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**PROPOSED REVISIONS TO
UNIFORM COMMERCIAL CODE,
ARTICLE 7—DOCUMENTS OF TITLE**

WITHOUT PREFATORY NOTE AND REPORTER'S NOTES

**NATIONAL CONFERENCE OF COMMISSIONERS
ON UNIFORM STATE LAWS**

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By
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ON UNIFORM STATE LAWS

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PROPOSED REVISIONS TO

UNIFORM COMMERCIAL CODE, ARTICLE 7 – 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.

(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) "Consignee" means the person named in a bill to whom or to whose order the bill promises delivery.

(c) "Consignor" means the person named in a bill as the person from whom the goods have been received for shipment.

(d) "Delivery order" means a written 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.

(e) "Document" means document of title as defined in the general definitions

in

Article 1 (Section 1-201).

(f) "Goods" means all things which are treated as movable for the purposes of
a
contract of storage or transportation.

(g) "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.

(h) "Warehouseman" is a person engaged in the business of storing goods for
hire.

(2) Other definitions applying to this Article or to specified Parts thereof, and the
sections in which they appear are:

"Duly negotiate". Section 7-501.

"Person entitled under the document". Section 7-403(4).

(3) Definitions in other Articles applying to this Article and the sections in which
they appear are:

"Contract for sale". Section 2-106.

"Overseas". Section 2-323.

"Receipt" of goods. Section 2-103.

(4) In addition Article 1 contains general definitions and principles of construction

1 and interpretation applicable throughout this Article.

2
3 **SECTION 7-103. RELATION OF ARTICLE TO TREATY, STATUTE,**
4 **TARIFF, CLASSIFICATION OR REGULATION.** To the extent that any treaty
5 or statute of the United States, regulatory statute of this State or tariff, classification or
6 regulation filed or issued pursuant thereto is applicable, the provisions of this Article are
7 subject thereto.
8

9 **SECTION 7-104. NEGOTIABLE AND NON-NEGOTIABLE WAREHOUSE**
10 **RECEIPT, BILL OF LADING, OR OTHER DOCUMENT OF TITLE.**

11 (1) A warehouse receipt, bill of lading or other document of title is negotiable

12 (a) if by its terms the goods are to be delivered to bearer or to the order of a
13 named person; or

14 (b) where recognized in overseas trade, if it runs to a named person or assigns.

15 (2) Any other document is non-negotiable. A bill of lading in which it is stated
16 that the goods are consigned to a named person is not made negotiable by a provision that
17 the goods are to be delivered only against a written order signed by the same or another
18 named person.
19

20 **SECTION 7-105. CONSTRUCTION AGAINST NEGATIVE IMPLICATION.**

21 The omission from either Part 2 or Part 3 of this Article of a provision corresponding to a
22 provision made in the other Part does not imply that a corresponding rule of law is not

1 applicable.

2
3 **SECTION 7-201. WHO MAY ISSUE A WAREHOUSE RECEIPT; STORAGE**
4 **UNDER GOVERNMENT BOND.**

5 (1) A warehouse receipt may be issued by any warehouseman.

6 (2) Where goods including distilled spirits and agricultural commodities are stored
7 under a statute requiring a bond against withdrawal or a license for the issuance of
8 receipts in the nature of warehouse receipts, a receipt issued for the goods has like effect
9 as a warehouse receipt even though issued by a person who is the owner of the goods and
10 is not a warehouseman.

11
12 **SECTION 7-202. FORM OF WAREHOUSE RECEIPT; ESSENTIAL TERMS;**
13 **OPTIONAL TERMS.**

14 (1) A warehouse receipt need not be in any particular form.

15 (2) Unless a warehouse receipt embodies within its written or printed terms each
16 of the following, the warehouseman is liable for damages caused to the person injured by
17 the omission to a person injured thereby:

18 (a) the location of the warehouse where the goods are stored;

19 (b) the date of issue of the receipt;

20 (c) the consecutive number of the receipt;

21 (d) a statement whether the goods received will be delivered to the bearer, to a
22 specified person, or to a specified person or his order;

1 (e) the rate of storage and handling charges, except that where goods are
2 stored
3 under a field warehousing arrangement a statement of that fact is sufficient on a
4 non-negotiable receipt;

5 (f) a description of the goods or of the packages containing them;

6 (g) the signature ~~of the~~ authorized by the warehouseman, which may be made
7 by ~~his~~
8 ~~its~~ authorized agent;

9 (h) if the receipt is issued for goods of which the warehouseman is owner,
10 either
11 solely or jointly or in common with others, the fact of such ownership; and

12 (i) a statement of the amount of advances made and of liabilities incurred for
13 which
14 the warehouseman claims a lien or security interest (Section 7-209). If the precise amount
15 of such advances made or of such liabilities incurred is, at the time of the issue of the
16 receipt, unknown to the warehouseman or to his agent who issues it, a statement of the
17 fact that advances have been made or liabilities incurred and the purpose thereof is
18 sufficient.

19 (3) A warehouseman may insert in ~~his~~ its receipt any other terms which are not
20 contrary to the provisions of this Act and do not impair his obligation of delivery (Section
21 7-403) or his duty of care (Section 7-204). Any contrary provisions shall be ineffective.
22

1 **SECTION 7-203. LIABILITY FOR NON-RECEIPT OR MISDESCRIPTION.**

2 A party to or purchaser for value in good faith of a document of title other than a bill of
3 lading relying in either case upon the description therein of the goods may recover from
4 the issuer damages caused by the non-receipt or misdescription of the goods, except to the
5 extent that the document conspicuously indicates that the issuer does not know whether
6 any part or all of the goods in fact were received or conform to the description, as where
7 the description is in terms of marks or labels or kind, quantity or condition, or the receipt
8 or description is qualified by "contents, condition and quality unknown", "said to contain"
9 or the like, if such indication be true, or the party or purchaser otherwise has notice.

10
11 **SECTION 7-204. DUTY OF CARE; CONTRACTUAL LIMITATION OF**
12 **WAREHOUSEMAN'S LIABILITY.**

13 (1) A warehouseman is liable for damages for loss of or injury to the goods caused
14 by ~~his~~ its failure to exercise ~~such the~~ care ~~in regard to them as that~~ a reasonably careful
15 ~~man~~ person
16 would exercise under ~~like~~ the circumstances, but unless otherwise agreed, ~~he~~ the
17 warehouse is not liable for damages which could not have been avoided by the exercise of
18 such care.

19 (2) Except as otherwise provided for in subsection (5), damages may be limited by
20 a term in the warehouse receipt or storage agreement limiting the amount of liability in
21 case of loss or damage, ~~and setting forth a specific liability per article or item, or value~~
22 ~~per unit of weight,~~ beyond which the warehouseman shall not be liable; provided,

1 however, that ~~such~~ the liability may on written request of the bailor at the time of signing
2 ~~such~~ the storage agreement or within a reasonable time after receipt of the warehouse
3 receipt be increased on part or all of the goods thereunder, in which event, increased rates
4 may be charged based on ~~such~~ the increased valuation, but that no ~~such~~ increase shall be
5 permitted contrary to a ~~lawful limitation of liability contained in the warehouseman's~~
6 tariff, if any. ~~No such~~ This limitation of amount of liability is ineffective with respect to
7 for the warehouseman's liability for conversion to his its own use.

8 (3) Reasonable provisions as to the time and manner of presenting claims and
9 instituting actions based on the bailment may be included in the warehouse receipt the
10 storage agreement, or tariff. These provisions apply to claims based on the warehouse's
11 accepted liability under subsection (1) and to claims based on the warehouse's
12 conversion.

13 (4) This section does not impair or repeal ...

14 *Note: Insert in subsection (4) a reference to any statute which imposes a higher*
15 *responsibility upon the warehouseman or invalidates contractual limitations which would*
16 *be permissible under this Article.*

17 (5) As between a warehouse and a consumer, damages may be limited as allowed
18 in subsection (2) but only if:

19 (a) the limitation on amount of liability is conspicuous in the storage contract
20 or
21 warehouse receipt; and

22 (b) the consumer has agreed to the limitation on the amount of liability by so

1 indicating on the storage contract or warehouse receipt and by accepting or insuring
2 against the risk of the amount of loss above the limitation.

3
4 **SECTION 7-205. TITLE UNDER WAREHOUSE RECEIPT DEFEATED IN**
5 **CERTAIN CASES.** A buyer in the ordinary course of business of fungible goods sold
6 and delivered by a warehouseman ~~who~~ which is also in the business of buying and selling
7 such goods takes free of any claim under a warehouse receipt even though it has been
8 duly negotiated.

9
10 **SECTION 7-206. TERMINATION OF STORAGE AT WAREHOUSEMAN'S**
11 **OPTION.**

12 (1) A warehouseman may on notifying the person on whose account the goods are
13 held and any other person known to claim an interest in the goods require payment of any
14 charges and removal of the goods from the warehouse at the termination of the period of
15 storage fixed by the document, or, if no period is fixed, within a stated period not less than
16 thirty days after the notification. If the goods are not removed before the date specified in
17 the notification, the warehouseman may sell them in accordance with the provisions of
18 the section on enforcement of a warehouseman's lien (Section 7-210).

19 (2) If a warehouseman in good faith believes that the goods are about to
20 deteriorate or decline in value to less than the amount of his lien within the time
21 prescribed in subsection (1) for notification, advertisement and sale, the warehouseman
22 may specify in the notification any reasonable shorter time for removal of the goods and

1 in case the goods are not removed, may sell them at public sale held not less than one
2 week after a single advertisement or posting.

3 (3) If as a result of a quality or condition of the goods of which the warehouseman
4 had no notice at the time of deposit the goods are a hazard to other property or to the
5 warehouse or to persons, the warehouseman may sell the goods at public or private sale
6 without advertisement on reasonable notification to all persons known to claim an interest
7 in the goods. If the warehouseman after a reasonable effort is unable to sell the goods ~~he~~
8 it may dispose of them in any lawful manner and shall incur no liability by reason of such
9 disposition.

10 (4) The warehouseman must deliver the goods to any person entitled to them
11 under this Article upon due demand made at any time prior to sale or other disposition
12 under this section.

13 (5) The warehouseman may satisfy ~~his~~ its lien from the proceeds of any sale or
14 disposition under this section but must hold the balance for delivery on the demand of any
15 person to whom he would have been bound to deliver the goods.

16
17 **SECTION 7-207. GOODS MUST BE KEPT SEPARATE; FUNGIBLE GOODS.**

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

21 ~~(2) Fungible goods so commingled are owned in common by the persons entitled~~
22 ~~thereto and the warehouseman is severally liable to each owner for that owner's share.~~

1 ~~Where because of overissue a mass of fungible goods is insufficient to meet all the~~
2 ~~receipts which the warehouseman has issued against it, the persons entitled include all~~
3 ~~holders to whom overissued receipts have been duly negotiated.~~

4 (1) Unless the warehouse receipt otherwise provides, a warehouse must keep
5 separate the goods covered by each receipt so as to permit at all times identification and
6 delivery of those goods except that different lots of fungible goods may be commingled.

7 (2) Commingled fungible goods are owned in common by the persons entitled to
8 the goods and the warehouse is severally liable to each owner for that owner's share. If,
9 because of overissue, a mass of fungible goods is insufficient to meet all the receipts
10 which the warehouse has issued against it, the persons entitled to the goods include all
11 owners, whether through a negotiable or non-negotiable document of title, and all holders
12 of the documents of title who claim from the owners under Section 7-502 or Section 7-
13 504 of this Article.

14
15 **SECTION 7-208. ALTERED WAREHOUSE RECEIPTS.** Where a blank in a
16 negotiable warehouse receipt has been filled in without authority, a purchaser for value
17 and without notice of the want of authority may treat the insertion as authorized. Any
18 other unauthorized alteration leaves any receipt enforceable against the issuer according
19 to its original tenor.

20
21 **SECTION 7-209. LIEN OF WAREHOUSE MAN.**

22 (1) (a) A warehouseman has a specific lien against the bailor on the goods

1 covered by
2 a warehouse receipt deposited or on the proceeds thereof from the goods deposited that
3 are in his the possession of the warehouse for charges for storage or transportation
4 (including demurrage and terminal charges), insurance, labor, or charges present or future
5 in relation to the goods, and for expenses necessary for the preservation of the goods or
6 that are reasonably incurred in their sale pursuant to law. Subject to subsection (1)(c), the
7 warehouse may enforce the general lien against the subsequent holders of the document
8 of title.

9 (b) ~~If the person on whose account the goods are held~~ the bailor is liable for
10 like
11 charges or expenses in relation to other goods whenever deposited and ~~it is stated in the~~
12 ~~receipt~~ the warehouse states in the document of title that a lien is claimed for charges and
13 expenses in relation to other goods, the warehouseman also has a lien against ~~him~~ the
14 goods covered by the document of title for ~~such~~ the charges and expenses on the other
15 goods whether or not the other goods have been delivered by the warehouseman. Subject
16 to subsection (1)(c), the warehouse may enforce the general lien against the subsequent
17 holders of the document of title.

18 (c) As against a holder ~~But against a person~~ to whom a negotiable warehouse
19 receipt is duly negotiated, ~~a warehouseman's lien, special or general,~~ is limited to charges
20 in an amount or at a rate specified on the ~~receipt~~ document of title. ~~or if~~ If no charges are
21 ~~so amount or rate is specified then to a reasonable charge for storage of the goods covered~~
22 by the receipt document of title subsequent to the date of the receipt. and for storage of

1 the other goods covered by the general lien claimed in the document of title.

2 (2) The warehouseman may also reserve a security interest against the bailor for a
3 maximum amount specified on the receipt for charges other than those specified in
4 subsection (1), such as for money advanced and interest. ~~Such a~~ This security interest is
5 governed by the Article on Secured Transactions (Article 9).

6 (3) ~~(a) A warehouseman's specific lien for charges and expenses under subsection~~
7 ~~(1) or a security interest under subsection (2) is also effective against any all persons if~~
8 ~~the bailor was the legal possessor of the goods at the time of deposit. The warehouse's~~
9 ~~specific lien takes priority over all perfected or unperfected security interests if the bailor~~
10 ~~was the legal possessor of the goods at the time of deposit. The warehouse's general lien~~
11 ~~takes priority over unperfected, but not perfected, security interests if the bailor was the~~
12 ~~legal possessor of the goods at the time of deposit. who so entrusted the bailor with~~
13 ~~possession of the goods that a pledge of them by him the bailor to a good faith purchaser~~
14 ~~for value would have been valid but is not effective against a person as to whom the~~
15 ~~document confers no right in the goods covered by it under Section 7-503.~~

16 ~~(b) A warehouseman's lien on household goods for charges and expenses in~~
17 ~~relation to the goods under subsection (1) is also effective against all persons if the~~
18 ~~depositor was the legal possessor of the goods at the time of deposit. "Household goods"~~
19 ~~means furniture, furnishings and personal effects used by the depositor in a dwelling.~~

20 (4) A warehouseman loses ~~his~~ its lien on any goods which ~~he~~ it voluntarily
21 delivers or which ~~he~~ it unjustifiably refuses to deliver.

1 **SECTION 7-210. ENFORCEMENT OF WAREHOUSEMAN'S LIEN.**

2 (1) Except as provided in subsection (2), a warehouseman's lien may be enforced
3 by
4 public or private sale of the goods in block or in parcels, at any time or place and on any
5 terms which are commercially reasonable, after notifying all persons known to claim an
6 interest in the goods. Such notification must include a statement of the amount due, the
7 nature of the proposed sale and the time and place of any public sale. The fact that a
8 better price could have been obtained by a sale at a different time or in a different method
9 from that selected by the warehouseman is not of itself sufficient to establish that the sale
10 was not made in a commercially reasonable manner.

11 If the warehouseman either sells the goods in the usual manner in any recognized
12 market therefor, or if he sells at the price current in such market at the time of his sale, or
13 if he has otherwise sold in conformity with commercially reasonable practices among
14 dealers in the type of goods sold, he has sold in a commercially reasonable manner. A
15 sale of more goods than apparently necessary to be offered to insure satisfaction of the
16 obligation is not commercially reasonable except in cases covered by the preceding
17 sentence.

18 (2) A warehouseman's lien on goods other than goods stored by a merchant in the
19 course of his business may be enforced only as follows:

20 (a) All persons known to claim an interest in the goods must be notified.

21 (b) The notification must be delivered in person or sent by registered or
22 certified

1 letter to the last known address of any person to be notified.

2 (c) The notification must include an itemized statement of the claim, a
3 description of
4 the goods subject to the lien, a demand for payment within a specified time not less than
5 ten days after receipt of the notification, and a conspicuous statement that unless the
6 claim is paid within that time the goods will be advertised for sale and sold by auction at
7 a specified time and place.

8 (d) The sale must conform to the terms of the notification.

9 (e) The sale must be held at the nearest suitable place to that where the goods
10 are
11 held or stored.

12 (f) After the expiration of the time given in the notification, an advertisement
13 of the
14 sale must be published once a week for two weeks consecutively in a newspaper of
15 general circulation where the sale is to be held. The advertisement must include a
16 description of the goods, the name of the person on whose account they are being held,
17 and the time and place of the sale. The sale must take place at least fifteen days after the
18 first publication. If there is no newspaper of general circulation where the sale is to be
19 held, the advertisement must be posted at least ten days before the sale in not less than six
20 conspicuous places in the neighborhood of the proposed sale.

21 (3) Before any sale pursuant to this section any person claiming a right in the
22 goods may pay the amount necessary to satisfy the lien and the reasonable expenses

1 incurred under this section. In that event the goods must not be sold, but must be retained
2 by the warehouseman subject to the terms of the receipt and this Article.

3 (4) The warehouseman may buy at any public sale pursuant to this section.

4 (5) A purchaser in good faith of goods sold to enforce a warehouseman's lien
5 takes the goods free of any rights of persons against whom the lien was valid, despite
6 noncompliance by the warehouseman with the requirements of this section.

7 (6) The warehouseman may satisfy his lien from the proceeds of any sale pursuant
8 to this section but must hold the balance, if any, for delivery on demand to any person to
9 whom he would have been bound to deliver the goods.

10 (7) The rights provided by this section shall be in addition to all other rights
11 allowed by law to a creditor against his debtor.

12 (8) Where a lien is on goods stored by a merchant in the course of his business the
13 lien may be enforced in accordance with either subsection (1) or (2).

14 (9) The warehouseman is liable for damages caused by failure to comply with the
15 requirements for sale under this section and in case of willful violation is liable for
16 conversion.

17
18 **SECTION 7-301. LIABILITY FOR NON-RECEIPT OR MISDESCRIPTION;**
19 **“SAID TO CONTAIN”; “SHIPPER’S LOAD AND COUNT”; IMPROPER**
20 **HANDLING.**

21 (1) A consignee of a non-negotiable bill who has given value in good faith or a
22 holder to whom a negotiable bill has been duly negotiated relying in either case upon the

1 description therein of the goods, or upon the date therein shown, may recover from the
2 issuer damages caused by the misdating of the bill or the non-receipt or misdescription of
3 the goods, except to the extent that the document indicates that the issuer does not know
4 whether any part or all of the goods in fact were received or conform to the description, as
5 where the description is in terms of marks or labels or kind, quantity, or condition or the
6 receipt or description is qualified by "contents or condition of contents of packages
7 unknown", "said to contain", "shipper's weight, load and count" or the like, if such
8 indication be true.

9 (2) When goods are loaded by an issuer who is a common carrier, the issuer must
10 count the packages of goods if package freight and ascertain the kind and quantity if bulk
11 freight. In such cases "shipper's weight, load and count" or other words indicating that the
12 description was made by the shipper are ineffective except as to freight concealed by
13 packages.

14 (3) When bulk freight is loaded by a shipper who makes available to the issuer
15 adequate facilities for weighing such freight, an issuer who is a common carrier must
16 ascertain the kind and quantity within a reasonable time after receiving the written request
17 of the shipper to do so. In such cases "shipper's weight" or other words of like purport are
18 ineffective.

19 (4) The issuer may by inserting in the bill the words "shipper's weight, load and
20 count" or other words of like purport indicate that the goods were loaded by the shipper;
21 and if such statement be true the issuer shall not be liable for damages caused by the
22 improper loading. But their omission does not imply liability for such damages.

1 (5) The shipper shall be deemed to have guaranteed to the issuer the accuracy at
2 the time of shipment of the description, marks, labels, number, kind, quantity, condition
3 and weight, as furnished by ~~him~~ the shipper; and the shipper shall indemnify the issuer
4 against damage caused by inaccuracies in such particulars. The right of the issuer to such
5 indemnity shall in no way limit his responsibility and liability under the contract of
6 carriage to any person other than the shipper.

7
8 **SECTION 7-302. THROUGH BILLS OF LADING AND SIMILAR**
9 **DOCUMENTS.**

10 (1) The issuer of a through bill of lading or other document embodying an
11 undertaking
12 to be performed in part by persons acting as its agents or by connecting carriers is liable
13 to anyone entitled to recover on the document for any breach by such other persons or by
14 a connecting carrier of its obligation under the document but to the extent that the bill
15 covers an undertaking to be performed overseas or in territory not contiguous to the
16 continental United States or an undertaking including matters other than transportation
17 this liability may be varied by agreement of the parties.

18 (2) Where goods covered by a through bill of lading or other document
19 embodying an undertaking to be performed in part by persons other than the issuer are
20 received by any such person, he is subject with respect to his own performance while the
21 goods are in his possession to the obligation of the issuer. His obligation is discharged by
22 delivery of the goods to another such person pursuant to the document, and does not

1 include liability for breach by any other such persons or by the issuer.

2 (3) The issuer of such through bill of lading or other document shall be entitled to
3 recover from the connecting carrier or such other person in possession of the goods when
4 the breach of the obligation under the document occurred, the amount it may be required
5 to pay to anyone entitled to recover on the document therefor, as may be evidenced by
6 any receipt, judgment, or transcript thereof, and the amount of any expense reasonably
7 incurred by it in defending any action brought by anyone entitled to recover on the
8 document therefor.

9
10 **SECTION 7-303. DIVERSION; RECONSIGNMENT; CHANGE OF**
11 **INSTRUCTIONS.**

12 (1) Unless the bill of lading otherwise provides, the carrier may deliver the goods
13 to a person or destination other than that stated in the bill or may otherwise dispose of the
14 goods on instructions from

15 (a) the holder of a negotiable bill; or

16 (b) the consignor on a non-negotiable bill notwithstanding contrary
17 instructions from the consignee; or

18 (c) the consignee on a non-negotiable bill in the absence of contrary
19 instructions from the consignor, if the goods have arrived at the billed destination or if the
20 consignee is in possession of the bill; or

21 (d) the consignee on a non-negotiable bill if he is entitled as against the
22 consignor to dispose of them.

1 (2) Unless such instructions are noted on a negotiable bill of lading, a person to
2 whom the bill is duly negotiated can hold the bailee according to the original terms.
3

4 **SECTION 7-304. BILLS OF LADING IN A SET.**

5 (1) Except where customary in overseas transportation, a bill of lading must not
6 be issued in a set of parts. The issuer is liable for damages caused by violation of this
7 subsection.

8 (2) Where a bill of lading is lawfully drawn in a set of parts, each of which is
9 numbered and expressed to be valid only if the goods have not been delivered against any
10 other part, the whole of the parts constitute one bill.

11 (3) Where a bill of lading is lawfully issued in a set of parts and different parts are
12 negotiated to different persons, the title of the holder to whom the first due negotiation is
13 made prevails as to both the document and the goods even though any later holder may
14 have received the goods from the carrier in good faith and discharged the carrier's
15 obligation by surrender of his part.

16 (4) Any person who negotiates or transfers a single part of a bill of lading drawn
17 in a set is liable to holders of that part as if it were the whole set.

18 (5) The bailee is obliged to deliver in accordance with Part 4 of this Article
19 against the
20 first presented part of a bill of lading lawfully drawn in a set. Such delivery discharges the
21 bailee's obligation on the whole bill.
22

1 **SECTION 7-305. DESTINATION BILLS.**

2 (1) Instead of issuing a bill of lading to the consignor at the place of shipment a
3 carrier may at the request of the consignor procure the bill to be issued at destination or at
4 any other place designated in the request.

5 (2) Upon request of anyone entitled as against the carrier to control the goods
6 while in transit and on surrender of any outstanding bill of lading or other receipt
7 covering such goods, the issuer may procure a substitute bill to be issued at any place
8 designated in the request.

9
10 **SECTION 7-306. ALTERED BILLS OF LADING.** An unauthorized alteration or
11 filling in of a blank in a bill of lading leaves the bill enforceable according to its original
12 tenor.

13
14 **SECTION 7-307. LIEN OF CARRIER.**

15 (1) A carrier has a lien on the goods covered by a bill of lading for charges
16 subsequent to the date of its receipt of the goods for storage or transportation (including
17 demurrage and terminal charges) and for expenses necessary for preservation of the goods
18 incident to their transportation or reasonably incurred in their sale pursuant to law. But
19 against a purchaser for value of a negotiable bill of lading a carrier's lien is limited to
20 charges stated in the bill or the applicable tariffs, or if no charges are stated then to a
21 reasonable charge.

22 (2) A lien for charges and expenses under subsection (1) on goods which the

1 carrier was required by law to receive for transportation is effective against the consignor
2 or any person entitled to the goods unless the carrier had notice that the consignor lacked
3 authority to subject the goods to such charges and expenses. Any other lien under
4 subsection (1) is effective against the consignor and any person who permitted the bailor
5 to have control or possession of the goods unless the carrier had notice that the bailor
6 lacked such authority.

7 (3) A carrier loses his lien on any goods which he voluntarily delivers or which he
8 unjustifiably refuses to deliver.

9
10 **SECTION 7-308. ENFORCEMENT OF CARRIER'S LIEN.**

11 (1) A carrier's lien may be enforced by public or private sale of the goods, in block
12 or in parcels, at any time or place and on any terms which are commercially reasonable,
13 after notifying all persons known to claim an interest in the goods. Such notification must
14 include a statement of the amount due, the nature of the proposed sale and the time and
15 place of any public sale. The fact that a better price could have been obtained by a sale at
16 a different time or in a different method from that selected by the carrier is not of itself
17 sufficient to establish that the sale was not made in a commercially reasonable manner. If
18 the carrier either sells the goods in the usual manner in any recognized market therefor or
19 if he sells at the price current in such market at the time of his sale or if he has otherwise
20 sold in conformity with commercially reasonable practices among dealers in the type of
21 goods sold he has sold in a commercially reasonable manner. A sale of more goods than
22 apparently necessary to be offered to ensure satisfaction of the obligation is not

1 commercially reasonable except in cases covered by the preceding sentence.

2 (2) Before any sale pursuant to this section any person claiming a right in the
3 goods may pay the amount necessary to satisfy the lien and the reasonable expenses
4 incurred under this section. In that event the goods must not be sold, but must be retained
5 by the carrier subject to the terms of the bill and this Article.

6 (3) The carrier may buy at any public sale pursuant to this section.

7 (4) A purchaser in good faith of goods sold to enforce a carrier's lien takes the
8 goods free of any rights of persons against whom the lien was valid, despite
9 noncompliance by the carrier with the requirements of this section.

10 (5) The carrier may satisfy his lien from the proceeds of any sale pursuant to this
11 section but must hold the balance, if any, for delivery on demand to any person to whom
12 he would have been bound to deliver the goods.

13 (6) The rights provided by this section shall be in addition to all other rights
14 allowed by law to a creditor against his debtor.

15 (7) A carrier's lien may be enforced in accordance with either subsection (1) or the
16 procedure set forth in subsection (2) of Section 7-210.

17 (8) The carrier is liable for damages caused by failure to comply with the
18 requirements for sale under this section and in case of willful violation is liable for
19 conversion.

20
21 **SECTION 7-309. DUTY OF CARE; CONTRACTUAL LIMITATION OF**
22 **CARRIER'S LIABILITY.**

1 (1) A carrier who issues a bill of lading whether negotiable or non-negotiable
2 must exercise the degree of care in relation to the goods which a reasonably careful man
3 would exercise under like circumstances. This subsection does not repeal or change any
4 law or rule of law which imposes liability upon a common carrier for damages not caused
5 by its negligence.

6 (2) Damages may be limited by a provision that the carrier's liability shall not
7 exceed a value stated in the document if the carrier's rates are dependent upon value and
8 the consignor by the carrier's tariff is afforded an opportunity to declare a higher value or
9 a value as lawfully provided in the tariff, or where no tariff is filed he is otherwise
10 advised of such opportunity; but no such limitation is effective with respect to the
11 carrier's liability for conversion to its own use.

12 (3) Reasonable provisions as to the time and manner of presenting claims and
13 instituting actions based on the shipment may be included in a bill of lading or tariff.
14

15 **SECTION 7-401. IRREGULARITIES IN ISSUE OF RECEIPT OR BILL OR**
16 **CONDUCT OF ISSUER.** The obligations imposed by this Article on an issuer apply to
17 a document of title regardless of the fact that

18 (a) the document may not comply with the requirements of this Article or of any
19 other law or regulation regarding its issue, form or content; or

20 (b) the issuer may have violated laws regulating the conduct of his business; or

21 (c) the goods covered by the document were owned by the bailee at the time the
22 document was issued; or

1 (d) the person issuing the document does not come within the definition of
2 warehouseman if it purports to be a warehouse receipt.
3

4 **SECTION 7-402. DUPLICATE RECEIPT OR BILL; OVERISSUE.**

5 Neither a duplicate nor any other document of title purporting to cover goods already
6 represented by an outstanding document of the same issuer confers any right in the goods,
7 except as provided in the case of bills in a set, overissue of documents for fungible goods
8 and substitutes for lost, stolen or destroyed documents. But the issuer is liable for
9 damages caused by his overissue or failure to identify a duplicate document as such by
10 conspicuous notation on its face.
11

12 **SECTION 7-403. OBLIGATION OF WAREHOUSEMAN OR CARRIER TO**
13 **DELIVER; EXCUSE.**

14 (1) The bailee must deliver the goods to a person entitled under the document who
15 complies with subsections (2) and (3), unless and to the extent that the bailee
16 establishes any of the following:

17 (a) delivery of the goods to a person whose receipt was rightful as against the
18 claimant;

19 (b) damage to or delay, loss or destruction of the goods for which the bailee is
20 not
21 liable [, but the burden of establishing negligence in such cases is on the person entitled
22 under the document];

1 Note: The brackets in (1)(b) indicate that State enactments may differ on this point
2 without serious damage to the principle of uniformity.

3 (c) previous sale or other disposition of the goods in lawful enforcement of a
4 lien or
5 on warehouseman's lawful termination of storage;

6 (d) the exercise by a seller of his right to stop delivery pursuant to the
7 provisions of
8 the Article on Sales (Section 2-705);

9 (e) a diversion, reconsignment or other disposition pursuant to the provisions
10 of this
11 Article (Section 7-303) or tariff regulating such right;

12 (f) release, satisfaction or any other fact affording a personal defense against
13 the
14 claimant;

15 (g) any other lawful excuse.

16 (2) A person claiming goods covered by a document of title must satisfy the
17 bailee's lien where the bailee so requests or where the bailee is prohibited by law from
18 delivering the goods until the charges are paid.

19 (3) Unless the person claiming is one against whom the document confers no right
20 under Sec. 7-503(1), he must surrender for cancellation or notation of partial deliveries
21 any outstanding negotiable document covering the goods, and the bailee must cancel the
22 document or conspicuously note the partial delivery thereon or be liable to any person to

1 whom the document is duly negotiated.

2 (4) " Person entitled under the document" means holder in the case of a negotiable
3 document, or the person to whom delivery is to be made by the terms of or pursuant to
4 written instructions under a non-negotiable document.

5
6 **SECTION 7-404. NO LIABILITY FOR GOOD FAITH DELIVERY**

7 **PURSUANT TO RECEIPT OF BILL.** A bailee who in good faith including
8 observance of reasonable commercial standards has received goods and delivered or
9 otherwise disposed of them according to the terms of the document of title or pursuant to
10 this Article is not liable therefor. This rule applies even though the person from whom he
11 received the goods had no authority to procure the document or to dispose of the goods
12 and even though the person to whom he delivered the goods had no authority to receive
13 them.

14
15 **SECTION 7-501. FORM OF NEGOTIATION AND REQUIREMENTS OF**
16 **“DUE NEGOTIATION”.**

17 (1) A negotiable document of title running to the order of a named person is
18 negotiated
19 by his indorsement and delivery. After his indorsement in blank or to bearer any
20 person can negotiate it by delivery alone.

21 (2) (a) A negotiable document of title is also negotiated by delivery alone when by
22 its

1 original terms it runs to bearer.

2 (b) When a document running to the order of a named person is delivered to
3 ~~him~~
4 that person the effect is the same as if the document had been negotiated.

5 (3) Negotiation of a negotiable document of title after it has been indorsed to a
6 specified person requires indorsement by the special indorsee as well as delivery.

7 (4) A negotiable document of title is "duly negotiated" when it is negotiated in the
8 manner stated in this section to a holder who purchases it in good faith without notice of
9 any defense against or claim to it on the part of any person and for value, unless it is
10 established that the negotiation is not in the regular course of business or financing or
11 involves receiving the document in settlement or payment of a money obligation.

12 (5) Indorsement of a non-negotiable document neither makes it negotiable nor
13 adds to the transferee's rights.

14 (6) The naming in a negotiable bill of a person to be notified of the arrival of the
15 goods does not limit the negotiability of the bill nor constitute notice to a purchaser
16 thereof of any interest of such person in the goods.

17
18 **SECTION 7-502. RIGHTS ACQUIRED BY DUE NEGOTIATION.**

19 (1) Subject to the following section and to the provisions of Section 7-205 on
20 fungible
21 goods, a holder to whom a negotiable document of title has been duly negotiated acquires
22 thereby:

1 (a) title to the document;
2 (b) title to the goods;
3 (c) all rights accruing under the law of agency or estoppel, including rights to
4 goods
5 delivered to the bailee after the document was issued; and
6 (d) the direct obligation of the issuer to hold or deliver the goods according to
7 the
8 terms of the document free of any defense or claim by ~~him~~ the issuer except those arising
9 under the terms of the document or under this Article. In the case of a delivery order the
10 bailee's obligation accrues only upon acceptance and the obligation acquired by the holder
11 is that the issuer and any indorser will procure the acceptance of the bailee.

12 (2) Subject to the following section, title and rights so acquired are not defeated
13 by any stoppage of the goods represented by the document or by surrender of such goods
14 by the bailee, and are not impaired even though the negotiation or any prior negotiation
15 constituted a breach of duty or even though any person has been deprived of possession of
16 the document by misrepresentation, fraud, accident, mistake, duress, loss, theft or
17 conversion, or even though a previous sale or other transfer of the goods or document has
18 been made to a third person.

19
20 **SECTION 7-503. DOCUMENT OF TITLE TO GOODS DEFEATED IN**
21 **CERTAIN CASES.**

22 (1) A document of title confers no right in goods against a person who before

1 issuance of the document had a legal interest or a perfected security interest in them and
2 who neither

3 (a) delivered or entrusted them or any document of title covering them to the
4 bailor

5 or his nominee with actual or apparent authority to ship, store or sell or with power to
6 obtain delivery under this Article (Section 7-403) or with power of disposition under this
7 Act (Sections 2-403 and 9-307) or other statute or rule of law; nor

8 (b) acquiesced in the procurement by the bailor or his nominee of any
9 document of
10 title.

11 (2) Title to goods based upon an unaccepted delivery order is subject to the rights
12 of anyone to whom a negotiable warehouse receipt or bill of lading covering the goods
13 has been duly negotiated. Such a title may be defeated under the next section to the same
14 extent as the rights of the issuer or a transferee from the issuer.

15 (3) Title to goods based upon a bill of lading issued to a freight forwarder is
16 subject to the rights of anyone to whom a bill issued by the freight forwarder is duly
17 negotiated; but delivery by the carrier in accordance with Part 4 of this Article pursuant to
18 its own bill of lading discharges the carrier's obligation to deliver.

19
20 **SECTION 7-504. RIGHTS ACQUIRED IN THE ABSENCE OF DUE**
21 **NEGOTIATION; EFFECT OF DIVERSION; SELLER'S STOPPAGE OF**
22 **DELIVERY.**

1 (1) A transferee of a document, whether negotiable or non-negotiable, to whom
2 the document has been delivered but not duly negotiated, acquires the title and rights
3 which his transferor had or had actual authority to convey.

4 (2) In the case of a non-negotiable document, until but not after the bailee receives
5 notification of the transfer, the rights of the transferee may be defeated

6 (a) by those creditors of the transferor who could treat the sale as void under
7 Section 2-402; or

8 (b) by a buyer from the transferor in ordinary course of business if the bailee
9 has delivered the goods to the buyer or received notification of his rights; or

10 (c) as against the bailee by good faith dealings of the bailee with the
11 transferor.

12 (3) A diversion or other change of shipping instructions by the consignor in a
13 non-negotiable bill of lading which causes the bailee not to deliver to the consignee
14 defeats the consignee's title to the goods if they have been delivered to a buyer in ordinary
15 course of business and in any event defeats the consignee's rights against the bailee.

16 (4) Delivery pursuant to a non-negotiable document may be stopped by a seller
17 under Section 2-705, and subject to the requirement of due notification there provided. A
18 bailee honoring the seller's instructions is entitled to be indemnified by the seller against
19 any resulting loss or expense.

20
21 **SECTION 7-505. INDORSER NOT A GUARANTOR FOR OTHER PARTIES.**

22 The indorsement of a document of title issued by a bailee does not make the indorser

1 liable for any default by the bailee or by previous indorsers.

2
3 **SECTION 7-506. DELIVERY WITHOUT INDORSEMENT; RIGHT TO**
4 **COMPEL INDORSEMENT.** The transferee of a negotiable document of title has a
5 specifically enforceable right to have his transferor supply any necessary indorsement but
6 the transfer becomes a negotiation only as of the time the indorsement is supplied.

7
8 **SECTION 7-507. WARRANTIES ON NEGOTIATION OR TRANSFER OF**
9 **RECEIPT OR BILL.** Where a person negotiates or transfers a document of title for
10 value otherwise than as a mere intermediary under the next following section, then unless
11 otherwise agreed he warrants to his immediate purchaser only in addition to any warranty
12 made in selling the goods

13 (a) that the document is genuine; and

14 (b) that he has no knowledge of any fact which would impair its validity or worth;

15 and

16 (c) that his negotiation or transfer is rightful and fully effective with respect to the

17 title to

18 the document and the goods it represents.

19
20 **SECTION 7-508. WARRANTIES OF COLLECTING BANK AS TO**
21 **DOCUMENTS.** A collecting bank or other intermediary known to be entrusted with
22 documents on behalf of another or with collection of a draft or other claim against

1 delivery of documents warrants by such delivery of the documents only its own good faith
2 and authority. This rule applies even though the intermediary has purchased or made
3 advances against the claim or draft to be collected.
4

5 **SECTION 7-509. RECEIPT OR BILL: WHEN ADEQUATE COMPLIANCE**
6 **WITH COMMERCIAL CONTRACT.** The question whether a document is adequate
7 to fulfill the obligations of a contract for sale or the conditions of a credit is governed by
8 the Articles on Sales (Article 2) and on Letters of Credit (Article 5).
9

10 **SECTION 7-601. LOST AND MISSING DOCUMENTS.**

11 (1) If a document has been lost, stolen or destroyed, a court may order delivery of
12 the goods or issuance of a substitute document and the bailee may without liability to any
13 person comply with such order. If the document was negotiable the claimant must post
14 security approved by the court to indemnify any person who may suffer loss as a result of
15 non-surrender of the document. If the document was not negotiable, such security may be
16 required at the discretion of the court. The court may also in its discretion order payment
17 of the bailee's reasonable costs and counsel fees.

18 (2) A bailee who without court order delivers goods to a person claiming under a
19 missing negotiable document is liable to any person injured thereby, and if the delivery is
20 not in good faith becomes liable for conversion. Delivery in good faith is not conversion
21 if made in accordance with a filed classification or tariff or, where no classification or
22 tariff is filed, if the claimant posts security with the bailee in an amount at least double

1 the value of the goods at the time of posting to indemnify any person injured by the
2 delivery who files a notice of claim within one year after the delivery.

3
4 **SECTION 7-602. ATTACHMENT OF GOODS COVERED BY A**
5 **NEGOTIABLE DOCUMENT.** Except where the document was originally issued upon
6 delivery of the goods by a person who had no power to dispose of them, no lien attaches
7 by virtue of any judicial process to goods in the possession of a bailee for which a
8 negotiable document of title is outstanding unless the document be first surrendered to the
9 bailee or its negotiation enjoined, and the bailee shall not be compelled to deliver the
10 goods pursuant to process until the document is surrendered to him to the bailee or
11 impounded by the court. One who purchases the document for value without notice of
12 the process or injunction takes free of the lien imposed by judicial process.

13
14 **SECTION 7-603. CONFLICTING CLAIMS; INTERPLEADER.** If more than
15 one person claims title or possession of the goods, the bailee is excused from delivery
16 until he has had a reasonable time to ascertain the validity of the adverse claims or to
17 bring an action to compel all claimants to interplead and may compel such interpleader,
18 either in defending an action for non-delivery of the goods, or by original action,
19 whichever is appropriate.