

House Bill 451

By: Representatives Jacobs of the 80<sup>th</sup>, Lindsey of the 54<sup>th</sup>, Glanton of the 76<sup>th</sup>, Willard of the 49<sup>th</sup>, Weldon of the 3<sup>rd</sup>, and others

A BILL TO BE ENTITLED  
AN ACT

1 To amend Title 11 of the Official Code of Georgia Annotated, relating to the commercial  
2 code, so as to adopt the revised Article 7 of the Uniform Commercial Code; to provide for  
3 conforming amendments to other provisions of such title; to provide for related matters; to  
4 provide for applicability; to provide an effective date; to repeal conflicting laws; and for  
5 other purposes.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

7 **PART I**  
8 **SECTION 1-1.**

9 Title 11 of the Official Code of Georgia Annotated, relating to the commercial code, is  
10 amended by revising Article 7 as follows:

11 "ARTICLE 7  
12 Part 1  
13 General

14 11-7-101. **Short title.**

15 This article shall be known and may be cited as 'Uniform Commercial Code — Documents  
16 of Title.'

17 11-7-102. **Definitions and index of definitions.**

18 ~~(1)~~(a) In this article, unless the context otherwise requires:

19 ~~(a)~~(1) 'Bailee' means ~~the~~ a person ~~who~~ that by a warehouse receipt, bill of lading, or other  
20 document of title acknowledges possession of goods and contracts to deliver them.

21 ~~(b)~~(2) 'Carrier' means a person that issues a bill of lading.

22 (3) 'Consignee' means ~~the~~ a person named in a bill of lading to whom which or to whose  
 23 order the bill promises delivery.

24 ~~(c)~~(4) 'Consignor' means ~~the~~ a person named in a bill of lading as the person from whom  
 25 which the goods have been received for shipment.

26 ~~(d)~~(5) 'Delivery order' means a written record that contains an order to deliver goods  
 27 directed to a ~~warehouseman~~ warehouse, carrier, or other person ~~who~~ that in the ordinary  
 28 course of business issues warehouse receipts or bills of lading.

29 ~~(e)~~(6) 'Document' means ~~document of title as defined in the general definitions in Article~~  
 30 ~~1 of this title (Code Section 11-1-201)~~ 'Good faith' means honesty in fact and the  
 31 observance of reasonable commercial standards of fair dealing.

32 ~~(f)~~(7) 'Goods' means all things ~~which~~ that are treated as movable for the ~~purpose~~  
 33 purposes of a contract of storage or transportation.

34 ~~(g)~~(8) 'Issuer' means a bailee who issues a document of title or, in the case of ~~except that~~  
 35 ~~in relation to~~ an unaccepted delivery order, ~~it means~~ the person who orders the possessor  
 36 of goods to deliver. ~~Issuer~~ The term includes ~~any~~ a person for ~~whom~~ which an agent or  
 37 employee purports to act in issuing a document if the agent or employee has real or  
 38 apparent authority to issue documents, ~~notwithstanding that even if~~ the issuer ~~received~~  
 39 ~~no~~ did not receive any goods, ~~or that~~ the goods were misdescribed, ~~or that~~ in any other  
 40 respect the agent or employee violated ~~his~~ the issuer's instructions.

41 ~~(h)~~(9) 'Warehouseman' is ~~a person engaged in the business of storing goods for hire~~  
 42 'Person entitled under the document' means the holder, in the case of a negotiable  
 43 document of title, or the person to which delivery of the goods is to be made by the terms  
 44 of, or pursuant to instructions in a record under, a nonnegotiable document of title.

45 (10) 'Record' means information that is inscribed on a tangible medium or that is stored  
 46 in an electronic or other medium and is retrievable in perceivable form.

47 (11) 'Sign' means, with present intent to authenticate or adopt a record:

48 (A) To execute or adopt a tangible symbol; or

49 (B) To attach to or logically associate with the record an electronic sound, symbol, or  
 50 process.

51 (12) 'Shipper' means a person that enters into a contract of transportation with a carrier.

52 (13) 'Warehouse' means a person engaged in the business of storing goods for hire.

53 ~~(2)(b) Other definitions applying to this article or to specified parts thereof, and the Code~~  
 54 ~~sections in which they appear are:~~

55 ~~'Duly negotiate.'~~ Code Section 11-7-501.

56 ~~'Person entitled under the document.'~~ Code Section 11-7-403(4).

57 ~~(3) Definitions in other articles of this title applying to this article and the Code sections~~  
 58 ~~in which they appear are:~~

59 (1) 'Contract for sale.' Code Section 11-2-106.

60 ~~'Overseas.' Code Section 11-2-323.~~

61 (2) 'Lessee in the ordinary course of business.' Code Section 11-2A-103

62 (3) 'Receipt' of goods. Code Section 11-2-103.

63 ~~(4)(c)~~ In addition, Article 1 of this title contains general definitions and principles of  
64 construction and interpretation applicable throughout this article.

65 11-7-103. **Relation of article to treaty, or statute, ~~tariff, classification, or regulation.~~**

66 (a) ~~To the extent that~~ This article is subject to any treaty or statute of the United States; or  
67 regulatory statute of this state; or tariff, classification, or regulation filed or issued pursuant  
68 thereto to the extent the treaty, statute, or regulatory statute is applicable, the provisions of  
69 this article are subject thereto.

70 (b) This article does not modify or repeal any law prescribing the form or content of a  
71 document of title or the services or facilities to be afforded by a bailee, or otherwise  
72 regulating a bailee's business in respects not specifically treated in this article. However,  
73 a violation of such a law does not affect the status of a document of title that otherwise is  
74 within the definition of a document of title.

75 (c) This article modifies, limits, and supersedes the federal Electronic Signatures in Global  
76 and National Commerce Act, 15 U.S.C. Section 7001, et seq., but does not modify, limit,  
77 or supersede Section 101(c) of that act, 15 U.S.C. Section 7001(c), or authorize electronic  
78 delivery of any of the notices described in Section 103(b) of that act, 15 U.S.C.  
79 Section 7003(b).

80 (d) To the extent that there is a conflict between any provisions of the laws of this state  
81 regarding electronic transactions and this article, this article governs.

82 11-7-104. **Negotiable and nonnegotiable warehouse receipt, bill of lading, or other**  
83 **document of title.**

84 ~~(1)(a)~~ A warehouse receipt, bill of lading, or other Except as otherwise provided in  
85 subsection (c) of this Code section, a document of title is negotiable:

86 (a) ~~If~~ if by its terms the goods are to be delivered to bearer or to the order of a named  
87 person; ~~or~~

88 (b) ~~Where recognized in overseas trade, if it runs to a named person or assigns.~~

89 ~~(2)(b)~~ Any other document A document of title other than one described in subsection (a)  
90 of this Code section is nonnegotiable. A bill of lading in which it is stated that states that  
91 the goods are consigned to a named person is not made negotiable by a provision that the  
92 goods are to be delivered only against a written an order in a record signed by the same or  
93 another named person.

94 (c) A document of title is nonnegotiable if, at the time it is issued, the document has a  
95 conspicuous legend, however expressed, that it is nonnegotiable.

96 11-7-105. ~~Construction against negative implication~~ Reissuance in alternative  
97 medium.

98 ~~(a) The omission from either Part 2 or Part 3 of this article of a provision corresponding~~  
99 ~~to a provision made in the other part does not imply that a corresponding rule of law is not~~  
100 ~~applicable.~~ Upon request of a person entitled under an electronic document of title, the  
101 issuer of the electronic document may issue a tangible document of title as a substitute for  
102 the electronic document if:

103 (1) The person entitled under the electronic document surrenders control of the document  
104 to the issuer; and

105 (2) The tangible document when issued contains a statement that it is issued in  
106 substitution for the electronic document.

107 (b) Upon issuance of a tangible document of title in substitution for an electronic  
108 document of title in accordance with subsection (a) of this Code section:

109 (1) The electronic document ceases to have any effect or validity; and

110 (2) The person that procured issuance of the tangible document warrants to all  
111 subsequent persons entitled under the tangible document that the warrantor was a person  
112 entitled under the electronic document when the warrantor surrendered control of the  
113 electronic document to the issuer.

114 (c) Upon request of a person entitled under a tangible document of title, the issuer of the  
115 tangible document may issue an electronic document of title as a substitute for the tangible  
116 document if:

117 (1) The person entitled under the tangible document surrenders possession of the  
118 document to the issuer; and

119 (2) The electronic document when issued contains a statement that it is issued in  
120 substitution for the tangible document.

121 (d) Upon issuance of an electronic document of title in substitution for a tangible  
122 document of title in accordance with subsection (c) of this Code section:

123 (1) The tangible document ceases to have any effect or validity; and

124 (2) The person that procured issuance of the electronic document warrants to all  
125 subsequent persons entitled under the electronic document that the warrantor was a  
126 person entitled under the tangible document when the warrantor surrendered possession  
127 of the tangible document to the issuer.

128 11-7-106. Control of electronic document of title.

129 (a) A person has control of an electronic document of title if a system employed for  
 130 evidencing the transfer of interests in the electronic document reliably establishes that  
 131 person as the person to which the electronic document was issued or transferred.

132 (b) A system satisfies subsection (a) of this Code section, and a person is deemed to have  
 133 control of an electronic document of title, if the document is created, stored, and assigned  
 134 in a manner that:

135 (1) A single authoritative copy of the document exists which is unique, identifiable, and,  
 136 except as otherwise provided in paragraphs (4), (5), and (6) of this subsection,  
 137 unalterable;

138 (2) The authoritative copy identifies the person asserting control as:

139 (A) The person to which the document was issued; or

140 (B) If the authoritative copy indicates that the document has been transferred, the  
 141 person to which the document was most recently transferred;

142 (3) The authoritative copy is communicated to and maintained by the person asserting  
 143 control or its designated custodian;

144 (4) Copies or amendments that add or change an identified assignee of the authoritative  
 145 copy can be made only with the consent of the person asserting control;

146 (5) Each copy of the authoritative copy and any copy of a copy is readily identifiable as  
 147 a copy that is not the authoritative copy; and

148 (6) Any amendment of the authoritative copy is readily identifiable as authorized or  
 149 unauthorized.

150 Part 2

151 Warehouse Receipts: Special Provisions

152 **11-7-201. Who Person that may issue a warehouse receipt; storage under government**  
 153 **bond.**

154 ~~(1)~~(a) A warehouse receipt may be issued by any ~~warehouseman~~ warehouse.

155 ~~(2)~~(b) ~~Where~~ If goods, including distilled spirits and agricultural commodities, are stored  
 156 under a statute requiring a bond against withdrawal or a license for the issuance of receipts  
 157 in the nature of warehouse receipts, a receipt issued for the goods ~~has like effect as is~~ is  
 158 deemed to be a warehouse receipt even though if issued by a person who that is the owner  
 159 of the goods and is not a ~~warehouseman~~ warehouse.

160 11-7-202. **Form of warehouse receipt; essential terms; optional terms effect of**  
 161 **omission.**

162 ~~(1)(a)~~ A warehouse receipt need not be in any particular form.

163 ~~(2)(b)~~ Unless a warehouse receipt ~~embodies within its written or printed terms provides~~  
 164 ~~for~~ each of the following, the ~~warehouseman warehouse~~ is liable for damages caused by  
 165 ~~the~~ to a person injured by its omission to a person injured thereby:

166 ~~(a)(1)~~ The A statement of the location of the warehouse facility where the goods are  
 167 stored;

168 ~~(b)(2)~~ The date of issue of the receipt;

169 ~~(c)(3)~~ The ~~consecutive number~~ unique identification code of the receipt;

170 ~~(d)(4)~~ A statement whether the goods received will be delivered to the bearer, to a  
 171 specified named person, or to a specified named person or his its order;

172 ~~(e)(5)~~ The rate of storage and handling charges, ~~except that where~~ unless goods are  
 173 stored under a field warehousing arrangement, in which case a statement of that fact is  
 174 sufficient on a nonnegotiable receipt;

175 ~~(f)(6)~~ A description of the goods or ~~of~~ the packages containing them;

176 ~~(g)(7)~~ The signature of the ~~warehouseman, which may be made by his authorized~~  
 177 warehouse or its agent;

178 ~~(h)(8)~~ If the receipt is issued for goods ~~of which that~~ the ~~warehouseman is owner~~  
 179 warehouse owns, either solely, or jointly, or in common with others, a statement of the  
 180 fact of such that ownership; and

181 ~~(i)(9)~~ A statement of the amount of advances made and of liabilities incurred for which  
 182 the ~~warehouseman warehouse~~ claims a lien or security interest, unless ~~(Code Section~~  
 183 ~~11-7-209)~~. If the precise amount of ~~such~~ advances made or ~~of such~~ liabilities incurred  
 184 is, at the time of the issue of the receipt, is unknown to the ~~warehouseman warehouse~~ or  
 185 to his its agent ~~who issues it that issued the receipt, in which case~~ a statement of the fact  
 186 that advances have been made or liabilities incurred and the purpose ~~thereof of the~~  
 187 advances or liabilities is sufficient.

188 ~~(3)(c)~~ A ~~warehouseman warehouse~~ may insert in his its receipt any other terms which that  
 189 are not contrary to the provisions of this title and do not impair his its obligation of delivery  
 190 under ~~(Code Section 11-7-403)~~ or his its duty of care under ~~(Code Section 11-7-204)~~. Any  
 191 ~~contrary provisions shall be~~ provision is ineffective.

192 11-7-203. **Liability for nonreceipt or misdescription.**

193 A party to or purchaser for value in good faith of a document of title, other than a bill of  
 194 lading, ~~relying in either case that relies~~ upon the description ~~therein~~ of the goods in the

195 document may recover from the issuer damages caused by the nonreceipt or misdescription  
196 of the goods, except to the extent that:

197 (1) ~~the~~ The document conspicuously indicates that the issuer does not know whether any  
198 all or part or all of the goods in fact were received or conform to the description, ~~as where~~  
199 such as a case in which the description is in terms of marks or labels or kind, quantity, or  
200 condition, or the receipt or description is qualified by 'contents, condition, and quality  
201 unknown,' 'said to contain,' or ~~the like~~ words of similar import, if such indication ~~be~~ is  
202 true; or

203 (2) ~~the~~ The party or purchaser otherwise has notice of the nonreceipt or misdescription.

204 11-7-204. **Duty of care; contractual limitation of warehouseman's warehouse's**  
205 **liability.**

206 (1)(a) A warehouseman warehouse is liable for damages for loss of or injury to the goods  
207 caused by ~~his~~ its failure to exercise ~~such~~ care in with regard to ~~them as the goods that~~ a  
208 reasonably careful ~~man~~ person would exercise under ~~like~~ similar circumstances. ~~but unless~~  
209 Unless otherwise agreed, ~~he~~ the warehouse is not liable for damages ~~which that~~ could not  
210 have been avoided by the exercise of ~~such~~ that care.

211 (2)(b) Damages may be limited by a term in the warehouse receipt or storage agreement  
212 limiting the amount of liability in case of loss or damage, ~~and setting forth a specific~~  
213 ~~liability per article or item, or value per unit of weight,~~ beyond which the warehouseman  
214 warehouse ~~shall~~ is not be liable; ~~provided, however, that such liability may on written.~~  
215 Such a limitation is not effective with respect to the warehouse's liability for conversion  
216 to its own use. On request of the bailor in a record at the time of signing ~~such~~ the storage  
217 agreement or within a reasonable time after receipt of the warehouse receipt, the  
218 warehouse's liability may be increased on part or all of the goods ~~thereunder, in which~~  
219 ~~event~~ covered by the storage agreement or the warehouse receipt. In this event, increased  
220 rates may be charged based on ~~such an~~ an increased valuation, ~~but that no such increase shall~~  
221 ~~be permitted contrary to a lawful limitation of liability contained in the warehouseman's~~  
222 ~~tariff, if any. No such limitation is effective with respect to the warehouseman's liability~~  
223 ~~for conversion to his own use~~ of the goods.

224 (3)(c) Reasonable provisions as to the time and manner of presenting claims and ~~instituting~~  
225 commencing actions based on the bailment may be included in the warehouse receipt or  
226 ~~tariff~~ storage agreement.

227 11-7-205. **Title under warehouse receipt defeated in certain cases.**

228 A buyer in ~~the~~ ordinary course of business of fungible goods sold and delivered by a  
229 ~~warehouseman who~~ warehouse that is also in the business of buying and selling such goods

230 takes the goods free of any claim under a warehouse receipt even ~~though it~~ if the receipt  
 231 is negotiable and has been duly negotiated.

232 11-7-206. **Termination of storage at warehouseman's warehouse's option.**

233 ~~(1)(a)~~ A ~~warehouseman~~ warehouse, ~~by giving notice to~~ the person on  
 234 whose account the goods are held and any other person known to claim an interest in the  
 235 goods, may require payment of any charges and removal of the goods from the warehouse  
 236 at the termination of the period of storage fixed by the document; of title or, if ~~no~~ a period  
 237 is not fixed, within a stated period not less than 30 days after the ~~notification~~ warehouse  
 238 gives notice. If the goods are not removed before the date specified in the ~~notification~~  
 239 notice, the ~~warehouseman~~ warehouse may sell them ~~in accordance with the provisions of~~  
 240 ~~the Code section on enforcement of a warehouseman's lien (pursuant to Code~~  
 241 ~~Section 11-7-210).~~

242 ~~(2)(b)~~ If a ~~warehouseman~~ warehouse in good faith believes that ~~the~~ goods are about to  
 243 deteriorate or decline in value to less than the amount of ~~his~~ its lien within the time  
 244 ~~prescribed~~ provided in subsection ~~(1)~~ (a) of this Code section ~~for notification,~~  
 245 ~~advertisement, and sale~~ and Code Section 11-7-210, the ~~warehouseman~~ warehouse may  
 246 specify in the ~~notification~~ notice given under subsection (a) of this Code section any  
 247 reasonable; shorter time for removal of the goods and, ~~in case~~ if the goods are not removed,  
 248 may sell them at public sale held not less than one week after a single advertisement or  
 249 posting.

250 ~~(3)(c)~~ If, as a result of a quality or condition of the goods of which the ~~warehouseman~~ had  
 251 ~~no~~ warehouse ~~did not have~~ notice at the time of deposit, the goods are a hazard to other  
 252 property, ~~or to the warehouse facilities, or to other~~ persons, the ~~warehouseman~~ warehouse  
 253 may sell the goods at public or private sale without advertisement or posting on reasonable  
 254 notification to all persons known to claim an interest in the goods. If the ~~warehouseman~~  
 255 warehouse, after a reasonable effort, is unable to sell the goods, ~~he~~ it may dispose of them  
 256 in any lawful manner and ~~shall~~ does not incur ~~no~~ liability by reason of ~~such~~ that  
 257 disposition.

258 ~~(4)(d)~~ ~~The warehouseman must~~ A warehouse shall deliver the goods to any person entitled  
 259 to them under this article upon due demand made at any time ~~prior to~~ before sale or other  
 260 disposition under this Code section.

261 ~~(5)(e)~~ ~~The warehouseman~~ A warehouse may satisfy ~~his~~ its lien from the proceeds of any  
 262 sale or disposition under this Code section but ~~must~~ shall hold the balance for delivery on  
 263 the demand of any person to ~~whom he~~ which the warehouse would have been bound to  
 264 deliver the goods.

265 11-7-207. **Goods ~~must~~ shall be kept separate; fungible goods.**

266 ~~(1)(a)~~ Unless the warehouse receipt ~~otherwise~~ provides otherwise, a ~~warehouseman must~~  
267 warehouse shall keep separate the goods covered by each receipt so as to permit at all times  
268 identification and delivery of those goods. ~~However, except that~~ different lots of fungible  
269 goods may be commingled.

270 ~~(2)(b) Fungible~~ If different lots of fungible goods ~~so are~~ commingled, the goods are owned  
271 in common by the persons entitled thereto and the ~~warehouseman~~ warehouse is severally  
272 liable to each owner for that owner's share. ~~Where~~ If, because of overissue, a mass of  
273 fungible goods is insufficient to meet all the receipts ~~which~~ the ~~warehouseman~~ warehouse  
274 has issued against it, the persons entitled include all holders to whom overissued receipts  
275 have been duly negotiated.

276 11-7-208. **Altered warehouse receipts.**

277 ~~Where~~ If a blank in a negotiable warehouse receipt has been filled in without authority, a  
278 good-faith purchaser for value and without notice of the ~~want~~ lack of authority may treat  
279 the insertion as authorized. Any other unauthorized alteration leaves any tangible or  
280 electronic warehouse receipt enforceable against the issuer according to its original tenor.

281 11-7-209. **Lien of ~~warehouseman~~ warehouse.**

282 ~~(1)(a)~~ A ~~warehouseman~~ warehouse has a lien against the bailor on the goods covered by  
283 a warehouse receipt or storage agreement or on the proceeds thereof in ~~his~~ its possession  
284 for charges for storage or transportation, (including demurrage and terminal charges),  
285 insurance, labor, or other charges, present or future, in relation to the goods, and for  
286 expenses necessary for preservation of the goods or reasonably incurred in their sale  
287 pursuant to law. If the person on whose account the goods are held is liable for ~~like~~ similar  
288 charges or expenses in relation to other goods whenever deposited and it is stated in the  
289 warehouse receipt or storage agreement that a lien is claimed for charges and expenses in  
290 relation to other goods, the ~~warehouseman~~ warehouse also has a lien against ~~him~~ the goods  
291 covered by the warehouse receipt or storage agreement or on the proceeds thereof in its  
292 possession for ~~such~~ those charges and expenses, whether or not the other goods have been  
293 delivered by the ~~warehouseman~~ warehouse. ~~But~~ However, as against a person to ~~whom~~  
294 which a negotiable warehouse receipt is duly negotiated, a ~~warehouseman's~~ warehouse's  
295 lien is limited to charges in an amount or at a rate specified ~~on~~ in the warehouse receipt or,  
296 if no charges are so specified, ~~then~~ to a reasonable charge for storage of the specific goods  
297 covered by the receipt subsequent to the date of the receipt.

298 ~~(2)(b) The warehouseman~~ A warehouse may also reserve a security interest against the  
299 bailor for a the maximum amount specified on the receipt for charges other than those

300 specified in subsection ~~(1)~~ (a) of this Code section, such as for money advanced and  
 301 interest. ~~Such a~~ The security interest is governed by ~~the article on secured transactions~~  
 302 (Article 9 of this title).

303 ~~(3)(a)(c)~~ A ~~warehouseman's~~ warehouse's lien for charges and expenses under  
 304 subsection ~~(1)~~ (a) of this Code section or a security interest under subsection ~~(2)~~ (b) of this  
 305 Code section is also effective against any person ~~who~~ that so entrusted the bailor with  
 306 possession of the goods that a pledge of them by ~~him~~ the bailor to a ~~good faith~~ good-faith  
 307 purchaser for value would have been valid, ~~but~~ However, the lien or security interest is not  
 308 effective against a person as to ~~whom the document confers no right in the goods covered~~  
 309 ~~by it under Code Section 11-7-503~~ that before issuance of a document of title had a legal  
 310 interest or a perfected security interest in the goods and that did not:

311 (1) Deliver or entrust the goods or any document of title covering the goods to the bailor  
 312 or the bailor's nominee with:

313 (A) Actual or apparent authority to ship, store, or sell;

314 (B) Power to obtain delivery under Code Section 11-7-403; or

315 (C) Power of disposition under Code Section 11-2-403, subsection (2) of Code Section  
 316 11-2A-304, subsection (2) of Code Section 11-2A-305, Code Section 11-9-320, or  
 317 subsection (c) of Code Section 11-9-321 or other statute or rule of law; or

318 (2) Acquiesce in the procurement by the bailor or its nominee of any document.

319 ~~(b)(d)~~ A ~~warehouseman's~~ warehouse's lien on household goods for charges and expenses  
 320 in relation to the goods under subsection ~~(1)~~ (a) of this Code section is also effective  
 321 against all persons if the depositor was the legal possessor of the goods at the time of  
 322 deposit. ~~Household~~ In this subsection, 'household goods' means furniture, furnishings, ~~and~~  
 323 or personal effects used by the depositor in a dwelling.

324 ~~(4)(e)~~ A ~~warehouseman~~ warehouse loses ~~his~~ its lien on any goods ~~which he~~ that it  
 325 voluntarily delivers or ~~which he~~ unjustifiably refuses to deliver.

326 11-7-210. **Enforcement of warehouseman's warehouse's lien.**

327 ~~(1)(a)~~ Except as provided in subsection ~~(2)~~ (b) of this Code section, a ~~warehouseman's~~  
 328 warehouse's lien may be enforced by public or private sale of the goods, ~~in bloc or in~~  
 329 parcels in bulk or in packages, at any time or place; and on any terms ~~which~~ that are  
 330 commercially reasonable, after notifying all persons known to claim an interest in the  
 331 goods. ~~Such~~ The notification ~~must~~ shall include a statement of the amount due, the nature  
 332 of the proposed sale, and the time and place of any public sale. The fact that a better price  
 333 could have been obtained by a sale at a different time or in a different method from that  
 334 selected by the ~~warehouseman~~ warehouse is not of itself sufficient to establish that the sale  
 335 was not made in a commercially reasonable manner. ~~If the warehouseman either~~ The

336 warehouse sells in a commercially reasonable manner if the warehouse sells the goods in  
 337 the usual manner in any recognized market therefor, ~~or if he~~ sells at the price current in  
 338 ~~such that~~ market at the time of his the sale, or if ~~he has~~ otherwise ~~sold~~ sells in conformity  
 339 with commercially reasonable practices among dealers in the type of goods sold, ~~he has~~  
 340 ~~sold in a commercially reasonable manner~~. A sale of more goods than apparently  
 341 necessary to be offered to insure satisfaction of the obligation is not commercially  
 342 reasonable except in cases covered by the preceding sentence.

343 ~~(2)(b)~~ A ~~warehouseman's lien~~ warehouse may enforce its lien on goods, other than goods  
 344 stored by a merchant in the course of his its business, only if the following requirements  
 345 are satisfied ~~may be enforced only as follows~~:

346 (a)(1) All persons known to claim an interest in the goods ~~must~~ shall be notified.

347 ~~(b)(2)~~ The notification ~~must be delivered in person or sent by registered letter to the last~~  
 348 ~~known address of any person to be notified~~.

349 ~~(c)~~ The notification ~~must~~ shall include an itemized statement of the claim, a description  
 350 of the goods subject to the lien, a demand for payment within a specified time not less  
 351 than ten days after receipt of the notification, and a conspicuous statement that unless the  
 352 claim is paid within that time the goods will be advertised for sale and sold by auction at  
 353 a specified time and place.

354 ~~(d)(3)~~ The sale ~~must~~ shall conform to the terms of the notification.

355 ~~(e)(4)~~ The sale ~~must~~ shall be held at the nearest suitable place to ~~that~~ where the goods are  
 356 held or stored.

357 ~~(f)(5)~~ After the expiration of the time given in the notification, an advertisement of the  
 358 sale ~~must~~ shall be published once a week for two weeks consecutively in a newspaper of  
 359 general circulation where the sale is to be held. The advertisement ~~must~~ shall include a  
 360 description of the goods, the name of the person on whose account they are being held,  
 361 and the time and place of the sale. The sale ~~must~~ shall take place at least 15 days after  
 362 the first publication. If there is no newspaper of general circulation where the sale is to  
 363 be held, the advertisement ~~must~~ shall be posted at least ten days before the sale in not ~~less~~  
 364 fewer than six conspicuous places in the neighborhood of the proposed sale.

365 ~~(3)(c)~~ Before any sale pursuant to this Code section, any person claiming a right in the  
 366 goods may pay the amount necessary to satisfy the lien and the reasonable expenses  
 367 incurred ~~under~~ in complying with this Code section. In that event, the goods ~~must~~ may not  
 368 be sold; but ~~must~~ shall be retained by the ~~warehouseman~~ warehouse subject to the terms  
 369 of the receipt and this article.

370 ~~(4)(d)~~ A warehouse ~~The warehouseman~~ may buy at any public sale held pursuant to this  
 371 Code section.

372 ~~(5)(e)~~ A purchaser in good faith of goods sold to enforce a ~~warehouseman's~~ warehouse's  
 373 lien takes the goods free of any rights of persons against ~~whom~~ which the lien was valid,  
 374 despite ~~the warehouse's noncompliance by the warehouseman with the requirements of this~~  
 375 Code section.

376 ~~(6)(f)~~ A warehouse ~~The warehouseman~~ may satisfy ~~his~~ its lien from the proceeds of any  
 377 sale pursuant to this Code section but ~~must~~ shall hold the balance, if any, for delivery on  
 378 demand to any person to ~~whom~~ he ~~which the warehouse~~ would have been bound to deliver  
 379 the goods.

380 ~~(7)(g)~~ The rights provided by this Code section shall be in addition to all other rights  
 381 allowed by law to a creditor against ~~his~~ a debtor.

382 ~~(8)(h)~~ If ~~Where~~ a lien is on goods stored by a merchant in the course of ~~his~~ its business,  
 383 the lien may be enforced in accordance with ~~either~~ subsection ~~(1)~~ (a) or ~~(2)~~ (b) of this Code  
 384 section.

385 ~~(9)(i)~~ A warehouse ~~The warehouseman~~ is liable for damages caused by failure to comply  
 386 with the requirements for sale under this Code section and, in case of willful violation, is  
 387 liable for conversion.

### 388 Part 3

#### 389 Bills of Lading: Special Provisions

390 11-7-301. **Liability for nonreceipt or misdescription; 'said to contain'; 'shipper's**  
 391 **weight, load, and count; improper handling.**

392 ~~(1)(a)~~ A consignee of a nonnegotiable bill ~~who~~ of lading which has given value in good  
 393 faith, or a holder to ~~whom~~ which a negotiable bill has been duly negotiated, relying in  
 394 ~~either case~~ upon the description ~~therein~~ of the goods; in the bill or upon the date ~~therein~~  
 395 shown in the bill, may recover from the issuer damages caused by the misdating of the bill  
 396 or the nonreceipt or misdescription of the goods, except to the extent that the ~~document~~ bill  
 397 indicates that the issuer does not know whether any part or all of the goods in fact were  
 398 received or conform to the description, such as where in a case in which the description is  
 399 in terms of marks or labels or kind, quantity, or condition or the receipt or description is  
 400 qualified by 'contents or condition of contents of packages unknown,' 'said to contain,'  
 401 'shipper's weight, load, and count,' or ~~the like~~ words of similar import, if ~~such~~ that  
 402 indication ~~be~~ is true.

403 ~~(2)(b)~~ When If goods are loaded by ~~an~~ the issuer ~~who is a common carrier, of a bill of~~  
 404 lading:

405 (1) The issuer ~~must~~ shall count the packages of goods if ~~package freight shipped in~~  
 406 packages and ascertain the kind and quantity if shipped in bulk freight; and

407 (2) ~~In Words~~ such cases as 'shipper's weight, load, and count' or ~~other~~ words of similar  
 408 import indicating that the description was made by the shipper are ineffective except as  
 409 to freight goods concealed by in packages.

410 ~~(3)(c) When If~~ bulk freight is goods are loaded by a shipper ~~who that~~ makes available to  
 411 the issuer of a bill of lading adequate facilities for weighing ~~such freight, an those goods,~~  
 412 the issuer who is a common carrier must shall ascertain the kind and quantity within a  
 413 reasonable time after receiving the ~~written~~ shipper's request ~~of the shipper~~ to do so. In ~~such~~  
 414 cases that case 'shipper's weight' or ~~other~~ words of ~~like purport~~ similar import are  
 415 ineffective.

416 ~~(4)(d)~~ The issuer of a bill of lading, ~~may by inserting~~ including in the bill the words  
 417 'shipper's weight, load, and count' or ~~other~~ words of ~~like purport~~ similar import, ~~may~~  
 418 indicate that the goods were loaded by the shipper; ~~and,~~ if ~~such that~~ statement be is true,  
 419 the issuer ~~shall is~~ not be liable for damages caused by the improper loading. ~~But their~~  
 420 However, omission of such words does not imply liability for ~~such~~ damages caused by  
 421 improper loading.

422 ~~(5)(e) A~~ The shipper ~~shall be deemed to have guaranteed~~ guarantees to ~~the an~~ issuer the  
 423 accuracy at the time of shipment of the description, marks, labels, number, kind, quantity,  
 424 condition, and weight, as furnished by ~~him; the shipper,~~ and the shipper shall indemnify  
 425 the issuer against damage caused by inaccuracies in ~~such those~~ particulars. ~~The This~~ right  
 426 of the issuer to such indemnity shall in no way does not limit ~~his~~ the issuer's responsibility  
 427 and or liability under the contract of carriage to any person other than the shipper.

428 11-7-302. **Through bills of lading and similar documents of title.**

429 ~~(1)(a)~~ The issuer of a through bill of lading, or other document of title embodying an  
 430 undertaking to be performed in part by ~~persons~~ a person acting as its ~~agents~~ agent or by  
 431 ~~connecting carriers~~ a performing carrier, is liable to ~~anyone~~ any person entitled to recover  
 432 on the bill or other document for any breach by ~~such the other persons~~ person or ~~by a~~  
 433 ~~connecting the performing~~ carrier of its obligation under the bill or other document, ~~but~~  
 434 However, to the extent that the bill or other document covers an undertaking to be  
 435 performed overseas or in territory not contiguous to the continental United States or an  
 436 undertaking including matters other than transportation, this liability for breach by the other  
 437 person or the performing carrier may be varied by agreement of the parties.

438 ~~(2)(b) Where~~ If goods covered by a through bill of lading or other document of title  
 439 embodying an undertaking to be performed in part by ~~persons~~ a person other than the issuer  
 440 are received by ~~any such that~~ person, ~~he~~ the person is subject, with respect to ~~his~~ its own  
 441 performance while the goods are in ~~his~~ its possession, to the obligation of the issuer. His  
 442 The person's obligation is discharged by delivery of the goods to another ~~such~~ person

443 pursuant to the bill or other document; and does not include liability for breach by any  
 444 other ~~such persons~~ person or by the issuer.

445 ~~(3)(c)~~ The issuer of ~~such a~~ through bill of lading or other document ~~shall be of title~~  
 446 described in subsection (a) of this Code section is entitled to recover from the ~~connecting~~  
 447 performing carrier, or ~~such~~ other person in possession of the goods when the breach of the  
 448 obligation under the bill or other document occurred;

449 (1) ~~the~~ The amount it may be required to pay to ~~anyone~~ any person entitled to recover  
 450 on the bill or other document ~~therefor~~ for the breach, as may be evidenced by any receipt,  
 451 judgment, or transcript ~~thereof~~; of judgment; and

452 (2) ~~the~~ The amount of any expense reasonably incurred by it ~~the issuer~~ in defending any  
 453 action ~~brought~~ commenced by anyone any person entitled to recover on the bill or other  
 454 document ~~therefor~~ for the breach.

455 11-7-303. **Diversion; reconsignment; change of instructions.**

456 ~~(1)(a)~~ Unless the bill of lading otherwise provides, ~~the~~ a carrier may deliver the goods to  
 457 a person or destination other than that stated in the bill or may otherwise dispose of the  
 458 goods, without liability for misdelivery, on instructions from:

459 ~~(a)~~(1) The holder of a negotiable bill; or

460 ~~(b)~~(2) The consignor on a nonnegotiable bill, ~~notwithstanding even if the consignee has~~  
 461 given contrary instructions ~~from the consignee~~; or

462 ~~(c)~~(3) The consignee on a nonnegotiable bill in the absence of contrary instructions from  
 463 the consignor, if the goods have arrived at the billed destination or if the consignee is in  
 464 possession of the tangible bill or in control of the electronic bill; or

465 ~~(d)~~(4) The consignee on a nonnegotiable bill, if ~~he~~ the consignee is entitled as against the  
 466 consignor to dispose of ~~them~~ the goods.

467 ~~(2)(b)~~ Unless ~~such~~ instructions described in subsection (a) of this Code section are ~~noted~~  
 468 on included in a negotiable bill of lading, a person to ~~whom~~ which the bill is duly  
 469 negotiated can may hold the bailee according to the original terms.

470 11-7-304. **Bills Tangible bills of lading in a set.**

471 ~~(1)(a)~~ Except ~~where~~ as customary in ~~overseas~~ international transportation, a tangible bill  
 472 of lading ~~must~~ may not be issued in a set of parts. The issuer is liable for damages caused  
 473 by violation of this subsection.

474 ~~(2)(b)~~ If ~~Where~~ a tangible bill of lading is lawfully ~~drawn~~ issued in a set of parts, each of  
 475 which is ~~numbered~~ contains an identification code and is expressed to be valid only if the  
 476 goods have not been delivered against any other part, the whole of the parts ~~constitute~~  
 477 constitutes one bill.

478 ~~(3)(c)~~ If ~~Where~~ a tangible negotiable bill of lading is lawfully issued in a set of parts and  
 479 different parts are negotiated to different persons, the title of the holder to ~~whom~~ which the  
 480 first due negotiation is made prevails as to both the document of title and the goods even  
 481 ~~though if~~ any later holder may have received the goods from the carrier in good faith and  
 482 discharged the carrier's obligation by ~~surrender of his~~ surrendering its part.

483 ~~(4)(d)~~ A ~~Any person who~~ that negotiates or transfers a single part of a tangible bill of  
 484 lading ~~drawn~~ issued in a set is liable to holders of that part as if it were the whole set.

485 ~~(5)(e)~~ The bailee is ~~obliged to~~ shall deliver in accordance with Part 4 of this article against  
 486 the first presented part of a tangible bill of lading lawfully drawn in a set. ~~Such delivery~~  
 487 Delivery in this manner discharges the bailee's obligation on the whole bill.

488 11-7-305. **Destination bills.**

489 ~~(1)(a)~~ Instead of issuing a bill of lading to the consignor at the place of shipment, a carrier,  
 490 ~~may~~ at the request of the consignor, may procure the bill to be issued at destination or at  
 491 any other place designated in the request.

492 ~~(2)(b)~~ Upon request of ~~anyone~~ any person entitled as against the carrier to control the  
 493 goods while in transit and on surrender of possession or control of any outstanding bill of  
 494 lading or other receipt covering such goods, the issuer, subject to Code Section 11-7-105,  
 495 may procure a substitute bill to be issued at any place designated in the request.

496 11-7-306. **Altered bills of lading.**

497 An unauthorized alteration or filling in of a blank in a bill of lading leaves the bill  
 498 enforceable according to its original tenor.

499 11-7-307. **Lien of carrier.**

500 ~~(1)(a)~~ A carrier has a lien on the goods covered by a bill of lading or on the proceeds  
 501 thereof in its possession for charges ~~subsequent to~~ after the date of ~~its~~ the carrier's receipt  
 502 of the goods for storage or transportation, (including demurrage and terminal charges), and  
 503 for expenses necessary for preservation of the goods incident to their transportation or  
 504 reasonably incurred in their sale pursuant to law. ~~But~~ However, against a purchaser for  
 505 value of a negotiable bill of lading, a carrier's lien is limited to charges stated in the bill or  
 506 the applicable tariffs; or, if no charges are stated, ~~then to~~ a reasonable charge.

507 ~~(2)(b)~~ A lien for charges and expenses under subsection ~~(1)~~ (a) of this Code section on  
 508 goods ~~which~~ that the carrier was required by law to receive for transportation is effective  
 509 against the consignor or any person entitled to the goods unless the carrier had notice that  
 510 the consignor lacked authority to subject the goods to ~~such~~ those charges and expenses.  
 511 Any other lien under subsection ~~(1)~~ (a) of this Code section is effective against the

512 consignor and any person ~~who~~ that permitted the bailor to have control or possession of the  
 513 goods unless the carrier had notice that the bailor lacked ~~such~~ authority.

514 ~~(3)(c)~~ A carrier loses his its lien on any goods ~~which he~~ that it voluntarily delivers or  
 515 ~~which he~~ unjustifiably refuses to deliver.

516 11-7-308. **Enforcement of carrier's lien.**

517 ~~(1)(a)~~ A carrier's lien on goods may be enforced by public or private sale of the goods, in  
 518 ~~bulk~~ bulk or in ~~parcels~~ packages, at any time or place; and on any terms ~~which~~ that are  
 519 commercially reasonable, after notifying all persons known to claim an interest in the  
 520 goods. ~~Such~~ The notification ~~must~~ shall include a statement of the amount due, the nature  
 521 of the proposed sale, and the time and place of any public sale. The fact that a better price  
 522 could have been obtained by a sale at a different time or in a method different ~~method~~  
 523 that selected by the carrier is not of itself sufficient to establish that the sale was not made  
 524 in a commercially reasonable manner. ~~If the~~ The carrier ~~either~~ sells ~~the~~ goods in ~~the usual~~  
 525 a commercially reasonable manner in any recognized market therefor or if ~~he~~ the carrier  
 526 sells the goods in the usual manner in any recognized market therefor, sells at the price  
 527 current in ~~such~~ that market at the time of ~~his~~ the sale, or if ~~he has~~ otherwise ~~sold~~ sells in  
 528 conformity with commercially reasonable practices among dealers in the type of goods sold  
 529 ~~he has sold in a commercially reasonable manner~~. A sale of more goods than apparently  
 530 necessary to be offered to ensure satisfaction of the obligation is not commercially  
 531 reasonable, except in cases covered by the preceding sentence.

532 ~~(2)(b)~~ Before any sale pursuant to this Code section, any person claiming a right in the  
 533 goods may pay the amount necessary to satisfy the lien and the reasonable expenses  
 534 incurred ~~under~~ in complying with this Code section. In that event, the goods ~~must~~ may not  
 535 be sold; but ~~must~~ shall be retained by the carrier, subject to the terms of the bill of lading  
 536 and this article.

537 ~~(3)(c)~~ The carrier may buy at any public sale pursuant to this Code section.

538 ~~(4)(d)~~ A purchaser in good faith of goods sold to enforce a carrier's lien takes the goods  
 539 free of any rights of persons against ~~whom~~ which the lien was valid, despite the carrier's  
 540 noncompliance ~~by the carrier~~ with ~~the requirements~~ of this Code section.

541 ~~(5)(e)~~ A The carrier may satisfy his its lien from the proceeds of any sale pursuant to this  
 542 Code section but ~~must~~ shall hold the balance, if any, for delivery on demand to any person  
 543 to ~~whom he~~ which the carrier would have been bound to deliver the goods.

544 ~~(6)(f)~~ The rights provided by this Code section ~~shall be~~ are in addition to all other rights  
 545 allowed by law to a creditor against ~~his~~ a debtor.

546 ~~(7)(g)~~ A carrier's lien may be enforced ~~in accordance with~~ pursuant to either subsection  
 547 ~~(1)~~ (a) of this Code section or the procedure set forth in subsection ~~(2)~~ (b) of Code Section  
 548 11-7-210.

549 ~~(8)(h)~~ A ~~The~~ carrier is liable for damages caused by failure to comply with the  
 550 requirements for sale under this Code section and, in case of willful violation, is liable for  
 551 conversion.

552 11-7-309. **Duty of care; contractual limitation of carrier's liability.**

553 ~~(1)(a)~~ A carrier ~~who~~ that issues a bill of lading, whether negotiable or nonnegotiable, ~~must~~  
 554 shall exercise the degree of care in relation to the goods which a reasonably careful ~~man~~  
 555 person would exercise under ~~like~~ similar circumstances. This subsection does not ~~repeat~~  
 556 ~~or change~~ affect any ~~law~~ statute, regulation, or rule of law ~~which~~ that imposes liability upon  
 557 a common carrier for damages not caused by its negligence.

558 ~~(2)(b)~~ Damages may be limited by a ~~provision~~ term in the bill of lading or in a  
 559 transportation agreement that the carrier's liability ~~shall~~ may not exceed a value stated in  
 560 the ~~document~~ bill or transportation agreement if the carrier's rates are dependent upon value  
 561 and the consignor ~~by the carrier's tariff~~ is afforded an opportunity to declare a higher value  
 562 ~~or a value as lawfully provided in the tariff, or where no tariff is filed he~~ and the consignor  
 563 ~~is otherwise advised of such~~ the opportunity; ~~but no such.~~ However, such a limitation is  
 564 not effective with respect to the carrier's liability for conversion to its own use.

565 ~~(3)(c)~~ Reasonable provisions as to the time and manner of presenting claims and ~~instituting~~  
 566 commencing actions based on the shipment may be included in a bill of lading or ~~tariff~~ a  
 567 transportation agreement.

568 Part 4

569 Warehouse receipts and bills of lading: general obligations.

570 11-7-401. **Irregularities in issue of receipt or bill or conduct of issuer.**

571 The obligations imposed by this article on an issuer apply to a document of title ~~regardless~~  
 572 ~~of the fact that~~ even if:

573 ~~(a)(1)~~ The document ~~may~~ does not comply with the requirements of this article or of any  
 574 other ~~law~~ statute, rule, or regulation regarding its ~~issue~~ issuance, form, or content; ~~or~~

575 ~~(b)(2)~~ The issuer ~~may have~~ violated laws regulating the conduct of ~~his~~ its business; ~~or~~

576 ~~(c)(3)~~ The goods covered by the document were owned by the bailee ~~at the time~~ when  
 577 the document was issued; or

578 ~~(d)(4)~~ The person issuing the document ~~does not come within the definition of~~  
 579 warehouseman if it is not a warehouse but purports to be a warehouse receipt.

580 11-7-402. **Duplicate receipt or bill document of title; overissue.**

581 ~~Neither a~~ A duplicate ~~nor or~~ any other document of title purporting to cover goods already  
 582 represented by an outstanding document of the same issuer ~~confers~~ does not confer any  
 583 right in the goods, except as provided in the case of tangible bills of lading in a set of parts,  
 584 overissue of documents for fungible goods, ~~and~~ substitutes for lost, stolen, or destroyed  
 585 documents, ~~or substitute documents issued pursuant to Code Section 11-7-105.~~ ~~But the~~  
 586 The issuer is liable for damages caused by his its overissue or failure to identify a duplicate  
 587 document ~~as such~~ by a conspicuous notation on its face.

588 11-7-403. **Obligation of warehouseman or carrier bailee to deliver; excuse.**

589 ~~(1)(a)~~ A The bailee ~~must~~ shall deliver the goods to a person entitled under ~~the~~ a document  
 590 ~~who of title if the person~~ complies with subsections ~~(2)~~ (b) and ~~(3)~~ (c) of this Code section,  
 591 unless and to the extent that the bailee establishes any of the following:

592 ~~(a)~~(1) Delivery of the goods to a person whose receipt was rightful as against the  
 593 claimant;

594 ~~(b)~~(2) Damage to or delay, loss, or destruction of the goods for which the bailee is not  
 595 liable;

596 ~~(c)~~(3) Previous sale or other disposition of the goods in lawful enforcement of a lien or  
 597 on ~~warehouseman's~~ a warehouse's lawful termination of storage;

598 ~~(d)~~(4) The exercise by a seller of ~~his its~~ right to stop delivery pursuant to ~~the provisions~~  
 599 ~~of the article on sales~~ (Code Section 11-2-705) ~~or by a lessor of its right to stop delivery~~  
 600 pursuant to Code Section 11-2A-526;

601 ~~(e)~~(5) A diversion, reconsignment, or other disposition pursuant to ~~the provisions of this~~  
 602 ~~article~~ (Code Section 11-7-303) ~~or tariff regulating such right;~~

603 ~~(f)~~(6) Release, satisfaction, or any other ~~fact affording~~ a personal defense against the  
 604 claimant; or

605 ~~(g)~~(7) Any other lawful excuse.

606 ~~(2)(b)~~ A person claiming goods covered by a document of title ~~must~~ shall satisfy the  
 607 bailee's lien ~~where if~~ the bailee so requests or ~~where if~~ the bailee is prohibited by law from  
 608 delivering the goods until the charges are paid.

609 ~~(3)(c)~~ Unless ~~the~~ a person claiming the goods is ~~one~~ a person against ~~whom~~ which the  
 610 document ~~confers no~~ of title does not confer a right under subsection (a) of Code Section  
 611 11-7-503(1);

612 (1) The person claiming under a document shall he must surrender for cancellation or  
 613 notation possession or control of any outstanding negotiable document covering the  
 614 goods for cancellation or indication of partial deliveries; and

615 ~~(2) of partial deliveries any outstanding negotiable document covering the goods, and~~  
 616 ~~the~~ The bailee ~~must~~ shall cancel the document or conspicuously ~~note~~ indicate in the  
 617 document the partial delivery ~~thereon~~ or ~~be~~ the bailee is liable to any person to whom  
 618 which the document is duly negotiated.

619 ~~(4) 'Person entitled under the document' means holder in the case of a negotiable~~  
 620 ~~document, or the person to whom delivery is to be made by the terms of or pursuant to~~  
 621 ~~written instructions under a nonnegotiable document.~~

622 11-7-404. **No liability for ~~good faith~~ good-faith delivery pursuant to receipt or bill**  
 623 **document of title.**

624 A bailee ~~who~~ that in good faith ~~including observance of reasonable commercial standards~~  
 625 has received goods and delivered or otherwise disposed of ~~them~~ the goods according to the  
 626 terms of the document of title or pursuant to this article is not liable ~~therefor~~. ~~This rule~~  
 627 applies for the goods even though if:

628 (1) The ~~the~~ person from ~~whom he~~ which the bailee received the goods ~~had no~~ did not  
 629 have authority to procure the document or to dispose of the goods ~~and;~~ or

630 (2) The ~~even though the~~ person to ~~whom he~~ which the bailee delivered the goods ~~had no~~  
 631 did not have authority to receive ~~them~~ the goods.

## 632 Part 5

### 633 Warehouse receipts and bills of lading: negotiation and transfer

634 11-7-501. **Form of negotiation and requirements of ~~'due~~ Negotiation negotiation.**<sup>1</sup>

635 ~~(1)(a)~~ The following rules apply to a negotiable tangible document of title:

636 (1) If the document's original terms run ~~A negotiable document of title running to the~~  
 637 order of a named person, the document is negotiated by ~~his~~ the named person's  
 638 indorsement and delivery. After his the named person's indorsement in blank or to  
 639 bearer, any person can may negotiate it the document by delivery alone;:

640 ~~(2)(a) A negotiable document of title is also negotiated by delivery alone when by its~~  
 641 ~~original~~ If the document's original terms it runs run to bearer, it is negotiated by delivery  
 642 alone;:

643 ~~(b)(3) If the document's original terms run~~ When a document running to the order of a  
 644 named person and it is delivered to him the named person, the effect is the same as if the  
 645 document had been negotiated;:

646 ~~(3)(4) Negotiation of a negotiable~~ the document of title after it has been indorsed to a  
 647 specified named person requires indorsement by the ~~special indorsee as well as~~ named  
 648 person and delivery; and:

649 ~~(4)~~(5) A negotiable document of title is 'duly negotiated' ~~when~~ if it is negotiated in the  
 650 manner stated in this ~~Code section~~ subsection to a holder ~~who~~ that purchases it in good  
 651 faith, without notice of any defense against or claim to it on the part of any person, and  
 652 for value, unless it is established that the negotiation is not in the regular course of  
 653 business or financing or involves receiving the document in settlement or payment of a  
 654 money obligation.

655 (b) The following rules apply to a negotiable electronic document of title:

656 (1) If the document's original terms run to the order of a named person or to bearer, the  
 657 document is negotiated by delivery of the document to another person. Indorsement by  
 658 the named person is not required to negotiate the document;

659 (2) If the document's original terms run to the order of a named person and the named  
 660 person has control of the document, the effect is the same as if the document had been  
 661 negotiated; and

662 (3) A document is duly negotiated if it is negotiated in the manner stated in this  
 663 subsection to a holder that purchases it in good faith, without notice of any defense  
 664 against or claim to it on the part of any person, and for value, unless it is established that  
 665 the negotiation is not in the regular course of business or financing or involves taking  
 666 delivery of the document in settlement or payment of a monetary obligation.

667 ~~(5)~~(c) Indorsement of a nonnegotiable document of title neither makes it negotiable nor  
 668 adds to the transferee's rights.

669 ~~(6)~~(d) The naming in a negotiable bill of lading of a person to be notified of the arrival of  
 670 the goods does not limit the negotiability of the bill ~~nor~~ or constitute notice to a purchaser  
 671 ~~thereof~~ of the bill of any interest of ~~such~~ that person in the goods.

672 11-7-502. **Rights acquired by due negotiation.**

673 ~~(1)~~(a) Subject to Code ~~Section~~ Sections 11-7-205 and 11-7-503 ~~and to the provisions of~~  
 674 ~~Code Section 11-7-205 on fungible goods~~, a holder to ~~whom~~ which a negotiable document  
 675 of title has been duly negotiated acquires thereby:

676 ~~(a)~~(1) Title to the document;

677 ~~(b)~~(2) Title to the goods;

678 ~~(c)~~(3) All rights accruing under the law of agency or estoppel, including rights to goods  
 679 delivered to the bailee after the document was issued; and

680 ~~(d)~~(4) The direct obligation of the issuer to hold or deliver the goods according to the  
 681 terms of the document free of any defense or claim by ~~him~~ the issuer except those arising  
 682 under the terms of the document or under this article, ~~but in~~ in the case of a delivery  
 683 order, the bailee's obligation accrues only upon the bailee's acceptance of the delivery

684 order and the obligation acquired by the holder is that the issuer and any indorser will  
685 procure the acceptance of the bailee.

686 ~~(2)~~(b) Subject to Code Section 11-7-503, title and rights so acquired by due negotiation  
687 are not defeated by any stoppage of the goods represented by the document of title or by  
688 surrender of ~~such~~ the goods by the bailee; and are not impaired even ~~though the~~ if:

689 (1) The due negotiation or any prior due negotiation constituted a breach of duty ~~or even~~  
690 ~~though any~~;

691 (2) Any person has been deprived of possession of ~~the~~ a negotiable tangible document  
692 or control of a negotiable electronic document by misrepresentation, fraud, accident,  
693 mistake, duress, loss, theft, or conversion; or

694 (3) A ~~even though~~ a previous sale or other transfer of the goods or document has been  
695 made to a third person.

696 11-7-503. **Document of title to goods defeated in certain cases.**

697 ~~(1)~~(a) A document of title confers no right in goods against a person ~~who~~ that before  
698 issuance of the document had a legal interest or a perfected security interest in ~~them~~ the  
699 goods and ~~who neither~~ that did not:

700 ~~(a)~~(1) ~~Delivered or entrusted them~~ Deliver or entrust the goods or any document of title  
701 covering ~~them~~ the goods to the bailor or the bailor's nominee with:

702 (A) ~~actual~~ Actual or apparent authority to ship, store, or sell;

703 (B) ~~or with power~~ Power to obtain delivery under ~~this article~~ (Code Section 11-7-403);

704 or

705 (C) ~~with power~~ Power of disposition under ~~this title~~ (Code Sections Section 11-2-403,  
706 subsection (2) of Code Section 11-2A-304, subsection (2) of Code Section 11-2A-305,  
707 and Code Section 11-9-320), or subsection (c) of Code Section 11-9-321 or other  
708 statute or rule of law; ~~nor~~ or

709 ~~(b)~~(2) ~~Acquiesced~~ Acquiesce in the procurement by the bailor or ~~the bailor's~~ its nominee  
710 of any document ~~of title~~.

711 ~~(2)~~(b) Title to goods based upon an unaccepted delivery order is subject to the rights of  
712 ~~anyone~~ any person to ~~whom~~ which a negotiable warehouse receipt or bill of lading  
713 covering the goods has been duly negotiated. ~~Such a~~ That title may be defeated under  
714 Code Section 11-7-504 to the same extent as the rights of the issuer or a transferee from  
715 the issuer.

716 ~~(3)~~(c) Title to goods based upon a bill of lading issued to a freight forwarder is subject to  
717 the rights of ~~anyone~~ any person to ~~whom~~ which a bill issued by the freight forwarder is  
718 duly negotiated; ~~but~~. However, delivery by the carrier in accordance with Part 4 of this  
719 article pursuant to its own bill of lading discharges the carrier's obligation to deliver.

720 11-7-504. **Rights acquired in the absence of due negotiation; effect of diversion;**  
 721 **seller's stoppage of delivery.**

722 ~~(1)~~(a) A transferee of a document of title, whether negotiable or nonnegotiable, to whom  
 723 which the document has been delivered but not duly negotiated, acquires the title and rights  
 724 ~~which his~~ that its transferor had or had actual authority to convey.

725 ~~(2)~~(b) In the case of a transfer of a nonnegotiable document of title, until but not after the  
 726 bailee receives ~~notification~~ notice of the transfer, the rights of the transferee may be  
 727 defeated:

728 ~~(a)~~(1) By those creditors of the transferor ~~who~~ which could treat the ~~sale~~ transfer as void  
 729 under Code Section 11-2-402 or 11-2A-308; ~~or~~

730 ~~(b)~~(2) By a buyer from the transferor in ordinary course of business if the bailee has  
 731 delivered the goods to the buyer or received notification of ~~his~~ the buyer's rights; ~~or~~

732 ~~(c)~~(3) By a lessee from the transferor in ordinary course of business if the bailee has  
 733 delivered the goods to the lessee or received notification of the lessee's rights; or

734 (4) As against the bailee, by ~~good faith~~ good-faith dealings of the bailee with the  
 735 transferor.

736 ~~(3)~~(c) A diversion or other change of shipping instructions by the consignor in a  
 737 nonnegotiable bill of lading which causes the bailee not to deliver the goods to the  
 738 consignee defeats the consignee's title to the goods if ~~they~~ the goods have been delivered  
 739 to a buyer in ordinary course of business or a lessee in ordinary court of business and, in  
 740 any event, defeats the consignee's rights against the bailee.

741 ~~(4)~~(d) Delivery of the goods pursuant to a nonnegotiable document of title may be stopped  
 742 by a seller under Code Section 11-2-705 or a lessor under Code Section 11-2A-526, and  
 743 subject to the ~~requirement~~ requirements of due notification ~~there provided~~ in those Code  
 744 sections. A bailee ~~honoring~~ that honors the seller's or lessor's instructions is entitled to be  
 745 indemnified by the seller or lessor against any resulting loss or expense.

746 11-7-505. **Indorser not a guarantor for other parties.**

747 The indorsement of a tangible document of title issued by a bailee does not make the  
 748 indorser liable for any default by the bailee or ~~by~~ previous indorsers.

749 11-7-506. **Delivery without indorsement; right to compel indorsement.**

750 The transferee of a negotiable tangible document of title has a specifically enforceable right  
 751 to have ~~his~~ its transferor supply any necessary indorsement, but the transfer becomes a  
 752 negotiation only as of the time the indorsement is supplied.

753 11-7-507. **Warranties on negotiation or ~~transfer of receipt or bill~~ delivery of**  
 754 **document of title.**

755 ~~Where~~ If a person negotiates or transfers delivers a document of title for value, otherwise  
 756 than as a mere intermediary under Code Section 11-7-508, ~~then~~ unless otherwise agreed,  
 757 ~~he~~ the transferor, in addition to any warranty made in selling or leasing the goods, warrants  
 758 to ~~his~~ its immediate purchaser only ~~in addition to any warranty made in selling the goods~~  
 759 that:

760 (a)(1) ~~The~~ That the document is genuine; and

761 (b)(2) ~~The transferor does not have~~ That he has no knowledge of any fact ~~which~~ that  
 762 would impair its the document's validity or worth; and

763 (c)(3) ~~The~~ That his negotiation or ~~transfer~~ delivery is rightful and fully effective with  
 764 respect to the title to the document and the goods it represents.

765 11-7-508. **Warranties of collecting bank as to documents of title.**

766 A collecting bank or other intermediary known to be entrusted with documents of title on  
 767 behalf of another or with collection of a draft or other claim against delivery of documents  
 768 warrants by ~~such~~ the delivery of the documents only its own good faith and authority. ~~This~~  
 769 ~~rule applies even though~~ if the collecting bank or other intermediary has purchased or made  
 770 advances against the claim or draft to be collected.

771 11-7-509. **~~Receipt or bill: when adequate~~ Adequate compliance with commercial**  
 772 **contract.**

773 ~~The question whether~~ Whether a document of title is adequate to fulfill the obligations of  
 774 a contract for sale, a contract for lease, or the conditions of a letter of credit is ~~governed~~  
 775 determined by ~~the articles on sales (Article 2, 2A, or 5 of this title) and on letters of credit~~  
 776 ~~(Article 5 of this title).~~

777 Part 6

778 Warehouse receipts and bills of lading: miscellaneous provisions

779 11-7-601. **Lost, and missing stolen, or destroyed documents of title.**

780 (1)(a) If a document ~~has been~~ of title is lost, stolen, or destroyed, a court may order  
 781 delivery of the goods or issuance of a substitute document and the bailee may without  
 782 liability to any person comply with ~~such~~ the order. If the document was negotiable, a court  
 783 may not order delivery of the goods or the issuance of a substitute document without the  
 784 ~~claimant~~ must post claimant's posting security ~~approved by the court to indemnify any~~  
 785 unless it finds that any person who that may suffer loss as a result of nonsurrender of

786 possession or control of the document is adequately protected against the loss. If the  
 787 document was ~~not negotiable~~ nonnegotiable, such security the court may be required at the  
 788 ~~discretion of the court~~ require security. The court may also ~~in its discretion~~ order payment  
 789 of the bailee's reasonable costs and ~~counsel~~ attorney's fees in any action under this  
 790 subsection.

791 ~~(2)(b)~~ A bailee ~~who that~~, without a court order, delivers goods to a person claiming under  
 792 a missing negotiable document of title is liable to any person injured thereby, ~~and if~~. If the  
 793 delivery is not in good faith, the bailee is ~~becomes~~ liable for conversion. Delivery in good  
 794 faith is not conversion if ~~made in accordance with a filed classification or tariff or, where~~  
 795 ~~no classification or tariff is filed~~, if the claimant posts security with the bailee in an amount  
 796 at least double the value of the goods at the time of posting to indemnify any person injured  
 797 by the delivery ~~who~~ which files a notice of claim within one year after the delivery.

798 11-7-602. **Attachment of Judicial process against goods covered by a negotiable**  
 799 **document of title**.

800 ~~Except where the~~ Unless a document of title was originally issued upon delivery of the  
 801 goods by a person ~~who had no~~ that did not have power to dispose of them, ~~no~~ a lien  
 802 ~~attaches~~ does not attach by virtue of any judicial process to goods in the possession of a  
 803 bailee for which a negotiable document of title is outstanding unless possession or control  
 804 of the document ~~be is~~ first surrendered to the bailee or ~~its~~ the document's negotiation is  
 805 ~~enjoined,~~ The bailee ~~shall~~ may not be compelled to deliver the goods pursuant to  
 806 process until possession or control of the document is surrendered to ~~him or impounded by~~  
 807 the bailee or to the court. ~~One who purchases~~ A purchaser of the document for value  
 808 without notice of the process or injunction takes free of the lien imposed by judicial  
 809 process.

810 11-7-603. **Conflicting claims; interpleader**.

811 If more than one person claims title to or possession of the goods, the bailee is excused  
 812 from delivery until ~~he~~ the bailee has ~~had~~ a reasonable time to ascertain the validity of the  
 813 adverse claims or to ~~bring~~ commence an action to ~~compel all claimants to interplead and~~  
 814 ~~may compel such~~ for interpleader. The bailee may assert an interpleader either in  
 815 defending an action for nondelivery of the goods; or by original action, ~~whichever is~~  
 816 appropriate."

817

## PART II

818

### SECTION 2-1.

819 Said title is further amended by revising paragraphs (5), (6), (10), (14), (15), (20), (25), (26),  
820 (27), (38), and (45) of Code Section 11-1-201, relating to general definitions, as follows:

821 "(5) 'Bearer' means ~~the~~ a person in control of a negotiable electronic document of title or  
822 a person in possession of an instrument, a negotiable tangible document of title, or a  
823 certificated security payable to bearer or indorsed in blank.

824 (6) 'Bill of lading' means a document of title evidencing the receipt of goods for shipment  
825 issued by a person engaged in the business of directly or indirectly transporting or  
826 forwarding goods, ~~and includes an airbill. 'Airbill' means a document serving for air~~  
827 ~~transportation as a bill of lading does for marine or rail transportation, and includes an air~~  
828 ~~consignment note or air waybill. The term does not include a warehouse receipt."~~

829 ~~"(10) 'Conspicuous': A term or clause is conspicuous when it is," with reference to a term,~~  
830 means so written, displayed, or presented that a reasonable person against whom which it  
831 is to operate ought to have noticed it. A printed heading in capitals (as: Nonnegotiable Bill  
832 of Lading) is conspicuous. Language in the body of a form is 'conspicuous' if it is in larger  
833 or other contrasting type or color. But in a telegram any stated term is 'conspicuous.'  
834 Whether a term or clause is 'conspicuous' or not is for a decision by for the court.  
835 Conspicuous terms include the following:

836 (A) A heading in capitals equal to or greater in size than the surrounding text, or in  
837 contrasting type, font, or color to the surrounding text of the same or lesser size; and

838 (B) Language in the body of a record or display in larger type than the surrounding text,  
839 or in contrasting type, font, or color to the surrounding text of the same size, or set off  
840 from the surrounding text of the same size by symbols or other marks that call attention  
841 to the language."

842 ~~"(14) 'Delivery' with respect to an electronic document of title means voluntary transfer~~  
843 ~~of control and with respect to instruments, tangible documents of title, chattel paper, or~~  
844 ~~certificated securities means voluntary transfer of possession.~~

845 (15) 'Document of title' ~~includes bill of lading, dock warrant, dock receipt, warehouse~~  
846 ~~receipt or order for the delivery of goods, and also any other document which means a~~  
847 ~~record (a) that in the regular course of business or financing is treated as adequately~~  
848 ~~evidencing that the person in possession or control of it the record is entitled to receive,~~  
849 ~~control, hold, and dispose of the document record and the goods it the record covers and~~  
850 ~~(b) that purports to be issued by or addressed to a bailee and to cover goods in the bailee's~~  
851 ~~possession which are either identified or are fungible portions of an identified mass. The~~  
852 ~~term includes a bill of lading, transport document, dock warrant, dock receipt, warehouse~~  
853 ~~receipt, and order for delivery of goods. To be a document of title a document must~~  
854 ~~purport to be issued by or addressed to a bailee and purport to cover goods in the bailee's~~  
855 ~~possession which are either identified or are fungible portions of an identified mass An~~

856 electronic document of title means a document of title evidenced by a record consisting of  
 857 information stored in an electronic medium. A tangible document of title means a  
 858 document of title evidenced by a record consisting of information that is inscribed on a  
 859 tangible medium."

860 "(20) 'Holder,' ~~with respect to a negotiable instrument,~~ means:

861 ~~(a) the~~ The person in possession if the of a negotiable instrument that is payable either  
 862 ~~to bearer or, in the case of an instrument payable to an identified person, if the identified~~  
 863 that is the person is in possession. ~~Holder with respect to:~~

864 ~~(b) The person in possession of a negotiable tangible document of title means the person~~  
 865 ~~in possession if the goods are deliverable either to bearer or to the order of the person in~~  
 866 ~~possession; or~~

867 ~~(c) The person in control of a negotiable electronic document of title."~~

868 "(25) ~~A~~ Subject to subsection (27) of this Code section, a person has 'notice' of a fact when  
 869 if the person:

870 ~~(a) He has~~ Has actual knowledge of it; ~~or~~

871 ~~(b) He has~~ Has received a notice or notification of it; ~~or~~

872 ~~(c) From all the facts and circumstances known to him~~ the person at the time in question,  
 873 ~~he~~ has reason to know that it exists.

874 A person 'knows' or has 'knowledge' of a fact when ~~he~~ the person has actual knowledge of  
 875 it. 'Discover' or 'learn' or a word or phrase of similar import refers to knowledge rather  
 876 than to reason to know. The time and circumstances under which a notice or notification  
 877 may cease to be effective are not determined by this title.

878 (26) A person 'notifies' or 'gives' a notice or notification to another person by taking such  
 879 steps as may be reasonably required to inform the other person in ordinary course, whether  
 880 or not ~~such other~~ the other person actually comes to know of it. ~~A~~ Subject to  
 881 subsection (27) of this Code section, a person 'receives' a notice or notification when:

882 ~~(a) It comes to his~~ that person's attention; ~~or~~

883 ~~(b) It is duly delivered in a form reasonable under the circumstances at the place of~~  
 884 ~~business through which the contract was made or at any other place~~ another location held  
 885 ~~out by him~~ that person as the place for receipt of such communications.

886 (27) Notice, knowledge, or a notice or notification received by an organization is effective  
 887 for a particular transaction from the time when it is brought to the attention of the  
 888 individual conducting that transaction, and in any event, from the time when it would have  
 889 been brought to ~~his~~ the individual's attention if the organization had exercised due  
 890 diligence. An organization exercises due diligence if it maintains reasonable routines for  
 891 communicating significant information to the person conducting the transaction and there  
 892 is reasonable compliance with the routines. Due diligence does not require an individual

893 acting for the organization to communicate information unless such communication is part  
 894 of the individual's regular duties or the individual has reason to know of the transaction and  
 895 that the transaction would be materially affected by the information."

896 "(38) 'Send' in connection with ~~any a~~ writing, record, or notice means:

897 (a) to To deposit in the mail or deliver for transmission by any other usual means of  
 898 communication with postage or cost of transmission provided for and properly addressed  
 899 and, in the case of an instrument, to an address specified thereon or otherwise agreed, or  
 900 if there be none to any address reasonable under the circumstances; or

901 (b) The receipt of any writing In any other way to cause to be received any record or  
 902 notice within the time ~~at which~~ it would have arrived if properly sent ~~has the effect of a~~  
 903 proper sending."

904 "(45) 'Warehouse receipt' means a receipt document of title issued by a person engaged in  
 905 the business of storing goods for hire."

906 **SECTION 2-2.**

907 Said title is further amended by revising subsection (3) of Code Section 11-2-103, relating  
 908 to definitions and index of definitions regarding sales, as follows:

909 "(3) ~~The~~ 'Control' as provided in Code Section 11-7-106 and the following definitions in  
 910 other articles of this title apply to this article:

911 'Check.' Code Section 11-3-104.

912 'Consignee.' Code Section 11-7-102.

913 'Consignor.' Code Section 11-7-102.

914 'Consumer goods.' Code Section 11-9-102.

915 'Dishonor.' Code Section 11-3-502.

916 'Draft.' Code Section 11-3-104."

917 **SECTION 2-3.**

918 Said title is further amended by revising subsection (2) of Code Section 11-2-104, relating  
 919 to definition of financing agency, as follows:

920 "(2) 'Financing agency' means a bank, finance company, or other person who in the  
 921 ordinary course of business makes advances against goods or documents of title or who by  
 922 arrangement with either the seller or the buyer intervenes in ordinary course to make or  
 923 collect payment due or claimed under the contract for sale, as by purchasing or paying the  
 924 seller's draft or making advances against it or by merely taking it for collection whether or  
 925 not documents of title accompany or are associated with the draft. 'Financing agency'  
 926 includes also a bank or other person who similarly intervenes between persons who are in  
 927 the position of seller and buyer in respect to the goods (Code Section 11-2-707)."

928 **SECTION 2-4.**

929 Said title is further amended by revising Code Section 11-2-310, relating to open time for  
 930 payment or running of credit, as follows:

931 "11-2-310. **Open time for payment or running of credit; authority to ship under**  
 932 **reservation.**

933 Unless otherwise agreed:

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

936 (b) If the seller is authorized to send the goods he or she may ship them under  
 937 reservation, and may tender the documents of title, but the buyer may inspect the goods  
 938 after their arrival before payment is due unless such inspection is inconsistent with the  
 939 terms of the contract (Code Section 11-2-513); and

940 (c) If delivery is authorized and made by way of documents of title otherwise than by  
 941 subsection (b) of this Code section then payment is due regardless of where the goods are  
 942 to be received (i) at the time and place at which the buyer is to receive delivery of the  
 943 tangible documents regardless of where the goods are to be received or (ii) at the time the  
 944 buyer is to receive delivery of the electronic documents and at the seller's place of  
 945 business or if none, the seller's residence; and

946 (d) Where the seller is required or authorized to ship the goods on credit the credit period  
 947 runs from the time of shipment but ~~postdating~~ post-dating the invoice or delaying its  
 948 dispatch will correspondingly delay the starting of the credit period."

949 **SECTION 2-5.**

950 Said title is further amended by revising Code Section 11-2-323, relating to form of bill of  
 951 lading required in overseas shipment, as follows:

952 "11-2-323. **Form of bill of lading required in overseas shipment; 'overseas.'**

953 (1) Where the contract contemplates overseas shipment and contains a term C.I.F. or C.  
 954 & F. or F.O.B. vessel, the seller unless otherwise agreed ~~must~~ shall obtain a negotiable bill  
 955 of lading stating that the goods have been loaded ~~on~~ in board or, in the case of a term C.I.F.  
 956 or C. & F., received for shipment.

957 (2) Where in a case within subsection (1) of this Code section a tangible bill of lading has  
 958 been issued in a set of parts, unless otherwise agreed if the documents are not to be sent  
 959 from abroad the buyer may demand tender of the full set; otherwise only one part of the bill  
 960 of lading need be tendered. Even if the agreement expressly requires a full set:

961 (a) Due tender of a single part is acceptable within the provisions of this article on cure  
 962 of improper delivery (subsection (1) of Code Section 11-2-508); and

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

966 (3) A shipment by water or by air or a contract contemplating such shipment is 'overseas'  
 967 insofar as by usage of trade or agreement it is subject to the commercial, financing, or  
 968 shipping practices characteristic of international deep water commerce."

#### 969 SECTION 2-6.

970 Said title is further amended by revising Code Section 11-2-401, relating to passing of title  
 971 and reservation of security, as follows:

972 "11-2-401. **Passing of title; reservation for security; limited application of this Code**  
 973 **section.**

974 Each provision of this article with regard to the rights, obligations, and remedies of the  
 975 seller, the buyer, purchasers, or other third parties applies irrespective of title to the goods  
 976 except where the provision refers to such title. Insofar as situations are not covered by the  
 977 other provisions of this article and matters concerning title become material the following  
 978 rules apply:

979 (1) Title to goods cannot pass under a contract for sale prior to their identification to the  
 980 contract (Code Section 11-2-501), and unless otherwise explicitly agreed the buyer  
 981 acquires by their identification a special property as limited by this title. Any retention or  
 982 reservation by the seller of the title (property) in goods shipped or delivered to the buyer  
 983 is limited in effect to a reservation of a security interest. Subject to these provisions and  
 984 to the provisions of the article on secured transactions (Article 9 of this title), title to goods  
 985 passes from the seller to the buyer in any manner and on any conditions explicitly agreed  
 986 on by the parties.

987 (2) Unless otherwise explicitly agreed title passes to the buyer at the time and place at  
 988 which the seller completes his or her performance with reference to the physical delivery  
 989 of the goods, despite any reservation of a security interest and even though a document of  
 990 title is to be delivered at a different time or place; and in particular and despite any  
 991 reservation of a security interest by the bill of lading:

992 (a) If the contract requires or authorizes the seller to send the goods to the buyer but does  
 993 not require him or her to deliver them at destination, title passes to the buyer at the time  
 994 and place of shipment; but

995 (b) If the contract requires delivery at destination, title passes on tender there.

996 (3) Unless otherwise explicitly agreed where delivery is to be made without moving the  
 997 goods:

- 998 (a) If the seller is to deliver a tangible document of title, title passes at the time when and  
 999 the place where he or she delivers such documents and if the seller is to deliver an  
 1000 electronic document of title, title passes when the seller delivers the document; or  
 1001 (b) If the goods are at the time of contracting already identified and no documents of title  
 1002 are to be delivered, title passes at the time and place of contracting.
- 1003 (4) A rejection or other refusal by the buyer to receive or retain the goods, whether or not  
 1004 justified, or a justified revocation of acceptance revests title to the goods in the seller. Such  
 1005 revesting occurs by operation of law and is not a 'sale.'"

#### 1006 SECTION 2-7.

1007 Said title is further amended by revising subsections (4) and (5) of Code Section 11-2-503,  
 1008 relating to manner of seller's tender of delivery, as follows:

1009 "(4) Where goods are in the possession of a bailee and are to be delivered without being  
 1010 moved:

1011 (a) Tender requires that the seller either tender a negotiable document of title covering  
 1012 such goods or procure acknowledgment by the bailee of the buyer's right to possession  
 1013 of the goods; but

1014 (b) Tender to the buyer of a nonnegotiable document of title or of a ~~written direction to~~  
 1015 record directing the bailee to deliver is sufficient tender unless the buyer seasonably  
 1016 objects, and except as otherwise provided in Article 9 of this title receipt by the bailee of  
 1017 notification of the buyer's rights fixes those rights as against the bailee and all third  
 1018 persons; but risk of loss of the goods and of any failure by the bailee to honor the  
 1019 nonnegotiable document of title or to obey the direction remains on the seller until the  
 1020 buyer has had a reasonable time to present the document or direction, and a refusal by the  
 1021 bailee to honor the document or to obey the direction defeats the tender.

1022 (5) Where the contract requires the seller to deliver documents:

1023 (a) He ~~must~~ or she shall tender all such documents in correct form, except as provided  
 1024 in this article with respect to bills of lading in a set (subsection (2) of Code Section  
 1025 11-2-323); and

1026 (b) Tender through customary banking channels is sufficient and dishonor of a draft  
 1027 accompanying or associated with the documents constitutes nonacceptance or rejection."

#### 1028 SECTION 2-8.

1029 Said title is further amended by revising Code Section 11-2-505, relating to seller's shipment  
 1030 under reservation, as follows:

1031 "11-2-505. **Seller's shipment under reservation.**

1032 (1) Where the seller has identified goods to the contract by or before shipment:

1033 (a) His or her procurement of a negotiable bill of lading to his or her own order or  
 1034 otherwise reserves in him or her a security interest in the goods. His or her procurement  
 1035 of the bill to the order of a financing agency or of the buyer indicates in addition only the  
 1036 seller's expectation of transferring that interest to the person named.

1037 (b) A nonnegotiable bill of lading to himself or herself or his or her nominee reserves  
 1038 possession of the goods as security but except in a case of conditional delivery  
 1039 (subsection (2) of Code Section 11-2-507) a nonnegotiable bill of lading naming the  
 1040 buyer as consignee reserves no security interest even though the seller retains possession  
 1041 or control of the bill of lading.

1042 (2) When shipment by the seller with reservation of a security interest is in violation of the  
 1043 contract for sale it constitutes an improper contract for transportation within Code Section  
 1044 11-2-504 but impairs neither the rights given to the buyer by shipment and identification  
 1045 of the goods to the contract nor the seller's powers as a holder of a negotiable document of  
 1046 title."

#### 1047 **SECTION 2-9.**

1048 Said title is further amended by revising subsection (2) of Code Section 11-2-506, relating  
 1049 to rights of financing agency, as follows:

1050 "(2) The right to reimbursement of a financing agency which has in good faith honored or  
 1051 purchased the draft under commitment to or authority from the buyer is not impaired by  
 1052 subsequent discovery of defects with reference to any relevant document which was  
 1053 apparently regular ~~on its face.~~"

#### 1054 **SECTION 2-10.**

1055 Said title is further amended by revising subsection (2) of Code Section 11-2-509, relating  
 1056 to risk of loss in the absence of breach, as follows:

1057 "(2) Where the goods are held by a bailee to be delivered without being moved, the risk  
 1058 of loss passes to the buyer:

1059 (a) On his or her receipt of possession or control of a negotiable document of title  
 1060 covering the goods; or

1061 (b) On acknowledgment by the bailee of the buyer's right to possession of the goods; or

1062 (c) After his or her receipt of possession or control of a nonnegotiable document of title  
 1063 or other ~~written~~ direction to deliver in a record, as provided in subsection (4)(b) of Code  
 1064 Section 11-2-503."

**SECTION 2-11.**

1065

1066 Said title is further amended by revising subsection (2) of Code Section 11-2-605, relating  
1067 to waiver of buyer's objections by failure to particularize, as follows:

1068 "(2) Payment against documents made without reservation of rights precludes recovery of  
1069 the payment for defects apparent ~~on the face of~~ in the documents."

**SECTION 2-12.**

1070

1071 Said title is further amended by revising subsections (2) and (3) of Code Section 11-2-705,  
1072 relating to seller's stoppage of delivery in transit or otherwise, as follows:

1073 "(2) As against such buyer the seller may stop delivery until:

1074 (a) Receipt of the goods by the buyer; or

1075 (b) Acknowledgment to the buyer by any bailee of the goods except a carrier that the  
1076 bailee holds the goods for the buyer; or

1077 (c) Such acknowledgment to the buyer by a carrier by reshipment or as ~~warehouseman~~  
1078 a warehouse; or

1079 (d) Negotiation to the buyer of any negotiable document of title covering the goods.

1080 (3)(a) To stop delivery the seller ~~must~~ shall so notify as to enable the bailee by  
1081 reasonable diligence to prevent delivery of the goods.

1082 (b) After such notification the bailee ~~must~~ shall hold and deliver the goods according to  
1083 the directions of the seller but the seller is liable to the bailee for any ensuing charges or  
1084 damages.

1085 (c) If a negotiable document of title has been issued for goods the bailee is not obliged  
1086 to obey a notification to stop until surrender of possession or control of the document.

1087 (d) A carrier who has issued a nonnegotiable bill of lading is not obliged to obey a  
1088 notification to stop received from a person other than the consignor."

**SECTION 2-13.**

1089

1090 Said title is further amended by revising paragraphs (a) and (o) of subsection (1) of Code  
1091 Section 11-2A-103, relating to definitions and index of definitions relating to leases, as  
1092 follows:

1093 "(a) 'Buyer in ordinary course of business' means a person who in good faith and without  
1094 knowledge that the sale to him or her is in violation of the ownership rights or security  
1095 interest or leasehold interest of a third party in the goods, buys in ordinary course from  
1096 a person in the business of selling goods of that kind but does not include a pawnbroker.  
1097 'Buying' may be for cash or by exchange of other property or on secured or unsecured  
1098 credit and includes ~~receiving~~ acquiring goods or documents of title under a pre-existing

1099 contract for sale but does not include a transfer in bulk or as security for or in total or  
1100 partial satisfaction of a money debt."

1101 "(o) 'Lessee in ordinary course of business' means a person who in good faith and without  
1102 knowledge that the lease to him or her is in violation of the ownership rights or security  
1103 interest or leasehold interest of a third party in the goods, leases in ordinary course from  
1104 a person in the business of selling or leasing goods of that kind but does not include a  
1105 pawnbroker. 'Leasing' may be for cash or by exchange of other property or on secured  
1106 or unsecured credit and includes ~~receiving~~ acquiring goods or documents of title under  
1107 a pre-existing lease contract but does not include a transfer in bulk or as security for or  
1108 in total or partial satisfaction of a money debt."

1109 **SECTION 2-14.**

1110 Said title is further amended by revising subsection (2) of Code Section 11-2A-514, relating  
1111 to waiver of lessee's objections, as follows:

1112 "(2) A lessee's failure to reserve rights when paying rent or other consideration against  
1113 documents precludes recovery of the payment for defects apparent ~~on the face of~~ in the  
1114 documents."

1115 **SECTION 2-15.**

1116 Said title is further amended by revising subsection (2) of Code Section 11-2A-526, relating  
1117 to lessor's stoppage of delivery in transit or otherwise, as follows:

1118 "(2) In pursuing its remedies under subsection (1) of this Code section, the lessor may stop  
1119 delivery until:

1120 (a) Receipt of the goods by the lessee;

1121 (b) Acknowledgment to the lessee by any bailee of the goods, except a carrier, that the  
1122 bailee holds the goods for the lessee; or

1123 (c) Such an acknowledgment to the lessee by a carrier via reshipment or as  
1124 ~~warehouseman~~ a warehouse."

1125 **SECTION 2-16.**

1126 Said title is further amended by revising subsection (c) of Code Section 11-4-104, relating  
1127 to definitions and index of definitions relating to bank deposits and collections, as follows:

1128 "(c) ~~The~~ 'Control' as provided in Code Section 11-7-106 and the following definitions in  
1129 other articles of this title apply to this article:

1130 'Acceptance.' Code Section 11-3-409.

1131 'Alteration.' Code Section 11-3-407.

1132 'Cashier's check.' Code Section 11-3-104.

1133 'Certificate of deposit.' Code Section 11-3-104.  
 1134 'Certified check.' Code Section 11-3-409.  
 1135 'Check.' Code Section 11-3-104.  
 1136 'Good faith.' Code Section 11-3-103.  
 1137 'Holder in due course.' Code Section 11-3-302.  
 1138 'Instrument.' Code Section 11-3-104.  
 1139 'Notice of dishonor.' Code Section 11-3-503.  
 1140 'Order.' Code Section 11-3-103.  
 1141 'Ordinary care.' Code Section 11-3-103.  
 1142 'Person entitled to enforce.' Code Section 11-3-301.  
 1143 'Presentment.' Code Section 11-3-501.  
 1144 'Promise.' Code Section 11-3-103.  
 1145 'Prove.' Code Section 11-3-103.  
 1146 'Teller's check.' Code Section 11-3-104.  
 1147 'Unauthorized signature.' Code Section 11-3-403."

#### 1148 SECTION 2-17.

1149 Said title is further amended by revising Code Section 11-4-210, relating to security interest  
 1150 of collecting bank in items, accompanying documents, and proceeds, as follows:

1151 "11-4-210. **Security interest of collecting bank in items, accompanying documents,**  
 1152 **and proceeds.**

1153 (a) A collecting bank has a security interest in an item and any accompanying documents  
 1154 or the proceeds of either:

1155 (1) In case of an item deposited in an account, to the extent to which credit given for the  
 1156 item has been withdrawn or applied;

1157 (2) In case of an item for which it has given credit available for withdrawal as of right,  
 1158 to the extent of the credit given, whether or not the credit is drawn upon or there is a right  
 1159 of charge-back; or

1160 (3) If it makes an advance on or against the item.

1161 (b) If credit given for several items received at one time or pursuant to a single agreement  
 1162 is withdrawn or applied in part, the security interest remains upon all the items, any  
 1163 accompanying documents, or the proceeds of either. For the purpose of this Code section,  
 1164 credits first given are first withdrawn.

1165 (c) Receipt by a collecting bank of a final settlement for an item is a realization on its  
 1166 security interest in the item, accompanying documents, and proceeds. So long as the bank  
 1167 does not receive final settlement for the item or give up possession of the item or

1168 possession or control of the accompanying documents for purposes other than collection,  
 1169 the security interest continues to that extent and is subject to Article 9 of this title, but:  
 1170 (1) No security agreement is necessary to make the security interest enforceable  
 1171 (subparagraph (b)(3)(A) of Code Section 11-9-203);  
 1172 (2) No filing is required to perfect the security interest; and  
 1173 (3) The security interest has priority over conflicting perfected security interests in the  
 1174 item, accompanying documents, or proceeds."

#### 1175 **SECTION 2-18.**

1176 Said title is further amended by revising Code Section 11-8-103, relating to rules for  
 1177 determining whether certain obligations and interests are securities or financial assets, by  
 1178 adding a new subsection (g) to read as follows:  
 1179 "(g) A document of title is not a financial asset unless subparagraph (a)(9)(iii) of Code  
 1180 Section 11-8-102 applies."

#### 1181 **SECTION 2-19.**

1182 Said title is further amended by revising subsection (b) of Code Section 11-9-102, relating  
 1183 to definitions and index of definitions relating to secured transactions, as follows:  
 1184 "*(b) Definitions in other articles.* ~~Other definitions applying to this article and the Code~~  
 1185 ~~sections in which they appear are~~ 'Control' as provided in Code Section 11-7-106 and the  
 1186 following definitions in other articles apply to this article:  
 1187 'Applicant.' Code Section 11-5-102.  
 1188 'Beneficiary.' Code Section 11-5-102.  
 1189 'Broker.' Code Section 11-8-102.  
 1190 'Certificated security.' Code Section 11-8-102.  
 1191 'Check.' Code Section 11-3-104.  
 1192 'Clearing corporation.' Code Section 11-8-102.  
 1193 'Contract for sale.' Code Section 11-2-106.  
 1194 'Customer.' Code Section 11-4-104.  
 1195 'Entitlement holder.' Code Section 11-8-102.  
 1196 'Financial asset.' Code Section 11-8-102.  
 1197 'Holder in due course.' Code Section 11-3-302.  
 1198 'Issuer' (with respect to a letter of credit or letter of credit right). Code Section 11-5-102.  
 1199 'Issuer' (with respect to a security). Code Section 11-8-201.  
 1200 'Issuer' (with respect to documents of title). Code Section 11-7-102.  
 1201 'Lease.' Code Section 11-2A-103.  
 1202 'Lease agreement.' Code Section 11-2A-103.

- 1203 'Lease contract.' Code Section 11-2A-103.  
 1204 'Leasehold interest.' Code Section 11-2A-103.  
 1205 'Lessee.' Code Section 11-2A-103.  
 1206 'Lessee in ordinary course of business.' Code Section 11-2A-103.  
 1207 'Lessor.' Code Section 11-2A-103.  
 1208 'Lessor's residual interest.' Code Section 11-2A-103.  
 1209 'Letter of credit.' Code Section 11-5-102.  
 1210 'Merchant.' Code Section 11-2-104.  
 1211 'Negotiable instrument.' Code Section 11-3-104.  
 1212 'Nominated person.' Code Section 11-5-102.  
 1213 'Note.' Code Section 11-3-104.  
 1214 'Proceeds of a letter of credit.' Code Section 11-5-114.  
 1215 'Prove.' Code Section 11-3-103.  
 1216 'Sale.' Code Section 11-2-106.  
 1217 'Securities account.' Code Section 11-8-501.  
 1218 'Securities intermediary.' Code Section 11-8-102.  
 1219 'Security.' Code Section 11-8-102.  
 1220 'Security certificate.' Code Section 11-8-102.  
 1221 'Security entitlement.' Code Section 11-8-102.  
 1222 'Uncertificated security.' Code Section 11-8-102."

1223 **SECTION 2-20.**

1224 Said title is further amended by revising subsection (b) of Code Section 11-9-203, relating  
 1225 to attachment and enforceability of security interest, as follows:

1226 "(b) *Enforceability.* Except as otherwise provided in subsections (c) through (i) of this  
 1227 Code section, a security interest is enforceable against the debtor and third parties with  
 1228 respect to the collateral only if:

1229 (1) Value has been given;

1230 (2) The debtor has rights in the collateral or the power to transfer rights in the collateral  
 1231 to a secured party; and

1232 (3) One of the following conditions is met:

1233 (A) The debtor has authenticated a security agreement that provides a description of  
 1234 the collateral and, if the security interest covers timber to be cut, a description of the  
 1235 land concerned;

1236 (B) The collateral is not a certificated security and is in the possession of the secured  
 1237 party under Code Section 11-9-313 pursuant to the debtor's security agreement;

- 1238 (C) The collateral is a certificated security in registered form and the security  
 1239 certificate has been delivered to the secured party under Code Section 11-8-301  
 1240 pursuant to the debtor's security agreement; or  
 1241 (D) The collateral is deposit accounts, electronic chattel paper, investment property,  
 1242 ~~or~~ letter of credit rights, or electronic documents, and the secured party has control  
 1243 under Code Section ~~11-7-106~~, 11-9-104, 11-9-105, 11-9-106, or 11-9-107 pursuant to  
 1244 the debtor's security agreement."

1245 **SECTION 2-21.**

- 1246 Said title is further amended by revising subsection (c) of Code Section 11-9-207, relating  
 1247 to rights and duties of secured party having possession or control of collateral, as follows:  
 1248 "*(c) Duties and rights when secured party in possession or control.* Except as otherwise  
 1249 provided in subsection (d) of this Code section, a secured party having possession of  
 1250 collateral or control of collateral under Code Section 11-7-106, 11-9-104, 11-9-105,  
 1251 11-9-106, or 11-9-107:  
 1252 (1) May hold as additional security any proceeds, except money or funds, received from  
 1253 the collateral;  
 1254 (2) Shall apply money or funds received from the collateral to reduce the secured  
 1255 obligation, unless remitted to the debtor; and  
 1256 (3) May create a security interest in the collateral.

1257 **SECTION 2-22.**

- 1258 Said title is further amended by revising Code Section 11-9-208, relating to additional duties  
 1259 of secured party having control of collateral, as follows:  
 1260 "11-9-208. **Additional duties of secured party having control of collateral.**  
 1261 (a) *Applicability of Code section.* This Code section applies to cases in which there is no  
 1262 outstanding secured obligation and the secured party is not committed to make advances,  
 1263 incur obligations, or otherwise give value.  
 1264 (b) *Duties of secured party after receiving demand from debtor.* Within ten days after  
 1265 receiving an authenticated demand by the debtor:  
 1266 (1) A secured party having control of a deposit account under paragraph (2) of  
 1267 subsection (a) of Code Section 11-9-104 shall send to the bank with which the deposit  
 1268 account is maintained an authenticated statement that releases the bank from any further  
 1269 obligation to comply with instructions originated by the secured party;  
 1270 (2) A secured party having control of a deposit account under paragraph (3) of  
 1271 subsection (a) of Code Section 11-9-104 shall:  
 1272 (A) Pay the debtor the balance on deposit in the deposit account; or

- 1273 (B) Transfer the balance on deposit into a deposit account in the debtor's name;
- 1274 (3) A secured party, other than a buyer, having control of electronic chattel paper under  
1275 Code Section 11-9-105 shall:
- 1276 (A) Communicate the authoritative copy of the electronic chattel paper to the debtor  
1277 or its designated custodian;
- 1278 (B) If the debtor designates a custodian that is the designated custodian with which the  
1279 authoritative copy of the electronic chattel paper is maintained for the secured party,  
1280 communicate to the custodian an authenticated record releasing the designated  
1281 custodian from any further obligation to comply with instructions originated by the  
1282 secured party and instructing the custodian to comply with instructions originated by  
1283 the debtor; and
- 1284 (C) Take appropriate action to enable the debtor or its designated custodian to make  
1285 copies of or revisions to the authoritative copy which add or change an identified  
1286 assignee of the authoritative copy without the consent of the secured party;
- 1287 (4) A secured party having control of investment property under paragraph (2) of  
1288 subsection (d) of Code Section 11-8-106 or subsection (b) of Code Section 11-9-106 shall  
1289 send to the securities intermediary or commodity intermediary with which the security  
1290 entitlement or commodity contract is maintained an authenticated record that releases the  
1291 securities intermediary or commodity intermediary from any further obligation to comply  
1292 with entitlement orders or directions originated by the secured party; ~~and~~
- 1293 (5) A secured party having control of a letter of credit right under Code Section 11-9-107  
1294 shall send to each person having an unfulfilled obligation to pay or deliver proceeds of  
1295 the letter of credit to the secured party an authenticated release from any further  
1296 obligation to pay or deliver proceeds of the letter of credit to the secured party; and
- 1297 (6) A secured party having control of an electronic document shall:
- 1298 (A) Give control of the electronic document to the debtor or its designated custodian;  
1299 (B) If the debtor designates a custodian that is the designated custodian with which the  
1300 authoritative copy of the electronic document is maintained for the secured party,  
1301 communicate to the custodian an authenticated record releasing the designated  
1302 custodian from any further obligation to comply with instructions originated by the  
1303 secured party and instructing the custodian to comply with instructions originated by  
1304 the debtor; and
- 1305 (C) Take appropriate action to enable the debtor or its designated custodian to make  
1306 copies of or revisions to the authenticated copy which add or change an identified  
1307 assignee of the authoritative copy without the consent of the secured party."

1308 **SECTION 2-23.**

1309 Said title is further amended by revising Code Section 11-9-301, relating to law governing  
1310 perfection and priority of security interests, as follows:

1311 "11-9-301. **Law governing perfection and priority of security interests.**

1312 Except as otherwise provided in Code Sections 11-9-303 through 11-9-306, the following  
1313 rules determine the law governing perfection, the effect of perfection or nonperfection, and  
1314 the priority of a security interest in collateral:

1315 (1) Except as otherwise provided in this Code section, while a debtor is located in a  
1316 jurisdiction, the local law of that jurisdiction governs perfection, the effect of perfection  
1317 or nonperfection, and the priority of a security interest in collateral;

1318 (2) While collateral is located in a jurisdiction, the local law of that jurisdiction governs  
1319 perfection, the effect of perfection or nonperfection, and the priority of a possessory  
1320 security interest in that collateral;

1321 (3) Except as otherwise provided in paragraph (4) of this Code section, while tangible  
1322 negotiable documents, goods, instruments, money, or tangible chattel paper is located in  
1323 a jurisdiction, the local law of that jurisdiction governs:

1324 (A) Perfection of a security interest in the goods by filing a fixture filing;

1325 (B) Perfection of a security interest in timber to be cut;

1326 (C) Perfection of a security interest in crops; and

1327 (D) The effect of perfection or nonperfection and the priority of a nonpossessory  
1328 security interest in the collateral; and

1329 (4) The local law of the jurisdiction in which the wellhead or minehead is located  
1330 governs perfection, the effect of perfection or nonperfection, and the priority of a security  
1331 interest in as-extracted collateral."

1332 **SECTION 2-24.**

1333 Said title is further amended by revising subsection (b) of Code Section 11-9-310, relating  
1334 to when filing required to perfect security interest or agricultural lien, as follows:

1335 "(b) *Exceptions; filing not necessary.* The filing of a financing statement is not necessary  
1336 to perfect a security interest:

1337 (1) That is perfected under subsection (d), (e), (f), or (g) of Code Section 11-9-308;

1338 (2) That is perfected under Code Section 11-9-309 when it attaches;

1339 (3) In property subject to a statute, regulation, or treaty described in subsection (a) of  
1340 Code Section 11-9-311;

1341 (4) In goods in possession of a bailee which is perfected under paragraph (1) or (2) of  
1342 subsection (d) of Code Section 11-9-312;

1343 (5) In certificated securities, documents, goods, or instruments which is perfected  
 1344 without filing, control, or possession under subsection (e), (f), or (g) of Code Section  
 1345 11-9-312;

1346 (6) In collateral in the secured party's possession under Code Section 11-9-313;

1347 (7) In a certificated security which is perfected by delivery of the security certificate to  
 1348 the secured party under Code Section 11-9-313;

1349 (8) In deposit accounts, electronic chattel paper, electronic documents, investment  
 1350 property, or letter of credit rights which is perfected by control under Code  
 1351 Section 11-9-314;

1352 (9) In proceeds which is perfected under Code Section 11-9-315; or

1353 (10) That is perfected under Code Section 11-9-316."

1354 **SECTION 2-25.**

1355 Said title is further amended by revising subsection (e) of Code Section 11-9-312, relating  
 1356 to perfection of security interests in chattel paper, deposit accounts, documents, goods  
 1357 covered by documents, instruments, investment property, letter of credit rights, and money,  
 1358 as follows:

1359 "(e) *Temporary perfection; new value.* A security interest in certificated securities,  
 1360 negotiable documents, or instruments is perfected without filing or the taking of possession  
 1361 or control for a period of 20 days from the time it attaches to the extent that it arises for  
 1362 new value given under an authenticated security agreement."

1363 **SECTION 2-26.**

1364 Said title is further amended by revising subsection (a) of Code Section 11-9-313, relating  
 1365 to when possession by or delivery to secured party perfects security interest without filing,  
 1366 as follows:

1367 "(a) *Perfection by possession or delivery.* Except as otherwise provided in subsection (b)  
 1368 of this Code section, a secured party may perfect a security interest in tangible negotiable  
 1369 documents, goods, instruments, money, or tangible chattel paper by taking possession of  
 1370 the collateral. A secured party may perfect a security interest in certificated securities by  
 1371 taking delivery of the certificated securities under Code Section 11-8-301."

1372 **SECTION 2-27.**

1373 Said title is further amended by revising Code Section 11-9-314, relating to perfection by  
 1374 control, as follows:

1375 "11-9-314. **Perfection by control.**

1376 (a) *Perfection by control.* A security interest in investment property, deposit accounts,  
1377 letter of credit rights, ~~or~~ electronic chattel paper, or electronic documents may be perfected  
1378 by control of the collateral under Code Section 11-7-106, 11-9-104, 11-9-105, 11-9-106,  
1379 or 11-9-107.

1380 (b) *Specified collateral; time of perfection by control; continuation of perfection.* A  
1381 security interest in deposit accounts, electronic chattel paper, ~~or~~ letter of credit rights, or  
1382 electronic documents is perfected by control under Code Section 11-7-106, 11-9-104,  
1383 11-9-105, or 11-9-107 when the secured party obtains control and remains perfected by  
1384 control only while the secured party retains control.

1385 (c) *Investment property; time of perfection by control; continuation of perfection.* A  
1386 security interest in investment property is perfected by control under Code  
1387 Section 11-9-106 from the time the secured party obtains control and remains perfected by  
1388 control until:

1389 (1) The secured party does not have control; and

1390 (2) One of the following occurs:

1391 (A) If the collateral is a certificated security, the debtor has or acquires possession of  
1392 the security certificate;

1393 (B) If the collateral is an uncertificated security, the issuer has registered or registers  
1394 the debtor as the registered owner; or

1395 (C) If the collateral is a security entitlement, the debtor is or becomes the entitlement  
1396 holder."

1397 **SECTION 2-28.**

1398 Said title is further amended by revising subsections (b) and (d) of Code Section 11-9-317,  
1399 relating to interests that take priority over or take free of security interest or agricultural lien,  
1400 as follows:

1401 "(b) *Buyers that receive delivery.* Except as otherwise provided in subsection (e) of this  
1402 Code section, a buyer, other than a secured party, of tangible chattel paper, tangible  
1403 documents, goods, instruments, or a security certificate takes free of a security interest or  
1404 agricultural lien if the buyer gives value and receives delivery of the collateral without  
1405 knowledge of the security interest or agricultural lien and before it is perfected."

1406 "(d) *Licensees and buyers of certain collateral.* A licensee of a general intangible or a  
1407 buyer, other than a secured party, of accounts, electronic chattel paper, electronic  
1408 documents, general intangibles, or investment property other than a certificated security  
1409 takes free of a security interest if the licensee or buyer gives value without knowledge of  
1410 the security interest and before it is perfected."

1411 **SECTION 2-29.**

1412 Said title is further amended by revising Code Section 11-9-338, relating to priority of  
 1413 security interest or agricultural lien perfected by filed financing statement providing certain  
 1414 incorrect information, as follows:

1415 "11-9-338. **Priority of security interest or agricultural lien perfected by filed financing**  
 1416 **statement providing certain incorrect information.**

1417 If a security interest or agricultural lien is perfected by a filed financing statement  
 1418 providing information described in paragraph (5) of subsection (b) of Code  
 1419 Section 11-9-516 which is incorrect at the time the financing statement is filed:

1420 (1) The security interest or agricultural lien is subordinate to a conflicting perfected  
 1421 security interest in the collateral to the extent that the holder of the conflicting security  
 1422 interest gives value in reasonable reliance upon the incorrect information; and

1423 (2) A purchaser, other than a secured party, of the collateral takes free of the security  
 1424 interest or agricultural lien to the extent that, in reasonable reliance upon the incorrect  
 1425 information, the purchaser gives value and, in the case of tangible chattel paper, tangible  
 1426 documents, goods, instruments, or a security certificate, receives delivery of the  
 1427 collateral."

1428 **PART III**

1429 **SECTION 3-1.**

1430 This Act applies to a document of title that is issued or a bailment that arises on or after the  
 1431 effective date of this Act. This Act does not apply to a document of title that is issued or a  
 1432 bailment that arises before the effective date of this Act even if the document of title or  
 1433 bailment would be subject to this Act if the document of title had been issued or bailment had  
 1434 arisen on or after the effective date of this Act. This Act does not apply to a right of action  
 1435 that has accrued before the effective date of this Act.

1436 **SECTION 3-2.**

1437 A document of title issued or a bailment that arises before the effective date of this Act and  
 1438 the rights, documents, and interests flowing from that document or bailment are governed  
 1439 by any statute or other rule amended or repealed by this Act as if such amendment or repeal  
 1440 had not occurred and may be terminated, completed, consummated, or enforced under that  
 1441 statute or other rule.

1442 **SECTION 3-3.**

1443 This Act shall become effective upon its approval by the Governor or upon its becoming law  
1444 without such approval.

1445 **SECTION 3-4.**

1446 All laws and parts of laws in conflict with this Act are repealed.