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UNIFORM COMMERCIAL CODE: AN INTRODUCTION 27 (MINNESOTA 1965)

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ARTICLE VII
(Documents of Title)

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I. Scope of Article 7.

- A. Repeals Uniform Warehouse Receipts Act, Uniform Bills of Lading Act, and Uniform Sales Act (§§27-40). (§10-102)
- B. Does not change federal and state regulatory statutes dealing with carriers and warehousemen. (§7-103)

II. Content of Article 7.

- A. General pattern of the law relating to documents of title remains the same.
- B. Specific provisions which are worthy of note.

1. Through bills of lading.

- a. The initial carrier/issuer of a through bill of lading is liable for breach of the contract of carriage by any connecting carrier and has a right of recourse against such connecting carrier for its breach. (§9-302)
- b. The connecting carrier has the same obligations as the issuer of the through bill of lading while the goods are in its possession. (§7-302)
 - (1) The connecting carrier's obligation is discharged by delivery of the goods pursuant to the document. (§7-302)
 - (2) The connecting carrier is not liable for breach by any other person including the issuer of the through bill of lading. (§9-302)

2. Destination bills of lading. Upon request of the consignor, a carrier may cause a bill of lading to be issued at the destination point to which the goods are shipped rather than at the point of origin of the shipment. (§7-305)
3. Diversion and reconsignment.
 - a. The carrier may deliver the goods to a person or destination other than that stated in the bill on instructions from:
 - (1) The holder of a negotiable bill (carrier should note the instructions on the bill); or [§ 7-303(1)(a)],
 - (2) The consignor on a non-negotiable bill notwithstanding contrary instructions from the consignee; or [§7-303(1)(b)],
 - (3) The consignee on a non-negotiable bill in the absence of contrary instructions from the consignor if:
 - (a) The goods have arrived at the billed destination, or
 - (b) The consignee is in possession of the bill; or [§7-303(1)(c)]
 - (4) The consignee on a non-negotiable bill if he is entitled as against the consignor to dispose of them. [§7-303(1)(d)]
 - b. Carrier is excused from delivery to a person entitled to delivery under a bill of lading if it establishes a diversion or reconsignment of the goods under §7-303. [§§7-403(1)(e) and 7-504(3)]
 - c. A diversion or reconsignment by the consignor in a non-negotiable bill of lading defeats the consignee's title to the goods if they have been delivered to a buyer in ordinary course of business. [§7-504(3)]
4. Delivery orders.

- a. A "delivery order" is a written order to deliver goods directed to a warehouseman or carrier. [§7-102(1)(d)]
- b. The issuer and any endorser of a delivery order are obligated to the holder of the delivery order to procure acceptance of the order by the bailee. [§7-502(1)(d)]
- c. The bailee's obligation under a delivery order accrues only when it accepts the delivery order. [§7-502(1)(d)]
- d. 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. [§7-503(2)]
- e. Title to goods based upon an unaccepted delivery order is no better than the rights of the issuer of the delivery order as against creditors and buyers in ordinary course of business. [§7-503(2) and 7-504(2)]

5. Overissue problems.

- a. The issuer is liable for overissue of documents except as described in subsection b et seq. (§7-402)
- b. Freight forwarder bills of lading.
 - (1) Title to goods based upon a bill of lading issued by a carrier to a freight forwarder is subject to the rights of anyone to whom a bill of lading issued by the freight forwarder is duly negotiated. [§7-503(3)]
 - (2) Delivery by the carrier pursuant to its own bill of lading discharges the carrier's obligation to deliver. [§7-503(3)]
- c. Fungible goods commingled by a warehouseman. Where because of overissue of warehouse receipts a mass of fungible goods is insufficient to meet all of the receipts which the warehouseman has issued against it, all holders to whom over-issued receipts have been duly negotiated are entitled to a share of the mass. (§7-207)

d. Bills of lading in a set.

- (1) Such bills of lading are prohibited except where customary in overseas transportation. [§7-304(1)]
- (2) Where different parts of bills of lading in a set are negotiated to different persons, the title of the holder to whom the first due negotiation is made prevails both as to the document and the goods. [§7-304(3)]
- (3) Delivery pursuant to the first presented bill in a set discharges the carrier's obligation. [§7-304(5)]

e. Lost or missing documents and issuance of substitute documents. (§7-601)

6. A bailee which fails to require surrender of a negotiable document upon delivery of the goods is liable to a person to whom the document is subsequently duly negotiated. [§7-403(3)]
7. A collecting bank known to be handling documents as such, warrants when it delivers the document only its own good faith and authority. (§7-508)
8. Documents containing blank spaces.
 - a. Where a blank in a negotiable warehouse receipt has been filled in without authority, a purchaser for value and without notice may treat the insertion as if it were authorized. (§7-208)
 - b. Filling in a blank space in a bill of lading without authority leaves the bill enforceable only according to its original tenor. (§7-306)
9. A buyer in 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 has been duly negotiated. (§7-205)