



REPORT ON REVISED ARTICLE 7 OF THE UNIFORM COMMERCIAL CODE

Committee on Commercial Law and Uniform State Laws

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NEW YORK CITY BAR ASSOCIATION
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REPORT ON REVISED ARTICLE 7 OF THE UNIFORM COMMERCIAL CODE

Article 7 of the Uniform Commercial Code (the "*UCC*") governs documents of title covering goods. It focuses primarily on rights in goods held by a bailee during the storage and shipment thereof and the transfer of such rights. In addition, it addresses the rights and obligations of a bailor and bailee, regardless of whether a document of title was issued covering the goods which are the subject of the bailment. Article 7 is invoked most often in connection with the commercial storage and shipment of goods (i.e., goods stored in warehouses and goods shipped by common carriers).

In 2003, the joint sponsors of the UCC, the National Conference of Commissioners on Uniform State Laws (the "*NCCUSL*") and the American Law Institute (the "*ALI*"), promulgated a revised version of Article 7.¹ RA 7 has been enacted in 40 states and is pending in 3 other states and the District of Columbia. The State of New York has yet to consider enactment of RA 7.

This Report of the Committee on Commercial Law and Uniform State Laws of the Association of the Bar of the City of New York (the "*Committee*") analyzes Revised Article 7², compares it to existing New York law, and makes recommendations as to whether New York should enact RA 7. The Report is organized in parts. Part A provides a brief history of Article 7. Part B contains an overview of documents of title under NYA 7. In Part C, there is an analysis of the material changes to NYA 7 that would result from the enactment of RA 7. Finally, Part D sets forth the Committee's recommendation on the adoption of RA 7 in the State of New York.

In addition, attached to this Report is a chart (the "*Comparison Chart*") comparing, on a section-by-section basis, RA 7 to NYA 7. The purpose of the Comparison Chart is to highlight the limited number of changes to NYA 7 that would result from the enactment of RA 7. The first column of the Comparison Chart contains the official text of RA 7. The middle column contains the text of NYA 7 marked to reflect material changes that would result from the enactment of RA 7. Finally, the rightmost column of the Comparison Chart contains the commentary of the Committee.

A. HISTORY OF ARTICLE 7

The original Article 7 of the UCC, entitled "Warehouse Receipts, Bills of Lading and Other Documents of Title", was promulgated by the NCCUSL and the ALI in 1951. In essence, it was a combination of two previous uniform laws: the Uniform Warehouse Receipts Act (1906) and the Uniform Bills of Lading Act (1909). Furthermore, it incorporated many of the concepts and terminology of the common law rules of bailment and certain principals from the Uniform Sales Act (which ultimately became Article 2 of the UCC).

¹ National Conference of Commissioners on Uniform State Laws, Revised Article 7, 2003, available at <http://www.law.upenn.edu/bll/archives/ulc/ulc.htm#ucc7>.

² This report and the accompanying chart uses the following abbreviations in referring to the relevant texts of UCC Article 7: "NYA 7" (New York Article) will refer to New York's current statute, N.Y. U.C.C. (McKinney 2010); "Article 7" will refer to the original Article 7 promulgated by the NCCUSL and ALI; and "RA 7" will refer to Revised Article 7 promulgated by the NCCUSL and ALI.

Article 7 was enacted in the State of New York in 1962, with an effective date in 1964. NYA 7 is generally viewed as a successful law, having not been amended for nearly 50 years. Similarly, neither the NCCUSL nor the ALI had recommended any revisions to Article 7 in more than half a century. In 2003, however, the NCCUSL and the ALI approved RA 7 to update the statute for modern times.

B. DOCUMENTS OF TITLE UNDER NYA 7

Under NYA 7, a document of title is a *paper* document that evidences that the holder thereof is entitled to possession of the goods described therein. It serves three primary functions: (a) it evidences that the bailee has received possession of the goods which are the subject of the bailment, (b) it establishes the respective rights of the bailor and the bailee, and (c) it identifies the person to whom the bailee shall deliver possession of the goods.

A document of title may be negotiable or non-negotiable. Negotiability depends upon the identity of the transferee and the method of transfer. A negotiable document of title may be classified as "bearer" paper or "order" paper. Bearer paper is a document of title made out to bearer and may be transferred from one person to another simply by delivery of possession. Delivery transfers the rights to the goods to the transferee. Order paper is a document of title made out to a specific person. Once delivered to the initial person named on the document, order paper may be negotiated to another person by the indorsement of the named person and delivery of possession to that other person. The rights to the goods pass with the negotiation to the transferee.

A document of title also may be non-negotiable. Typically, this is accomplished by a statement on the face of the document. Although a non-negotiable document of title may not be negotiated, it may be assigned or transferred. The difference between negotiable and non-negotiable documents is the rights that are transferred. A non-negotiable document of title transfers only the actual interests of the transferor. A negotiable document of title may transfer more than the actual interests of the transferor. For example, if a document of title is negotiated it transfers free of any claims against the issuer thereof whereas a non-negotiable document is not free of such claims.

C. REVISED ARTICLE 7

In drafting RA 7, the NCCUSL and the ALI sought to update an otherwise successful statute for the digital age. The most significant feature of RA 7 is the recognition of *electronic* documents of title. RA 7 permits, and provides a framework for, electronic documents of title, while keeping the basic principles of the existing law intact, including the rules in respect of paper (tangible) documents of title. The statute addresses issues unique to electronic documents, such as establishing and controlling an "original" document which is in electronic form, and also addresses statute of fraud requirements. Moreover, RA7 allows for the substitution of electronic documents of title for tangible documents of title and vice versa. In addition, references to tariffs

and regulations that since deregulation are no longer applicable have been removed.³ Finally, RA 7 utilizes modern shipping terms⁴, gender neutral terms, and modern statutory drafting.

Under RA 7, documents of title are divided into two categories: electronic and tangible. An electronic document of title is a document evidenced by information stored in an electronic medium. A tangible document of title is inscribed on a tangible medium; it is a written document on paper with signatures of the issuer(s) and any subsequent transferor(s). The rules set forth in RA 7 in respect of electronic documents of title are the same or as similar as possible to the rules for tangible documents of title. Whenever a rule is intended to be limited to one medium or the other, it is clearly stated in RA 7.⁵ If a rule refers documents of title, warehouse receipts, or bills of lading generally (i.e., without specific designation of "electronic" or "tangible"), then such rule applies equally to electronic documents of title and tangible documents of title.

To allow for electronic documents of title, RA 7 relies on certain definitions set forth in Revised Article 1 of the UCC⁶, including "bearer", "bill of lading", "conspicuous", "delivery", "document of title", "holder", and "warehouse receipt". The concept of an electronic document of title itself allows for commercial practice to determine what records issued by bailees are "in the regular course of business or financing" and are "treated as adequately evidencing that the person in possession or control of the record is entitled to receive, control, hold, and dispose of the record and the goods the record covers".⁷ Also, as described in the Prefatory Note to RA 7, a few other conforming amendments to other Articles of the UCC are necessary to fully integrate electronic documents of title into existing law.⁸

RA 7 extends statute of fraud requirements to include electronic records and electronic signatures. Under RA 7, electronic records and electronic signatures are the equivalent of paper records and manual signatures. The statute has been revised to include new definitions of "record" and "sign".⁹ A record is "information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form". To "sign" means to "execute or adopt a tangible symbol" and "to attach or logically associate with the record an electronic sound, symbol or process". Wherever the term "writing" was used in the existing

³ See, e.g., RA §§7-103 and 7-309.

⁴ See, e.g., RA §§7-301 and 7-302.

⁵ RA 7 clearly indicates when rules apply just to warehouse receipts or bills of lading, for example, and thus eliminates the need for former Section 7-105.

⁶ Note that New York has not yet adopted Revised Article 1 of the UCC ("RA 1"). If RA 7 were adopted in New York prior to the adaptation of RA 1, then the definitions referenced herein must be inserted into the text of RA 7.

⁷ See RA §1-201(b)(16).

⁸ For a list of those conforming amendments, see Appendix I to RA 7.

⁹ See RA §7-102.

statute, the term "record" is now used. Thus, any requirement that a document must be "signed" under RA 7 may be satisfied with an electronic signature.

Furthermore, RA 7 contains an express provision that modifies, limits, and supersedes the Electronic Signatures in Global and National Commerce Act (15 U.S.C. Section 7001, et. seq.) ("*E-SIGN*").¹⁰ E-SIGN is a federal law that, among other things, recognizes electronic transactions. Under E-SIGN, each state has the right to supersede certain provisions of the federal statute by incorporating electronic records and signatures into such state's version of Article 7, thereby avoiding federal preemption.

Having recognized electronic documents of title, RA 7 then sets forth an electronic alternative to the original tangible system. Since it is not possible to transfer electronic documents of title in the same manner as tangible documents of title, an equivalent system had to be established. To that end, RA 7 adapts the concept of "control" of electronic documents of title in Section 7-106.¹¹ Control of electronic document of title is the conceptual equivalent of possession and indorsement of a tangible document of title.

RA 7 does not proscribe a particular system or method for use in determining control of an electronic document of title. Instead, the statute provides general guidance, which is the drafters' recognition that the marketplace and advancements in technology will determine the most useful systems or methods over time. RA 7 provides that a person has control of an electronic document of title "if a system employed for evidencing the transfer of interests in the electronic document reliably establishes that person as the person to which the electronic document was issued or transferred". Such a system exists when it establishes a "single authoritative copy...which is unique, identifiable and...unalterable". The authoritative copy must identify the person in control or the next person to whom the document has transferred. The person in control determines to whom the document is next transferred. Moreover, this standard requires that copies that are not authoritative, including copies of the authoritative copy, must be readily identifiable as not being the authoritative copy.

RA 7 also acknowledges that parties may wish to substitute a tangible document of title for a previously-issued electronic document and vice versa.¹² The minimum requirements necessary to give effect to substitute documents are set forth in Section 7-105. Generally, a tangible document may be converted into an electronic document when the person in possession surrenders possession to the issuer. Similarly, an electronic document may be converted into a tangible document when the person in control surrenders control to the issuer. In each case, the issuer must be the person reissuing the substitute document. In connection with such reissuance, the person requesting the substitute document must warrant that he/she is the person entitled under such document and such warranty will run to the benefit of subsequent takers of the

¹⁰ See RA §7-103(d).

¹¹ The definition of "control" in RA 7 is adapted from §16 of the Uniform Electronic Transactions Act and from UCC §9-105 (regarding the control of electronic chattel paper).

¹² On this issue, RA 7 differs from §16 of the Uniform Electronic Transactions Act, which does not allow for any such substitution.

substitute document. Finally, the substitute document also must state clearly that it is a substitute document.

D. RECOMMENDATION OF THE COMMITTEE

Documents of title are fundamental to the transfer of goods in interstate commerce. In the digital age, persons using documents of title have the ability to communicate virtually instantaneously from anywhere in the world. However, it remains a challenge for such persons to verify the identity of their respective counterparts and to manage related risks. Thus, new concepts must be introduced into the law. The significant contribution of RA 7 is the new set of rules for electronic documents of title.

RA 7 recognizes, and provides a framework for, electronic documents of title in a commerce friendly manner. The rules for electronic documents of title fit relatively seamlessly into the existing system for tangible documents of title. The statute avoids mandating a choice between tangible documents of title and electronic documents of title, instead allowing the marketplace to make such determination. Moreover, RA 7 is a flexible statute which acknowledges that it is impossible to predict how technology may evolve in respect of electronic transfer systems. The statute allows the technology to evolve without need to amend the statute later.

Federal law has recognized electronic documents for over a decade and 40 states already have adopted RA 7. With the passage of RA7, electronic documents of title should have the potential to further facilitate commerce and significantly reduce the costs associated with the storage and shipping of goods.

For the reasons stated herein, the Committee recommends that the State of New York adopt RA 7.

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COMPARISON OF REVISED ARTICLE 7 TO CURRENT NEW YORK ARTICLE 7

Set forth below is a chart comparing, on a section-by-section basis, Revised Article 7 ("RA 7") to current New York Article 7 ("NYA 7"). The purpose of this chart is to highlight the limited number of changes to NYA 7 that would result from the enactment of RA 7, as more fully described in the Report to which this chart is attached. The first column of the chart contains the text of RA 7. The middle column contains the text of NYA 7 marked to reflect material changes that would result from the enactment of RA 7 (~~strikethrough~~ indicates deleted language; double underlining indicates new language). (Note that only (a) new concepts contained in RA 7 (e.g., provisions relating to electronic documents of title) and (b) other material differences between RA 7 and NYA 7 are addressed in the middle column below; other revisions contained in RA 7, such as the use of modern statutory drafting and gender-neutral terms, are not addressed in the middle column below.) Finally, the rightmost column contains commentary from the Committee.

Revised Article 7	Current New York Article 7 (marked to reflect changes that would result from enactment of RA 7)	Commentary
PART 1 GENERAL		
SECTION 7-101. SHORT TITLE. This article may be cited as Uniform Commercial Code-Documents of Title.	Section 7-101. Short Title. This Article shall be known and may be cited as Uniform Commercial Code-Documents of Title.	
SECTION 7-102. DEFINITIONS AND INDEX OF DEFINITIONS. (a) In this article, unless the context otherwise requires: (1) "Bailee" means a person that by a warehouse receipt, bill of lading, or other document of title acknowledges possession of goods and contracts to deliver them. (2) "Carrier" means a person that issues a bill of lading. (3) "Consignee" means a person named in a bill of lading to which or to whose order the bill promises delivery. (4) "Consignor" means a person named in a bill of lading as the person from which the goods have been received for shipment. (5) "Delivery order" means a record that contains an order to deliver goods directed to a warehouse, carrier, or other person that in the ordinary course of business issues warehouse receipts or bills of lading. (6) "Good faith" means honesty in fact and the observance of reasonable commercial standards of fair dealing.	Section 7-102. Definitions and Index of Definitions. (1) In this Article, unless the context otherwise requires: (a) "Bailee" means the person who by a warehouse receipt, bill of lading or other document of title acknowledges possession of goods and contracts to deliver them. (b) <u>"Carrier" means a person that issues a bill of lading.</u> <u>(c) "Consignee" means the person named in a bill of lading to whom or to whose order the bill promises delivery.</u> (d) "Consignor" means the person named in a bill of lading as the person from whom the goods have been received for shipment. (e) "Delivery order" means a written <u>record that contains an</u> order to deliver goods directed to a warehouseman, carrier or other person who in the ordinary course of business issues warehouse receipts or bills of lading. (f) "Document" means document of title as defined in the general definitions in Article 1 (Section 1-201). (g) <u>"Good faith" means honesty in fact and the observance of reasonable commercial standards of fair dealing.</u>	New York has not enacted Revised Article 1 ("RA 1") which includes revisions to several definitions necessary to provide for electronic documents of title. Included among these revised definitions are key terms such as "bearer", "bill of lading", "conspicuous", "delivery", "document of title", "holder", and "warehouse receipt". If New York does not enact RA 1, then all of the definitions referred to in the foregoing sentence must be inserted into NYA 7. If New York enacts RA 1,

Revised Article 7	Current New York Article 7 (marked to reflect changes that would result from enactment of RA 7)	Commentary
<p>(7) "Goods" means all things that are treated as movable for the purposes of a contract for storage or transportation.</p> <p>(8) "Issuer" means a bailee that issues a document of title or, in the case of an unaccepted delivery order, the person that Orders the possessor of goods to deliver. The term includes a person for which an agent or employee purports to act in issuing a document if the agent or employee has real or apparent authority to issue documents, even if the issuer did not receive any goods, the goods were misdescribed, or in any other respect the agent or employee violated the issuer's instructions.</p> <p>(9) "Person entitled under the document" means the holder, in the case of a negotiable document of title, or the person to which delivery of the goods is to be made by the terms of, or pursuant to instructions in a record under, a nonnegotiable document of title.</p> <p>(10) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.</p> <p>(11) "Sign" means, with present intent to authenticate or adopt a record:</p> <p style="padding-left: 20px;">(A) to execute or adopt a tangible symbol; or</p> <p style="padding-left: 20px;">(B) to attach to or logically associate with the record an electronic sound, symbol, or process.</p> <p>(12) "Shipper" means a person that enters into a contract of transportation with a carrier.</p> <p>(13) "Warehouse" means a person engaged in the business of storing goods for hire.</p> <p>(b) Definitions in other articles applying to this article and the sections in which they appear are:</p> <p style="padding-left: 20px;">(1) "Contract for sale", Section 2-106.</p> <p style="padding-left: 20px;">(2) "Lessee in the ordinary course of business", Section 2A-103.</p> <p style="padding-left: 20px;">(3) "Receipt" of goods, Section 2-103.</p> <p>(c) In addition, Article 1 contains general definitions and principles of construction and interpretation applicable throughout this article.</p>	<p><u>(h)</u> "Goods" means all things which are treated as movable for the purposes of a contract of storage or transportation.</p> <p><u>(e)</u> "Issuer" means a bailee who issues a document except that in relation to an unaccepted delivery order it means the person who orders the possessor of goods to deliver. Issuer includes any person for whom an agent or employee purports to act in issuing a document if the agent or employee has real or apparent authority to issue documents, notwithstanding that the issuer received no goods or that the goods were misdescribed or that in any other respect the agent or employee violated his instructions.</p> <p><u>(h)</u> "Person entitled under the document" has the meaning given thereto in Section 7-403 (4).</p> <p><u>(k)</u> "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.</p> <p><u>(l)</u> "Sign" means with present intent to authenticate or adopt a record:</p> <p style="padding-left: 20px;"><u>(i)</u> to execute or adopt a tangible symbol; or</p> <p style="padding-left: 20px;"><u>(ii)</u> to attach to or logically associate with the record an electronic sound, symbol, or process.</p> <p><u>(m)</u> "Shipper" means a person that enters into a contract of transportation with a carrier.</p> <p><u>(n)</u> "Warehouseman" is a person engaged in the business of storing goods for hire.</p> <p>(2) Other definitions applying to this Article or to specified Parts thereof, and the sections in which they appear are:</p> <p style="padding-left: 20px;">"Duly negotiate." Section 7-501.</p> <p style="padding-left: 20px;">"Person entitled under the document." Section 7-403 (4).</p> <p>(3) Definitions in other Articles applying to this Article and the sections in which they appear are:</p> <p style="padding-left: 20px;">"Contract for sale." Section 2-106.</p> <p style="padding-left: 20px;"><u>"Lessee in the ordinary course of business." Section 2A-103.</u></p> <p style="padding-left: 20px;">"Merchant." Section 2-104.</p> <p style="padding-left: 20px;">"Overseas." Section 2-323.</p> <p style="padding-left: 20px;">"Receipt" of goods. Section 2-103.</p> <p>(4) In addition Article 1 contains general definitions and principles of construction and interpretation applicable</p>	<p>then the definition of "record" need not be enacted in this section as it is contained in RA 1 and the subsection containing such definition should be marked as "reserved".</p>

Revised Article 7	Current New York Article 7 (marked to reflect changes that would result from enactment of RA 7)	Commentary
	throughout this Article.	
<p>SECTION 7-103. RELATION OF ARTICLE TO TREATY OR STATUTE.</p> <p>(a) This article is subject to any treaty or statute of the United States or a regulatory statute of this State to the extent the treaty, statute, or regulatory statute is applicable.</p> <p>(b) This article does not modify or repeal any law prescribing the form or content of a document of title or the services or facilities to be afforded by a bailee, or otherwise regulating a bailee's businesses in respects not specifically treated in this article. However, violation of these laws does not affect the status of a document of title that otherwise complies with the definition of a document of title.</p> <p>(c) This [act] modifies, limits, and supersedes the federal Electronic Signatures in Global and National Commerce Act (15 U.S.C. Section 7001, et. seq.) but does not modify, limit or supersede Section 101(c) of that act (15 U.S.C. Section 7001(c)) or authorize electronic delivery of any of the notices described in Section 103(b) of that act (15 U.S.C. Section 7003(b)).</p> <p>(d) To the extent there is a conflict between [the Uniform Electronic Transactions Act] and this article, this article governs.</p>	<p>Section 7-103. Relation of Article to Treaty, Statute, Tariff, Classification or Regulation.</p> <p><u>(1) To the extent that any treaty or statute of the United States, regulatory statute of this State or tariff, classification or regulation filed or issued pursuant thereto is applicable, the provisions of this Article are subject thereto.</u></p> <p><u>(2) This Article does not repeal or modify any law prescribing the form or contents of a document of title or the services or facilities to be afforded by a bailee, or otherwise regulating a bailee's businesses in respects not specifically treated in this article. However, violation of these laws does not affect the status of a document of title that otherwise complies with the definition of a document of title.</u></p> <p><u>(3) This Act modifies, limits, and supersedes the federal Electronic Signatures in Global and National Commerce Act (15 U.S.C. Section 7001, et. seq.) but does not modify, limit, or supersede Section 101(c) of that act (15 U.S.C. Section 7001, et. seq.) but does not modify, limit or supersede Section 101(c) of that act (15 U.S.C. Section 7001(c)) or authorize electronic delivery of any of the notices described in Section 103(b) of that act (15 U.S.C. Section 7003(b)).</u></p> <p><u>(4) To the extent there is a conflict between the Electronic Signatures and Records Act (NY CLS State Technology § 301 et seq.) and this Article, this Article governs.</u></p>	<p>New York did not enact the Uniform Electronic Transactions Act referred to in RA 7-103(d).</p>
<p>SECTION 7-104. NEGOTIABLE AND NONNEGOTIABLE DOCUMENT OF TITLE.</p> <p>(a) Except as otherwise provided in subsection (c), a document of title is negotiable if by its terms the goods are to be delivered to bearer or to the order of a named person.</p> <p>(b) A document of title other than one described in subsection (a) is nonnegotiable. A bill of lading that states that the goods are consigned to a named person is not made negotiable by a provision that the goods are to be delivered only against an order in a record signed by the same or another named person.</p> <p>(c) A document of title is nonnegotiable if, at the time it is</p>	<p>Section 7-104. Negotiable and Non-Negotiable Warehouse Receipt, Bill of Lading or Other Document of Title.</p> <p>(1) A warehouse receipt, bill of lading or other document of title is negotiable</p> <p>(a) if by its terms the goods are to be delivered to bearer or to the order of a named person; or</p> <p>(b) where recognized in overseas trade, if it runs to a named person or assigns.</p> <p>(2) Any other document is non-negotiable. A bill of lading in which it is stated that the goods are consigned to a named person is not made negotiable by a provision that the goods are to be</p>	

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issued, the document has a conspicuous legend, however expressed, that it is nonnegotiable.	delivered only against a written <u>an</u> order <u>in a record</u> signed by the same or another named person. <u>(3) A document of title is nonnegotiable if, at the time it is issued, the document has a conspicuous legend, however expressed, that it is nonnegotiable.</u>	
<p>SECTION 7-105. REISSUANCE IN ALTERNATIVE MEDIUM.</p> <p>(a) Upon request of a person entitled under an electronic document of title, the issuer of the electronic document may issue a tangible document of title as a substitute for the electronic document if:</p> <p> (1) the person entitled under the electronic document surrenders control of the document to the issuer; and</p> <p> (2) the tangible document when issued contains a statement that it is issued in substitution for the electronic document.</p> <p>(b) Upon issuance of a tangible document of title in substitution for an electronic document of title in accordance with subsection (a):</p> <p> (1) the electronic document ceases to have any effect or validity; and</p> <p> (2) the person that procured issuance of the tangible document warrants to all subsequent persons entitled under the tangible document that the warrantor was a person entitled under the electronic document when the warrantor surrendered control of the electronic document to the issuer.</p> <p>(c) Upon request of a person entitled under a tangible document of title, the issuer of the tangible document may issue an electronic document of title as a substitute for the tangible document if:</p> <p> (1) the person entitled under the tangible document surrenders possession of the document to the issuer; and</p> <p> (2) the electronic document when issued contains a statement that it is issued in substitution for the tangible document.</p> <p>(d) Upon issuance of the electronic document of title in substitution for a tangible document of title in accordance</p>	<p>Section 7-105. Construction Against Negative Implications. The omission from either Part 2 or Part 3 of this Article of a provision corresponding to a provision made in the other Part does not imply that a corresponding rule of law is not applicable.</p> <p><u>Section 7-105. Reissuance in Alternative Medium.</u></p> <p><u>(1) Upon request of a person entitled under an electronic document of title, the issuer of the electronic document may issue a tangible document of title as a substitute for the electronic document if:</u></p> <p><u> (a) the person entitled under the electronic document surrenders control of the document to the issuer; and</u></p> <p><u> (b) the tangible document when issued contains a statement that it is issued in substitution for the electronic document.</u></p> <p><u>(2) Upon issuance of a tangible document of title in substitution for an electronic document of title in accordance with subsection (1):</u></p> <p><u> (a) the electronic document ceases to have any effect or validity; and</u></p> <p><u> (b) the person that procured issuance of the tangible document warrants to all subsequent persons entitled under the tangible document that the warrantor was a person entitled under the electronic document when the warrantor surrendered control of the electronic document to the issuer.</u></p> <p><u>(3) Upon request of a person entitled under a tangible document of title, the issuer of the tangible document may issue an electronic document of title as a substitute for the tangible document if:</u></p> <p><u> (a) the person entitled under the tangible document surrenders possession of the document to the issuer; and</u></p> <p><u> (b) the electronic document when issued contains a statement that it is issued in substitution for the tangible</u></p>	<p>RA 7 clarifies when rules apply only to warehouse receipts or to bills of lading. Therefore, NYA 7-105 is no longer necessary.</p>

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<p>with subsection (c):</p> <p>(1) the tangible document ceases to have any effect or validity; and</p> <p>(2) the person that procured issuance of the electronic document warrants to all subsequent persons entitled under the electronic document that the warrantor was a person entitled under the tangible document when the warrantor surrendered possession of the tangible document to the issuer.</p>	<p><u>document.</u></p> <p><u>(4) Upon issuance of the electronic document of title in substitution for a tangible document of title in accordance with subsection (3):</u></p> <p><u>_____ (a) the tangible document ceases to have any effect or validity; and</u></p> <p><u>_____ (b) the person that procured issuance of the electronic document warrants to all subsequent persons entitled under the electronic document that the warrantor was a person entitled under the tangible document when the warrantor surrendered possession of the tangible document to the issuer.</u></p>	
<p>SECTION 7-106. CONTROL OF ELECTRONIC DOCUMENT OF TITLE.</p> <p>(a) A person has control of an electronic document of title if a system employed for evidencing the transfer of interests in the electronic document reliably establishes that person as the person to which the electronic document was issued or transferred.</p> <p>(b) A system satisfies subsection (a), and a person is deemed to have control of an electronic document of title, if the document is created, stored, and assigned in such a manner that:</p> <p>(1) a single authoritative copy of the document exists which is unique, identifiable, and, except as otherwise provided in paragraphs (4), (5) and (6), unalterable;</p> <p>(2) the authoritative copy identifies the person asserting control as:</p> <p>(A) the person to which the document was issued; or</p> <p>(B) if the authoritative copy indicates that the document has been transferred, the person to which the document was most recently transferred;</p> <p>(3) the authoritative copy is communicated to and maintained by the person asserting control or its designated custodian;</p> <p>(4) copies or amendments that add or change an identified assignee of the authoritative copy can be made only with the consent of the person asserting control;</p>	<p><u>Section 7-106. Control of Electronic Document of Title.</u></p> <p><u>(1) A person has control of an electronic document of title if a system employed for evidencing the transfer of interests in the electronic document reliably establishes that person as the person to which the electronic document was issued or transferred.</u></p> <p><u>(2) A system satisfies subsection (2), and a person is deemed to have control of an electronic document of title, if the document is created, stored, and assigned in such a manner that:</u></p> <p><u>_____ (a) a single authoritative copy of the document exists which is unique, identifiable, and, except as otherwise provided in paragraphs (d), (c) and (e), unalterable;</u></p> <p><u>_____ (b) the authoritative copy identifies the person asserting control as:</u></p> <p><u>_____ (i) the person to which the document was issued; or</u></p> <p><u>_____ (ii) if the authoritative copy indicates that the document has been transferred, the person to which the document was most recently transferred;</u></p> <p><u>_____ (c) the authoritative copy is communicated to and maintained by the person asserting control or its designated custodian;</u></p> <p><u>_____ (d) copies or amendments that add or change an identified assignee of the authoritative copy can be made only with the consent of the person asserting control;</u></p> <p><u>_____ (e) each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy; and</u></p>	<p><u>The concept of "control" was adopted from Section 16 of the Uniform Electronic Transfers Act and UCC §9-105 (regarding the control of electronic chattel paper).</u></p>

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<p>(5) each copy of the authoritative copy and any copy of a copy is readily identifiable as a copy that is not the authoritative copy; and</p> <p>(6) any amendment of the authoritative copy is readily identifiable as authorized or unauthorized.</p>	<p><u>(f) any amendment of the authoritative copy is readily identifiable as authorized or unauthorized.</u></p>	
<p>PART 2</p> <p>WAREHOUSE RECEIPTS: SPECIAL PROVISIONS</p>		
<p>SECTION 7-201. PERSON THAT MAY ISSUE A WAREHOUSE RECEIPT; STORAGE UNDER BOND.</p> <p>(a) A warehouse receipt may be issued by any warehouse.</p> <p>(b) If goods, including distilled spirits and agricultural commodities, are stored under a statute requiring a bond against withdrawal or a license for the issuance of receipts in the nature of warehouse receipts, a receipt issued for the goods is deemed to be a warehouse receipt even if issued by a person that is the owner of the goods and is not a warehouse.</p>	<p>Section 7-201. Who May Issue a Warehouse Receipt; Storage Under Government Bond.</p> <p>(1) A warehouse receipt may be issued by any warehouseman.</p> <p>(2) Where goods including distilled spirits and agricultural commodities are stored under a statute requiring a bond against withdrawal or a license for the issuance of receipts in the nature of warehouse receipts, a receipt issued for the goods has like effect as a warehouse receipt even though issued by a person who is the owner of the goods and is not a warehouseman.</p>	
<p>SECTION 7-202. FORM OF WAREHOUSE RECEIPT.</p> <p>(a) A warehouse receipt need not be in any particular form.</p> <p>(b) Unless a warehouse receipt provides for each of the following, the warehouse is liable for damages caused to a person injured by its omission:</p> <p>(1) a statement of the location of the warehouse facility where the goods are stored;</p> <p>(2) the date of issue of the receipt;</p> <p>(3) the unique identification code of the receipt;</p> <p>(4) a statement whether the goods received will be delivered to the bearer, to a named person, or to a named person or its order;</p> <p>(5) the rate of storage and handling charges, but if goods are stored under a field warehousing arrangement, a statement of that fact is sufficient on a nonnegotiable receipt;</p> <p>(6) a description of the goods or the packages containing them;</p> <p>(7) the signature of the warehouse or its agent;</p>	<p>Section 7-202. Form of Warehouse Receipt; Essential Terms; Optional Terms.</p> <p>(1) A warehouse receipt need not be in any particular form.</p> <p>(2) Unless a warehouse receipt embodies within its written or printed terms<u>provides for</u> each of the following, the warehouseman is liable for damages caused by the omission to a person injured thereby:</p> <p>(a) <u>a statement of</u> the location of the warehouse where the goods are stored;</p> <p>(b) the date of issue of the receipt;</p> <p>(c) the consecutive number<u>unique identification code</u> of the receipt;</p> <p>(d) a statement whether the goods received will be delivered to the bearer, to a specified person, or to a specified person or his order;</p> <p>(e) the rate of storage and handling charges, except that where goods are stored under a field warehousing arrangement a statement of that fact is sufficient on a non-negotiable receipt;</p> <p>(f) a description of the goods or of the packages containing</p>	

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<p>(8) if the receipt is issued for goods that the warehouse owns, either solely jointly or in common with others, the fact of that ownership; and</p> <p>(9) a statement of the amount of advances made and of liabilities incurred for which the warehouse claims a lien or security interest, but if the precise amount of advances made or of liabilities incurred is, at the time of the issue of the receipt, unknown to the warehouse or to its agent that issued the receipt, a statement of the fact that advances have been made or liabilities incurred and the purpose of the advances or liabilities is sufficient.</p> <p>(c) A warehouse may insert in its receipt any terms that are not contrary to [the Uniform Commercial Code] and do not impair its obligation of delivery under Section 7-403 or its duty of care under Section 7-204. Any contrary provisions are ineffective.</p>	<p>them;</p> <p>(g) the signature of the warehouseman, which may be made by his authorized agent;</p> <p>(h) if the receipt is issued for goods of which the warehouseman is owner, either solely or jointly or in common with others, the fact of such ownership; and</p> <p>(i) a statement of the amount of advances made and of liabilities incurred for which the warehouseman claims a lien or security interest (Section 7-209). If the precise amount of such advances made or of such liabilities incurred is, at the time of the issue of the receipt, unknown to the warehouseman or to his agent who issues it, a statement of the fact that advances have been made or liabilities incurred and the purpose thereof is sufficient.</p> <p>(3) A warehouseman may insert in his receipt any other terms which are not contrary to the provisions of this Act and do not impair his obligation of delivery (Section 7-403) or his duty of care (Section 7-204). Any contrary provisions shall be ineffective.</p>	
<p>SECTION 7-203. LIABILITY FOR NONRECEIPT OR MISDESCRIPTION.</p> <p>A party to or purchaser for value in good faith of a document of title other than a bill-of lading, that relies upon the description of the goods in the document may recover from the issuer damages caused by the nonreceipt or misdescription of the goods, except to the extent that:</p> <p>(1) the document conspicuously indicates that the issuer does not know whether all or part of the goods in fact were received or conform to the description, such as a case in which the description is in terms of marks or labels or kind, quantity, or condition, or the receipt or description is qualified by "contents, condition, and quality unknown", "said to contain", or words of similar import, if the indication is true; or</p> <p>(2) the party or purchaser otherwise has notice of the nonreceipt or misdescription.</p>	<p>Section 7-203. Liability for Non-Receipt or Misdescription.</p> <p>A party to or purchaser for value in good faith of a document of title other than a bill of lading relying in either case upon the description therein of the goods may recover from the issuer damages caused by the non- receipt or misdescription of the goods, except to the extent that the document conspicuously indicates that the issuer does not know whether any part or all of the goods in fact were received or conform to the description, as where the description is in terms of marks or labels or kind, quantity or condition, or the receipt or description is qualified by "contents, condition and quality unknown", "said to contain" or the like, if such indication be true, or the party or purchaser otherwise has notice.</p>	

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<p>SECTION 7-204. DUTY OF CARE; CONTRACTUAL LIMITATION OF WAREHOUSE'S LIABILITY.</p> <p>(a) A warehouse is liable for damages for loss of or injury to the goods caused by its failure to exercise care with regard to the goods that a reasonably careful person would exercise under similar circumstances. However, unless otherwise agreed, the warehouse is not liable for damages that could not have been avoided by the exercise of that care.</p> <p>(b) Damages may be limited by a term in the warehouse receipt or storage agreement limiting the amount of liability in case of loss or damage beyond which the warehouse is not liable. Such a limitation is not effective with respect to the warehouse's liability for conversion to its own use. The warehouse's liability, on request of the bailor in a record at the time of signing such storage agreement or within a reasonable time after receipt of the warehouse receipt, may be increased on part or all of the goods covered by the storage agreement or the warehouse receipt. In this event, increased rates may be charged based on an increased valuation of the goods.</p> <p>(c) Reasonable provisions as to the time and manner of presenting claims and commencing actions based on the bailment may be included in the warehouse receipt or storage agreement.</p> <p>(d) [This section does not impair or repeal [Insert reference to any statute that imposes a higher responsibility upon the warehouse or invalidates contractual limitations that would be permissible under this Article.]]</p>	<p>Section 7-204. Duty of Care; Contractual Limitation of Warehouseman's Liability.</p> <p>(1) A warehouseman is liable for damages for loss of or injury to the goods caused by his failure to exercise such care in regard to them as a reasonably careful man would exercise under like circumstances but unless otherwise agreed he is not liable for damages which could not have been avoided by the exercise of such care.</p> <p>(2) Damages may be limited by a term in the warehouse receipt or storage agreement limiting the amount of liability in case of loss or damage, and setting forth a specific liability per article 'or item, or value per unit of weight, beyond which the warehouseman shall not be liable; provided, however, that such liability may on written request of the bailor <u>in a record</u> at the time of signing such storage agreement or within a reasonable time after receipt of the warehouse receipt be increased on part or all of the goods thereunder, in which event increased rates may be charged based on such increased valuation [, but that no such increase shall be permitted contrary to a lawful limitation of liability contained in the warehouseman's tariff, if any]. Subject to subsection (3), no such limitation is effective with respect to the warehouseman's liability for conversion to his own use.</p> <p>(3) For the purpose of the last sentence of subsection (2), if the bailor is a merchant with respect to the bailed goods and the goods are not used or bought for use primarily for the personal family or household purposes of the bailor: (a) establishing only the failure of the warehouseman to deliver the goods as required under section 7-403 does not establish a prima facie case of conversion to the warehouseman's own use; and (b) the burden of establishing that the warehouseman has converted goods to his own use is on the bailor.</p> <p>(4) Reasonable provisions as to the time and manner of presenting claims and instituting actions based on the bailment may be included in the warehouse receipt or tariff<u>storage agreement</u>.</p>	<p>Note that RA §7-204(d) has not been addressed in the revisions to NYA 7, as the Committee does not believe that it is applicable. The Committee is not aware of any New York statute that imposes a higher responsibly upon a warehouse or invalidates contractual limitations otherwise permissible under RA 7.</p>

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<p>SECTION 7-205. TITLE UNDER WAREHOUSE RECEIPT DEFEATED IN CERTAIN CASES.</p> <p>A buyer in ordinary course of business of fungible goods sold and delivered by a warehouse that is also in the business of buying and selling such goods takes the goods free of any claim under a warehouse receipt even if the receipt is negotiable and has been duly negotiated.</p>	<p>Section 7-205. Title Under Warehouse Receipt Defeated in Certain Cases.</p> <p>A buyer in the ordinary course of business of fungible goods sold and delivered by a warehouseman who is also in the business of buying and selling such goods takes free of any claim under a warehouse receipt even though it is negotiable has been duly negotiated.</p>	
<p>SECTION 7-206. TERMINATION OF STORAGE AT WAREHOUSE'S OPTION.</p> <p>(a) A warehouse, by giving notice to the person on whose account the goods are held and any other person known to claim an interest in the goods, may require payment of any charges and removal of the, goods from the warehouse at the termination of the period of storage fixed by the document of title or, if a period is not fixed, within a stated period not less than 30 days after the warehouse gives notice. If the goods are not removed before the date specified in the notice, the warehouse may sell them pursuant to Section 7-210.</p> <p>(b) If a warehouse in good faith believes that goods are about to deteriorate or decline in value to less than the amount of its lien within the time provided in subsection (a) and Section 7-210, the warehouse may specify in the notice given under subsection (a) any reasonable shorter time for removal of the goods and, if the goods are not removed, may sell them at public sale held not less than one week after a single advertisement or posting.</p> <p>(c) If, as a result of a quality or condition of the goods of</p>	<p>Section 7-206. Termination of Storage at Warehouseman's Option.</p> <p>(1) A warehouseman may on notifying the person on whose account the goods are held and any other person known to claim an interest in the goods require payment of any charges and removal of the goods from the warehouse at the termination of the period of storage fixed by the document, or, if no period is fixed, within a stated period not less than thirty days after the notification. If the goods are not removed before the date specified in the notification, the warehouseman may sell them in accordance with the provisions of the section on enforcement of a warehouseman's lien (Section 7-210).</p> <p>(2) If a warehouseman in good faith believes that the goods are about to deteriorate or decline in value to less than the amount of his lien within the time prescribed in subsection (1) for notification, advertisement and sale, the warehouseman may specify in the notification any reasonable shorter time for removal of the goods and in case the goods are not removed, may sell them at public sale held not less than one week after a single advertisement or posting.</p>	

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<p>which the warehouse did not have notice at the time of deposit, the goods are a hazard to other property, the warehouse facilities, or other persons, the warehouse may sell the goods at public or private sale without advertisement or posting on reasonable notification to all persons known to claim an interest in the goods. If the warehouse, after a reasonable effort, is unable to sell the goods, it may dispose of them in any lawful manner and does not incur liability by reason of that disposition.</p> <p>(d) A warehouse shall deliver the goods to any person entitled to them under this article upon due demand made at any time before sale or other disposition under this section.</p> <p>(e) A warehouse may satisfy its lien from the proceeds of any sale or disposition under this section but shall hold the balance for delivery on the demand of any person to which the warehouse would have been bound to deliver the goods.</p>	<p>(3) If as a result of a quality or condition of the goods of which the warehouseman had no notice at the time of deposit the goods are a hazard to other property or to the warehouse or to persons, the warehouseman, <u>facilities, or other persons</u> may sell the goods at public or private sale without advertisement on reasonable notification to all persons known to claim an interest in the goods. If the warehouseman after a reasonable effort is unable to sell the goods he may dispose of them in any lawful manner and shall incur no liability by reason of such disposition.</p> <p>(4) The warehouseman must deliver the goods to any person entitled to them under this Article upon due demand made at any time prior to sale or other disposition under this section.</p> <p>(5) The warehouseman may satisfy his lien from the proceeds of any sale or disposition under this section but must hold the balance for delivery on the demand of any person to whom he would have been bound to deliver the goods.</p>	
<p>SECTION 7-207. GOODS MUST BE KEPT SEPARATE; FUNGIBLE GOODS.</p> <p>(a) Unless the warehouse receipt provides otherwise, a warehouse shall keep separate the goods covered by each receipt so as to permit at all times identification and delivery of those goods. However, different lots of fungible goods may be commingled.</p> <p>(b) If different lots of fungible goods are commingled, the good are owned in common by the persons entitled thereto and the Warehouse is severally liable to each owner for that owner's share. If, because of overissue, a mass of fungible goods is insufficient to meet- all the receipts the warehouse has issued against it, the persons entitled include all holders to which overissued receipts have been duly negotiated.</p>	<p>Section 7-207. Goods Must Be Kept Separate; Fungible Goods.</p> <p>(1) Unless the warehouse receipt otherwise provides, a warehouseman must keep separate the goods covered by each receipt so as to permit at all times identification and delivery of those goods except that different lots of fungible goods may be commingled.</p> <p>(2) Fungible goods so commingled are owned in common by the persons entitled thereto and the warehouseman is severally liable to each owner for that owner's share. Where because of overissue a mass of fungible goods is insufficient to meet all the receipts which the warehouseman has issued against it, the persons entitled include all holders to whom overissued receipts have been duly negotiated</p>	
<p>SECTION 7-208. ALTERED WAREHOUSE RECEIPTS.</p> <p>If a blank in a negotiable tangible warehouse receipt been filled in without authority, a good-faith purchaser for value and without notice of the lack of authority may treat the insertion as authorized. Any other unauthorized alteration leaves any tangible or electronic warehouse receipt</p>	<p>Section 7-208. Altered Warehouse Receipts.</p> <p>Where a blank in a negotiable warehouse receipt has been filled in without authority, a purchaser for value and without notice of the want of authority may treat the insertion as authorized. Any other unauthorized alteration leaves any <u>tangible or electronic</u> receipt enforceable against the issuer according to its original</p>	

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enforceable against the issuer according to its original tenor.	tenor.	
<p>SECTION 7-209. LIEN OF WAREHOUSE.</p> <p>(a) A warehouse has a lien against the bailor on the goods covered by a warehouse receipt or storage agreement or on the proceeds thereof in its possession for charges for storage or transportation, including demurrage and terminal charges, insurance, labor, or other charges, present or future, in relation to the goods, and for expenses necessary for preservation of the goods or reasonably incurred in their sale pursuant to law. If the person on whose account the goods are held is liable for similar charges or expenses in relation to other goods whenever deposited and it is stated in the warehouse receipt or storage agreement that a lien is claimed for charges and expenses in relation to other goods, the warehouse also has a lien against the goods covered by the warehouse receipt or storage agreement or on the proceeds thereof in its possession for those charges and expenses, whether or not the other goods have been delivered by the warehouse. However, as against a person to which a negotiable warehouse receipt is duly negotiated, a warehouse's lien is limited to charges in an amount or at a rate specified in the warehouse receipt or if no charges are so specified, to a reasonable charge for storage of the specific goods covered by the receipt subsequent to the date of the receipt.</p> <p>(b) A warehouse may also reserve a security interest under Article 9 against the bailor for the maximum amount specified on the receipt for charges other than those specified in subsection (a), such as for money advanced and interest. A security interest is governed by Article 9.</p> <p>(c) A warehouse's lien for charges and expenses under subsection (a) or a security interest under subsection (b) is also effective against any person that so entrusted the bailor with possession of the goods that a pledge of them by the bailor to a good faith purchaser for value would have been valid. However, the lien or security interest is not effective against a person that before issuance of a document of title had a legal interest or a perfected security interest in the goods</p>	<p>Section 7-209. Lien of Warehouseman.</p> <p>(1) A warehouse has a lien against the bailor on the goods covered by a warehouse receipt or storage agreement or on the proceeds thereof in its possession for charges for storage or transportation, (including demurrage and terminal charges), insurance, labor, or other charges, present or future, in relation to the goods, and for expenses necessary for preservation of the goods or reasonably incurred in their sale pursuant to law. If the person on whose account the goods are held is liable for like charges or expenses in relation to other goods whenever deposited and it is stated in the receipt or storage agreement that a lien is claimed for charges and expenses in relation to other goods, the warehouseman also has a lien against him for such charges and expenses whether or not the other goods have been delivered by the warehouseman. But against a person to whom a negotiable warehouse receipt is duly negotiated a warehouseman's lien is limited to charges in an amount or at a rate specified on the receipt or if no charges are so specified then to a reasonable charge for storage of the goods covered by the receipt subsequent to the date of the receipt.</p> <p>(2) The warehouseman may also reserve a security interest against the bailor for a maximum amount specified on the receipt for charges other than those specified in subsection (1), such as for money advanced and interest. Such a security interest is governed by the Article on Secured Transactions (Article 9).</p> <p>(3) A warehouseman's lien for charges and expenses under subsection (1) or a security interest under subsection (2) is also effective against any person who so entrusted the bailor with possession of the goods that a pledge of them by him to a good faith purchaser for value would have been valid but is not effective against a person as to whom the document confers no right in the goods covered by it under Section 7-503.</p> <p>(4) A warehouseman loses his lien on any goods which he voluntarily delivers or which he unjustifiably refuses to deliver.</p>	

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<p>and that did not:</p> <p>(1) deliver or entrust the goods or any document covering, the goods to the bailor or the bailor's nominee with:</p> <p>(A) actual or apparent authority to ship, store, or sell;</p> <p>(B) with power to obtain delivery under Section 7-403; or</p> <p>(C) with power of disposition under Sections 2-403, 2A-302(2), 2A-305(2) or 9-320 or other statute or rule of law; or</p> <p>(2) acquiesce in the procurement by the bailor or its nominee of any document</p> <p>(d) A warehouse's lien on household goods for charges and expenses in relation to the goods under subsection (a) is also effective against all persons if the depositor was the legal possessor of the goods at the time of deposit. In this subsection, "household good" means furniture, furnishings, or personal effects used by the depositor in a dwelling.</p> <p>(e) A warehouse loses its lien on any-goods that it voluntarily delivers or unjustifiably refuses to deliver.</p>		
<p>SECTION 7-210. ENFORCEMENT OF WAREHOUSE'S LIEN.</p> <p>(a) Except as otherwise provided in subsection (b), a warehouse's lien may be enforced by public or private sale of the goods, in bulk or in packages, at any time or place and on any terms that are commercially reasonable, after notifying all persons known to claim an interest in the goods. The notification must include a statement of the amount due, the nature of the proposed sale, and the time and place of any public sale. The fact that a better price could have been obtained by a sale at a different time or in a different method from that selected by the warehouse is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. The warehouse sells in a commercially reasonable manner if the warehouse sells the goods in the usual manner in an recognized market therefor, sells at the price current in that market at the time of the sale, or has otherwise sells in conformity with commercially reasonable</p>	<p>Section 7-210. Enforcement of Warehouseman's Lien.</p> <p>(1) Except as otherwise provided in subsection (2), a warehouseman's lien may be enforced by public or private sale of the goods in bloc or in parcels, at any time goods. Such notification must include a statement of the amount due, the nature of the proposed sale and the time and place of any public sale, <u>and, unless the goods are perishable or threaten to decline speedily in value, it shall state that any person claim interest in the goods is entitled to bring a proceeding under section 7-211 within ten days of the service of the notice if he disputes the validity of the lien or the amount claimed.</u> The fact that a better price could have been obtained by a sale at a different time or in a different method from that selected by the warehouseman is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. If the warehouseman either sells the goods in the usual manner in any recognized market therefor, or if he sells at the price current in such market at the time of his sale, or if he has otherwise sold in conformity with</p>	

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<p>practices among dealers in the type of goods sold. A sale of more goods than apparently necessary to be offered to ensure satisfaction of the obligation is not commercially reasonable, except in cases covered by the preceding sentence.</p> <p>(b) A warehouse may enforce its lien on goods, other than goods stored by a merchant in the course of its business, only if the following requirements are satisfied:</p> <p>(1) All persons known to claim an interest in the goods must be notified.</p> <p>(2) The notification must include an itemized statement of the claim, a description of the goods subject to the lien, a demand for payment within a specified time not less than 10 days after receipt of the notification, and a conspicuous statement that unless the claim is paid within that time the goods will be advertised for sale, and sold by auction at a specified time and place.</p> <p>(3) The sale must conform to the terms of the notification.</p> <p>(4) The sale must be held at the nearest suitable place to where the goods are held or stored.</p> <p>(5) After the expiration of the time given in the notification, an advertisement of the sale must be published once a week for two weeks consecutively in a newspaper of general circulation where the sale is to be held. The advertisement must include a description of the goods, the name of the person on whose account the goods are being held, and the time and place of the sale. The Sale must take place at least 15 days after the first publication. If there is no newspaper of general circulation where the sale is to be held, the advertisement must be posted at least 10 days before the sale in not fewer than six conspicuous places in the neighborhood of the proposed sale.</p> <p>(c) Before any sale pursuant to this section, any person claiming a right in the goods may pay the amount necessary to satisfy the lien and the reasonable expenses incurred in complying with this section. In that event, the goods may not be sold but must be retained by the warehouse subject to the terms of the receipt and this article.</p>	<p>commercially reasonable practices among dealers in the type of goods sold, he has sold in a commercially reasonable manner. A sale of more goods than apparently necessary to be offered to ensure satisfaction of the obligation is not commercially reasonable, except in cases covered by the preceding sentence.</p> <p>(2) A warehouseman's lien on goods other than goods stored by a merchant in the course of his business may be enforced only as follows:</p> <p>(a) all persons known to claim an interest in the goods must be notified.</p> <p>(b) <u>the notification must be delivered in person or sent by registered or certified letter to the last known address of any person to be notified.</u></p> <p><u>(c) the notification must include an itemized statement of the claim, a description of the goods subject to the lien, a demand for payment within a specified time not less than ten days after receipt of the notification, and a conspicuous statement that unless the claim is paid within that time the goods will be advertised for sale and sold by auction at a specified time and place, and a statement that any person claiming an interest in the goods is entitled to bring a proceeding under section 7-211 within ten days of the service of the notice if he disputes the validity of the lien or the amount claimed.</u></p> <p>(d) the sale must conform to the terms of the notification.</p> <p>(e) the sale must be held at the nearest suitable place to that where the goods are held or stored.</p> <p>(f) after the expiration of the time given in the notification, an advertisement of the sale must be published once a week for two weeks consecutively in a newspaper of general circulation where the sale is to be held. The advertisement must include a description of the goods, the name of the person on whose account the goods are being held, and the time and place of the sale. The sale must take place at least fifteen days after the first publication. If there is no newspaper of general circulation where the sale is to be held, the advertisement must be posted at least ten days before the sale in not less than six conspicuous places in the neighborhood of the proposed sale.</p> <p>(3) Before any sale pursuant to this section any person claiming</p>	

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<p>(d) A warehouse may buy at any public sale held pursuant to this section.</p> <p>(e) A purchaser in good faith of goods sold to enforce a warehouse's lien takes the goods free of any rights of persons against which the lien was valid, despite the warehouse's noncompliance with this section</p> <p>(f) A warehouse may satisfy its lien from the proceeds of any sale pursuant to this section but shall hold the balance, if any, for delivery on demand to any person to which the warehouse would have been bound to deliver the goods.</p> <p>(g) The rights provided by this section are in addition to all other rights allowed by law to a creditor against a debtor.</p> <p>(h) If a lien is on goods stored by a merchant in the course of its business, the lien may be enforced in accordance with subsection (a) or (b).</p> <p>(i) A warehouse is liable for damages caused by failure to comply with the requirements for sale under this section and, in case of willful violation, is liable for conversion.</p>	<p>a right in the goods may pay the amount necessary to satisfy the lien and the reasonable expenses incurred under this section. In that event, the goods must not be sold, but must be retained by the warehouseman subject to the terms of the receipt and this Article.</p> <p>(4) A warehouseman may buy at any public sale held pursuant to this section.</p> <p>(5) A purchaser in good faith of goods sold to enforce a warehouseman's lien takes the goods free of any rights of persons against whom the lien was valid, despite noncompliance by the warehousemen with the requirements of this section.</p> <p>(6) A warehouseman may satisfy his lien from the proceeds of any sale pursuant to this section but must hold the balance, if any, for delivery on demand to any person to whom he would have been bound to deliver the goods.</p> <p>(7) The rights provided by this section shall be in addition to all other rights allowed by law to a creditor against his debtor.</p> <p>(8) Where a lien is on goods stored by a merchant in the course of his business, the lien may be enforced in accordance with either subsection (1) or (2).</p> <p>(9) The warehouseman is liable for damages caused by failure to comply with the requirements for sale under this section and in case of willful violation is liable for conversion.</p>	
NONE	<p>Section 7-211. Proceeding to Determine Validity of Lien. Within ten days notice of service of sale, a person claiming an interest in the goods may commence a special proceeding to determine the validity of the lien. The special proceeding may be brought in any court which would have jurisdiction to render a judgment for a sum equal to the amount of the lien. If the person shall show that the warehouseman is not entitled to claim a lien in the goods, or that all or part of the amount claimed by the warehouseman has not been properly charged to the account of such person or, as the case may be, that all or part of such amount exceeds the fair and reasonable value of the services performed by the warehouseman, the court shall direct the entry of judgment canceling the lien or reducing the amount claimed thereunder accordingly. If the warehouseman shall establish the validity of</p>	<p>The Committee recommends keeping NYA §7-211 as a non-uniform addition to RA 7.</p>

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	the lien, in whole or in part, the judgment shall fix the amount thereof, and shall provide that the sale may proceed upon the expiration of five days after service of a copy of the judgment together with notice of entry thereof upon the person, unless the goods are redeemed prior thereto pursuant to subsection (3) of section 7-210. If the lien is cancelled, the judgment shall provide that, upon service of a copy of the judgment together with notice of entry thereof upon the warehouseman, the person shall be entitled to possession of the property.	
PART 3 BILLS OF LADING: SPECIAL PROVISIONS		
<p>SECTION 7-301. LIABILITY FOR NONRECEIPT OR MISDESCRIPTION; "SAID TO CONTAIN"; "SHIPPER'S LOAD AND COUNT"; IMPROPER HANDLING.</p> <p>(a) A consignee of a nonnegotiable bill of lading which has given value in good faith, or a holder to which a negotiable bill has been duly negotiated, relying upon the description of the goods in the bill or upon the date shown in the bill, may recover from the issuer damages caused by the misdating of the bill or the nonreceipt or misdescription of the goods, except to the extent that the document of title indicates that the issuer does not know whether any part or all of the goods in fact were received or conform to the description, such as in a case in which the description is in terms of marks or labels or kind, quantity, or condition or the receipt or description is qualified by "contents or condition of contents of packages unknown", "said to contain", "shipper's weight, load and count," or words of similar import, if that indication is true.</p> <p>(b) If goods are loaded by the issuer of the bill of lading;</p> <p>(1) the issuer shall count the packages of goods if shipped in packages and ascertain the kind and quantity if shipped in bulk; and</p> <p>(2) words such as "shipper's weight, load and count," or words of similar import indicating that the description was made by the shipper are ineffective except as to goods concealed by packages.</p>	<p>Section 7-301. Liability For Non-Receipt or Misdescription; "Said to Contain"; "Shipper's Load and Count"; Improper Handling.</p> <p>(1) A consignee of a non-negotiable bill who has given value in good faith or a holder to whom a negotiable bill has been duly negotiated relying in either case upon the description therein of the goods, or upon the date therein shown, may recover from the issuer damages caused by the misdating of the bill or the non-receipt or misdescription of the goods, except to the extent that the document indicates that the issuer does not know whether any part or all of the goods in fact were received or conform to the description, as where the description is in terms of marks or labels or kind, quantity, or condition or the receipt or description is qualified by "contents or condition of contents of packages unknown", "said to contain", "shipper's weight, load and count" or the like, if such indication be true.</p> <p>(2) When goods are loaded by an<u>the</u> issuer who is a common carrier of the bill, the issuer must count the packages of goods if package freight<u>shipped in packages</u>, and ascertain the kind and quantity if <u>shipped in</u> bulk freight. In such cases "shipper's weight, load and count" or other words indicating that the description was made by the shipper are ineffective except as to freight<u>goods</u> concealed by packages.</p> <p>(3) When bulk freight is<u>goods are</u> loaded by a shipper who makes available to the issuer adequate facilities for weighing</p>	

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<p>(c) If bulk goods are loaded by a shipper that makes available to the issuer of the bill of lading adequate facilities for weighing those goods, the issuer shall ascertain the kind and quantity within a reasonable time after receiving the shipper's request in a record to do so. In that case, "shipper's weight" or words of similar import are ineffective.</p> <p>(d) The issuer, by including in the bill of lading the words "shipper's weight, load and count," or words of similar import, may indicate that the goods were loaded by the shipper, and, if that statement is true, the issuer is not liable for damages caused by the improper loading. However, omission of such words does not imply liability for damages caused by improper loading.</p> <p>(e) A shipper guarantees to the issuer the accuracy at the time of shipment of the description, marks, labels, number, kind, quantity, condition, and weight, as furnished by the shipper, and the shipper shall indemnify the issuer against damage caused by inaccuracies in those particulars. This right of the issuer to that indemnity does not limit its responsibility or liability under the contract of carriage to any person other than the shipper.</p>	<p>such freight goods, anthe issuer who is a common carrier must ascertain the kind and quantity within a reasonable time after receiving the written request of the shipper in a record to do so. In such cases "shipper's weight" or other words of like purport are ineffective.</p> <p>(4) The issuer may by inserting in the bill the words "shipper's weight, load and count" or other words of like purport indicate that the goods were loaded by the shipper; and if such statement be true the issuer shall not be liable for damages caused by the improper loading. But their omission does not imply liability for such damages.</p> <p>(5) The shipper shall be deemed to have guaranteed to the issuer the accuracy at the time of shipment of the description, marks, labels, number, kind, quantity, condition and weight, as furnished by him; and the shipper shall indemnify the issuer against damage caused by inaccuracies in such particulars. The right of the issuer to such indemnity shall in no way limit his responsibility and liability under the contract of carriage to any person other than the shipper.</p>	
<p>SECTION 7-302. THROUGH BILLS OF LADING AND SIMILAR DOCUMENTS OF TITLE.</p> <p>(a) The issuer of a through bill of lading or other document of title embodying an undertaking to be performed in part by a person acting as its agent or by a performing carrier is liable to any person entitled to recover on the bill or other document for any breach by the other person or the performing carrier of its obligation under the document. However, to the extent that the bill or other document covers an undertaking to be performed overseas or in territory not contiguous to the continental United States or an undertaking including matters other than transportation, this liability for breach by the other person or the performing carrier may be varied by agreement of the parties.</p> <p>(b) If goods covered by a through bill of lading or other document of title embodying an undertaking to be performed</p>	<p>Section 7-302. Through Bills of Lading and Similar Documents.</p> <p>(1) The issuer of a through bill of lading or other document embodying an undertaking to be performed in part by persons acting as its agents or by connecting carriers is liable to anyone entitled to recover on the document for any breach by such other persons or by a connecting carrier of its obligation under the document but to the extent that the bill covers an undertaking to be performed overseas or in territory not contiguous to the continental United States or an undertaking including matters other than transportation this liability for breach by the other person or the performing carrier may be varied by agreement of the parties.</p> <p>(2) Where goods covered by a through bill of lading or other document embodying an undertaking to be performed in part by persons other than the issuer are received by any such person, he is subject with respect to his own</p>	

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<p>in part by a person other than the issuer are received by that person, the person is subject, with respect to its own performance while the goods are in its possession, to the obligation of the issuer. The person's obligation is discharged by delivery of the goods to another person pursuant to the bill or other document and does not include liability for breach by any other person or by the issuer.</p> <p>(c) The issuer of a through bill of lading or other document of title described in subsection (a) is entitled to recover from the performing carrier, or other person in possession of the goods when the breach of the obligation under the document occurred:</p> <p>(1) the amount it may be required to pay to any person entitled to recover on the document for the breach, as may be evidenced by any receipt, judgment, or transcript of judgment and;</p> <p>(2) the amount of any expense reasonably incurred by the issuer in defending any action commenced by any person entitled to recover on the document for the breach.</p>	<p>performance while the goods are in his possession to the obligation of the issuer. His obligation is discharged by delivery of the goods to another such person pursuant to the document, and does not include liability for breach by any other such persons or by the issuer.</p> <p>(3) The issuer of such through bill of lading or other document <u>described in subsection (1)</u> shall be entitled to recover from the connecting carrier or such other person in possession of the goods when the breach of the obligation under the document occurred, the amount it may be required to pay to anyone entitled to recover on the document therefor, as may be evidenced by any receipt, judgment, or transcript thereof, and the amount of any expense reasonably incurred by it in defending any action brought by anyone entitled to recover on the document therefor.</p>	
<p>SECTION 7-303. DIVERSION; RECONSIGNMENT; CHANGE OF INSTRUCTIONS.</p> <p>(a) Unless the bill of lading otherwise provides, a carrier may deliver the goods to a person or destination other than that stated in the bill or may otherwise dispose of the goods, without liability for misdelivery, on instructions from:</p> <p>(1) the holder of a negotiable bill;</p> <p>(2) the consignor on a nonnegotiable bill even if the consignee has given contrary instructions;</p> <p>(3) the consignee on a nonnegotiable bill in the absence of contrary instructions from the consignor, if the goods have arrived at the billed destination or if the consignee is in possession of the tangible bill or in control of the electronic bill; or</p> <p>(4) the consignee on a nonnegotiable bill, if the consignee is entitled as against the consignor to dispose of the goods.</p> <p>(b) Unless instructions described in subsection (a) are</p>	<p>Section 7-303. Diversion; Reconsignment; Change of Instructions.</p> <p>(1) Unless the bill of lading otherwise provides, the carrier may deliver the goods to a person or destination other than that stated in the bill or may otherwise dispose of the goods on instructions from</p> <p>(a) the holder of a negotiable bill; or</p> <p>(b) the consignor on a non-negotiable bill notwithstanding contrary instructions from the consignee; or</p> <p>(c) the consignee on a non-negotiable bill in the absence of contrary instructions from the consignor, if the goods have arrived at the billed destination or if the consignee is in possession of the bill; or</p> <p>(d) the consignee on a non-negotiable bill if he is entitled as against the consignor to dispose of them.</p> <p>(2) Unless such instructions are noted on a negotiable bill of lading, a person to whom the bill is duly negotiated can hold the bailee according to the original terms.</p>	

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included in a negotiable bill of lading, a person to which the bill is duly negotiated may hold the bailee according to the original terms.		
<p>SECTION 7-304. TANGIBLE BILLS OF LADING IN A SET.</p> <p>(a) Except as customary in international transportation, a tangible bill of lading may not be issued in a set of parts. The issuer is liable for damages caused by violation of this subsection.</p> <p>(b) If a tangible bill of lading is lawfully issued in a set of parts, each of which contains an identification code and is expressed to be valid only if the goods have not been delivered against any other part, the whole of the parts constitutes one bill.</p> <p>(c) If a tangible negotiable bill of lading is lawfully issued in a set of parts and different parts are negotiated to different persons, the title of the holder to which the first due negotiation is made prevails as to both the document of title and the goods even if any later holder may have received the goods from the carrier in good faith and discharged the carrier's obligation by surrendering its part.</p> <p>(d) A person that negotiates or transfers a single part of a tangible bill of lading issued in a set is liable to holders of that part as if it were the whole set.</p> <p>(e) The bailee shall deliver in accordance with Part 4 against the first presented part of a tangible bill of lading lawfully issued in a set. Delivery in this manner discharges the bailee's obligation on the whole bill.</p>	<p>Section 7-304. Bills of Lading in a Set.</p> <p>(1) Except where customary in overseasinternational transportation, a bill of lading must not be issued in a set of parts. The issuer is liable for damages caused by violation of this subsection.</p> <p>(2) Where a tangible bill of lading is lawfully drawn in a set of parts, each of which is numbered andcontains an identification code and is expressed to be valid only if the goods have not been delivered against any other part, the whole of the parts constitute one bill.</p> <p>(3) Where a tangible bill of lading is lawfully issued in a set of parts and different parts are negotiated to different persons, the title of the holder to whom the first due negotiation is made prevails as to both the document and the goods even though any later holder may have received the goods from the carrier in good faith and discharged the carrier's obligation by surrender of his part.</p> <p>(4) Any person who negotiates or transfers a single part of a tangible bill of lading drawn in a set is liable to holders of that part as if it were the whole set.</p> <p>(5) The bailee is obliged to deliver in accordance with Part 4 of this Article against the first presented part of a tangible bill of lading lawfully drawn in a set. Such delivery discharges the bailee's obligation on the whole bill.</p>	
<p>SECTION 7-305. DESTINATION BILLS.</p> <p>(a) Instead of issuing a bill of lading to the consignor at the place of shipment, a carrier, at the request of the consignor, may procure the bill to be issued at destination or at any other place designated in the request.</p> <p>(b) Upon request of any person entitled as against a carrier to control the goods while in transit and on surrender of possession or control of any outstanding bill of lading or other</p>	<p>Section 7-305. Destination Bills.</p> <p>(1) Instead of issuing a bill of lading to the consignor at the place of shipment a carrier may at the request of the consignor procure the bill to be issued at destination or at any other place designated in the request.</p> <p>(2) Upon request of anyone entitled as against the carrier to control the goods while in transit and on surrender of any outstanding bill of lading or other receipt covering such goods,</p>	

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receipt covering the goods, the issuer, subject to Section 7-105, may procure a substitute bill to be issued at any place designated in the request.	the issuer, <u>subject to section 7-105</u> , may procure a substitute bill to be issued at any place designated in the request.	
SECTION 7-306. ALTERED BILLS OF LADING. An unauthorized alteration or filling in of a blank in a bill of lading leaves the bill enforceable according to its original tenor.	Section 7-306. Altered Bills of Lading. An unauthorized alteration or filling in of a blank in a bill of lading leaves the bill enforceable according to its original tenor.	
SECTION 7-307. LIEN OF CARRIER. (a) A carrier has a lien on the goods covered by a bill of lading or on the proceeds thereof in its possession for charges after the date of the carrier's receipt of the goods for storage or transportation, including demurrage and terminal charges, and for expenses necessary for preservation of the goods incident to their transportation or reasonably incurred in their sale pursuant to law. However, against a purchaser for value of a negotiable bill of lading, a carrier's lien is limited to charges stated in the bill or the applicable tariffs or, if no charges are stated, a reasonable charge. (b) A lien for charges and expenses under subsection (a) on goods that the carrier was required by law to receive for transportation is effective against the consignor or any person entitled to the goods unless the carrier had notice that the consignor lacked authority to subject the goods to those charges and expenses. Any other lien under subsection (a) is effective against the consignor and any person that permitted the bailor to have control or possession of the goods unless the carrier had notice that the bailor lacked authority. (c) A carrier loses its lien on any goods that it voluntarily delivers or unjustifiably refuses to deliver.	Section 7-307. Lien of Carrier. (1) A carrier has a lien on the goods covered by a bill of lading <u>or on the proceeds thereof</u> for charges subsequent to the date of its receipt of the goods for storage or transportation (including demurrage and terminal charges) and for expenses necessary for preservation of the goods incident to their transportation or reasonably incurred in their sale pursuant to law. But against a purchaser for value of a negotiable bill of lading a carrier's lien is limited to charges stated in the bill or the applicable tariffs, or if no charges are stated then to a reasonable charge. (2) A lien for charges and expenses under subsection (1) on goods which the carrier was required by law to receive for transportation is effective against the consignor or any person entitled to the goods unless the carrier had notice that the consignor lacked authority to subject the goods to such charges and expenses. Any other lien under subsection (1) is effective against the consignor and any person who permitted the bailor to have control or possession of the goods unless the carrier had notice that the bailor lacked such authority. (3) A carrier loses his lien on any goods which he voluntarily delivers or which he unjustifiably refuses to deliver.	
SECTION 7-308. ENFORCEMENT OF CARRIER'S LIEN. (a) A carrier's lien on goods may be enforced by public or private sale of the goods, in bulk or in packages, at any time or place and on any terms that are commercially reasonable,	Section 7-308. Enforcement of Carrier's Lien. (1) A carrier's lien may be enforced by public or private sale of the goods, in bloc or in parcels, at any time or place and on any terms which are commercially reasonable, after notifying all	

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<p>after notifying all persons known to claim an interest in the goods. The notification must include a statement of the amount due, the nature of the proposed sale, and the time and place of any public sale. The fact that a better price could have been obtained by a sale at a different time or in a different method from that selected by the carrier is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. The carrier has sold goods in a commercially reasonable manner if the carrier sells the goods in the usual manner in any recognized market therefor, sells at the price current in that market at the time of the sale, or has otherwise sold in conformity with commercially reasonable practices among dealers in the type of goods sold. A sale of more goods than apparently necessary to be offered to ensure satisfaction of the obligation is not commercially reasonable, except in cases covered by the preceding sentence.</p> <p>(b) Before any sale pursuant to this section, any person claiming a right in the goods may pay the amount necessary to satisfy the lien and the reasonable expenses incurred in complying with this section. In that event, the goods may not be sold but must be retained by the carrier, subject to the terms of the bill of lading and this article.</p> <p>(c) A carrier may buy at any public sale pursuant to this section.</p> <p>(d) A purchaser in good faith of goods sold to enforce a carrier's lien takes the goods free of any rights of persons against which the lien was valid, despite the carrier's noncompliance with this section.</p> <p>(e) A carrier may satisfy its lien from the proceeds of any sale pursuant to this section but shall hold the balance, if any, for delivery on demand to any person to which the carrier would have been bound to deliver the goods.</p> <p>(f) The rights provided by this section are in addition to all other rights allowed by law to a creditor against a debtor.</p> <p>(g) A carrier's lien may be enforced pursuant to either subsection (a) or the procedure set forth in Section 7-210(b).</p> <p>(h) A carrier is liable for damages caused by failure to comply with the requirements for sale under this section and,</p>	<p>persons known to claim an interest in the goods. Such notification must include a statement of the amount due, the nature of the proposed sale and the time and place of any public sale. The fact that a better price could have been obtained by a sale at a different time or in a different method from that selected by the carrier is not of itself sufficient to establish that the sale was not made in a commercially reasonable manner. If the carrier either sells the goods in the usual manner in any recognized market therefor or if he sells at the price current in such market at the time of his sale or if he has otherwise sold in conformity with commercially reasonable practices among dealers in the type of goods sold he has sold in a commercially reasonable manner. A sale of more goods than apparently necessary to be offered to ensure satisfaction of the obligation is not commercially reasonable except in cases covered by the preceding sentence.</p> <p>(2) Before any sale pursuant to this section any person claiming a right in the goods may pay the amount necessary to satisfy the lien and the reasonable expenses incurred under this section. In that event the goods must not be sold, but must be retained by the carrier subject to the terms of the bill and this Article.</p> <p>(3) The carrier may buy at any public sale pursuant to this section.</p> <p>(4) A purchaser in good faith of goods sold to enforce a carrier's lien takes the goods free of any rights of persons against whom the lien was valid, despite noncompliance by the carrier with the requirements of this section.</p> <p>(5) The carrier may satisfy his lien from the proceeds of any sale pursuant to this section but must hold the balance, if any, for delivery on demand to any person to whom he would have been bound to deliver the goods.</p> <p>(6) The rights provided by this section shall be in addition to all other rights allowed by law to a creditor against his debtor.</p> <p>(7) A carrier's lien may be enforced in accordance with either subsection (1) or the procedure set forth in subsection (2) of Section 7-210.</p> <p>(8) The carrier is liable for damages caused by failure to comply with the requirements for sale under this section and in case of willful violation is liable for conversion.</p>	

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in case of willful violation, is liable for conversion.		
<p>SECTION 7-309. DUTY OF CARE; CONTRACTUAL LIMITATION OF CARRIER'S LIABILITY.</p> <p>(a) A carrier that issues a bill of lading, whether negotiable or nonnegotiable, shall exercise the degree of care in relation to the goods which a reasonably careful person would exercise under similar circumstances. This subsection does not affect any statute, regulation, or rule of law that imposes liability upon a common carrier for damages not caused by its negligence.</p> <p>(b) Damages may be limited by a term in the bill of lading or in a transportation agreement that the carrier's liability may not exceed a value stated in the bill or transportation agreement if the carrier's rates are dependent upon value and the consignor is afforded an opportunity to declare a higher value and the consignor is advised of the opportunity. However, such a limitation is not effective with respect to the carrier's liability for conversion to its own use.</p> <p>(c) Reasonable provisions as to the time and manner of presenting claims and commencing actions based on the shipment may be included in a bill of lading or a transportation agreement.</p>	<p>Section 7-309. Duty of Care; Contractual Limitation of Carrier's Liability.</p> <p>(1) A carrier who issues a bill of lading whether negotiable or non-negotiable must exercise the degree of care in relation to the goods which a reasonably careful man would exercise under like circumstances. This subsection does not repeal or change any law or rule of law which imposes liability upon a common carrier for damages not caused by its negligence.</p> <p>(2) Damages may be limited by a provision <u>in a bill of lading or transportation agreement</u> that the carrier's liability shall not exceed a value stated in the document if the carrier's rates are dependent upon value and the consignor by the carrier's tariff is afforded an opportunity to declare a higher value or a value as lawfully provided in the tariff or where no tariff is filed he is otherwise <u>and the consignor is</u> advised of such <u>the</u> opportunity; but no such limitation is effective with respect to the carrier's liability for conversion to its own use.</p> <p>(3) Reasonable provisions as to the time and manner of presenting claims and instituting actions based on the shipment may be included in a bill of lading or tariff <u>transportation agreement</u></p>	
<p>PART 4</p> <p>WAREHOUSE RECEIPTS AND BILLS OF LADING: GENERAL OBLIGATIONS</p>		
<p>SECTION 7-401. IRREGULARITIES IN ISSUE OF RECEIPT OR BILL OR CONDUCT OF ISSUER.</p> <p>The obligations imposed by this article on an issuer apply to a document of title even if:</p> <p>(1) the document does not comply with the requirements of this article or of any other statute, rule, or regulation regarding its issue, form, or content;</p> <p>(2) the issuer violated laws regulating the conduct of its business;</p> <p>(3) the goods covered by the document were owned by the</p>	<p>Section 7-401. Irregularities in Issue of Receipt or Bill or Conduct of Issuer.</p> <p>The obligations imposed by this Article on an issuer apply to a document of title regardless of the fact that</p> <p>(a) the document may not comply with the requirements of this Article or of any other law or regulation regarding its issue, form or content; or</p> <p>(b) the issuer may have violated laws regulating the conduct of his business; or</p> <p>(c) the goods covered by the document were owned by the bailee</p>	

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<p>bailee when the document was issued; or (4) the person issuing the document is not a warehouse but the document purports to be a warehouse receipt.</p>	<p>at the time the document was issued; or (d) the person issuing the document does not come within the definition of warehouseman if it purports to be a warehouse receipt.</p>	
<p>SECTION 7-402. DUPLICATE DOCUMENT OF TITLE; OVERISSUE. A duplicate or any other document of title purporting to cover goods already represented by an outstanding document of the same issuer does not confer any right in the goods, except as provided in the case of tangible bills of lading in a set of parts, overissue of documents for fungible goods, substitutes for lost, stolen, or destroyed documents, or substitute documents issued pursuant to Section 7-105. The issuer is liable for damages caused by its overissue or failure to identify a duplicate document by a conspicuous notation.</p>	<p>Section 7-402. Duplicate Receipt or Bill; Overissue. Neither a duplicate nor any other document of title purporting to cover goods already represented by an outstanding document of the same issuer confers any right in the goods, except as provided in the case of <u>tangible</u> bills in a set <u>of parts</u>, overissue of documents for fungible goods and substitutes for lost, stolen or destroyed documents, <u>or substitute documents issued pursuant to Section 7-105</u>. But the issuer is liable for damages caused by his overissue or failure to identify a duplicate document as such by conspicuous notation on its face.</p>	
<p>SECTION 7-403. OBLIGATION OF WAREHOUSE OR CARRIER TO DELIVER; EXCUSE. (a) A bailee shall deliver the goods to a person entitled under a document of title if the person complies with subsections (b) and (c), unless and to the extent that the bailee establishes any of the following: (1) delivery of the goods to a person whose receipt was rightful as against the claimant; (2) damage to or delay, loss, or destruction of the goods for which the bailee is not liable; (3) previous sale or other disposition of the goods in lawful enforcement of a lien or on a warehouse's lawful termination of storage; (4) the exercise by a seller of its right to stop delivery pursuant to Section 2-705 or by a lessor of its right to stop delivery pursuant to Section 2A-526; (5) a diversion, reconsignment, or other disposition pursuant to Section 7-303; (6) release, satisfaction, or any other fact affording a</p>	<p>Section 7-403. Obligation of Warehouseman or Carrier to Deliver; Excuse. (1) The bailee must deliver the goods to a person entitled under the document who complies with subsections (2) and (3), unless and to the extent that the bailee establishes any of the following: (a) delivery of the goods to a person whose receipt was rightful as against the claimant; (b) damage to or delay, loss or destruction of the goods for which <u>the</u> bailee is not liable, but the burden of establishing negligence in such cases is on the person entitled under the document; (c) previous sale or other disposition of the goods in lawful enforcement of a lien or on warehouseman's lawful termination of storage; (d) the exercise by a seller of his right to stop delivery pursuant to the provisions of the Article on Sales (Section 2-705) <u>or by a lessor of its right to stop delivery pursuant to section 2A-526</u>; (e) a diversion, reconsignment or other disposition pursuant</p>	

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<p>personal defense against the claimant; or (7) any other lawful excuse.</p> <p>(b) A person claiming goods covered by a document of title shall satisfy the bailee's lien if the bailee so requests or the bailee is prohibited by law from delivering the goods until the charges are paid.</p> <p>(c) Unless a person claiming the goods is one against which the document of title does not confer a right under Section 7-503(a):</p> <p>(1) the person claiming under a document shall surrender possession or control of any outstanding negotiable document covering the goods for cancellation or indication of partial deliveries; and</p> <p>(2) the bailee shall cancel the document or conspicuously indicate in the document the partial delivery or be liable to any person to which the document is duly negotiated.</p>	<p>to the provisions of this Article (Section 7-304) or tariff regulating such right;</p> <p>(f) release, satisfaction or any other fact affording a personal defense against the claimant; or</p> <p>(g) any other lawful excuse.</p> <p>(2) A person claiming goods covered by a document of title must satisfy the bailee's lien where the bailee so requests or where the bailee is prohibited by law from delivering the goods until the charges are paid.</p> <p>(3) Unless the person claiming is one against whom the document confers no right under Section 7-503 (1), he must surrender for cancellation or notation, of partial deliveries <u>possession or control of</u> any outstanding negotiable document covering the goods, and the bailee must cancel the document or conspicuously note the partial delivery thereon or be liable to any person to whom the document is duly negotiated.</p> <p>(4) "Person entitled under the document" means holder in the case of a negotiable document, or the person to whom delivery is to be made by the terms of or pursuant to written instructions <u>in a record</u> under a non-negotiable document.</p>	
<p>SECTION 7-404. NO LIABILITY FOR GOOD FAITH DELIVERY PURSUANT TO DOCUMENT OF TITLE.</p> <p>A bailee that in good faith has received goods and delivered or otherwise disposed of the goods according to the terms of a document of title or pursuant to this article is not liable for the goods even if:</p> <p>(1) the person from which the bailee received the goods did not have authority to procure the document or to dispose of the goods; or</p> <p>(2) the person to which the bailee delivered the goods did not have authority to receive the goods.</p>	<p>Section 7-404. No Liability for Good Faith Delivery Pursuant to Receipt or Bill.</p> <p>A bailee who in good faith including observance of reasonable commercial standards has received goods and delivered or otherwise disposed of them according to the terms of the document of title or pursuant to this Article is not liable therefor. This rule applies even though the person from whom he received the goods had no authority to procure the document or to dispose of the goods and even though the person to whom he delivered the goods had no authority to receive them.</p>	
<p>PART 5</p> <p>WAREHOUSE RECEIPTS AND BILLS OF LADING:</p> <p>NEGOTIATION AND TRANSFER</p>		
<p>SECTION 7-501. FORM OF NEGOTIATION AND</p>	<p>Section 7-501. Form of Negotiation and Requirements of "Due</p>	

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<p>REQUIREMENTS OF DUE NEGOTIATION.</p> <p>(a) The following rules apply to a negotiable tangible document of title:</p> <p>(1) If the document's original terms run to the order of a named person, the document is negotiated by the named person's indorsement and delivery. After the named person's indorsement in blank or to bearer, any person may negotiate the document by delivery alone.</p> <p>(2) If the document's original terms run to bearer, it is negotiated by delivery alone.</p> <p>(3) If the document's original terms run to the order of a named person and it is delivered to the named person, the effect is the same as if the document had been negotiated.</p> <p>(4) Negotiation of the document after it has been indorsed to a named person requires indorsement by the named person as well as delivery.</p> <p>(5) A document is duly negotiated if it is negotiated in the manner stated in this subsection to a holder that purchases it in good faith, without notice of any defense against or claim to it on the part of any person, and for value, unless it is established that the negotiation is not in the regular course of business or financing or involves receiving the document in settlement or payment of a monetary obligation.</p> <p>(b) The following rules apply to a negotiable electronic document of title:</p> <p>(1) If the document's original terms run to the order of a named person or to bearer, the document is negotiated by delivery of the document to another person. Indorsement by the named person is not required to negotiate the document.</p> <p>(2) If the document's original terms run to the order of a named person and the named person has control of the document, the effect is the same as if the document had been negotiated.</p> <p>(3) A document is duly negotiated if it is negotiated in the manner stated in this subsection to a holder that purchases it in good faith, without notice of any defense against or claim to it on the part of any person, and for value, unless it is established that the negotiation is not in the regular course of</p>	<p>Negotiation".</p> <p>(1) A negotiable <u>tangible</u> document of title running to the order of a named person is negotiated by his indorsement and delivery. After his indorsement in blank or to bearer any person can negotiate it by delivery alone.</p> <p>(2) (a) A negotiable document of title is also negotiated by delivery alone when by its original terms it runs to bearer;</p> <p>(b) When a document running to the order of a named person is delivered to him the effect is the same as if the document had been negotiated.</p> <p>(3) Negotiation of a negotiable document of title after it has been indorsed to a specified person requires indorsement by the special indorsee as well as delivery.</p> <p>(4) A negotiable document of title is "duly negotiated" when it is negotiated in the manner stated in this section to a holder who purchases it in good faith without notice of any defense against or claim to it on the part of any person and for value, unless it is established that the negotiation is not in the regular course of business or financing or involves receiving the document in settlement or payment of a money obligation.</p> <p>(5) <u>The following rules apply to a negotiable, electronic document of title:</u></p> <p><u>(a) If the document's original terms run to the order of a named person or to bearer, the document is negotiated by delivery of the document to another person. Indorsement by the named person is not required to negotiate the document.</u></p> <p><u>(b) If the document's original terms run to the order of a named person and the named person has control of the document, the effect is the same as if the document had been negotiated.</u></p> <p><u>(c) A document is duly negotiated if it is negotiated in the manner stated in this subsection to a holder that purchases it in good faith, without notice of any defense against or claim to it on the part of any person, and for value, unless it is established that the negotiation is not in the regular course of business or financing or involves taking delivery of the document in settlement or payment of a monetary obligation.</u></p> <p><u>(6) Indorsement of a nonnegotiable document neither makes it negotiable nor adds to the transferee's rights.</u></p>	

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<p>business or financing or involves taking delivery of the document in settlement or payment of a monetary obligation.</p> <p>(c) Indorsement of a nonnegotiable document of title neither makes it negotiable nor adds to the transferee's rights.</p> <p>(d) The naming in a negotiable bill of lading of a person to be notified of the arrival of the goods does not limit the negotiability of the bill or constitute notice to a purchaser of the bill of any interest of that person in the goods.</p>	<p>(67) The naming in a negotiable bill of a person to be notified of the arrival of the goods does not limit the negotiability of the bill nor constitute notice to a purchaser thereof of any interest of such person in the goods.</p>	
<p>SECTION 7-502. RIGHTS ACQUIRED BY DUE NEGOTIATION.</p> <p>(a) Subject to Sections 7-205 and 7-503, a holder to which a negotiable document of title has been duly negotiated acquires thereby:</p> <ol style="list-style-type: none"> (1) title to the document; (2) title to the goods; (3) all rights accruing under the law of agency or estoppel, including rights to goods delivered to the bailee after the document was issued; and (4) the direct obligation of the issuer to hold or deliver the goods according to the terms of the document free of any defense or claim by the issuer except those arising under the terms of the document or under this article. In the case of a delivery order, the bailee's obligation accrues only upon the bailee's acceptance of the delivery order and the obligation acquired by the holder is that the issuer and any indorser will procure the acceptance of the bailee. <p>(b) Subject to Section 7-503, title and rights acquired by due negotiation are not defeated by any stoppage of the goods represented by the document of title or by surrender of the goods by the bailee and are not impaired even if:</p> <ol style="list-style-type: none"> (1) the due negotiation or any prior due negotiation constituted a breach of duty; (2) any person has been deprived of possession of a negotiable tangible document or control of a negotiable electronic document by misrepresentation, fraud, accident, duress, loss, theft, or conversion; or (3) a previous sale or other transfer of the goods or 	<p>Section 7-502. Rights Acquired by Due Negotiation.</p> <p>(1) Subject to the following section and to the provisions of Section 7-205 on fungible goods, a holder to whom a negotiable document of title has been duly negotiated acquires thereby:</p> <ol style="list-style-type: none"> (a) title to the document; (b) title to the goods; (c) all rights accruing under the law of agency or estoppel, including rights to goods delivered to the bailee after the document was issued; and (d) the direct obligation of the issuer to hold or deliver the goods according to the terms of the document free of any defense or claim by him except those arising under the terms of the document or under this Article. In the case of a delivery order the bailee's obligation accrues only upon acceptance and the obligation acquired by the holder is that the issuer and any indorser will procure the acceptance of the bailee. <p>(2) Subject to the following section, title and rights so acquired are not defeated by any stoppage of the goods represented by the document or by surrender of such goods by the bailee, and are not impaired even though the negotiation or any prior negotiation constituted a breach of duty or even though any person has been deprived of possession of the <u>a negotiable tangible document or control of a negotiable electronic</u> document by misrepresentation, fraud, accident, mistake, duress, loss, theft or conversion, or even though a previous sale or other transfer of the goods or document has been made to a third person.</p>	

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document has been made to a third person.		
<p>SECTION 7-503. DOCUMENT OF TITLE TO GOODS DEFEATED IN CERTAIN CASES.</p> <p>(a) A document of title confers no right in goods against a person that before issuance of the document had a legal interest or a perfected security interest in the goods and that did not:</p> <p>(1) deliver or entrust the goods or any document covering the goods to the bailor or the bailor's nominee with: (A) actual or apparent authority to ship, store, or sell; (B) with power to obtain delivery under Section 7-403; or (C) with power of disposition under Section 2-403, 2A-304(2), 2A-305(2), 9-320, or 9-321(c) or other statute or rule of law; or</p> <p>(2) acquiesce in the procurement by the bailor or its nominee of any document.</p> <p>(b) Title to goods based upon an unaccepted delivery order is subject to the rights of any person to which a negotiable warehouse receipt or bill of lading covering the goods has been duly negotiated. That title may be defeated under Section 7-504 to the same extent as the rights of the issuer or a transferee from the issuer.</p> <p>(c) Title to goods based upon a bill of lading issued to a freight forwarder is subject to the rights of any person to which a bill issued by the freight forwarder is duly negotiated. However, delivery by the carrier in accordance with Part 4 pursuant to its own bill of lading discharges the carrier's obligation to deliver.</p>	<p>Section 7-503. Document of Title to Goods Defeated in Certain Cases.</p> <p>(1) A document of title confers no right in goods against a person who before issuance of the document had a legal interest or a perfected security interest in them and who neither</p> <p>(a) delivered or entrusted them or any document of title covering them to the bailor or his nominee with actual or apparent authority to ship, store or sell or with power to obtain delivery under this Article (Section 7-403) or with power of disposition under this Act (Sections 2-403, 2A-304(2), 2A-305(2) and, 9-320) <u>or 9-321(c)</u> or other statute or rule of law; nor</p> <p>(b) acquiesced in the procurement by the bailor or his nominee of any document of title.</p> <p>(2) Title to goods based upon an unaccepted delivery order is subject to the rights of anyone to whom a negotiable warehouse receipt or bill of lading covering the goods has been duly negotiated. Such a title may be defeated under the next section to the same extent as the rights of the issuer or a transferee from the issuer.</p> <p>(3) Title to goods based upon a bill of lading issued to a freight forwarder is subject to the rights of anyone to whom a bill issued by the freight forwarder is duly negotiated; but delivery by the carrier in accordance with Part 4 of this Article pursuant to its own bill of lading discharges the carrier's obligation to deliver.</p>	
<p>SECTION 7-504. RIGHTS ACQUIRED IN ABSENCE OF DUE NEGOTIATION; EFFECT OF DIVERSION; STOPPAGE OF DELIVERY.</p> <p>(a) A transferee of a document of title, whether negotiable or nonnegotiable, to which the document has been delivered but not duly negotiated, acquires the title and rights that its transferor had or had actual authority to convey.</p> <p>(b) In the case of a nonnegotiable document of title, until but not after the bailee receives notice of the transfer, the rights of</p>	<p>Section 7-504. Rights Acquired in the Absence of Due Negotiation; Effect of Diversion; Seller's Stoppage of Delivery.</p> <p>(1) A transferee of a document, whether negotiable or non-negotiable, to whom the document has been delivered but not duly negotiated, acquires the title and rights which his transferor had or had actual authority to convey.</p> <p>(2) In the case of a non-negotiable document, until but not after the bailee receives notification of the transfer, the rights of the transferee may be defeated</p>	

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<p>the transferee may be defeated:</p> <p>(1) by those creditors of the transferor that could treat the transfer as void under Section 2-402 or 2A-308 ;</p> <p>(2) by a buyer from the transferor in ordinary course of business if the bailee has delivered the goods to the buyer or received notification of the buyer's rights;</p> <p>(3) by a lessee from the transferor in ordinary course of business if the bailee has delivered the goods to the lessee or received notification of the lessee's rights; or</p> <p>(4) as against the bailee, by good faith dealings of the bailee with the transferor.</p> <p>(c) A diversion or other change of shipping instructions by the consignor in a nonnegotiable bill of lading which causes the bailee not to deliver the goods to the consignee defeats the consignee's title to the goods if the goods have been delivered to a buyer in ordinary course of business or a lessee in ordinary course of business and, in any event, defeats the consignee's rights against the bailee.</p> <p>(d) Delivery of the goods pursuant to a nonnegotiable document of title may be stopped by a seller under Section 2-705 or a lessor under Section 2A-526, subject to the requirements of due notification in those sections. A bailee honoring the seller's or lessor's instructions is entitled to be indemnified by the seller or lessor against any resulting loss or expense.</p>	<p>(a) by those creditors of the transferor who could treat the sale as void under Section 2-402 or 2A-308; or</p> <p>(b) by a buyer from the transferor in ordinary course of business if the bailee has delivered the goods to the buyer or received notification of his rights;</p> <p><u>(c) by a lessee from the transferor in ordinary course of business if the bailee has delivered the goods to the lessee or received notification of the lessee's rights;</u> or</p> <p><u>(ed)</u> as against the bailee by good faith dealings of the bailee with the transferor.</p> <p>(3) A diversion or other change of shipping instructions by the consignor in a nonnegotiable bill of lading which causes the bailee not to deliver to the consignee defeats the consignee's title to the goods if they have been delivered to a buyer in ordinary course of business and in any event defeats the consignee's rights against the bailee.</p> <p>(4) Delivery pursuant to a non-negotiable document may be stopped by a seller under Section 2-705 <u>or a lessor under Section 2A-526,</u> and subject to the requirement of due notification there provided. A bailee honoring_g the seller's instructions is entitled to be indemnified by the seller against any resulting loss or expense.</p>	
<p>SECTION 7-505. INDORSER NOT GUARANTOR FOR OTHER PARTIES.</p> <p>The indorsement of a tangible document of title issued by a bailee does not make the indorser liable for any default by the bailee or previous indorsers.</p>	<p>Section 7-505. Indorser Not a Guarantor for Other Parties.</p> <p>The indorsement of a <u>tangible</u> document of title issued by a bailee does not make the indorser liable for any default by the bailee or by previous indorsers.</p>	
<p>SECTION 7-506. DELIVERY WITHOUT INDORSEMENT: RIGHT TO COMPEL INDORSEMENT.</p> <p>The transferee of a negotiable tangible document of title has a specifically enforceable right to have its transferor supply any necessary indorsement, but the transfer becomes a negotiation only as of the time the indorsement is supplied.</p>	<p>Section 7-506. Delivery Without Indorsement: Right to Compel Indorsement.</p> <p>The transferee of a negotiable <u>tangible</u> document of title has a specifically enforceable right to have his transferor supply any necessary indorsement but the transfer becomes a negotiation only as of the time the indorsement is supplied.</p>	

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<p>SECTION 7-507. WARRANTIES ON NEGOTIATION OR DELIVERY OF DOCUMENT OF TITLE.</p> <p>If a person negotiates or delivers a document of title for value, otherwise than as a mere intermediary under Section 7-508, unless otherwise agreed, the transferor warrants to its immediate purchaser only in addition to any warranty made in selling or leasing the goods that:</p> <p>(1) the document is genuine;</p> <p>(2) the transferor does not have knowledge of any fact that would impair the document's validity or worth; and</p> <p>(3) the negotiation or delivery is rightful and fully effective with respect to the title to the document and the goods it represents.</p>	<p>Section 7-507. Warranties on Negotiation or Transfer of Receipt or Bill<u>Delivery of Document of Title</u>.</p> <p>Where a person negotiates or transfers<u>delivers</u> a document of title for value otherwise than as a mere intermediary under the next following section, then unless otherwise agreed he<u>the transferor</u> warrants to his immediate purchaser only in addition to any warranty made in selling the goods</p> <p>(a) that the document is genuine; and</p> <p>(b) that he has no knowledge of any fact which would impair its validity or worth; and</p> <p>(c) that his negotiation or transfer is rightful and fully effective with respect to the title to the document and the goods it represents.</p>	
<p>SECTION 7-508. WARRANTIES OF COLLECTING BANK AS TO DOCUMENTS OF TITLE.</p> <p>A collecting bank or other intermediary known to be entrusted with documents of title on behalf of another or with collection of a draft or other claim against delivery of documents warrants by the delivery of the documents only its own good faith and authority even if the collecting bank or other intermediary has purchased or made advances against the claim or draft to be collected.</p>	<p>Section 7-508. Warranties of Collecting Bank as to Documents.</p> <p>A collecting bank or other intermediary known to be entrusted with documents on behalf of another or with collection of a draft or other claim against delivery of documents warrants by such delivery of the documents only its own good faith and authority. This rule applies even though the intermediary has purchased or made advances against the claim or draft to be collected.</p>	
<p>SECTION 7-509. ADEQUATE COMPLIANCE WITH COMMERCIAL CONTRACT.</p> <p>Whether a document of title is adequate to fulfill the obligations of a contract for sale, a contract for lease, or the conditions of a letter of credit is determined by Article 2, 2A, or 5.</p>	<p>Section 7-509. Receipt or Bill: When Adequate Compliance with Commercial Contract.</p> <p>The question whether a document is adequate to fulfill the obligations of a contract for sale, <u>a contract for lease</u>, or the conditions of a credit is governed by the Articles on Sales (Article 2), <u>Leases (Article 2A)</u> and on <u>or</u> Letters of Credit (Article 5).</p>	
<p>PART 6</p> <p>WAREHOUSE RECEIPTS AND BILLS OF LADING: MISCELLANEOUS PROVISIONS</p>		
<p>SECTION 7-601. LOST, STOLEN, OR DESTROYED</p>	<p>Section 7-601. Lost and Missing Documents.</p>	

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<p>DOCUMENTS OF TITLE.</p> <p>(a) If a document of title is lost, stolen, or destroyed, a court may order delivery of the goods or issuance of a substitute document and the bailee may without liability to any person comply with the order. If the document was negotiable, a court may not order delivery of the goods or issuance of a substitute document without the claimant's posting security unless it finds that any person that may suffer loss as a result of nonsurrender of possession or control of the document is adequately protected against the loss. If the document was nonnegotiable, the court may require security. The court may also order payment of the bailee's reasonable costs and attorney's fees in any action under this subsection.</p> <p>(b) A bailee that without court order delivers goods to a person claiming under a missing negotiable document of title is liable to any person injured thereby. If the delivery is not in good faith, the bailee is liable for conversion. Delivery in good faith is not conversion if the claimant posts security with the bailee in an amount at least double the value of the goods at the time of posting to indemnify any person injured by the delivery which files a notice of claim within one year after the delivery.</p>	<p>(1) If a document has been lost, stolen or destroyed, a court may order delivery of the goods or issuance of a substitute document and the bailee may without liability to any person comply with such order. If the document was negotiable the claimant must post security approved by the court to indemnify any person who may suffer loss as a result of non- surrender of the document <u>unless the court finds that any person that may suffer loss as a result of nonsurrender of possession or control of the document is adequately protected against the loss.</u> If the document was not negotiable, such security may be required at the discretion of the court. The court may also in its discretion order payment of the bailee's reasonable costs and counsel fees.</p> <p>(2) A bailee who without court order delivers goods to a person claiming under a missing negotiable document is liable to any person injured thereby, and if the delivery is not in good faith becomes liable for conversion. Delivery in good faith is not conversion if made in accordance with a filed classification or tariff or, where no classification or tariff is filed, if the claimant posts security with the bailee in an amount at least double the value of the goods at the time of posting to indemnify any person injured by the delivery who files a notice of claim within one year after the delivery.</p>	
<p>SECTION 7-602. ATTACHMENT OF GOODS COVERED BY NEGOTIABLE DOCUMENT OF TITLE.</p> <p>Unless a document of title was originally issued upon delivery of the goods by a person that did not have power to dispose of them, a lien does not attach by virtue of any judicial process to goods in the possession of a bailee for which a negotiable document of title is outstanding unless possession or control of the document is first surrendered to the bailee or the document's negotiation is enjoined. The bailee may not be compelled to deliver the goods pursuant to process until possession or control of the document is surrendered to the bailee or to the court. A purchaser of the document for value without notice of the process or injunction takes free of the lien imposed by judicial process.</p>	<p>Section 7-602. Attachment of Goods Covered by a Negotiable Document.</p> <p>Except where the document was originally issued upon delivery of the goods by a person who had no power to dispose of them, no lien attaches by virtue of any judicial process to goods in the possession of a bailee for which a negotiable document of title is outstanding <u>unless possession or control of</u> the document be first surrendered to the bailee or its negotiation enjoined, and the bailee shall not be compelled to deliver the goods pursuant to process until <u>possession or control of</u> the document is surrendered to him or impounded by the court. One who purchases the document for value without notice of the process or injunction takes free of the lien imposed by judicial process.</p>	

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<p>SECTION 7-603. CONFLICTING CLAIMS; INTERPLEADER.</p> <p>If more than one person claims title to or possession of the goods, the bailee is excused from delivery until the bailee has a reasonable time to ascertain the validity of the adverse claims or to commence an action for interpleader. The bailee may assert an interpleader either in defending an action for nondelivery of the goods or by original action.</p>	<p>Section 7-603. Conflicting Claims; Interpleader.</p> <p>If more than one person claims title or possession of the goods, the bailee is excused from delivery until he has had a reasonable time to ascertain the validity of the adverse claims or to bring an action to compel all claimants to interplead and may compel such interpleader, either in defending an action for non-delivery of the goods, or by original action, whichever is appropriate.</p>	
<p>PART 7</p> <p>MISCELLANEOUS PROVISIONS</p>		
<p>SECTION 7-701. EFFECTIVE DATE. This [Act] takes effect on _____, 20__.</p>	<p><u>SECTION 7-701. EFFECTIVE DATE. This Act takes effect on _____, 20__.</u></p>	
<p>SECTION 7-702. REPEALS.</p> <p>[Existing Article 7] and [Section 10-104 of the Uniform Commercial Code] are repealed.</p>	<p><u>SECTION 7-702. REPEALS.</u> <u>[Existing Article 7 and Section 13-104 of the Uniform Commercial Code are repealed.]</u></p>	
<p>SECTION 7-703. APPLICABILITY.</p> <p>This [Act] applies to a document of title that is issued or a bailment that arises on or after the effective date of this [Act]. This [Act] does not apply to a document of title that is issued or a bailment that arises before the effective date of this [Act] even if the document of title or bailment would be subject to this [Act] if the document of title had been issued or bailment had arisen after the effective date of this [Act]. This [Act] does not apply to a right of action that has accrued before the effective date of this [Act].</p>	<p><u>SECTION 7-703. APPLICABILITY.</u> <u>This Act applies to a document of title that is issued or a bailment that arises on or after the effective date of this Act. This Act does not apply to a document of title that is issued or a bailment that arises before the effective date of this Act even if the document of title or bailment would be subject to this Act if the document of title had been issued or bailment had arisen after the effective date of this Act. This Act does not apply to a right of action that has accrued before the effective date of this Act.</u></p>	
<p>SECTION 7-704. SAVINGS CLAUSE.</p> <p>A document of title issued or a bailment that arises before the effective date of this [Act] and the rights, obligations, and interests flowing from that document or bailment are governed by any statute or other rule amended or repealed by this [Act] as if amendment or repeal had not occurred and may be terminated, completed, consummated, or enforced under that statute or other rule.</p>	<p><u>SECTION 7-704. SAVINGS CLAUSE.</u> <u>A document of title issued or a bailment that arises before the effective date of this Act and the rights, obligations, and interests flowing from that document or bailment are governed by any statute or other rule amended or repealed by this Act as if amendment or repeal had not occurred and may be terminated, completed, consummated, or enforced under that statute or other rule.</u></p>	

Revised Article 7	Current New York Article 7 (marked to reflect changes that would result from enactment of RA 7)	Commentary