TEXT OF THE SAME SIZE BY SYMBOLS OR OTHER MARKS THAT CALL ATTENTION TO
32 THE LANGUAGE.

33 (11) "Contract" means the total legal obligation which results from the
34 parties' agreement as affected by Titles 1 through 10 of this article and any other
35 applicable rules of law (Compare "Agreement.")

36 (12) "Creditor" includes a general creditor, a secured creditor, a lien
37 [creditor] CREDITOR, and any representative of creditors, including an assignee for
38 the benefit of creditors, a trustee in bankruptcy, a receiver in [equity] EQUITY, and
39 an executor or administrator of an insolvent debtor's or assignor's estate.

40 (13) "Defendant" includes a person in the position of defendant in a cross
41 action or counterclaim.

1 (14) "Delivery" with respect TO AN ELECTRONIC DOCUMENT OF TITLE
2 MEANS VOLUNTARY TRANSFER OF CONTROL AND WITH RESPECT to instruments,
3 TANGIBLE documents of title, chattel [paper] PAPER, or certificated securities means
4 voluntary transfer of possession.

5 (15) "Document of title" [includes bill of lading, dock warrant, dock
6 receipt, warehouse receipt or order for the delivery of goods, and also any other
7 document which] MEANS A RECORD (I) THAT in the regular course of business or
8 financing is treated as adequately evidencing that the person in possession OR
9 CONTROL of [it] THE RECORD is entitled to receive, CONTROL, [hold] HOLD, and
10 dispose of the [document] RECORD and the goods [it] THE RECORD covers AND (II)
11 THAT PURPORTS TO BE ISSUED BY OR ADDRESSED TO A BAILEE AND TO COVER
12 GOODS IN THE BAILEE'S POSSESSION WHICH ARE EITHER IDENTIFIED OR ARE
13 FUNGIBLE PORTIONS OF AN IDENTIFIED MASS. THE TERM INCLUDES A BILL OF
14 LADING, TRANSPORT DOCUMENT, DOCK WARRANT, DOCK RECEIPT, WAREHOUSE
15 RECEIPT, AND ORDER FOR DELIVERY OF GOODS. AN ELECTRONIC DOCUMENT OF
16 TITLE MEANS A DOCUMENT OF TITLE EVIDENCED BY A RECORD CONSISTING OF
17 INFORMATION STORED IN AN ELECTRONIC MEDIUM. A TANGIBLE DOCUMENT OF
18 TITLE MEANS A DOCUMENT OF TITLE EVIDENCED BY A RECORD CONSISTING OF
19 INFORMATION THAT IS INSCRIBED ON A TANGIBLE MEDIUM. [To be a document of
20 title, a document must purport to be issued by or addressed to a bailee and purport to
21 cover goods in the bailee's possession which are either identified or are fungible
22 portions of an identified mass.]

23 (16) "Fault" means wrongful act, omission or breach.

24 (17) "Fungible" with respect to goods or securities means goods or
25 securities of which any unit is, by nature or usage of trade, the equivalent of any other
26 like unit. Goods which are not fungible shall be deemed fungible for the purpose of
27 Titles 1 through 10 of this article to the extent that under a particular agreement or
28 document unlike units are treated as equivalents.

29 (18) "Genuine" means free of forgery or counterfeiting.

30 (19) "Good faith" means honesty in fact in the conduct or transaction
31 concerned.

32 (20) "Holder" [with respect to a negotiable instrument,] means:

33 (A) [the] THE person in possession [if the instrument] OF A
34 NEGOTIABLE INSTRUMENT THAT is payable EITHER to bearer or[, in the case of an
35 instrument payable] to an identified person[, if the identified] THAT IS THE person
36 [is] in possession[.];

37 (B) ["Holder" with respect to a document of title means the] THE
38 person in possession OF A NEGOTIABLE TANGIBLE DOCUMENT OF TITLE if the goods
39 are deliverable EITHER to bearer or to the order of the person in possession; OR

40 (C) THE PERSON IN CONTROL OF A NEGOTIABLE ELECTRONIC
41 DOCUMENT OF TITLE.

1 (21) To "honor" is to pay or to accept and pay, or where a credit so engages
2 to purchase or discount a draft complying with the terms of the credit.

3 (22) "Insolvency proceedings" includes any assignment for the benefit of
4 creditors or other proceedings intended to liquidate or rehabilitate the estate of the
5 person involved.

6 (23) A person is "insolvent" who either has ceased to pay his debts in the
7 ordinary course of business or cannot pay his debts as they become due or is insolvent
8 within the meaning of the federal bankruptcy law.

9 (24) "Money" means a medium of exchange authorized or adopted by a
10 domestic or foreign government and includes a monetary unit of account established
11 by an intergovernmental organization or by agreement between two or more nations.

12 (25) [A] SUBJECT TO SUBSECTION (27), A person has "notice" of a fact
13 [when] IF THE PERSON:

14 (a) [He has] HAS actual knowledge of it; [or]

15 (b) [He has] HAS received a notice or notification of it; or

16 (c) From all the facts and circumstances known to [him] THE
17 PERSON at the time in [question he] QUESTION, has reason to know that it exists.

18 A person "knows" or has "knowledge" of a fact when [he] THE PERSON has
19 actual knowledge of it. "Discover" or "learn" or a word or phrase of similar import
20 refers to knowledge rather than to reason to know. The time and circumstances under
21 which a notice or notification may cease to be effective are not determined by Titles 1
22 through 10 of this article.

23 (26) A person "notifies" or "gives" a notice or notification to another
24 PERSON by taking such steps as may be reasonably required to inform the other
25 PERSON in ordinary [course] COURSE, whether or not [such] THE other PERSON
26 actually comes to know of it. [A] SUBJECT TO SUBSECTION (27), A person "receives" a
27 notice or notification when:

28 (a) It comes to [his] THAT PERSON'S attention; or

29 (b) It is duly delivered IN A FORM REASONABLE UNDER THE
30 CIRCUMSTANCES at the place of business through which the contract was made or at
31 [any other place] ANOTHER LOCATION held out by [him] THAT PERSON as the place
32 for receipt of such communications.

33 (27) Notice, knowledge, or a notice or notification received by an
34 organization is effective for a particular transaction from the time when it is brought
35 to the attention of the individual conducting that transaction, and in any [event]
36 EVENT, from the time when it would have been brought to [his] THE INDIVIDUAL'S
37 attention if the organization had exercised due diligence. An organization exercises
38 due diligence if it maintains reasonable routines for communicating significant

1 information to the person conducting the transaction and there is reasonable
2 compliance with the routine. Due diligence does not require an individual acting for
3 the organization to communicate information unless such communication is part of
4 [his] THE INDIVIDUAL'S regular duties or [unless he] THE INDIVIDUAL has reason to
5 know of the transaction and that the transaction would be materially affected by the
6 information.

7 (28) "Organization" includes a corporation, government or governmental
8 subdivision or agency, business trust, estate, trust, partnership or association, two or
9 more persons having a joint or common interest, or any other legal or commercial
10 entity.

11 (29) "Party", as distinct from "third party", means a person who has
12 engaged in a transaction or made an agreement within Titles 1 through 10 of this
13 article.

14 (30) "Person" includes an individual or an organization. (See § 1-102).

15 (31) "Presumption" or "presumed" means that the trier of fact must find
16 the existence of the fact presumed unless and until evidence is introduced which
17 would support a finding of its nonexistence.

18 (32) "Purchase" includes taking by sale, discount, negotiation, mortgage,
19 pledge, lien, security interest, issue or reissue, [gift] GIFT, or any other voluntary
20 transaction creating an interest in property.

21 (33) "Purchaser" means a person who takes by purchase.

22 (34) "Remedy" means any remedial right to which an aggrieved party is
23 entitled with or without resort to a tribunal.

24 (35) "Representative" includes an agent, an officer of a corporation or
25 association, and a trustee, [executor] EXECUTOR, or administrator of an estate, or
26 any other person empowered to act for another.

27 (36) "Rights" includes remedies.

28 (37) "Security interest" means an interest in personal property or fixtures
29 which secures payment or performance of an obligation. The term also includes any
30 interest of a consignor and a buyer of accounts, chattel paper, a payment intangible,
31 or a promissory note in a transaction that is subject to Title 9. The special property
32 interest of a buyer of goods on identification of such goods to a contract for sale under
33 § 2-401 is not a "security interest", but a buyer may also acquire a "security interest"
34 by complying with Title 9. Except as otherwise provided in § 2-205, the right of a
35 seller or lessor of goods under Title 2 or Title 2A to retain or acquire possession of
36 goods is not a "security interest", but a seller or lessor may also acquire a "security
37 interest" by complying with Title 9. The retention or reservation of title by a seller of
38 goods notwithstanding shipment or delivery to the buyer (§ 2-401) is limited in effect
39 to a reservation of a "security interest".

1 (a) Whether a transaction creates a lease or security interest is
2 determined by the facts of each case; however, a transaction creates a security
3 interest if the consideration the lessee is to pay the lessor for the right to possession
4 and use of the goods is an obligation for the term of the lease not subject to
5 termination by the lessee, and

6 (i) The original term of the lease is equal to or greater than
7 the remaining economic life of the goods,

8 (ii) The lessee is bound to renew the lease for the remaining
9 economic life of the goods or is bound to become the owner of the goods,

10 (iii) The lessee has an option to renew the lease for the
11 remaining economic life of the goods for no additional consideration or nominal
12 additional consideration upon compliance with the lease agreement, or

13 (iv) The lessee has an option to become the owner of the goods
14 for no additional consideration or nominal additional consideration upon compliance
15 with the lease agreement.

16 (b) A transaction does not create a security interest merely because
17 it provides that

18 (i) The present value of the consideration the lessee is
19 obligated to pay the lessor for the right to possession and use of the goods is
20 substantially equal to or is greater than the fair market value of the goods at the time
21 the lease is entered into,

22 (ii) The lessee assumes risk of loss of the goods or agrees to
23 pay taxes, insurance, filing, recording, or registration fees, or service or maintenance
24 costs with respect to the goods,

25 (iii) The lessee has an option to renew the lease or to become
26 the owner of the goods,

27 (iv) The lessee has an option to renew the lease for a fixed rent
28 that is equal to or greater than the reasonably predictable fair market rent for the use
29 of the goods for the term of the renewal at the time the option is to be performed, or

30 (v) The lessee has an option to become the owner of the goods
31 for a fixed price that is equal to or greater than the reasonably predictable fair
32 market value of the goods at the time the option is to be performed.

33 (c) For purposes of this subsection (37):

34 (i) Additional consideration is not nominal if (i) when the
35 option to renew the lease is granted to the lessee the rent is stated to be the fair
36 market rent for the use of the goods for the term of the renewal determined at the
37 time the option is to be performed, or (ii) when the option to become the owner of the
38 goods is granted to the lessee the price is stated to be the fair market value of the

1 goods determined at the time the option is to be performed. Additional consideration
2 is nominal if it is less than the lessee's reasonably predictable cost of performing
3 under the lease agreement if the option is not exercised;

4 (ii) "Reasonably predictable" and "remaining economic life of
5 the goods" are to be determined with reference to the facts and circumstances at the
6 time the transaction is entered into; and

7 (iii) "Present value" means the amount as of a date certain of
8 one or more sums payable in the future, discounted to the date certain. The discount
9 is determined by the interest rate specified by the parties if the rate is not manifestly
10 unreasonable at the time the transaction is entered into; otherwise, the discount is
11 determined by a commercially reasonable rate that takes into account the facts and
12 circumstances of each case at the time the transaction was entered into.

13 (38) "Send" in connection with [any writing] A WRITING, RECORD, or
14 notice means:

15 (A) [to] TO deposit in the mail or deliver for transmission by any
16 other usual means of communication with postage or cost of transmission provided for
17 and properly addressed [and] AND, in the case of an [instrument] INSTRUMENT, to
18 an address specified thereon or otherwise agreed, or if there be none to any address
19 reasonable under the circumstances[.]; OR

20 (B) [The receipt of any writing] IN ANY OTHER WAY TO CAUSE TO
21 BE RECEIVED ANY RECORD or notice within the time [at which] it would have
22 arrived if properly sent [has the effect of a proper sending].

23 (39) "Signed" includes any symbol executed or adopted by a party with
24 present intention to authenticate a writing.

25 (40) "Surety" includes guarantor.

26 (41) "Telegram" includes a message transmitted by radio, teletype, cable,
27 any mechanical method of transmission, or the like.

28 (42) "Term" means that portion of an agreement which relates to a
29 particular matter.

30 (43) "Unauthorized signature" means one made without actual, [implied]
31 IMPLIED, or apparent authority and includes a forgery.

32 (44) "Value." Except as otherwise provided with respect to negotiable
33 instruments and bank collections (§§ 3-303, 4-208 and 4-209) a person gives "value"
34 for rights if he acquires them:

35 (a) In return for a binding commitment to extend credit or for the
36 extension of immediately available credit whether or not drawn upon and whether or
37 not a charge-back is provided for in the event of difficulties in collection; or

- 1 (b) As security for or in total or partial satisfaction of a preexisting
2 claim; or
- 3 (c) By accepting delivery pursuant to a preexisting contract for
4 purchase; or
- 5 (d) Generally, in return for any consideration sufficient to support a
6 simple contract.

7 (45) "Warehouse receipt" means a [receipt] DOCUMENT OF TITLE issued
8 by a person engaged in the business of storing goods for hire.

9 (46) "Written" or "writing" includes printing, [typewriting]
10 TYPEWRITING, or any other intentional reduction to tangible forms.

11 2-103.

12 (3) [The] "CONTROL" AS PROVIDED IN § 7-106 AND THE following definitions
13 in other titles apply to this title:

14 "Check." § 3-104.

15 "Consignee." § 7-102.

16 "Consignor." § 7-102.

17 "Consumer goods." § 9-102.

18 "Dishonor." § 3-502.

19 "Draft." § 3-104.

20 2-104.

21 (2) "Financing agency" means a bank, finance company or other person who in
22 the ordinary course of business makes advances against goods or documents of title or
23 who by arrangement with either the seller or the buyer intervenes in ordinary course
24 to make or collect payment due or claimed under the contract for sale, as by
25 purchasing or paying the seller's draft or making advances against it or by merely
26 taking it for collection whether or not documents of title accompany OR ARE
27 ASSOCIATED WITH the draft. "Financing agency" includes also a bank or other person
28 who similarly intervenes between persons who are in the position of seller and buyer
29 in respect to the goods (§ 2-707).

30 2-310.

31 Unless otherwise agreed

32 (a) Payment is due at the time and place at which the buyer is to receive
33 the goods even though the place of shipment is the place of delivery; and

1 (b) If the seller is authorized to send the goods he may ship them under
2 reservation, and may tender the documents of title, but the buyer may inspect the
3 goods after their arrival before payment is due unless such inspection is inconsistent
4 with the terms of the contract (§ 2-513); and

5 (c) If delivery is authorized and made by way of documents of title
6 otherwise than by subsection (b) then payment is due REGARDLESS OF WHERE THE
7 GOODS ARE TO BE RECEIVED (I) at the time and place at which the buyer is to receive
8 DELIVERY OF the TANGIBLE documents [regardless of where the goods are to be
9 received] OR (II) AT THE TIME THE BUYER IS TO RECEIVE DELIVERY OF THE
10 ELECTRONIC DOCUMENTS AND AT THE SELLER'S PLACE OF BUSINESS OR IF NONE,
11 THE SELLER'S RESIDENCE; and

12 (d) Where the seller is required or authorized to ship the goods on credit
13 the credit period runs from the time of shipment but postdating the invoice or
14 delaying its dispatch will correspondingly delay the starting of the credit period.

15 2-323.

16 (2) Where in a case within subsection (1) a TANGIBLE bill of lading has been
17 issued in a set of parts, unless otherwise agreed if the documents are not to be sent
18 from abroad the buyer may demand tender of the full set; otherwise only one part of
19 the bill of lading need be tendered. Even if the agreement expressly requires a full set

20 (a) Due tender of a single part is acceptable within the provisions of this
21 title on cure of improper delivery (subsection (1) of § 2-508); and

22 (b) Even though the full set is demanded, if the documents are sent from
23 abroad the person tendering an incomplete set may nevertheless require payment
24 upon furnishing an indemnity which the buyer in good faith deems adequate.

25 2-401.

26 (3) Unless otherwise explicitly agreed where delivery is to be made without
27 moving the goods,

28 (a) If the seller is to deliver a TANGIBLE document of title, title passes at
29 the time when and the place where he delivers such documents AND IF THE SELLER IS
30 TO DELIVER AN ELECTRONIC DOCUMENT OF TITLE, TITLE PASSES WHEN THE
31 SELLER DELIVERS THE DOCUMENT; or

32 (b) If the goods are at the time of contracting already identified and no
33 documents OF TITLE are to be delivered, title passes at the time and place of
34 contracting.

35 2-503.

36 (4) Where goods are in the possession of a bailee and are to be delivered
37 without being moved

1 (a) Tender requires that the seller either tender a negotiable document of
2 title covering such goods or procure acknowledgment by the bailee of the buyer's right
3 to possession of the goods; but

4 (b) Tender to the buyer of a nonnegotiable document of title or of a
5 [written direction to] RECORD DIRECTING the bailee to deliver is sufficient tender
6 unless the buyer seasonably objects, and EXCEPT AS OTHERWISE PROVIDED IN TITLE
7 9 receipt by the bailee of notification of the buyer's rights fixes those rights as against
8 the bailee and all third persons; but risk of loss of the goods and of any failure by the
9 bailee to honor the nonnegotiable document of title or to obey the direction remains on
10 the seller until the buyer has had a reasonable time to present the document or
11 direction, and a refusal by the bailee to honor the document or to obey the direction
12 defeats the tender.

13 (5) Where the contract requires the seller to deliver documents

14 (a) He must tender all such documents in correct form, except as
15 provided in this title with respect to bills of lading in a set (subsection (2) of § 2-323);
16 and

17 (b) Tender through customary banking channels is sufficient and
18 dishonor of a draft accompanying OR ASSOCIATED WITH the documents constitutes
19 nonacceptance or rejection.

20 2-505.

21 (1) Where the seller has identified goods to the contract by or before shipment:

22 (a) His procurement of a negotiable bill of lading to his own order or
23 otherwise reserves in him a security interest in the goods. His procurement of the bill
24 to the order of a financing agency or of the buyer indicates in addition only the seller's
25 expectation of transferring that interest to the person named.

26 (b) A nonnegotiable bill of lading to himself or his nominee reserves
27 possession of the goods as security, but except in a case of conditional delivery
28 (subsection (2) of § 2-507) a nonnegotiable bill of lading naming the buyer as
29 consignee reserves no security interest even though the seller retains possession OR
30 CONTROL of the bill of lading.

31 (2) When shipment by the seller with reservation of a security interest is in
32 violation of the contract for sale it constitutes an improper contract for transportation
33 within the preceding section but impairs neither the rights given to the buyer by
34 shipment and identification of the goods to the contract nor the seller's powers as a
35 holder of a negotiable document OF TITLE.

36 2-506.

37 (2) The right to reimbursement of a financing agency which has in good faith
38 honored or purchased the draft under commitment to or authority from the buyer is

1 not impaired by subsequent discovery of defects with reference to any relevant
2 document which was apparently regular [on its face].

3 2-509.

4 (2) Where the goods are held by a bailee to be delivered without being moved,
5 the risk of loss passes to the buyer

6 (a) On his receipt of POSSESSION OR CONTROL OF a negotiable document
7 of title covering the goods; or

8 (b) On acknowledgment by the bailee of the buyer's right to possession of
9 the goods; or

10 (c) After his receipt of POSSESSION OR CONTROL OF a nonnegotiable
11 document of title or other [written] direction to deliver IN A RECORD, as provided in
12 subsection (4)(b) of § 2-503.

13 2-605.

14 (2) Payment against documents made without reservation of rights precludes
15 recovery of the payment for defects apparent [on the face of] IN the documents.

16 2-705.

17 (2) As against such buyer the seller may stop delivery until

18 (a) Receipt of the goods by the buyer; or

19 (b) Acknowledgment to the buyer by any bailee of the goods except a
20 carrier that the bailee holds the goods for the buyer; or

21 (c) Such acknowledgment to the buyer by a carrier by reshipment or as a
22 [warehouseman] WAREHOUSE; or

23 (d) Negotiation to the buyer of any negotiable document of title covering
24 the goods.

25 (3) (a) To stop delivery the seller must so notify as to enable the bailee by
26 reasonable diligence to prevent delivery of the goods.

27 (b) After such notification the bailee must hold and deliver the goods
28 according to the directions of the seller but the seller is liable to the bailee for any
29 ensuing charges or damages.

30 (c) If a negotiable document of title has been issued for goods the bailee
31 is not obliged to obey a notification to stop until surrender of POSSESSION OR
32 CONTROL OF the document.

1 (d) A carrier who has issued a [non-negotiable] NONNEGOTIABLE bill of
2 lading is not obliged to obey a notification to stop received from a person other than
3 the consignor.

4 2A-103.

5 (1) In this title unless the context otherwise requires:

6 (a) "Buyer in ordinary course of business" means a person who in good
7 faith and without knowledge that the sale to him [(or her)] is in violation of the
8 ownership rights or security interest or leasehold interest of a third party in the goods
9 buys in ordinary course from a person in the business of selling goods of that kind but
10 does not include a pawnbroker. "Buying" may be for cash or by exchange of other
11 property or on secured or unsecured credit and includes [receiving] ACQUIRING
12 goods or documents of title under a preexisting contract for sale but does not include
13 a transfer in bulk or as security for or in total or partial satisfaction of a money debt.

14 (o) "Lessee in ordinary course of business" means a person who in good
15 faith and without knowledge that the lease to him [(or her)] is in violation of the
16 ownership rights or security interest or leasehold interest of a third party in the goods
17 leases in ordinary course from a person in the business of selling or leasing goods of
18 that kind but does not include a pawnbroker. "Leasing" may be for cash or by
19 exchange of other property or on secured or unsecured credit and includes [receiving]
20 ACQUIRING goods or documents of title under a preexisting lease contract but does
21 not include a transfer in bulk or as security for or in total or partial satisfaction of a
22 money debt.

23 2A-514.

24 (2) A lessee's failure to reserve rights when paying rent or other consideration
25 against documents precludes recovery of the payment for defects apparent [on the
26 face of] IN the documents.

27 2A-526.

28 (2) In pursuing its remedies under subsection (1), the lessor may stop delivery
29 until

30 (a) Receipt of the goods by the lessee;

31 (b) Acknowledgment to the lessee by any bailee of the goods, except a
32 carrier, that the bailee holds the goods for the lessee; or

33 (c) Such an acknowledgment to the lessee by a carrier via reshipment or
34 as [warehouseman] A WAREHOUSE.

35 4-104.

36 (c) [The] "CONTROL" AS PROVIDED IN § 7-106 AND THE following definitions
37 in other titles apply to this title:

- 1 "Acceptance." § 3-409.
- 2 "Alteration." § 3-407.
- 3 "Cashier's check." § 3-104.
- 4 "Certificate of deposit." § 3-104.
- 5 "Certified check." § 3-409.
- 6 "Check." § 3-104.
- 7 "Draft." § 3-104.
- 8 "Good faith." § 3-103.
- 9 "Holder in due course." § 3-302.
- 10 "Instrument." § 3-104.
- 11 "Notice of dishonor." § 3-503.
- 12 "Order." § 3-103.
- 13 "Ordinary care." § 3-103.
- 14 "Person entitled to enforce." § 3-301.
- 15 "Presentment." § 3-501.
- 16 "Promise." § 3-103.
- 17 "Prove." § 3-103.
- 18 "Teller's check." § 3-104.
- 19 "Unauthorized signature." § 3-403.
- 20 4-210.

21 (c) Receipt by a collecting bank of a final settlement for an item is a
22 realization on its security interest in the item, accompanying documents and
23 proceeds. So long as the bank does not receive final settlement for the item or give up
24 possession of the item or POSSESSION OR CONTROL OF THE accompanying documents
25 for purposes other than collection, the security interest continues to that extent and is
26 subject to Title 9, but:

27 (1) No security agreement is necessary to make the security interest
28 enforceable (§ 9-203(b)(3)(A));

29 (2) No filing is required to perfect the security interest; and

1 (3) The security interest has priority over conflicting perfected security
2 interests in the item, accompanying documents, or proceeds.

3 Title 7. [Warehouse Receipts, Bills of Lading and Other] Documents of Title.

4 Subtitle 1. In General.

5 7-101.

6 THIS TITLE MAY BE CITED AS THE MARYLAND UNIFORM COMMERCIAL CODE -
7 DOCUMENTS OF TITLE.

8 7-102.

9 (A) IN THIS TITLE, UNLESS THE CONTEXT OTHERWISE REQUIRES:

10 (1) "BAILEE" MEANS A PERSON THAT BY A WAREHOUSE RECEIPT, BILL
11 OF LADING, OR OTHER DOCUMENT OF TITLE ACKNOWLEDGES POSSESSION OF
12 GOODS AND CONTRACTS TO DELIVER THEM.

13 (2) "CARRIER" MEANS A PERSON THAT ISSUES A BILL OF LADING.

14 (3) "CONSIGNEE" MEANS A PERSON NAMED IN A BILL OF LADING TO
15 WHICH OR TO WHOSE ORDER THE BILL PROMISES DELIVERY.

16 (4) "CONSIGNOR" MEANS A PERSON NAMED IN A BILL OF LADING AS THE
17 PERSON FROM WHICH THE GOODS HAVE BEEN RECEIVED FOR SHIPMENT.

18 (5) "DELIVERY ORDER" MEANS A RECORD THAT CONTAINS AN ORDER TO
19 DELIVER GOODS DIRECTED TO A WAREHOUSE, CARRIER, OR OTHER PERSON THAT IN
20 THE ORDINARY COURSE OF BUSINESS ISSUES WAREHOUSE RECEIPTS OR BILLS OF
21 LADING.

22 (6) RESERVED.

23 (7) "GOODS" MEANS ALL THINGS THAT ARE TREATED AS MOVABLE FOR
24 THE PURPOSES OF A CONTRACT FOR STORAGE OR TRANSPORTATION.

25 (8) "ISSUER" MEANS A BAILEE THAT ISSUES A DOCUMENT OF TITLE OR,
26 IN THE CASE OF AN UNACCEPTED DELIVERY ORDER, THE PERSON THAT ORDERS THE
27 POSSESSOR OF GOODS TO DELIVER. THE TERM INCLUDES A PERSON FOR WHICH AN
28 AGENT OR EMPLOYEE PURPORTS TO ACT IN ISSUING A DOCUMENT IF THE AGENT OR
29 EMPLOYEE HAS REAL OR APPARENT AUTHORITY TO ISSUE DOCUMENTS, EVEN IF
30 THE ISSUER DID NOT RECEIVE ANY GOODS, THE GOODS WERE MISDESCRIBED, OR IN
31 ANY OTHER RESPECT THE AGENT OR EMPLOYEE VIOLATED THE ISSUER'S
32 INSTRUCTIONS.

33 (9) "PERSON ENTITLED UNDER THE DOCUMENT" MEANS THE HOLDER,
34 IN THE CASE OF A NEGOTIABLE DOCUMENT OF TITLE, OR THE PERSON TO WHICH

1 DELIVERY OF THE GOODS IS TO BE MADE BY THE TERMS OF, OR PURSUANT TO
2 INSTRUCTIONS IN A RECORD UNDER, A NONNEGOTIABLE DOCUMENT OF TITLE.

3 (10) RESERVED.

4 (11) "SIGN" MEANS, WITH PRESENT INTENT TO AUTHENTICATE OR ADOPT
5 A RECORD:

6 (A) TO EXECUTE OR ADOPT A TANGIBLE SYMBOL; OR

7 (B) TO ATTACH TO OR LOGICALLY ASSOCIATE WITH THE RECORD
8 AN ELECTRONIC SOUND, SYMBOL, OR PROCESS.

9 (12) "SHIPPER" MEANS A PERSON THAT ENTERS INTO A CONTRACT OF
10 TRANSPORTATION WITH A CARRIER.

11 (13) "WAREHOUSE" MEANS A PERSON ENGAGED IN THE BUSINESS OF
12 STORING GOODS FOR HIRE.

13 (B) DEFINITIONS IN OTHER TITLES APPLYING TO THIS TITLE AND THE
14 SECTIONS IN WHICH THEY APPEAR ARE:

15 (1) "CONTRACT FOR SALE", § 2-106.

16 (2) "LESSEE IN ORDINARY COURSE", § 2A-103.

17 (3) "RECEIPT" OF GOODS, § 2-103.

18 (C) IN ADDITION, TITLE 1 CONTAINS GENERAL DEFINITIONS AND PRINCIPLES
19 OF CONSTRUCTION AND INTERPRETATION APPLICABLE THROUGHOUT THIS TITLE.

20 7-103.

21 (A) THIS TITLE IS SUBJECT TO ANY TREATY OR STATUTE OF THE UNITED
22 STATES OR REGULATORY STATUTE OF THIS STATE TO THE EXTENT THE TREATY,
23 STATUTE, OR REGULATORY STATUTE IS APPLICABLE.

24 (B) THIS TITLE DOES NOT MODIFY OR REPEAL ANY LAW PRESCRIBING THE
25 FORM OR CONTENT OF A DOCUMENT OF TITLE OR THE SERVICES OR FACILITIES TO
26 BE AFFORDED BY A BAILEE, OR OTHERWISE REGULATING A BAILEE'S BUSINESS IN
27 RESPECTS NOT SPECIFICALLY TREATED IN THIS TITLE. HOWEVER, VIOLATION OF
28 SUCH A LAW DOES NOT AFFECT THE STATUS OF A DOCUMENT OF TITLE THAT
29 OTHERWISE IS WITHIN THE DEFINITION OF A DOCUMENT OF TITLE.

30 (C) THIS TITLE MODIFIES, LIMITS, AND SUPERSEDES THE FEDERAL
31 ELECTRONIC SIGNATURES IN GLOBAL AND NATIONAL COMMERCE ACT (15 U.S.C. §
32 7001, ET. SEQ.) BUT DOES NOT MODIFY, LIMIT, OR SUPERSEDE § 101(C) OF THAT ACT (15
33 U.S.C. § 7001(C)) OR AUTHORIZE ELECTRONIC DELIVERY OF ANY OF THE NOTICES
34 DESCRIBED IN § 103(B) OF THAT ACT (15 U.S.C. § 7003(B)).

1 (D) TO THE EXTENT THERE IS A CONFLICT BETWEEN TITLE 21 OF THIS
2 ARTICLE AND THIS TITLE, THIS TITLE GOVERNS.

3 7-104.

4 (A) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (C), A DOCUMENT OF
5 TITLE IS NEGOTIABLE IF BY ITS TERMS THE GOODS ARE TO BE DELIVERED TO
6 BEARER OR TO THE ORDER OF A NAMED PERSON.

7 (B) A DOCUMENT OF TITLE OTHER THAN ONE DESCRIBED IN SUBSECTION (A)
8 IS NONNEGOTIABLE. A BILL OF LADING THAT STATES THAT THE GOODS ARE
9 CONSIGNED TO A NAMED PERSON IS NOT MADE NEGOTIABLE BY A PROVISION THAT
10 THE GOODS ARE TO BE DELIVERED ONLY AGAINST AN ORDER IN A RECORD SIGNED
11 BY THE SAME OR ANOTHER NAMED PERSON.

12 (C) A DOCUMENT OF TITLE IS NONNEGOTIABLE IF, AT THE TIME IT IS ISSUED,
13 THE DOCUMENT HAS A CONSPICUOUS LEGEND, HOWEVER EXPRESSED, THAT IT IS
14 NONNEGOTIABLE.

15 7-105.

16 (A) UPON REQUEST OF A PERSON ENTITLED UNDER AN ELECTRONIC
17 DOCUMENT OF TITLE, THE ISSUER OF THE ELECTRONIC DOCUMENT MAY ISSUE A
18 TANGIBLE DOCUMENT OF TITLE AS A SUBSTITUTE FOR THE ELECTRONIC
19 DOCUMENT IF:

20 (1) THE PERSON ENTITLED UNDER THE ELECTRONIC DOCUMENT
21 SURRENDERS CONTROL OF THE DOCUMENT TO THE ISSUER; AND

22 (2) THE TANGIBLE DOCUMENT WHEN ISSUED CONTAINS A STATEMENT
23 THAT IT IS ISSUED IN SUBSTITUTION FOR THE ELECTRONIC DOCUMENT.

24 (B) UPON ISSUANCE OF A TANGIBLE DOCUMENT OF TITLE IN SUBSTITUTION
25 FOR AN ELECTRONIC DOCUMENT OF TITLE IN ACCORDANCE WITH SUBSECTION (A):

26 (1) THE ELECTRONIC DOCUMENT CEASES TO HAVE ANY EFFECT OR
27 VALIDITY; AND

28 (2) THE PERSON THAT PROCURED ISSUANCE OF THE TANGIBLE
29 DOCUMENT WARRANTS TO ALL SUBSEQUENT PERSONS ENTITLED UNDER THE
30 TANGIBLE DOCUMENT THAT THE WARRANTOR WAS A PERSON ENTITLED UNDER THE
31 ELECTRONIC DOCUMENT WHEN THE WARRANTOR SURRENDERED CONTROL OF THE
32 ELECTRONIC DOCUMENT TO THE ISSUER.

33 (C) UPON REQUEST OF A PERSON ENTITLED UNDER A TANGIBLE DOCUMENT
34 OF TITLE, THE ISSUER OF THE TANGIBLE DOCUMENT MAY ISSUE AN ELECTRONIC
35 DOCUMENT OF TITLE AS A SUBSTITUTE FOR THE TANGIBLE DOCUMENT IF:

36 (1) THE PERSON ENTITLED UNDER THE TANGIBLE DOCUMENT
37 SURRENDERS POSSESSION OF THE DOCUMENT TO THE ISSUER; AND

1 (2) THE ELECTRONIC DOCUMENT WHEN ISSUED CONTAINS A
2 STATEMENT THAT IT IS ISSUED IN SUBSTITUTION FOR THE TANGIBLE DOCUMENT.

3 (D) UPON ISSUANCE OF AN ELECTRONIC DOCUMENT OF TITLE IN
4 SUBSTITUTION FOR A TANGIBLE DOCUMENT OF TITLE IN ACCORDANCE WITH
5 SUBSECTION (C):

6 (1) THE TANGIBLE DOCUMENT CEASES TO HAVE ANY EFFECT OR
7 VALIDITY; AND

8 (2) THE PERSON THAT PROCURED ISSUANCE OF THE ELECTRONIC
9 DOCUMENT WARRANTS TO ALL SUBSEQUENT PERSONS ENTITLED UNDER THE
10 ELECTRONIC DOCUMENT THAT THE WARRANTOR WAS A PERSON ENTITLED UNDER
11 THE TANGIBLE DOCUMENT WHEN THE WARRANTOR SURRENDERED POSSESSION OF
12 THE TANGIBLE DOCUMENT TO THE ISSUER.

13 7-106.

14 (A) A PERSON HAS CONTROL OF AN ELECTRONIC DOCUMENT OF TITLE IF A
15 SYSTEM EMPLOYED FOR EVIDENCING THE TRANSFER OF INTERESTS IN THE
16 ELECTRONIC DOCUMENT RELIABLY ESTABLISHES THAT PERSON AS THE PERSON TO
17 WHICH THE ELECTRONIC DOCUMENT WAS ISSUED OR TRANSFERRED.

18 (B) A SYSTEM SATISFIES SUBSECTION (A), AND A PERSON IS DEEMED TO HAVE
19 CONTROL OF AN ELECTRONIC DOCUMENT OF TITLE, IF THE DOCUMENT IS CREATED,
20 STORED, AND ASSIGNED IN SUCH A MANNER THAT:

21 (1) A SINGLE AUTHORITATIVE COPY OF THE DOCUMENT EXISTS WHICH
22 IS UNIQUE, IDENTIFIABLE, AND, EXCEPT AS OTHERWISE PROVIDED IN PARAGRAPHS
23 (4), (5), AND (6), UNALTERABLE;

24 (2) THE AUTHORITATIVE COPY IDENTIFIES THE PERSON ASSERTING
25 CONTROL AS:

26 (A) THE PERSON TO WHICH THE DOCUMENT WAS ISSUED; OR

27 (B) IF THE AUTHORITATIVE COPY INDICATES THAT THE
28 DOCUMENT HAS BEEN TRANSFERRED, THE PERSON TO WHICH THE DOCUMENT WAS
29 MOST RECENTLY TRANSFERRED;

30 (3) THE AUTHORITATIVE COPY IS COMMUNICATED TO AND MAINTAINED
31 BY THE PERSON ASSERTING CONTROL OR ITS DESIGNATED CUSTODIAN;

32 (4) COPIES OR AMENDMENTS THAT ADD OR CHANGE AN IDENTIFIED
33 ASSIGNEE OF THE AUTHORITATIVE COPY CAN BE MADE ONLY WITH THE CONSENT
34 OF THE PERSON ASSERTING CONTROL;

35 (5) EACH COPY OF THE AUTHORITATIVE COPY AND ANY COPY OF A COPY
36 IS READILY IDENTIFIABLE AS A COPY THAT IS NOT THE AUTHORITATIVE COPY; AND

1 (6) ANY AMENDMENT OF THE AUTHORITATIVE COPY IS READILY
2 IDENTIFIABLE AS AUTHORIZED OR UNAUTHORIZED.

3 Subtitle 2. Warehouse Receipts; Special Provisions.

4 7-201.

5 (A) A WAREHOUSE RECEIPT MAY BE ISSUED BY ANY WAREHOUSE.

6 (B) IF GOODS, INCLUDING DISTILLED SPIRITS AND AGRICULTURAL
7 COMMODITIES, ARE STORED UNDER A STATUTE REQUIRING A BOND AGAINST
8 WITHDRAWAL OR A LICENSE FOR THE ISSUANCE OF RECEIPTS IN THE NATURE OF
9 WAREHOUSE RECEIPTS, A RECEIPT ISSUED FOR THE GOODS IS DEEMED TO BE A
10 WAREHOUSE RECEIPT EVEN IF ISSUED BY A PERSON THAT IS THE OWNER OF THE
11 GOODS AND IS NOT A WAREHOUSE.

12 7-202.

13 (A) A WAREHOUSE RECEIPT NEED NOT BE IN ANY PARTICULAR FORM.

14 (B) UNLESS A WAREHOUSE RECEIPT PROVIDES FOR EACH OF THE
15 FOLLOWING, THE WAREHOUSE IS LIABLE FOR DAMAGES CAUSED TO A PERSON
16 INJURED BY ITS OMISSION:

17 (1) A STATEMENT OF THE LOCATION OF THE WAREHOUSE FACILITY
18 WHERE THE GOODS ARE STORED;

19 (2) THE DATE OF ISSUE OF THE RECEIPT;

20 (3) THE UNIQUE IDENTIFICATION CODE OF THE RECEIPT;

21 (4) A STATEMENT WHETHER THE GOODS RECEIVED WILL BE
22 DELIVERED TO THE BEARER, TO A NAMED PERSON, OR TO A NAMED PERSON OR ITS
23 ORDER;

24 (5) THE RATE OF STORAGE AND HANDLING CHARGES, UNLESS GOODS
25 ARE STORED UNDER A FIELD WAREHOUSING ARRANGEMENT, IN WHICH CASE A
26 STATEMENT OF THAT FACT IS SUFFICIENT ON A NONNEGOTIABLE RECEIPT;

27 (6) A DESCRIPTION OF THE GOODS OR THE PACKAGES CONTAINING
28 THEM;

29 (7) THE SIGNATURE OF THE WAREHOUSE OR ITS AGENT;

30 (8) IF THE RECEIPT IS ISSUED FOR GOODS THAT THE WAREHOUSE
31 OWNS, EITHER SOLELY, JOINTLY, OR IN COMMON WITH OTHERS, A STATEMENT OF
32 THE FACT OF THAT OWNERSHIP; AND

33 (9) A STATEMENT OF THE AMOUNT OF ADVANCES MADE AND OF
34 LIABILITIES INCURRED FOR WHICH THE WAREHOUSE CLAIMS A LIEN OR SECURITY

1 INTEREST, UNLESS THE PRECISE AMOUNT OF ADVANCES MADE OR LIABILITIES
2 INCURRED, AT THE TIME OF THE ISSUE OF THE RECEIPT, IS UNKNOWN TO THE
3 WAREHOUSE OR TO ITS AGENT THAT ISSUED THE RECEIPT, IN WHICH CASE A
4 STATEMENT OF THE FACT THAT ADVANCES HAVE BEEN MADE OR LIABILITIES
5 INCURRED AND THE PURPOSE OF THE ADVANCES OR LIABILITIES IS SUFFICIENT.

6 (C) A WAREHOUSE MAY INSERT IN ITS RECEIPT ANY TERMS THAT ARE NOT
7 CONTRARY TO THE MARYLAND UNIFORM COMMERCIAL CODE AND DO NOT IMPAIR
8 ITS OBLIGATION OF DELIVERY UNDER § 7-403 OR ITS DUTY OF CARE UNDER § 7-204.
9 ANY CONTRARY PROVISION IS INEFFECTIVE.

10 7-203.

11 A PARTY TO OR PURCHASER FOR VALUE IN GOOD FAITH OF A DOCUMENT OF
12 TITLE, OTHER THAN A BILL OF LADING, THAT RELIES UPON THE DESCRIPTION OF
13 THE GOODS IN THE DOCUMENT MAY RECOVER FROM THE ISSUER DAMAGES CAUSED
14 BY THE NONRECEIPT OR MISDESCRIPTION OF THE GOODS, EXCEPT TO THE EXTENT
15 THAT:

16 (1) THE DOCUMENT CONSPICUOUSLY INDICATES THAT THE ISSUER
17 DOES NOT KNOW WHETHER ALL OR PART OF THE GOODS IN FACT WERE RECEIVED
18 OR CONFORM TO THE DESCRIPTION, SUCH AS A CASE IN WHICH THE DESCRIPTION IS
19 IN TERMS OF MARKS OR LABELS OR KIND, QUANTITY, OR CONDITION, OR THE
20 RECEIPT OR DESCRIPTION IS QUALIFIED BY "CONTENTS, CONDITION, AND QUALITY
21 UNKNOWN", "SAID TO CONTAIN", OR WORDS OF SIMILAR IMPORT, IF THE INDICATION
22 IS TRUE; OR

23 (2) THE PARTY OR PURCHASER OTHERWISE HAS NOTICE OF THE
24 NONRECEIPT OR MISDESCRIPTION.

25 7-204.

26 (A) A WAREHOUSE IS LIABLE FOR DAMAGES FOR LOSS OF OR INJURY TO THE
27 GOODS CAUSED BY ITS FAILURE TO EXERCISE CARE WITH REGARD TO THE GOODS
28 THAT A REASONABLY CAREFUL PERSON WOULD EXERCISE UNDER SIMILAR
29 CIRCUMSTANCES. UNLESS OTHERWISE AGREED, THE WAREHOUSE IS NOT LIABLE
30 FOR DAMAGES THAT COULD NOT HAVE BEEN AVOIDED BY THE EXERCISE OF THAT
31 CARE.

32 (B) DAMAGES MAY BE LIMITED BY A TERM IN THE WAREHOUSE RECEIPT OR
33 STORAGE AGREEMENT LIMITING THE AMOUNT OF LIABILITY IN CASE OF LOSS OR
34 DAMAGE BEYOND WHICH THE WAREHOUSE IS NOT LIABLE. SUCH A LIMITATION IS
35 NOT EFFECTIVE WITH RESPECT TO THE WAREHOUSE'S LIABILITY FOR CONVERSION
36 TO ITS OWN USE. ON REQUEST OF THE BAILOR IN A RECORD AT THE TIME OF
37 SIGNING THE STORAGE AGREEMENT OR WITHIN A REASONABLE TIME AFTER
38 RECEIPT OF THE WAREHOUSE RECEIPT, THE WAREHOUSE'S LIABILITY MAY BE
39 INCREASED ON PART OR ALL OF THE GOODS COVERED BY THE STORAGE
40 AGREEMENT OR THE WAREHOUSE RECEIPT. IN THIS EVENT, INCREASED RATES MAY
41 BE CHARGED BASED ON AN INCREASED VALUATION OF THE GOODS.

1 (C) REASONABLE PROVISIONS AS TO THE TIME AND MANNER OF PRESENTING
2 CLAIMS AND COMMENCING ACTIONS BASED ON THE BAILMENT MAY BE INCLUDED
3 IN THE WAREHOUSE RECEIPT OR STORAGE AGREEMENT.

4 (D) THIS SECTION DOES NOT MODIFY OR REPEAL ANY STATUTE THAT
5 IMPOSES A HIGHER RESPONSIBILITY UPON THE WAREHOUSE OR INVALIDATES A
6 CONTRACTUAL LIMITATION THAT WOULD BE PERMISSIBLE UNDER THIS TITLE.

7 7-205.

8 A BUYER IN ORDINARY COURSE OF BUSINESS OF FUNGIBLE GOODS SOLD AND
9 DELIVERED BY A WAREHOUSE THAT IS ALSO IN THE BUSINESS OF BUYING AND
10 SELLING SUCH GOODS TAKES THE GOODS FREE OF ANY CLAIM UNDER A
11 WAREHOUSE RECEIPT EVEN IF THE RECEIPT IS NEGOTIABLE AND HAS BEEN DULY
12 NEGOTIATED.

13 7-206.

14 (A) A WAREHOUSE, BY GIVING NOTICE TO THE PERSON ON WHOSE ACCOUNT
15 THE GOODS ARE HELD AND ANY OTHER PERSON KNOWN TO CLAIM AN INTEREST IN
16 THE GOODS, MAY REQUIRE PAYMENT OF ANY CHARGES AND REMOVAL OF THE
17 GOODS FROM THE WAREHOUSE AT THE TERMINATION OF THE PERIOD OF STORAGE
18 FIXED BY THE DOCUMENT OF TITLE OR, IF A PERIOD IS NOT FIXED, WITHIN A STATED
19 PERIOD NOT LESS THAN 30 DAYS AFTER THE WAREHOUSE GIVES NOTICE. IF THE
20 GOODS ARE NOT REMOVED BEFORE THE DATE SPECIFIED IN THE NOTICE, THE
21 WAREHOUSE MAY SELL THEM PURSUANT TO § 7-210.

22 (B) IF A WAREHOUSE IN GOOD FAITH BELIEVES THAT GOODS ARE ABOUT TO
23 DETERIORATE OR DECLINE IN VALUE TO LESS THAN THE AMOUNT OF ITS LIEN
24 WITHIN THE TIME PROVIDED IN SUBSECTION (A) AND § 7-210, THE WAREHOUSE MAY
25 SPECIFY IN THE NOTICE GIVEN UNDER SUBSECTION (A) ANY REASONABLE SHORTER
26 TIME FOR REMOVAL OF THE GOODS AND, IF THE GOODS ARE NOT REMOVED, MAY
27 SELL THEM AT PUBLIC SALE HELD NOT LESS THAN 1 WEEK AFTER A SINGLE
28 ADVERTISEMENT OR POSTING.

29 (C) IF, AS A RESULT OF A QUALITY OR CONDITION OF THE GOODS OF WHICH
30 THE WAREHOUSE DID NOT HAVE NOTICE AT THE TIME OF DEPOSIT, THE GOODS ARE
31 A HAZARD TO OTHER PROPERTY, THE WAREHOUSE FACILITIES, OR OTHER PERSONS,
32 THE WAREHOUSE MAY SELL THE GOODS AT PUBLIC OR PRIVATE SALE WITHOUT
33 ADVERTISEMENT OR POSTING ON REASONABLE NOTIFICATION TO ALL PERSONS
34 KNOWN TO CLAIM AN INTEREST IN THE GOODS. IF THE WAREHOUSE, AFTER A
35 REASONABLE EFFORT, IS UNABLE TO SELL THE GOODS, IT MAY DISPOSE OF THEM IN
36 ANY LAWFUL MANNER AND DOES NOT INCUR LIABILITY BY REASON OF THAT
37 DISPOSITION.

38 (D) A WAREHOUSE SHALL DELIVER THE GOODS TO ANY PERSON ENTITLED TO
39 THEM UNDER THIS TITLE UPON DUE DEMAND MADE AT ANY TIME BEFORE SALE OR
40 OTHER DISPOSITION UNDER THIS SECTION.

1 (E) A WAREHOUSE MAY SATISFY ITS LIEN FROM THE PROCEEDS OF ANY SALE
2 OR DISPOSITION UNDER THIS SECTION BUT SHALL HOLD THE BALANCE FOR
3 DELIVERY ON THE DEMAND OF ANY PERSON TO WHICH THE WAREHOUSE WOULD
4 HAVE BEEN BOUND TO DELIVER THE GOODS.

5 7-207.

6 (A) UNLESS THE WAREHOUSE RECEIPT PROVIDES OTHERWISE, A
7 WAREHOUSE SHALL KEEP SEPARATE THE GOODS COVERED BY EACH RECEIPT SO AS
8 TO PERMIT AT ALL TIMES IDENTIFICATION AND DELIVERY OF THOSE GOODS.
9 HOWEVER, DIFFERENT LOTS OF FUNGIBLE GOODS MAY BE COMMINGLED.

10 (B) IF DIFFERENT LOTS OF FUNGIBLE GOODS ARE COMMINGLED, THE GOODS
11 ARE OWNED IN COMMON BY THE PERSONS ENTITLED THERETO AND THE
12 WAREHOUSE IS SEVERALLY LIABLE TO EACH OWNER FOR THAT OWNER'S SHARE. IF,
13 BECAUSE OF OVERISSUE, A MASS OF FUNGIBLE GOODS IS INSUFFICIENT TO MEET
14 ALL THE RECEIPTS THE WAREHOUSE HAS ISSUED AGAINST IT, THE PERSONS
15 ENTITLED INCLUDE ALL HOLDERS TO WHICH OVERISSUED RECEIPTS HAVE BEEN
16 DULY NEGOTIATED.

17 7-208.

18 IF A BLANK IN A NEGOTIABLE TANGIBLE WAREHOUSE RECEIPT HAS BEEN
19 FILLED IN WITHOUT AUTHORITY, A GOOD-FAITH PURCHASER FOR VALUE AND
20 WITHOUT NOTICE OF THE LACK OF AUTHORITY MAY TREAT THE INSERTION AS
21 AUTHORIZED. ANY OTHER UNAUTHORIZED ALTERATION LEAVES ANY TANGIBLE OR
22 ELECTRONIC WAREHOUSE RECEIPT ENFORCEABLE AGAINST THE ISSUER
23 ACCORDING TO ITS ORIGINAL TENOR.

24 7-209.

25 (A) A WAREHOUSE HAS A LIEN AGAINST THE BAILOR ON THE GOODS
26 COVERED BY A WAREHOUSE RECEIPT OR STORAGE AGREEMENT OR ON THE
27 PROCEEDS THEREOF IN ITS POSSESSION FOR CHARGES FOR STORAGE OR
28 TRANSPORTATION, INCLUDING DEMURRAGE AND TERMINAL CHARGES, INSURANCE,
29 LABOR, OR OTHER CHARGES, PRESENT OR FUTURE, IN RELATION TO THE GOODS,
30 AND FOR EXPENSES NECESSARY FOR PRESERVATION OF THE GOODS OR
31 REASONABLY INCURRED IN THEIR SALE PURSUANT TO LAW. IF THE PERSON ON
32 WHOSE ACCOUNT THE GOODS ARE HELD IS LIABLE FOR SIMILAR CHARGES OR
33 EXPENSES IN RELATION TO OTHER GOODS WHENEVER DEPOSITED AND IT IS STATED
34 IN THE WAREHOUSE RECEIPT OR STORAGE AGREEMENT THAT A LIEN IS CLAIMED
35 FOR CHARGES AND EXPENSES IN RELATION TO OTHER GOODS, THE WAREHOUSE
36 ALSO HAS A LIEN AGAINST THE GOODS COVERED BY THE WAREHOUSE RECEIPT OR
37 STORAGE AGREEMENT OR ON THE PROCEEDS THEREOF IN ITS POSSESSION FOR
38 THOSE CHARGES AND EXPENSES, WHETHER OR NOT THE OTHER GOODS HAVE BEEN
39 DELIVERED BY THE WAREHOUSE. HOWEVER, AS AGAINST A PERSON TO WHICH A
40 NEGOTIABLE WAREHOUSE RECEIPT IS DULY NEGOTIATED, A WAREHOUSE'S LIEN IS
41 LIMITED TO CHARGES IN AN AMOUNT OR AT A RATE SPECIFIED IN THE WAREHOUSE
42 RECEIPT OR, IF NO CHARGES ARE SO SPECIFIED, TO A REASONABLE CHARGE FOR

1 STORAGE OF THE SPECIFIC GOODS COVERED BY THE RECEIPT SUBSEQUENT TO THE
2 DATE OF THE RECEIPT.

3 (B) A WAREHOUSE MAY ALSO RESERVE A SECURITY INTEREST AGAINST THE
4 BAILOR FOR THE MAXIMUM AMOUNT SPECIFIED ON THE RECEIPT FOR CHARGES
5 OTHER THAN THOSE SPECIFIED IN SUBSECTION (A), SUCH AS FOR MONEY
6 ADVANCED AND INTEREST. THE SECURITY INTEREST IS GOVERNED BY TITLE 9.

7 (C) A WAREHOUSE'S LIEN FOR CHARGES AND EXPENSES UNDER SUBSECTION
8 (A) OR A SECURITY INTEREST UNDER SUBSECTION (B) IS ALSO EFFECTIVE AGAINST
9 ANY PERSON THAT SO ENTRUSTED THE BAILOR WITH POSSESSION OF THE GOODS
10 THAT A PLEDGE OF THEM BY THE BAILOR TO A GOOD-FAITH PURCHASER FOR VALUE
11 WOULD HAVE BEEN VALID. HOWEVER, THE LIEN OR SECURITY INTEREST IS NOT
12 EFFECTIVE AGAINST A PERSON THAT BEFORE ISSUANCE OF A DOCUMENT OF TITLE
13 HAD A LEGAL INTEREST OR A PERFECTED SECURITY INTEREST IN THE GOODS AND
14 THAT DID NOT:

15 (1) DELIVER OR ENTRUST THE GOODS OR ANY DOCUMENT OF TITLE
16 COVERING THE GOODS TO THE BAILOR OR THE BAILOR'S NOMINEE WITH:

17 (A) ACTUAL OR APPARENT AUTHORITY TO SHIP, STORE, OR SELL;

18 (B) POWER TO OBTAIN DELIVERY UNDER § 7-403; OR

19 (C) POWER OF DISPOSITION UNDER § 2-403, § 2A-304(2), § 2A-305(2), §
20 9-320, OR § 9-321(C) OR OTHER STATUTE OR RULE OF LAW; OR

21 (2) ACQUIESCE IN THE PROCUREMENT BY THE BAILOR OR ITS NOMINEE
22 OF ANY DOCUMENT.

23 (D) A WAREHOUSE'S LIEN ON HOUSEHOLD GOODS FOR CHARGES AND
24 EXPENSES IN RELATION TO THE GOODS UNDER SUBSECTION (A) IS ALSO EFFECTIVE
25 AGAINST ALL PERSONS IF THE DEPOSITOR WAS THE LEGAL POSSESSOR OF THE
26 GOODS AT THE TIME OF DEPOSIT. IN THIS SUBSECTION, "HOUSEHOLD GOODS"
27 MEANS FURNITURE, FURNISHINGS, OR PERSONAL EFFECTS USED BY THE
28 DEPOSITOR IN A DWELLING.

29 (E) A WAREHOUSE LOSES ITS LIEN ON ANY GOODS THAT IT VOLUNTARILY
30 DELIVERS OR UNJUSTIFIABLY REFUSES TO DELIVER.

31 7-210.

32 (A) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (B), A WAREHOUSE'S
33 LIEN MAY BE ENFORCED BY PUBLIC OR PRIVATE SALE OF THE GOODS, IN BULK OR IN
34 PACKAGES, AT ANY TIME OR PLACE AND ON ANY TERMS THAT ARE COMMERCIALY
35 REASONABLE, AFTER NOTIFYING ALL PERSONS KNOWN TO CLAIM AN INTEREST IN
36 THE GOODS. THE NOTIFICATION MUST INCLUDE A STATEMENT OF THE AMOUNT
37 DUE, THE NATURE OF THE PROPOSED SALE, AND THE TIME AND PLACE OF ANY
38 PUBLIC SALE. THE FACT THAT A BETTER PRICE COULD HAVE BEEN OBTAINED BY A
39 SALE AT A DIFFERENT TIME OR IN A METHOD DIFFERENT FROM THAT SELECTED BY

1 THE WAREHOUSE IS NOT OF ITSELF SUFFICIENT TO ESTABLISH THAT THE SALE WAS
2 NOT MADE IN A COMMERCIALY REASONABLE MANNER. THE WAREHOUSE SELLS IN
3 A COMMERCIALY REASONABLE MANNER IF THE WAREHOUSE SELLS THE GOODS IN
4 THE USUAL MANNER IN ANY RECOGNIZED MARKET THEREFOR, SELLS AT THE PRICE
5 CURRENT IN THAT MARKET AT THE TIME OF THE SALE, OR OTHERWISE SELLS IN
6 CONFORMITY WITH COMMERCIALY REASONABLE PRACTICES AMONG DEALERS IN
7 THE TYPE OF GOODS SOLD. A SALE OF MORE GOODS THAN APPARENTLY NECESSARY
8 TO BE OFFERED TO ENSURE SATISFACTION OF THE OBLIGATION IS NOT
9 COMMERCIALY REASONABLE, EXCEPT IN CASES COVERED BY THE PRECEDING
10 SENTENCE.

11 (B) A WAREHOUSE MAY ENFORCE ITS LIEN ON GOODS, OTHER THAN GOODS
12 STORED BY A MERCHANT IN THE COURSE OF ITS BUSINESS, ONLY IF THE
13 FOLLOWING REQUIREMENTS ARE SATISFIED:

14 (1) ALL PERSONS KNOWN TO CLAIM AN INTEREST IN THE GOODS MUST
15 BE NOTIFIED.

16 (2) THE NOTIFICATION MUST INCLUDE AN ITEMIZED STATEMENT OF
17 THE CLAIM, A DESCRIPTION OF THE GOODS SUBJECT TO THE LIEN, A DEMAND FOR
18 PAYMENT WITHIN A SPECIFIED TIME NOT LESS THAN 10 DAYS AFTER RECEIPT OF
19 THE NOTIFICATION, AND A CONSPICUOUS STATEMENT THAT UNLESS THE CLAIM IS
20 PAID WITHIN THAT TIME THE GOODS WILL BE ADVERTISED FOR SALE AND SOLD BY
21 AUCTION AT A SPECIFIED TIME AND PLACE.

22 (3) THE SALE MUST CONFORM TO THE TERMS OF THE NOTIFICATION.

23 (4) THE SALE MUST BE HELD AT THE NEAREST SUITABLE PLACE TO
24 WHERE THE GOODS ARE HELD OR STORED.

25 (5) AFTER THE EXPIRATION OF THE TIME GIVEN IN THE NOTIFICATION,
26 AN ADVERTISEMENT OF THE SALE MUST BE PUBLISHED ONCE A WEEK FOR 2 WEEKS
27 CONSECUTIVELY IN A NEWSPAPER OF GENERAL CIRCULATION WHERE THE SALE IS
28 TO BE HELD. THE ADVERTISEMENT MUST INCLUDE A DESCRIPTION OF THE GOODS,
29 THE NAME OF THE PERSON ON WHOSE ACCOUNT THE GOODS ARE BEING HELD, AND
30 THE TIME AND PLACE OF THE SALE. THE SALE MUST TAKE PLACE AT LEAST 15 DAYS
31 AFTER THE FIRST PUBLICATION. IF THERE IS NO NEWSPAPER OF GENERAL
32 CIRCULATION WHERE THE SALE IS TO BE HELD, THE ADVERTISEMENT MUST BE
33 POSTED AT LEAST 10 DAYS BEFORE THE SALE IN NOT FEWER THAN SIX
34 CONSPICUOUS PLACES IN THE NEIGHBORHOOD OF THE PROPOSED SALE.

35 (C) BEFORE ANY SALE PURSUANT TO THIS SECTION, ANY PERSON CLAIMING A
36 RIGHT IN THE GOODS MAY PAY THE AMOUNT NECESSARY TO SATISFY THE LIEN AND
37 THE REASONABLE EXPENSES INCURRED IN COMPLYING WITH THIS SECTION. IN
38 THAT EVENT, THE GOODS MAY NOT BE SOLD BUT MUST BE RETAINED BY THE
39 WAREHOUSE SUBJECT TO THE TERMS OF THE RECEIPT AND THIS TITLE.

40 (D) A WAREHOUSE MAY BUY AT ANY PUBLIC SALE HELD PURSUANT TO THIS
41 SECTION.

1 (E) A PURCHASER IN GOOD FAITH OF GOODS SOLD TO ENFORCE A
2 WAREHOUSE'S LIEN TAKES THE GOODS FREE OF ANY RIGHTS OF PERSONS AGAINST
3 WHICH THE LIEN WAS VALID, DESPITE THE WAREHOUSE'S NONCOMPLIANCE WITH
4 THIS SECTION.

5 (F) A WAREHOUSE MAY SATISFY ITS LIEN FROM THE PROCEEDS OF ANY SALE
6 PURSUANT TO THIS SECTION BUT SHALL HOLD THE BALANCE, IF ANY, FOR DELIVERY
7 ON DEMAND TO ANY PERSON TO WHICH THE WAREHOUSE WOULD HAVE BEEN
8 BOUND TO DELIVER THE GOODS.

9 (G) THE RIGHTS PROVIDED BY THIS SECTION ARE IN ADDITION TO ALL OTHER
10 RIGHTS ALLOWED BY LAW TO A CREDITOR AGAINST A DEBTOR.

11 (H) IF A LIEN IS ON GOODS STORED BY A MERCHANT IN THE COURSE OF ITS
12 BUSINESS, THE LIEN MAY BE ENFORCED IN ACCORDANCE WITH SUBSECTION (A) OR
13 (B).

14 (I) A WAREHOUSE IS LIABLE FOR DAMAGES CAUSED BY FAILURE TO COMPLY
15 WITH THE REQUIREMENTS FOR SALE UNDER THIS SECTION AND, IN CASE OF
16 WILLFUL VIOLATION, IS LIABLE FOR CONVERSION.

17 Subtitle 3. Bills of Lading: Special Provisions.

18 7-301.

19 (A) A CONSIGNEE OF A NONNEGOTIABLE BILL OF LADING WHICH HAS GIVEN
20 VALUE IN GOOD FAITH, OR A HOLDER TO WHICH A NEGOTIABLE BILL HAS BEEN
21 DULY NEGOTIATED, RELYING UPON THE DESCRIPTION OF THE GOODS IN THE BILL
22 OR UPON THE DATE SHOWN IN THE BILL, MAY RECOVER FROM THE ISSUER
23 DAMAGES CAUSED BY THE MISDATING OF THE BILL OR THE NONRECEIPT OR
24 MISDESCRIPTION OF THE GOODS, EXCEPT TO THE EXTENT THAT THE BILL
25 INDICATES THAT THE ISSUER DOES NOT KNOW WHETHER ANY PART OR ALL OF THE
26 GOODS IN FACT WERE RECEIVED OR CONFORM TO THE DESCRIPTION, SUCH AS IN A
27 CASE IN WHICH THE DESCRIPTION IS IN TERMS OF MARKS OR LABELS OR KIND,
28 QUANTITY, OR CONDITION OR THE RECEIPT OR DESCRIPTION IS QUALIFIED BY
29 "CONTENTS OR CONDITION OF CONTENTS OF PACKAGES UNKNOWN", "SAID TO
30 CONTAIN", "SHIPPER'S WEIGHT, LOAD, AND COUNT", OR WORDS OF SIMILAR IMPORT,
31 IF THAT INDICATION IS TRUE.

32 (B) IF GOODS ARE LOADED BY THE ISSUER OF A BILL OF LADING:

33 (1) THE ISSUER SHALL COUNT THE PACKAGES OF GOODS IF SHIPPED IN
34 PACKAGES AND ASCERTAIN THE KIND AND QUANTITY IF SHIPPED IN BULK; AND

35 (2) WORDS SUCH AS "SHIPPER'S WEIGHT, LOAD, AND COUNT", OR WORDS
36 OF SIMILAR IMPORT INDICATING THAT THE DESCRIPTION WAS MADE BY THE
37 SHIPPER ARE INEFFECTIVE EXCEPT AS TO GOODS CONCEALED IN PACKAGES.

38 (C) IF BULK GOODS ARE LOADED BY A SHIPPER THAT MAKES AVAILABLE TO
39 THE ISSUER OF A BILL OF LADING ADEQUATE FACILITIES FOR WEIGHING THOSE

1 GOODS, THE ISSUER SHALL ASCERTAIN THE KIND AND QUANTITY WITHIN A
2 REASONABLE TIME AFTER RECEIVING THE SHIPPER'S REQUEST IN A RECORD TO DO
3 SO. IN THAT CASE, "SHIPPER'S WEIGHT" OR WORDS OF SIMILAR IMPORT ARE
4 INEFFECTIVE.

5 (D) THE ISSUER OF A BILL OF LADING, BY INCLUDING IN THE BILL THE
6 WORDS "SHIPPER'S WEIGHT, LOAD, AND COUNT", OR WORDS OF SIMILAR IMPORT,
7 MAY INDICATE THAT THE GOODS WERE LOADED BY THE SHIPPER, AND, IF THAT
8 STATEMENT IS TRUE, THE ISSUER IS NOT LIABLE FOR DAMAGES CAUSED BY THE
9 IMPROPER LOADING. HOWEVER, OMISSION OF SUCH WORDS DOES NOT IMPLY
10 LIABILITY FOR DAMAGES CAUSED BY IMPROPER LOADING.

11 (E) A SHIPPER GUARANTEES TO AN ISSUER THE ACCURACY AT THE TIME OF
12 SHIPMENT OF THE DESCRIPTION, MARKS, LABELS, NUMBER, KIND, QUANTITY,
13 CONDITION, AND WEIGHT, AS FURNISHED BY THE SHIPPER, AND THE SHIPPER SHALL
14 INDEMNIFY THE ISSUER AGAINST DAMAGE CAUSED BY INACCURACIES IN THOSE
15 PARTICULARS. THIS RIGHT OF INDEMNITY DOES NOT LIMIT THE ISSUER'S
16 RESPONSIBILITY OR LIABILITY UNDER THE CONTRACT OF CARRIAGE TO ANY
17 PERSON OTHER THAN THE SHIPPER.

18 7-302.

19 (A) THE ISSUER OF A THROUGH BILL OF LADING OR OTHER DOCUMENT OF
20 TITLE EMBODYING AN UNDERTAKING TO BE PERFORMED IN PART BY A PERSON
21 ACTING AS ITS AGENT OR BY A PERFORMING CARRIER IS LIABLE TO ANY PERSON
22 ENTITLED TO RECOVER ON THE BILL OR OTHER DOCUMENT FOR ANY BREACH BY
23 THE OTHER PERSON OR THE PERFORMING CARRIER OF ITS OBLIGATION UNDER THE
24 BILL OR OTHER DOCUMENT. HOWEVER, TO THE EXTENT THAT THE BILL OR OTHER
25 DOCUMENT COVERS AN UNDERTAKING TO BE PERFORMED OVERSEAS OR IN
26 TERRITORY NOT CONTIGUOUS TO THE CONTINENTAL UNITED STATES OR AN
27 UNDERTAKING INCLUDING MATTERS OTHER THAN TRANSPORTATION, THIS
28 LIABILITY FOR BREACH BY THE OTHER PERSON OR THE PERFORMING CARRIER MAY
29 BE VARIED BY AGREEMENT OF THE PARTIES.

30 (B) IF GOODS COVERED BY A THROUGH BILL OF LADING OR OTHER
31 DOCUMENT OF TITLE EMBODYING AN UNDERTAKING TO BE PERFORMED IN PART BY
32 A PERSON OTHER THAN THE ISSUER ARE RECEIVED BY THAT PERSON, THE PERSON
33 IS SUBJECT, WITH RESPECT TO ITS OWN PERFORMANCE WHILE THE GOODS ARE IN
34 ITS POSSESSION, TO THE OBLIGATION OF THE ISSUER. THE PERSON'S OBLIGATION IS
35 DISCHARGED BY DELIVERY OF THE GOODS TO ANOTHER PERSON PURSUANT TO THE
36 BILL OR OTHER DOCUMENT AND DOES NOT INCLUDE LIABILITY FOR BREACH BY ANY
37 OTHER PERSON OR BY THE ISSUER.

38 (C) THE ISSUER OF A THROUGH BILL OF LADING OR OTHER DOCUMENT OF
39 TITLE DESCRIBED IN SUBSECTION (A) IS ENTITLED TO RECOVER FROM THE
40 PERFORMING CARRIER, OR OTHER PERSON IN POSSESSION OF THE GOODS WHEN
41 THE BREACH OF THE OBLIGATION UNDER THE BILL OR OTHER DOCUMENT
42 OCCURRED:

1 (1) THE AMOUNT IT MAY BE REQUIRED TO PAY TO ANY PERSON
2 ENTITLED TO RECOVER ON THE BILL OR OTHER DOCUMENT FOR THE BREACH, AS
3 MAY BE EVIDENCED BY ANY RECEIPT, JUDGMENT, OR TRANSCRIPT OF JUDGMENT;
4 AND

5 (2) THE AMOUNT OF ANY EXPENSE REASONABLY INCURRED BY THE
6 ISSUER IN DEFENDING ANY ACTION COMMENCED BY ANY PERSON ENTITLED TO
7 RECOVER ON THE BILL OR OTHER DOCUMENT FOR THE BREACH.

8 7-303.

9 (A) UNLESS THE BILL OF LADING OTHERWISE PROVIDES, A CARRIER MAY
10 DELIVER THE GOODS TO A PERSON OR DESTINATION OTHER THAN THAT STATED IN
11 THE BILL OR MAY OTHERWISE DISPOSE OF THE GOODS, WITHOUT LIABILITY FOR
12 MISDELIVERY, ON INSTRUCTIONS FROM:

13 (1) THE HOLDER OF A NEGOTIABLE BILL;

14 (2) THE CONSIGNOR ON A NONNEGOTIABLE BILL, EVEN IF THE
15 CONSIGNEE HAS GIVEN CONTRARY INSTRUCTIONS;

16 (3) THE CONSIGNEE ON A NONNEGOTIABLE BILL IN THE ABSENCE OF
17 CONTRARY INSTRUCTIONS FROM THE CONSIGNOR, IF THE GOODS HAVE ARRIVED AT
18 THE BILLED DESTINATION OR IF THE CONSIGNEE IS IN POSSESSION OF THE
19 TANGIBLE BILL OR IN CONTROL OF THE ELECTRONIC BILL; OR

20 (4) THE CONSIGNEE ON A NONNEGOTIABLE BILL, IF THE CONSIGNEE IS
21 ENTITLED AS AGAINST THE CONSIGNOR TO DISPOSE OF THE GOODS.

22 (B) UNLESS INSTRUCTIONS DESCRIBED IN SUBSECTION (A) ARE INCLUDED IN
23 A NEGOTIABLE BILL OF LADING, A PERSON TO WHICH THE BILL IS DULY
24 NEGOTIATED MAY HOLD THE BAILEE ACCORDING TO THE ORIGINAL TERMS.

25 7-304.

26 (A) EXCEPT AS CUSTOMARY IN INTERNATIONAL TRANSPORTATION, A
27 TANGIBLE BILL OF LADING MAY NOT BE ISSUED IN A SET OF PARTS. THE ISSUER IS
28 LIABLE FOR DAMAGES CAUSED BY VIOLATION OF THIS SUBSECTION.

29 (B) IF A TANGIBLE BILL OF LADING IS LAWFULLY ISSUED IN A SET OF PARTS,
30 EACH OF WHICH CONTAINS AN IDENTIFICATION CODE AND IS EXPRESSED TO BE
31 VALID ONLY IF THE GOODS HAVE NOT BEEN DELIVERED AGAINST ANY OTHER PART,
32 THE WHOLE OF THE PARTS CONSTITUTES ONE BILL.

33 (C) IF A TANGIBLE NEGOTIABLE BILL OF LADING IS LAWFULLY ISSUED IN A
34 SET OF PARTS AND DIFFERENT PARTS ARE NEGOTIATED TO DIFFERENT PERSONS,
35 THE TITLE OF THE HOLDER TO WHICH THE FIRST DUE NEGOTIATION IS MADE
36 PREVAILS AS TO BOTH THE DOCUMENT OF TITLE AND THE GOODS EVEN IF ANY
37 LATER HOLDER MAY HAVE RECEIVED THE GOODS FROM THE CARRIER IN GOOD
38 FAITH AND DISCHARGED THE CARRIER'S OBLIGATION BY SURRENDERING ITS PART.

1 (D) A PERSON THAT NEGOTIATES OR TRANSFERS A SINGLE PART OF A
2 TANGIBLE BILL OF LADING ISSUED IN A SET IS LIABLE TO HOLDERS OF THAT PART
3 AS IF IT WERE THE WHOLE SET.

4 (E) THE BAILEE SHALL DELIVER IN ACCORDANCE WITH SUBTITLE 4 AGAINST
5 THE FIRST PRESENTED PART OF A TANGIBLE BILL OF LADING LAWFULLY ISSUED IN
6 A SET. DELIVERY IN THIS MANNER DISCHARGES THE BAILEE'S OBLIGATION ON THE
7 WHOLE BILL.

8 7-305.

9 (A) INSTEAD OF ISSUING A BILL OF LADING TO THE CONSIGNOR AT THE
10 PLACE OF SHIPMENT, A CARRIER, AT THE REQUEST OF THE CONSIGNOR, MAY
11 PROCURE THE BILL TO BE ISSUED AT DESTINATION OR AT ANY OTHER PLACE
12 DESIGNATED IN THE REQUEST.

13 (B) UPON REQUEST OF ANY PERSON ENTITLED AS AGAINST A CARRIER TO
14 CONTROL THE GOODS WHILE IN TRANSIT AND ON SURRENDER OF POSSESSION OR
15 CONTROL OF ANY OUTSTANDING BILL OF LADING OR OTHER RECEIPT COVERING
16 THE GOODS, THE ISSUER, SUBJECT TO § 7-105, MAY PROCURE A SUBSTITUTE BILL TO
17 BE ISSUED AT ANY PLACE DESIGNATED IN THE REQUEST.

18 7-306.

19 AN UNAUTHORIZED ALTERATION OR FILLING IN OF A BLANK IN A BILL OF
20 LADING LEAVES THE BILL ENFORCEABLE ACCORDING TO ITS ORIGINAL TENOR.

21 7-307.

22 (A) A CARRIER HAS A LIEN ON THE GOODS COVERED BY A BILL OF LADING OR
23 ON THE PROCEEDS THEREOF IN ITS POSSESSION FOR CHARGES AFTER THE DATE OF
24 THE CARRIER'S RECEIPT OF THE GOODS FOR STORAGE OR TRANSPORTATION,
25 INCLUDING DEMURRAGE AND TERMINAL CHARGES, AND FOR EXPENSES NECESSARY
26 FOR PRESERVATION OF THE GOODS INCIDENT TO THEIR TRANSPORTATION OR
27 REASONABLY INCURRED IN THEIR SALE PURSUANT TO LAW. HOWEVER, AGAINST A
28 PURCHASER FOR VALUE OF A NEGOTIABLE BILL OF LADING, A CARRIER'S LIEN IS
29 LIMITED TO CHARGES STATED IN THE BILL OR THE APPLICABLE TARIFFS OR, IF NO
30 CHARGES ARE STATED, A REASONABLE CHARGE.

31 (B) A LIEN FOR CHARGES AND EXPENSES UNDER SUBSECTION (A) ON GOODS
32 THAT THE CARRIER WAS REQUIRED BY LAW TO RECEIVE FOR TRANSPORTATION IS
33 EFFECTIVE AGAINST THE CONSIGNOR OR ANY PERSON ENTITLED TO THE GOODS
34 UNLESS THE CARRIER HAD NOTICE THAT THE CONSIGNOR LACKED AUTHORITY TO
35 SUBJECT THE GOODS TO THOSE CHARGES AND EXPENSES. ANY OTHER LIEN UNDER
36 SUBSECTION (A) IS EFFECTIVE AGAINST THE CONSIGNOR AND ANY PERSON THAT
37 PERMITTED THE BAILOR TO HAVE CONTROL OR POSSESSION OF THE GOODS UNLESS
38 THE CARRIER HAD NOTICE THAT THE BAILOR LACKED AUTHORITY.

39 (C) A CARRIER LOSES ITS LIEN ON ANY GOODS THAT IT VOLUNTARILY
40 DELIVERS OR UNJUSTIFIABLY REFUSES TO DELIVER.

1 7-308.

2 (A) A CARRIER'S LIEN ON GOODS MAY BE ENFORCED BY PUBLIC OR PRIVATE
3 SALE OF THE GOODS, IN BULK OR IN PACKAGES, AT ANY TIME OR PLACE AND ON ANY
4 TERMS THAT ARE COMMERCIALY REASONABLE, AFTER NOTIFYING ALL PERSONS
5 KNOWN TO CLAIM AN INTEREST IN THE GOODS. THE NOTIFICATION MUST INCLUDE
6 A STATEMENT OF THE AMOUNT DUE, THE NATURE OF THE PROPOSED SALE, AND
7 THE TIME AND PLACE OF ANY PUBLIC SALE. THE FACT THAT A BETTER PRICE COULD
8 HAVE BEEN OBTAINED BY A SALE AT A DIFFERENT TIME OR IN A METHOD
9 DIFFERENT FROM THAT SELECTED BY THE CARRIER IS NOT OF ITSELF SUFFICIENT
10 TO ESTABLISH THAT THE SALE WAS NOT MADE IN A COMMERCIALY REASONABLE
11 MANNER. THE CARRIER SELLS GOODS IN A COMMERCIALY REASONABLE MANNER
12 IF THE CARRIER SELLS THE GOODS IN THE USUAL MANNER IN ANY RECOGNIZED
13 MARKET THEREFOR, SELLS AT THE PRICE CURRENT IN THAT MARKET AT THE TIME
14 OF THE SALE, OR OTHERWISE SELLS IN CONFORMITY WITH COMMERCIALY
15 REASONABLE PRACTICES AMONG DEALERS IN THE TYPE OF GOODS SOLD. A SALE OF
16 MORE GOODS THAN APPARENTLY NECESSARY TO BE OFFERED TO ENSURE
17 SATISFACTION OF THE OBLIGATION IS NOT COMMERCIALY REASONABLE, EXCEPT
18 IN CASES COVERED BY THE PRECEDING SENTENCE.

19 (B) BEFORE ANY SALE PURSUANT TO THIS SECTION, ANY PERSON CLAIMING A
20 RIGHT IN THE GOODS MAY PAY THE AMOUNT NECESSARY TO SATISFY THE LIEN AND
21 THE REASONABLE EXPENSES INCURRED IN COMPLYING WITH THIS SECTION. IN
22 THAT EVENT, THE GOODS MAY NOT BE SOLD BUT MUST BE RETAINED BY THE
23 CARRIER, SUBJECT TO THE TERMS OF THE BILL OF LADING AND THIS TITLE.

24 (C) A CARRIER MAY BUY AT ANY PUBLIC SALE PURSUANT TO THIS SECTION.

25 (D) A PURCHASER IN GOOD FAITH OF GOODS SOLD TO ENFORCE A CARRIER'S
26 LIEN TAKES THE GOODS FREE OF ANY RIGHTS OF PERSONS AGAINST WHICH THE
27 LIEN WAS VALID, DESPITE THE CARRIER'S NONCOMPLIANCE WITH THIS SECTION.

28 (E) A CARRIER MAY SATISFY ITS LIEN FROM THE PROCEEDS OF ANY SALE
29 PURSUANT TO THIS SECTION BUT SHALL HOLD THE BALANCE, IF ANY, FOR DELIVERY
30 ON DEMAND TO ANY PERSON TO WHICH THE CARRIER WOULD HAVE BEEN BOUND TO
31 DELIVER THE GOODS.

32 (F) THE RIGHTS PROVIDED BY THIS SECTION ARE IN ADDITION TO ALL OTHER
33 RIGHTS ALLOWED BY LAW TO A CREDITOR AGAINST A DEBTOR.

34 (G) A CARRIER'S LIEN MAY BE ENFORCED PURSUANT TO EITHER SUBSECTION
35 (A) OR THE PROCEDURE SET FORTH IN § 7-210(B).

36 (H) A CARRIER IS LIABLE FOR DAMAGES CAUSED BY FAILURE TO COMPLY
37 WITH THE REQUIREMENTS FOR SALE UNDER THIS SECTION AND, IN CASE OF
38 WILLFUL VIOLATION, IS LIABLE FOR CONVERSION.

1 7-309.

2 (A) A CARRIER THAT ISSUES A BILL OF LADING, WHETHER NEGOTIABLE OR
3 NONNEGOTIABLE, SHALL EXERCISE THE DEGREE OF CARE IN RELATION TO THE
4 GOODS WHICH A REASONABLY CAREFUL PERSON WOULD EXERCISE UNDER SIMILAR
5 CIRCUMSTANCES. THIS SUBSECTION DOES NOT AFFECT ANY STATUTE, REGULATION,
6 OR RULE OF LAW THAT IMPOSES LIABILITY UPON A COMMON CARRIER FOR
7 DAMAGES NOT CAUSED BY ITS NEGLIGENCE.

8 (B) DAMAGES MAY BE LIMITED BY A TERM IN THE BILL OF LADING OR IN A
9 TRANSPORTATION AGREEMENT THAT THE CARRIER'S LIABILITY MAY NOT EXCEED A
10 VALUE STATED IN THE BILL OR TRANSPORTATION AGREEMENT IF THE CARRIER'S
11 RATES ARE DEPENDENT UPON VALUE AND THE CONSIGNOR IS AFFORDED AN
12 OPPORTUNITY TO DECLARE A HIGHER VALUE AND THE CONSIGNOR IS ADVISED OF
13 THE OPPORTUNITY. HOWEVER, SUCH A LIMITATION IS NOT EFFECTIVE WITH
14 RESPECT TO THE CARRIER'S LIABILITY FOR CONVERSION TO ITS OWN USE.

15 (C) REASONABLE PROVISIONS AS TO THE TIME AND MANNER OF PRESENTING
16 CLAIMS AND COMMENCING ACTIONS BASED ON THE SHIPMENT MAY BE INCLUDED
17 IN A BILL OF LADING OR A TRANSPORTATION AGREEMENT.

18 Subtitle 4. Warehouse Receipts and Bills of Lading: General Obligations.

19 7-401.

20 THE OBLIGATIONS IMPOSED BY THIS TITLE ON AN ISSUER APPLY TO A
21 DOCUMENT OF TITLE EVEN IF:

22 (1) THE DOCUMENT DOES NOT COMPLY WITH THE REQUIREMENTS OF
23 THIS TITLE OR OF ANY OTHER STATUTE, RULE, OR REGULATION REGARDING ITS
24 ISSUANCE, FORM, OR CONTENT;

25 (2) THE ISSUER VIOLATED LAWS REGULATING THE CONDUCT OF ITS
26 BUSINESS;

27 (3) THE GOODS COVERED BY THE DOCUMENT WERE OWNED BY THE
28 BAILEE WHEN THE DOCUMENT WAS ISSUED; OR

29 (4) THE PERSON ISSUING THE DOCUMENT IS NOT A WAREHOUSE BUT
30 THE DOCUMENT PURPORTS TO BE A WAREHOUSE RECEIPT.

31 7-402.

32 A DUPLICATE OR ANY OTHER DOCUMENT OF TITLE PURPORTING TO COVER
33 GOODS ALREADY REPRESENTED BY AN OUTSTANDING DOCUMENT OF THE SAME
34 ISSUER DOES NOT CONFER ANY RIGHT IN THE GOODS, EXCEPT AS PROVIDED IN THE
35 CASE OF TANGIBLE BILLS OF LADING IN A SET OF PARTS, OVERISSUE OF
36 DOCUMENTS FOR FUNGIBLE GOODS, SUBSTITUTES FOR LOST, STOLEN, OR
37 DESTROYED DOCUMENTS, OR SUBSTITUTE DOCUMENTS ISSUED PURSUANT TO §

1 7-105. THE ISSUER IS LIABLE FOR DAMAGES CAUSED BY ITS OVERISSUE OR FAILURE
2 TO IDENTIFY A DUPLICATE DOCUMENT BY A CONSPICUOUS NOTATION.

3 7-403.

4 (A) A BAILEE SHALL DELIVER THE GOODS TO A PERSON ENTITLED UNDER A
5 DOCUMENT OF TITLE IF THE PERSON COMPLIES WITH SUBSECTIONS (B) AND (C),
6 UNLESS AND TO THE EXTENT THAT THE BAILEE ESTABLISHES ANY OF THE
7 FOLLOWING:

8 (1) DELIVERY OF THE GOODS TO A PERSON WHOSE RECEIPT WAS
9 RIGHTFUL AS AGAINST THE CLAIMANT;

10 (2) DAMAGE TO OR DELAY, LOSS, OR DESTRUCTION OF THE GOODS FOR
11 WHICH THE BAILEE IS NOT LIABLE;

12 (3) PREVIOUS SALE OR OTHER DISPOSITION OF THE GOODS IN LAWFUL
13 ENFORCEMENT OF A LIEN OR ON A WAREHOUSE'S LAWFUL TERMINATION OF
14 STORAGE;

15 (4) THE EXERCISE BY A SELLER OF ITS RIGHT TO STOP DELIVERY
16 PURSUANT TO § 2-705 OR BY A LESSOR OF ITS RIGHT TO STOP DELIVERY PURSUANT
17 TO § 2A-526;

18 (5) A DIVERSION, RECONSIGNMENT, OR OTHER DISPOSITION PURSUANT
19 TO § 7-303;

20 (6) RELEASE, SATISFACTION, OR ANY OTHER PERSONAL DEFENSE
21 AGAINST THE CLAIMANT; OR

22 (7) ANY OTHER LAWFUL EXCUSE.

23 (B) A PERSON CLAIMING GOODS COVERED BY A DOCUMENT OF TITLE SHALL
24 SATISFY THE BAILEE'S LIEN IF THE BAILEE SO REQUESTS OR IF THE BAILEE IS
25 PROHIBITED BY LAW FROM DELIVERING THE GOODS UNTIL THE CHARGES ARE PAID.

26 (C) UNLESS A PERSON CLAIMING THE GOODS IS A PERSON AGAINST WHICH
27 THE DOCUMENT OF TITLE DOES NOT CONFER A RIGHT UNDER § 7-503(A):

28 (1) THE PERSON CLAIMING UNDER A DOCUMENT SHALL SURRENDER
29 POSSESSION OR CONTROL OF ANY OUTSTANDING NEGOTIABLE DOCUMENT
30 COVERING THE GOODS FOR CANCELLATION OR INDICATION OF PARTIAL
31 DELIVERIES; AND

32 (2) THE BAILEE SHALL CANCEL THE DOCUMENT OR CONSPICUOUSLY
33 INDICATE IN THE DOCUMENT THE PARTIAL DELIVERY OR THE BAILEE IS LIABLE TO
34 ANY PERSON TO WHICH THE DOCUMENT IS DULY NEGOTIATED.

1 7-404.

2 A BAILEE THAT IN GOOD FAITH HAS RECEIVED GOODS AND DELIVERED OR
3 OTHERWISE DISPOSED OF THE GOODS ACCORDING TO THE TERMS OF A DOCUMENT
4 OF TITLE OR PURSUANT TO THIS TITLE IS NOT LIABLE FOR THE GOODS EVEN IF:

5 (1) THE PERSON FROM WHICH THE BAILEE RECEIVED THE GOODS DID
6 NOT HAVE AUTHORITY TO PROCURE THE DOCUMENT OR TO DISPOSE OF THE GOODS;
7 OR

8 (2) THE PERSON TO WHICH THE BAILEE DELIVERED THE GOODS DID
9 NOT HAVE AUTHORITY TO RECEIVE THE GOODS.

10 Subtitle 5. Warehouse Receipts and Bills of Lading: Negotiation and Transfer.

11 7-501.

12 (A) THE FOLLOWING RULES APPLY TO A NEGOTIABLE TANGIBLE DOCUMENT
13 OF TITLE:

14 (1) IF THE DOCUMENT'S ORIGINAL TERMS RUN TO THE ORDER OF A
15 NAMED PERSON, THE DOCUMENT IS NEGOTIATED BY THE NAMED PERSON'S
16 INDORSEMENT AND DELIVERY. AFTER THE NAMED PERSON'S INDORSEMENT IN
17 BLANK OR TO BEARER, ANY PERSON MAY NEGOTIATE THE DOCUMENT BY DELIVERY
18 ALONE.

19 (2) IF THE DOCUMENT'S ORIGINAL TERMS RUN TO BEARER, IT IS
20 NEGOTIATED BY DELIVERY ALONE.

21 (3) IF THE DOCUMENT'S ORIGINAL TERMS RUN TO THE ORDER OF A
22 NAMED PERSON AND IT IS DELIVERED TO THE NAMED PERSON, THE EFFECT IS THE
23 SAME AS IF THE DOCUMENT HAD BEEN NEGOTIATED.

24 (4) NEGOTIATION OF THE DOCUMENT AFTER IT HAS BEEN INDORSED
25 TO A NAMED PERSON REQUIRES INDORSEMENT BY THE NAMED PERSON AND
26 DELIVERY.

27 (5) A DOCUMENT IS DULY NEGOTIATED IF IT IS NEGOTIATED IN THE
28 MANNER STATED IN THIS SUBSECTION TO A HOLDER THAT PURCHASES IT IN GOOD
29 FAITH, WITHOUT NOTICE OF ANY DEFENSE AGAINST OR CLAIM TO IT ON THE PART
30 OF ANY PERSON, AND FOR VALUE, UNLESS IT IS ESTABLISHED THAT THE
31 NEGOTIATION IS NOT IN THE REGULAR COURSE OF BUSINESS OR FINANCING OR
32 INVOLVES RECEIVING THE DOCUMENT IN SETTLEMENT OR PAYMENT OF A
33 MONETARY OBLIGATION.

34 (B) THE FOLLOWING RULES APPLY TO A NEGOTIABLE ELECTRONIC
35 DOCUMENT OF TITLE:

36 (1) IF THE DOCUMENT'S ORIGINAL TERMS RUN TO THE ORDER OF A
37 NAMED PERSON OR TO BEARER, THE DOCUMENT IS NEGOTIATED BY DELIVERY OF

1 THE DOCUMENT TO ANOTHER PERSON. INDORSEMENT BY THE NAMED PERSON IS
2 NOT REQUIRED TO NEGOTIATE THE DOCUMENT.

3 (2) IF THE DOCUMENT'S ORIGINAL TERMS RUN TO THE ORDER OF A
4 NAMED PERSON AND THE NAMED PERSON HAS CONTROL OF THE DOCUMENT, THE
5 EFFECT IS THE SAME AS IF THE DOCUMENT HAD BEEN NEGOTIATED.

6 (3) A DOCUMENT IS DULY NEGOTIATED IF IT IS NEGOTIATED IN THE
7 MANNER STATED IN THIS SUBSECTION TO A HOLDER THAT PURCHASES IT IN GOOD
8 FAITH, WITHOUT NOTICE OF ANY DEFENSE AGAINST OR CLAIM TO IT ON THE PART
9 OF ANY PERSON, AND FOR VALUE, UNLESS IT IS ESTABLISHED THAT THE
10 NEGOTIATION IS NOT IN THE REGULAR COURSE OF BUSINESS OR FINANCING OR
11 INVOLVES TAKING DELIVERY OF THE DOCUMENT IN SETTLEMENT OR PAYMENT OF A
12 MONETARY OBLIGATION.

13 (C) INDORSEMENT OF A NONNEGOTIABLE DOCUMENT OF TITLE NEITHER
14 MAKES IT NEGOTIABLE NOR ADDS TO THE TRANSFEREE'S RIGHTS.

15 (D) THE NAMING IN A NEGOTIABLE BILL OF LADING OF A PERSON TO BE
16 NOTIFIED OF THE ARRIVAL OF THE GOODS DOES NOT LIMIT THE NEGOTIABILITY OF
17 THE BILL OR CONSTITUTE NOTICE TO A PURCHASER OF THE BILL OF ANY INTEREST
18 OF THAT PERSON IN THE GOODS.

19 7-502.

20 (A) SUBJECT TO §§ 7-205 AND 7-503, A HOLDER TO WHICH A NEGOTIABLE
21 DOCUMENT OF TITLE HAS BEEN DULY NEGOTIATED ACQUIRES THEREBY:

22 (1) TITLE TO THE DOCUMENT;

23 (2) TITLE TO THE GOODS;

24 (3) ALL RIGHTS ACCRUING UNDER THE LAW OF AGENCY OR ESTOPPEL,
25 INCLUDING RIGHTS TO GOODS DELIVERED TO THE BAILEE AFTER THE DOCUMENT
26 WAS ISSUED; AND

27 (4) THE DIRECT OBLIGATION OF THE ISSUER TO HOLD OR DELIVER THE
28 GOODS ACCORDING TO THE TERMS OF THE DOCUMENT FREE OF ANY DEFENSE OR
29 CLAIM BY THE ISSUER EXCEPT THOSE ARISING UNDER THE TERMS OF THE
30 DOCUMENT OR UNDER THIS TITLE, BUT IN THE CASE OF A DELIVERY ORDER, THE
31 BAILEE'S OBLIGATION ACCRUES ONLY UPON THE BAILEE'S ACCEPTANCE OF THE
32 DELIVERY ORDER AND THE OBLIGATION ACQUIRED BY THE HOLDER IS THAT THE
33 ISSUER AND ANY INDORSER WILL PROCURE THE ACCEPTANCE OF THE BAILEE.

34 (B) SUBJECT TO § 7-503, TITLE AND RIGHTS ACQUIRED BY DUE NEGOTIATION
35 ARE NOT DEFEATED BY ANY STOPPAGE OF THE GOODS REPRESENTED BY THE
36 DOCUMENT OF TITLE OR BY SURRENDER OF THE GOODS BY THE BAILEE AND ARE
37 NOT IMPAIRED EVEN IF:

1 (1) THE DUE NEGOTIATION OR ANY PRIOR DUE NEGOTIATION
2 CONSTITUTED A BREACH OF DUTY;

3 (2) ANY PERSON HAS BEEN DEPRIVED OF POSSESSION OF A
4 NEGOTIABLE TANGIBLE DOCUMENT OR CONTROL OF A NEGOTIABLE ELECTRONIC
5 DOCUMENT BY MISREPRESENTATION, FRAUD, ACCIDENT, MISTAKE, DURESS, LOSS,
6 THEFT, OR CONVERSION; OR

7 (3) A PREVIOUS SALE OR OTHER TRANSFER OF THE GOODS OR
8 DOCUMENT HAS BEEN MADE TO A THIRD PERSON.

9 7-503.

10 (A) A DOCUMENT OF TITLE CONFERS NO RIGHT IN GOODS AGAINST A PERSON
11 THAT BEFORE ISSUANCE OF THE DOCUMENT HAD A LEGAL INTEREST OR A
12 PERFECTED SECURITY INTEREST IN THE GOODS AND DID NOT:

13 (1) DELIVER OR ENTRUST THE GOODS OR ANY DOCUMENT OF TITLE
14 COVERING THE GOODS TO THE BAILOR OR THE BAILOR'S NOMINEE WITH:

15 (A) ACTUAL OR APPARENT AUTHORITY TO SHIP, STORE, OR SELL;

16 (B) POWER TO OBTAIN DELIVERY UNDER § 7-403; OR

17 (C) POWER OF DISPOSITION UNDER § 2-403, § 2A-304(2), § 2A-305(2), §
18 9-320, OR § 9-321(C) OR OTHER STATUTE OR RULE OF LAW; OR

19 (2) ACQUIESCE IN THE PROCUREMENT BY THE BAILOR OR ITS NOMINEE
20 OF ANY DOCUMENT.

21 (B) TITLE TO GOODS BASED UPON AN UNACCEPTED DELIVERY ORDER IS
22 SUBJECT TO THE RIGHTS OF ANY PERSON TO WHICH A NEGOTIABLE WAREHOUSE
23 RECEIPT OR BILL OF LADING COVERING THE GOODS HAS BEEN DULY NEGOTIATED.
24 THAT TITLE MAY BE DEFEATED UNDER § 7-504 TO THE SAME EXTENT AS THE RIGHTS
25 OF THE ISSUER OR A TRANSFEREE FROM THE ISSUER.

26 (C) TITLE TO GOODS BASED UPON A BILL OF LADING ISSUED TO A FREIGHT
27 FORWARDER IS SUBJECT TO THE RIGHTS OF ANY PERSON TO WHICH A BILL ISSUED
28 BY THE FREIGHT FORWARDER IS DULY NEGOTIATED. HOWEVER, DELIVERY BY THE
29 CARRIER IN ACCORDANCE WITH SUBTITLE 4 PURSUANT TO ITS OWN BILL OF LADING
30 DISCHARGES THE CARRIER'S OBLIGATION TO DELIVER.

31 7-504.

32 (A) A TRANSFEREE OF A DOCUMENT OF TITLE, WHETHER NEGOTIABLE OR
33 NONNEGOTIABLE, TO WHICH THE DOCUMENT HAS BEEN DELIVERED BUT NOT DULY
34 NEGOTIATED, ACQUIRES THE TITLE AND RIGHTS THAT ITS TRANSFEROR HAD OR
35 HAD ACTUAL AUTHORITY TO CONVEY.

1 (B) IN THE CASE OF A TRANSFER OF A NONNEGOTIABLE DOCUMENT OF
2 TITLE, UNTIL BUT NOT AFTER THE BAILEE RECEIVES NOTICE OF THE TRANSFER,
3 THE RIGHTS OF THE TRANSFEREE MAY BE DEFEATED:

4 (1) BY THOSE CREDITORS OF THE TRANSFEROR WHICH COULD TREAT
5 THE TRANSFER AS VOID UNDER § 2-402 OR § 2A-308;

6 (2) BY A BUYER FROM THE TRANSFEROR IN ORDINARY COURSE OF
7 BUSINESS IF THE BAILEE HAS DELIVERED THE GOODS TO THE BUYER OR RECEIVED
8 NOTIFICATION OF THE BUYER'S RIGHTS;

9 (3) BY A LESSEE FROM THE TRANSFEROR IN ORDINARY COURSE OF
10 BUSINESS IF THE BAILEE HAS DELIVERED THE GOODS TO THE LESSEE OR RECEIVED
11 NOTIFICATION OF THE LESSEE'S RIGHTS; OR

12 (4) AS AGAINST THE BAILEE, BY GOOD-FAITH DEALINGS OF THE BAILEE
13 WITH THE TRANSFEROR.

14 (C) A DIVERSION OR OTHER CHANGE OF SHIPPING INSTRUCTIONS BY THE
15 CONSIGNOR IN A NONNEGOTIABLE BILL OF LADING WHICH CAUSES THE BAILEE NOT
16 TO DELIVER THE GOODS TO THE CONSIGNEE DEFEATS THE CONSIGNEE'S TITLE TO
17 THE GOODS IF THE GOODS HAVE BEEN DELIVERED TO A BUYER IN ORDINARY
18 COURSE OF BUSINESS OR A LESSEE IN ORDINARY COURSE OF BUSINESS AND, IN ANY
19 EVENT, DEFEATS THE CONSIGNEE'S RIGHTS AGAINST THE BAILEE.

20 (D) DELIVERY OF THE GOODS PURSUANT TO A NONNEGOTIABLE DOCUMENT
21 OF TITLE MAY BE STOPPED BY A SELLER UNDER § 2-705 OR A LESSOR UNDER §
22 2A-526, SUBJECT TO THE REQUIREMENTS OF DUE NOTIFICATION IN THOSE
23 SECTIONS. A BAILEE THAT HONORS THE SELLER'S OR LESSOR'S INSTRUCTIONS IS
24 ENTITLED TO BE INDEMNIFIED BY THE SELLER OR LESSOR AGAINST ANY
25 RESULTING LOSS OR EXPENSE.

26 7-505.

27 THE INDORSEMENT OF A TANGIBLE DOCUMENT OF TITLE ISSUED BY A BAILEE
28 DOES NOT MAKE THE INDORSER LIABLE FOR ANY DEFAULT BY THE BAILEE OR
29 PREVIOUS INDORSERS.

30 7-506.

31 THE TRANSFEREE OF A NEGOTIABLE TANGIBLE DOCUMENT OF TITLE HAS A
32 SPECIFICALLY ENFORCEABLE RIGHT TO HAVE ITS TRANSFEROR SUPPLY ANY
33 NECESSARY INDORSEMENT, BUT THE TRANSFER BECOMES A NEGOTIATION ONLY AS
34 OF THE TIME THE INDORSEMENT IS SUPPLIED.

35 7-507.

36 IF A PERSON NEGOTIATES OR DELIVERS A DOCUMENT OF TITLE FOR VALUE,
37 OTHERWISE THAN AS A MERE INTERMEDIARY UNDER § 7-508, UNLESS OTHERWISE

1 AGREED, THE TRANSFEROR, IN ADDITION TO ANY WARRANTY MADE IN SELLING OR
2 LEASING THE GOODS, WARRANTS TO ITS IMMEDIATE PURCHASER ONLY THAT:

3 (1) THE DOCUMENT IS GENUINE;

4 (2) THE TRANSFEROR DOES NOT HAVE KNOWLEDGE OF ANY FACT THAT
5 WOULD IMPAIR THE DOCUMENT'S VALIDITY OR WORTH; AND

6 (3) THE NEGOTIATION OR DELIVERY IS RIGHTFUL AND FULLY
7 EFFECTIVE WITH RESPECT TO THE TITLE TO THE DOCUMENT AND THE GOODS IT
8 REPRESENTS.

9 7-508.

10 A COLLECTING BANK OR OTHER INTERMEDIARY KNOWN TO BE ENTRUSTED
11 WITH DOCUMENTS OF TITLE ON BEHALF OF ANOTHER OR WITH COLLECTION OF A
12 DRAFT OR OTHER CLAIM AGAINST DELIVERY OF DOCUMENTS WARRANTS BY THE
13 DELIVERY OF THE DOCUMENTS ONLY ITS OWN GOOD FAITH AND AUTHORITY EVEN
14 IF THE COLLECTING BANK OR OTHER INTERMEDIARY HAS PURCHASED OR MADE
15 ADVANCES AGAINST THE CLAIM OR DRAFT TO BE COLLECTED.

16 7-509.

17 WHETHER A DOCUMENT OF TITLE IS ADEQUATE TO FULFILL THE OBLIGATIONS
18 OF A CONTRACT FOR SALE, A CONTRACT FOR LEASE, OR THE CONDITIONS OF A
19 LETTER OF CREDIT IS DETERMINED BY TITLE 2, TITLE 2A, OR TITLE 5.

20 Subtitle 6. Warehouse Receipts and Bills of Lading: Miscellaneous Provisions.

21 7-601.

22 (A) IF A DOCUMENT OF TITLE IS LOST, STOLEN, OR DESTROYED, A COURT MAY
23 ORDER DELIVERY OF THE GOODS OR ISSUANCE OF A SUBSTITUTE DOCUMENT AND
24 THE BAILEE MAY WITHOUT LIABILITY TO ANY PERSON COMPLY WITH THE ORDER. IF
25 THE DOCUMENT WAS NEGOTIABLE, A COURT MAY NOT ORDER DELIVERY OF THE
26 GOODS OR ISSUANCE OF A SUBSTITUTE DOCUMENT WITHOUT THE CLAIMANT'S
27 POSTING SECURITY UNLESS IT FINDS THAT ANY PERSON THAT MAY SUFFER LOSS AS
28 A RESULT OF NONSURRENDER OF POSSESSION OR CONTROL OF THE DOCUMENT IS
29 ADEQUATELY PROTECTED AGAINST THE LOSS. IF THE DOCUMENT WAS
30 NONNEGOTIABLE, THE COURT MAY REQUIRE SECURITY. THE COURT MAY ALSO
31 ORDER PAYMENT OF THE BAILEE'S REASONABLE COSTS AND ATTORNEY'S FEES IN
32 ANY ACTION UNDER THIS SUBSECTION.

33 (B) A BAILEE THAT, WITHOUT A COURT ORDER, DELIVERS GOODS TO A
34 PERSON CLAIMING UNDER A MISSING NEGOTIABLE DOCUMENT OF TITLE IS LIABLE
35 TO ANY PERSON INJURED THEREBY. IF THE DELIVERY IS NOT IN GOOD FAITH, THE
36 BAILEE IS LIABLE FOR CONVERSION. DELIVERY IN GOOD FAITH IS NOT CONVERSION
37 IF THE CLAIMANT POSTS SECURITY WITH THE BAILEE IN AN AMOUNT AT LEAST
38 DOUBLE THE VALUE OF THE GOODS AT THE TIME OF POSTING TO INDEMNIFY ANY

1 PERSON INJURED BY THE DELIVERY WHICH FILES A NOTICE OF CLAIM WITHIN 1
2 YEAR AFTER THE DELIVERY.

3 7-602.

4 UNLESS A DOCUMENT OF TITLE WAS ORIGINALLY ISSUED UPON DELIVERY OF
5 THE GOODS BY A PERSON THAT DID NOT HAVE POWER TO DISPOSE OF THEM, A LIEN
6 DOES NOT ATTACH BY VIRTUE OF ANY JUDICIAL PROCESS TO GOODS IN THE
7 POSSESSION OF A BAILEE FOR WHICH A NEGOTIABLE DOCUMENT OF TITLE IS
8 OUTSTANDING UNLESS POSSESSION OR CONTROL OF THE DOCUMENT IS FIRST
9 SURRENDERED TO THE BAILEE OR THE DOCUMENT'S NEGOTIATION IS ENJOINED.
10 THE BAILEE MAY NOT BE COMPELLED TO DELIVER THE GOODS PURSUANT TO
11 PROCESS UNTIL POSSESSION OR CONTROL OF THE DOCUMENT IS SURRENDERED TO
12 THE BAILEE OR TO THE COURT. A PURCHASER OF THE DOCUMENT FOR VALUE
13 WITHOUT NOTICE OF THE PROCESS OR INJUNCTION TAKES FREE OF THE LIEN
14 IMPOSED BY JUDICIAL PROCESS.

15 7-603.

16 IF MORE THAN ONE PERSON CLAIMS TITLE TO OR POSSESSION OF THE GOODS,
17 THE BAILEE IS EXCUSED FROM DELIVERY UNTIL THE BAILEE HAS A REASONABLE
18 TIME TO ASCERTAIN THE VALIDITY OF THE ADVERSE CLAIMS OR TO COMMENCE AN
19 ACTION FOR INTERPLEADER. THE BAILEE MAY ASSERT AN INTERPLEADER EITHER IN
20 DEFENDING AN ACTION FOR NONDELIVERY OF THE GOODS OR BY ORIGINAL ACTION.
21 8-103.

22 (G) A DOCUMENT OF TITLE IS NOT A FINANCIAL ASSET UNLESS §
23 8-102(A)(9)(III) APPLIES.

24 9-102.

25 (a) In this title:

26 (30) "Document" means a document of title or a receipt of the type
27 described in [§ 7-201(2)] § 7-201(B) of this article.

28 (b) [The] "CONTROL" AS PROVIDED IN § 7-106 AND THE following definitions
29 in other titles apply to this title:

30 "Applicant" § 5-102.

31 "Beneficiary" § 5-102.

32 "Broker"..... § 8-102.

33 "Certificated security" § 8-102.

34 "Check" § 3-104.

35 "Clearing corporation" § 8-102.

1	"Contract for sale"	§ 2-106.
2	"Customer"	§ 4-104.
3	"Entitlement holder"	§ 8-102.
4	"Financial asset"	§ 8-102.
5	"Holder in due course"	§ 3-302.
6	"Issuer" (with respect to a letter of credit or	
7	letter-of-credit right)	§ 5-102.
8	"Issuer" (with respect to a security)	§ 8-201.
9	"ISSUER" (WITH RESPECT TO DOCUMENTS OF TITLE)	§ 7-102.
10	"Lease"	§ 2A-103.
11	"Lease agreement"	§ 2A-103.
12	"Lease contract"	§ 2A-103.
13	"Leasehold interest"	§ 2A-103.
14	"Lessee"	§ 2A-103.
15	"Lessee in ordinary course of business"	§ 2A-103.
16	"Lessor"	§ 2A-103.
17	"Lessor's residual interest"	§ 2A-103.
18	"Letter of credit"	§ 5-102.
19	"Merchant"	§ 2-104.
20	"Negotiable instrument"	§ 3-104.
21	"Nominated person"	§ 5-102.
22	"Note"	§ 3-104.
23	"Proceeds of a letter of credit"	§ 5-114.
24	"Prove"	§ 3-103.
25	"Sale"	§ 2-106.
26	"Securities account"	§ 8-501.

1 "Securities intermediary" § 8-102.

2 "Security" § 8-102.

3 "Security certificate" § 8-102.

4 "Security entitlement" § 8-102.

5 "Uncertificated security" § 8-102.

6 9-203.

7 (b) Except as otherwise provided in subsections (c) through (i), a security
8 interest is enforceable against the debtor and third parties with respect to the
9 collateral only if:

10 (1) Value has been given;

11 (2) The debtor has rights in the collateral or the power to transfer rights
12 in the collateral to a secured party; and

13 (3) One of the following conditions is met:

14 (A) The debtor has authenticated a security agreement that
15 provides a description of the collateral and, if the security interest covers timber to be
16 cut, a description of the land concerned;

17 (B) The collateral is not a certificated security and is in the
18 possession of the secured party under § 9-313 pursuant to the debtor's security
19 agreement;

20 (C) The collateral is a certificated security in registered form and
21 the security certificate has been delivered to the secured party under § 8-301 of this
22 article pursuant to the debtor's security agreement; or

23 (D) The collateral is deposit accounts, electronic chattel paper,
24 investment property, [or] letter-of-credit rights, OR ELECTRONIC DOCUMENTS, and
25 the secured party has control under [§ 9-104, § 9-105, § 9-106, or § 9-107] § 7-106, §
26 9-104, § 9-105, § 9-106, OR § 9-107 pursuant to the debtor's security agreement.

27 9-207.

28 (c) Except as otherwise provided in subsection (d), a secured party having
29 possession of collateral or control of collateral under [§ 9-104, § 9-105, § 9-106, or §
30 9-107] § 7-106, § 9-104, § 9-105, § 9-106, OR § 9-107:

31 (1) May hold as additional security any proceeds, except money or funds,
32 received from the collateral;

33 (2) Shall apply money or funds received from the collateral to reduce the
34 secured obligation, unless remitted to the debtor; and

1 (3) May create a security interest in the collateral.

2 9-208.

3 (b) Within 10 days after receiving an authenticated demand by the debtor:

4 (1) A secured party having control of a deposit account under §
5 9-104(a)(2) shall send to the bank with which the deposit account is maintained an
6 authenticated statement that releases the bank from any further obligation to comply
7 with instructions originated by the secured party;

8 (2) A secured party having control of a deposit account under §
9 9-104(a)(3) shall:

10 (A) Pay the debtor the balance on deposit in the deposit account; or

11 (B) Transfer the balance on deposit into a deposit account in the
12 debtor's name;

13 (3) A secured party, other than a buyer, having control of electronic
14 chattel paper under § 9-105 shall:

15 (A) Communicate the authoritative copy of the electronic chattel
16 paper to the debtor or its designated custodian;

17 (B) If the debtor designates a custodian that is the designated
18 custodian with which the authoritative copy of the electronic chattel paper is
19 maintained for the secured party, communicate to the custodian an authenticated
20 record releasing the designated custodian from any further obligation to comply with
21 instructions originated by the secured party and instructing the custodian to comply
22 with instructions originated by the debtor; and

23 (C) Take appropriate action to enable the debtor or its designated
24 custodian to make copies of or revisions to the authoritative copy which add or change
25 an identified assignee of the authoritative copy without the consent of the secured
26 party;

27 (4) A secured party having control of investment property under §
28 8-106(d)(2) of this article or § 9-106(b) shall send to the securities intermediary or
29 commodity intermediary with which the security entitlement or commodity contract
30 is maintained an authenticated record that releases the securities intermediary or
31 commodity intermediary from any further obligation to comply with entitlement
32 orders or directions originated by the secured party; [and]

33 (5) A secured party having control of a letter-of-credit right under §
34 9-107 shall send to each person having an unfulfilled obligation to pay or deliver
35 proceeds of the letter of credit to the secured party an authenticated release from any
36 further obligation to pay or deliver proceeds of the letter of credit to the secured party;
37 AND

1 (6) A SECURED PARTY HAVING CONTROL OF AN ELECTRONIC
2 DOCUMENT SHALL:

3 (A) GIVE CONTROL OF THE ELECTRONIC DOCUMENT TO THE
4 DEBTOR OR ITS DESIGNATED CUSTODIAN;

5 (B) IF THE DEBTOR DESIGNATES A CUSTODIAN THAT IS THE
6 DESIGNATED CUSTODIAN WITH WHICH THE AUTHORITATIVE COPY OF THE
7 ELECTRONIC DOCUMENT IS MAINTAINED FOR THE SECURED PARTY, COMMUNICATE
8 TO THE CUSTODIAN AN AUTHENTICATED RECORD RELEASING THE DESIGNATED
9 CUSTODIAN FROM ANY FURTHER OBLIGATION TO COMPLY WITH INSTRUCTIONS
10 ORIGINATED BY THE SECURED PARTY AND INSTRUCTING THE CUSTODIAN TO
11 COMPLY WITH INSTRUCTIONS ORIGINATED BY THE DEBTOR; AND

12 (C) TAKE APPROPRIATE ACTION TO ENABLE THE DEBTOR OR ITS
13 DESIGNATED CUSTODIAN TO MAKE COPIES OF OR REVISIONS TO THE
14 AUTHORITATIVE COPY WHICH ADD OR CHANGE AN IDENTIFIED ASSIGNEE OF THE
15 AUTHORITATIVE COPY WITHOUT THE CONSENT OF THE SECURED PARTY.

16 9-301.

17 Except as otherwise provided in §§ 9-303 through 9-306, the following rules
18 determine the law governing perfection, the effect of perfection or nonperfection, and
19 the priority of a security interest in collateral:

20 (1) Except as otherwise provided in this section, while a debtor is located
21 in a jurisdiction, the local law of that jurisdiction governs perfection, the effect of
22 perfection or nonperfection, and the priority of a security interest in collateral.

23 (2) While collateral is located in a jurisdiction, the local law of that
24 jurisdiction governs perfection, the effect of perfection or nonperfection, and the
25 priority of a possessory security interest in that collateral.

26 (3) Except as otherwise provided in paragraph (4), while TANGIBLE
27 negotiable documents, goods, instruments, money, or tangible chattel paper is located
28 in a jurisdiction, the local law of that jurisdiction governs:

29 (A) Perfection of a security interest in the goods by filing a fixture
30 filing;

31 (B) Perfection of a security interest in timber to be cut; and

32 (C) The effect of perfection or nonperfection and the priority of a
33 nonpossessory security interest in the collateral.

34 (4) The local law of the jurisdiction in which the wellhead or minehead is
35 located governs perfection, the effect of perfection or nonperfection, and the priority of
36 a security interest in as-extracted collateral.

1 9-310.

2 (b) The filing of a financing statement is not necessary to perfect a security
3 interest:

4 (1) That is perfected under § 9-308(d), (e), (f), or (g);

5 (2) That is perfected under § 9-309 when it attaches;

6 (3) In property subject to a statute, regulation, or treaty described in §
7 9-311(a);

8 (4) In goods in possession of a bailee which is perfected under §
9 9-312(d)(1) or (2);

10 (5) In certificated securities, documents, goods, or instruments which is
11 perfected without filing, CONTROL, or possession under § 9-312(e), (f), or (g);

12 (6) In collateral in the secured party's possession under § 9-313;

13 (7) In a certificated security which is perfected by delivery of the security
14 certificate to the secured party under § 9-313;

15 (8) In deposit accounts, electronic chattel paper, ELECTRONIC
16 DOCUMENTS, investment property, or letter-of-credit rights which is perfected by
17 control under § 9-314;

18 (9) In proceeds which is perfected under § 9-315; or

19 (10) That is perfected under § 9-316.

20 9-312.

21 (e) A security interest in certificated securities, negotiable documents, or
22 instruments is perfected without filing or the taking of possession OR CONTROL for a
23 period of 20 days from the time it attaches to the extent that it arises for new value
24 given under an authenticated security agreement.

25 9-313.

26 (a) Except as otherwise provided in subsection (b), a secured party may perfect
27 a security interest in TANGIBLE negotiable documents, goods, instruments, money, or
28 tangible chattel paper by taking possession of the collateral. A secured party may
29 perfect a security interest in certificated securities by taking delivery of the
30 certificated securities under § 8-301 of this article.

31 9-314.

32 (a) A security interest in investment property, deposit accounts,
33 letter-of-credit rights, [or] electronic chattel paper, OR ELECTRONIC DOCUMENTS

1 may be perfected by control of the collateral under [§ 9-104, § 9-105, § 9-106, or §
2 9-107] § 7-106, § 9-104, § 9-105, § 9-106, OR § 9-107.

3 (b) A security interest in deposit accounts, electronic chattel paper, [or]
4 letter-of-credit rights, OR ELECTRONIC DOCUMENTS is perfected by control under [§
5 9-104, § 9-105, or § 9-107] § 7-106, § 9-104, § 9-105, OR § 9-107 when the secured party
6 obtains control and remains perfected by control only while the secured party retains
7 control.

8 9-317.

9 (b) Except as otherwise provided in subsection (e), a buyer, other than a
10 secured party, of tangible chattel paper, TANGIBLE documents, goods, instruments, or
11 a security certificate takes free of a security interest or agricultural lien if the buyer
12 gives value and receives delivery of the collateral without knowledge of the security
13 interest or agricultural lien and before it is perfected.

14 (d) A licensee of a general intangible or a buyer, other than a secured party, of
15 accounts, electronic chattel paper, ELECTRONIC DOCUMENTS, general intangibles, or
16 investment property other than a certificated security takes free of a security interest
17 if the licensee or buyer gives value without knowledge of the security interest and
18 before it is perfected.

19 9-338.

20 If a security interest or agricultural lien is perfected by a filed financing
21 statement providing information described in § 9-516(b)(5) which is incorrect at the
22 time the financing statement is filed:

23 (1) The security interest or agricultural lien is subordinate to a
24 conflicting perfected security interest in the collateral to the extent that the holder of
25 the conflicting security interest gives value in reasonable reliance upon the incorrect
26 information; and

27 (2) A purchaser, other than a secured party, of the collateral takes free of
28 the security interest or agricultural lien to the extent that, in reasonable reliance
29 upon the incorrect information, the purchaser gives value and, in the case of
30 TANGIBLE chattel paper, TANGIBLE documents, goods, instruments, or a security
31 certificate, receives delivery of the collateral.

32 9-601.

33 (b) A secured party in possession of collateral or control of collateral under [§
34 9-104, § 9-105, § 9-106, or § 9-107] § 7-106, § 9-104, § 9-105, § 9-106, OR § 9-107 has the
35 rights and duties provided in § 9-207.

36 SECTION 3. AND BE IT FURTHER ENACTED, That this Act:

37 (1) applies to a document of title that is issued or a bailment that arises
38 on or after the effective date of this Act;

1 (2) does not apply to a document of title that is issued or a bailment that
2 arises before the effective date of this Act even if the document of title or bailment
3 would be subject to this Act if the document of title had been issued or bailment had
4 arisen on or after the effective date of this Act; and

5 (3) does not apply to a right of action that has accrued before the
6 effective date of this Act.

7 SECTION 4. AND BE IT FURTHER ENACTED, That a document of title issued
8 or a bailment that arose before the effective date of this Act and the rights,
9 obligations, and interests flowing from that document or bailment are governed by
10 any statute or other rule amended or repealed by this Act as if the amendment or
11 repeal had not occurred and may be terminated, completed, consummated, or
12 enforced under that statute or other rule.

13 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 October 1, 2004.