

UNIFORM COMMERCIAL CODE (EXCERPT)
Act 174 of 1962

440.7504 Documents of title; transfer by delivery in absence of due negotiation; effect; defeat of transfer rights; diversion or change of shipping instructions; stoppage of delivery.

Sec. 7504. (1) 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.

(2) In the case of a transfer of a nonnegotiable document of title, until but not after the bailee receives notice of the transfer, the rights of the transferee may be defeated by any of the following:

(a) By those creditors of the transferor which could treat the transfer as void under section 2402 or 2A308.

(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 the buyer's rights.

(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.

(d) As against the bailee, by good-faith dealings of the bailee with the transferor.

(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 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.

(4) Delivery of the goods pursuant to a nonnegotiable document of title may be stopped by a seller under section 2705 or a lessor under section 2A526, subject to the requirements of due notification in those sections. A bailee that honors the seller's or lessor's instructions is entitled to be indemnified by the seller or lessor against any resulting loss or expense.

History: 1962, Act 174, Eff. Jan. 1, 1964;—Am. 2012, Act 87, Eff. July 1, 2013.