

1-1 By: Carona S.B. No. 1593  
1-2 (In the Senate - Filed March 11, 2005; March 22, 2005, read  
1-3 first time and referred to Committee on Business and Commerce;  
1-4 April 6, 2005, reported favorably by the following vote: Yeas 9,  
1-5 Nays 0; April 6, 2005, sent to printer.)

1-6 A BILL TO BE ENTITLED  
1-7 AN ACT

1-8 relating to uniform law on documents of title.

1-9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-10 SECTION 1. Chapter 7, Business & Commerce Code, is amended  
1-11 to read as follows:

1-12 CHAPTER 7. DOCUMENTS OF TITLE

1-13 SUBCHAPTER A. GENERAL PROVISIONS

1-14 Sec. 7.101. SHORT TITLE. This chapter may be cited as  
1-15 Uniform Commercial Code--Documents of Title.

1-16 Sec. 7.102. DEFINITIONS AND INDEX OF DEFINITIONS. (a) In  
1-17 this chapter, unless the context otherwise requires:

1-18 (1) "Bailee" means a person that by a warehouse  
1-19 receipt, bill of lading, or other document of title acknowledges  
1-20 possession of goods and contracts to deliver them.

1-21 (2) "Carrier" means a person that issues a bill of  
1-22 lading.

1-23 (3) "Consignee" means a person named in a bill of  
1-24 lading to which or to whose order the bill promises delivery.

1-25 (4) "Consignor" means a person named in a bill of  
1-26 lading as the person from which the goods have been received for  
1-27 shipment.

1-28 (5) "Delivery order" means a record that contains an  
1-29 order to deliver goods directed to a warehouse, carrier, or other  
1-30 person that in the ordinary course of business issues warehouse  
1-31 receipts or bills of lading.

1-32 (6) [Reserved.]

1-33 (7) "Goods" means all things that are treated as  
1-34 movable for the purposes of a contract for storage or  
1-35 transportation.

1-36 (8) "Issuer" means a bailee that issues a document of  
1-37 title or, in the case of an unaccepted delivery order, the person  
1-38 that orders the possessor of goods to deliver. The term includes a  
1-39 person for which an agent or employee purports to act in issuing a  
1-40 document if the agent or employee has real or apparent authority to  
1-41 issue documents, even if the issuer did not receive any goods, the  
1-42 goods were misdescribed, or in any other respect the agent or  
1-43 employee violated the issuer's instructions.

1-44 (9) "Person entitled under the document" means the  
1-45 holder, in the case of a negotiable document of title, or the person  
1-46 to which delivery of the goods is to be made by the terms of, or  
1-47 pursuant to instructions in a record under, a nonnegotiable  
1-48 document of title.

1-49 (10) [Reserved.]

1-50 (11) "Shipper" means a person that enters into a  
1-51 contract of transportation with a carrier.

1-52 (12) "Sign" means, with present intent to authenticate  
1-53 or adopt a record:

1-54 (A) to execute or adopt a tangible symbol; or

1-55 (B) to attach to or logically associate with the  
1-56 record an electronic sound, symbol, or process.

1-57 (13) "Warehouse" means a person engaged in the  
1-58 business of storing goods for hire.

1-59 (b) Definitions in other chapters applying to this chapter  
1-60 and the sections in which they appear are:

1-61 (1) "Contract for sale," Section 2.106.

1-62 (2) "Lessee in ordinary course of business," Section

1-63 2A.103.

1-64 (3) "'Receipt' of goods," Section 2.103.

2-1 (c) In addition, Chapter 1 contains general definitions and  
 2-2 principles of construction and interpretation applicable  
 2-3 throughout this chapter.

2-4 Sec. 7.103. RELATION OF ARTICLE TO TREATY OR STATUTE.

2-5 (a) This chapter is subject to any treaty or statute of the United  
 2-6 States or a regulatory statute of this state to the extent the  
 2-7 treaty, statute, or regulatory statute is applicable.

2-8 (b) This chapter does not repeal or modify any law  
 2-9 prescribing the form or contents of a document of title or the  
 2-10 services or facilities to be afforded by a bailee, or otherwise  
 2-11 regulating a bailee's businesses in respects not specifically  
 2-12 treated in this chapter. However, violation of these laws does not  
 2-13 affect the status of a document of title that otherwise complies  
 2-14 with the definition of a document of title.

2-15 (c) This chapter modifies, limits, and supersedes the  
 2-16 federal Electronic Signatures in Global and National Commerce Act  
 2-17 (15 U.S.C. Section 7001 et seq.) but does not modify, limit, or  
 2-18 supersede Section 101(c) of that Act (15 U.S.C. Section 7001(c)) or  
 2-19 authorize electronic delivery of any of the notices described in  
 2-20 Section 103(b) of that Act (15 U.S.C. Section 7003(b)).

2-21 (d) To the extent there is a conflict between Chapter 43 and  
 2-22 this chapter, this chapter governs.

2-23 Sec. 7.104. NEGOTIABLE AND NONNEGOTIABLE DOCUMENT OF TITLE.

2-24 (a) A document of title is negotiable if by its terms the goods are  
 2-25 to be delivered to bearer or to the order of a named person.

2-26 (b) A document of title other than one described in  
 2-27 Subsection (a) is nonnegotiable. A bill of lading that states that  
 2-28 the goods are consigned to a named person is not made negotiable by  
 2-29 a provision that the goods are to be delivered only against an order  
 2-30 in a record signed by the same or another named person.

2-31 (c) A document of title is nonnegotiable if, at the time it  
 2-32 is issued, the document has a conspicuous legend, however  
 2-33 expressed, that it is nonnegotiable.

2-34 Sec. 7.105. REISSUANCE IN ALTERNATIVE MEDIUM. (a) Upon  
 2-35 request of a person entitled under an electronic document of title,  
 2-36 the issuer of the electronic document may issue a tangible document  
 2-37 of title as a substitute for the electronic document if:

2-38 (1) the person entitled under the electronic document  
 2-39 surrenders control of the document to the issuer; and

2-40 (2) the tangible document when issued contains a  
 2-41 statement that it is issued in substitution for the electronic  
 2-42 document.

2-43 (b) Upon issuance of a tangible document of title in  
 2-44 substitution for an electronic document of title in accordance with  
 2-45 Subsection (a):

2-46 (1) the electronic document ceases to have any effect  
 2-47 or validity; and

2-48 (2) the person that procured issuance of the tangible  
 2-49 document warrants to all subsequent persons entitled under the  
 2-50 tangible document that the warrantor was a person entitled under  
 2-51 the electronic document when the warrantor surrendered control of  
 2-52 the electronic document to the issuer.

2-53 (c) Upon request of a person entitled under a tangible  
 2-54 document of title, the issuer of the tangible document may issue an  
 2-55 electronic document of title as a substitute for the tangible  
 2-56 document if:

2-57 (1) the person entitled under the tangible document  
 2-58 surrenders possession of the document to the issuer; and

2-59 (2) the electronic document when issued contains a  
 2-60 statement that it is issued in substitution for the tangible  
 2-61 document.

2-62 (d) Upon issuance of the electronic document of title in  
 2-63 substitution for a tangible document of title in accordance with  
 2-64 Subsection (c):

2-65 (1) the tangible document ceases to have any effect or  
 2-66 validity; and

2-67 (2) the person that procured issuance of the  
 2-68 electronic document warrants to all subsequent persons entitled  
 2-69 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.

Sec. 7.106. CONTROL OF ELECTRONIC DOCUMENT OF TITLE.

(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.

(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:

(1) a single authoritative copy of the document exists which is unique, identifiable, and, except as otherwise provided in Subdivisions (4), (5), and (6), unalterable;

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

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

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

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

(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;

(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

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

SUBCHAPTER B. WAREHOUSE RECEIPTS: SPECIAL PROVISIONS

Sec. 7.201. PERSON THAT MAY ISSUE A WAREHOUSE RECEIPT; STORAGE UNDER BOND. (a) A warehouse receipt may be issued by any warehouse.

(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.

Sec. 7.202. FORM OF WAREHOUSE RECEIPT. (a) A warehouse receipt need not be in any particular form.

(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:

(1) the location of the warehouse facility where the goods are stored;

(2) the date of issue of the receipt;

(3) the unique identification code of the receipt;

(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;

(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;

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

(7) the signature of the warehouse or its agent;

(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

(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

4-1 sufficient.

4-2 (c) A warehouse may insert in its receipt any terms that are  
 4-3 not contrary to this title and do not impair its obligation of  
 4-4 delivery under Section 7.403 or its duty of care under Section  
 4-5 7.204. Any contrary provisions are ineffective.

4-6 Sec. 7.203. LIABILITY FOR NONRECEIPT OR MISDESCRIPTION. A  
 4-7 party to or purchaser for value in good faith of a document of  
 4-8 title, other than a bill of lading, that relies upon the description  
 4-9 of the goods in the document may recover from the issuer damages  
 4-10 caused by the nonreceipt or misdescription of the goods, except to  
 4-11 the extent that:

4-12 (1) the document conspicuously indicates that the  
 4-13 issuer does not know whether all or part of the goods in fact were  
 4-14 received or conform to the description, such as a case in which the  
 4-15 description is in terms of marks or labels or kind, quantity, or  
 4-16 condition, or the receipt or description is qualified by "contents,  
 4-17 condition, and quality unknown," "said to contain," or words of  
 4-18 similar import, if the indication is true; or

4-19 (2) the party or purchaser otherwise has notice of the  
 4-20 nonreceipt or misdescription.

4-21 Sec. 7.204. DUTY OF CARE; CONTRACTUAL LIMITATION OF  
 4-22 WAREHOUSE'S LIABILITY. (a) A warehouse is liable for damages for  
 4-23 loss of or injury to the goods caused by its failure to exercise  
 4-24 care with regard to the goods that a reasonably careful person would  
 4-25 exercise under similar circumstances. However, unless otherwise  
 4-26 agreed, the warehouse is not liable for damages that could not have  
 4-27 been avoided by the exercise of that care.

4-28 (b) Damages may be limited by a term in the warehouse  
 4-29 receipt or storage agreement limiting the amount of liability in  
 4-30 case of loss or damage beyond which the warehouse is not liable.  
 4-31 Such a limitation is not effective with respect to the warehouse's  
 4-32 liability for conversion to its own use. The warehouse's  
 4-33 liability, on request of the bailor in a record at the time of  
 4-34 signing such storage agreement or within a reasonable time after  
 4-35 receipt of the warehouse receipt, may be increased on part or all of  
 4-36 the goods covered by the storage agreement or the warehouse  
 4-37 receipt. In this event, increased rates may be charged based on an  
 4-38 increased valuation of the goods.

4-39 (c) Reasonable provisions as to the time and manner of  
 4-40 presenting claims and commencing actions based on the bailment may  
 4-41 be included in the warehouse receipt or storage agreement.

4-42 Sec. 7.205. TITLE UNDER WAREHOUSE RECEIPT DEFEATED IN  
 4-43 CERTAIN CASES. A buyer in ordinary course of business of fungible  
 4-44 goods sold and delivered by a warehouse that is also in the business  
 4-45 of buying and selling such goods takes the goods free of any claim  
 4-46 under a warehouse receipt even if the receipt is negotiable and has  
 4-47 been duly negotiated.

4-48 Sec. 7.206. TERMINATION OF STORAGE AT WAREHOUSE'S OPTION.

4-49 (a) A warehouse, by giving notice to the person on whose account  
 4-50 the goods are held and any other person known to claim an interest  
 4-51 in the goods, may require payment of any charges and removal of the  
 4-52 goods from the warehouse at the termination of the period of storage  
 4-53 fixed by the document of title or, if a period is not fixed, within a  
 4-54 stated period not less than 30 days after the warehouse gives  
 4-55 notice. If the goods are not removed before the date specified in  
 4-56 the notice, the warehouse may sell them pursuant to Section 7.210.

4-57 (b) If a warehouse in good faith believes that goods are  
 4-58 about to deteriorate or decline in value to less than the amount of  
 4-59 its lien within the time provided in Subsection (a) and Section  
 4-60 7.210, the warehouse may specify in the notice given under  
 4-61 Subsection (a) any reasonable shorter time for removal of the goods  
 4-62 and, if the goods are not removed, may sell them at public sale held  
 4-63 not less than one week after a single advertisement or posting.

4-64 (c) If, as a result of a quality or condition of the goods of  
 4-65 which the warehouse did not have notice at the time of deposit, the  
 4-66 goods are a hazard to other property, the warehouse facilities, or  
 4-67 other persons, the warehouse may sell the goods at public or private  
 4-68 sale without advertisement or posting on reasonable notification to  
 4-69 all persons known to claim an interest in the goods. If the

5-1 warehouse, after a reasonable effort, is unable to sell the goods,  
 5-2 it may dispose of them in any lawful manner and does not incur  
 5-3 liability by reason of that disposition.

5-4 (d) A warehouse shall deliver the goods to any person  
 5-5 entitled to them under this chapter upon due demand made at any time  
 5-6 before sale or other disposition under this section.

5-7 (e) A warehouse may satisfy its lien from the proceeds of  
 5-8 any sale or disposition under this section but shall hold the  
 5-9 balance for delivery on the demand of any person to which the  
 5-10 warehouse would have been bound to deliver the goods.

5-11 Sec. 7.207. GOODS MUST BE KEPT SEPARATE; FUNGIBLE GOODS.  
 5-12 (a) Unless the warehouse receipt provides otherwise, a warehouse  
 5-13 shall keep separate the goods covered by each receipt so as to  
 5-14 permit at all times identification and delivery of those goods.  
 5-15 However, different lots of fungible goods may be commingled.

5-16 (b) If different lots of fungible goods are commingled, the  
 5-17 goods are owned in common by the persons entitled thereto and the  
 5-18 warehouse is severally liable to each owner for that owner's share.  
 5-19 If, because of overissue, a mass of fungible goods is insufficient  
 5-20 to meet all the receipts the warehouse has issued against it, the  
 5-21 persons entitled include all holders to which overissued receipts  
 5-22 have been duly negotiated.

5-23 Sec. 7.208. ALTERED WAREHOUSE RECEIPTS. If a blank in a  
 5-24 negotiable tangible warehouse receipt has been filled in without  
 5-25 authority, a good faith purchaser for value and without notice of  
 5-26 the lack of authority may treat the insertion as authorized. Any  
 5-27 other unauthorized alteration leaves any tangible or electronic  
 5-28 warehouse receipt enforceable against the issuer according to its  
 5-29 original tenor.

5-30 Sec. 7.209. LIEN OF WAREHOUSE. (a) A warehouse has a lien  
 5-31 against the bailor on the goods covered by a warehouse receipt or  
 5-32 storage agreement or on the proceeds thereof in its possession for  
 5-33 charges for storage or transportation, including demurrage and  
 5-34 terminal charges, insurance, labor, or other charges, present or  
 5-35 future, in relation to the goods, and for expenses necessary for  
 5-36 preservation of the goods or reasonably incurred in their sale  
 5-37 pursuant to law. If the person on whose account the goods are held  
 5-38 is liable for similar charges or expenses in relation to other goods  
 5-39 whenever deposited and it is stated in the warehouse receipt or  
 5-40 storage agreement that a lien is claimed for charges and expenses in  
 5-41 relation to other goods, the warehouse also has a lien against the  
 5-42 goods covered by the warehouse receipt or storage agreement or on  
 5-43 the proceeds thereof in its possession for those charges and  
 5-44 expenses, whether or not the other goods have been delivered by the  
 5-45 warehouse. However, as against a person to which a negotiable  
 5-46 warehouse receipt is duly negotiated, a warehouse's lien is limited  
 5-47 to charges in an amount or at a rate specified in the warehouse  
 5-48 receipt or, if no charges are so specified, to a reasonable charge  
 5-49 for storage of the specific goods covered by the receipt subsequent  
 5-50 to the date of the receipt.

5-51 (b) The warehouse may also reserve a security interest under  
 5-52 Chapter 9 against the bailor for the maximum amount specified on the  
 5-53 receipt for charges other than those specified in Subsection (a),  
 5-54 such as for money advanced and interest. A security interest is  
 5-55 governed by Chapter 9.

5-56 (c) A warehouse's lien for charges and expenses under  
 5-57 Subsection (a) or a security interest under Subsection (b) is also  
 5-58 effective against any person that so entrusted the bailor with  
 5-59 possession of the goods that a pledge of them by the bailor to a good  
 5-60 faith purchaser for value would have been valid. However, the lien  
 5-61 or security interest is not effective against a person that before  
 5-62 issuance of a document of title had a legal interest or a perfected  
 5-63 security interest in the goods and that did not:

5-64 (1) deliver or entrust the goods or any document  
 5-65 covering the goods to the bailor or the bailor's nominee with actual  
 5-66 or apparent authority to ship, store, or sell; or with power to  
 5-67 obtain delivery under Section 7.403; or with power of disposition  
 5-68 under Section 2.403, 2A.304(a)(2), 2A.305(a)(2), or 9.320 or other  
 5-69 statute or rule of law; or

6-1 (2) acquiesce in the procurement by the bailor or its  
6-2 nominee of any document.

6-3 (d) A warehouse's lien on household goods for charges and  
6-4 expenses in relation to the goods under Subsection (a) is also  
6-5 effective against all persons if the depositor was the legal  
6-6 possessor of the goods at the time of deposit. In this subsection,  
6-7 "household goods" means furniture, furnishings, or personal  
6-8 effects used by the depositor in a dwelling.

6-9 (e) A warehouse loses its lien on any goods that it  
6-10 voluntarily delivers or unjustifiably refuses to deliver.

6-11 Sec. 7.210. ENFORCEMENT OF WAREHOUSE'S LIEN. (a) Except  
6-12 as otherwise provided in Subsection (b), a warehouse's lien may be  
6-13 enforced by public or private sale of the goods, in bulk or in  
6-14 packages, at any time or place and on any terms that are  
6-15 commercially reasonable, after notifying all persons known to claim  
6-16 an interest in the goods. The notification must include a statement  
6-17 of the amount due, the nature of the proposed sale, and the time and  
6-18 place of any public sale. The fact that a better price could have  
6-19 been obtained by a sale at a different time or in a different method  
6-20 from that selected by the warehouse is not of itself sufficient to  
6-21 establish that the sale was not made in a commercially reasonable  
6-22 manner. The warehouse has sold in a commercially reasonable manner  
6-23 if the warehouse sells the goods in the usual manner in any  
6-24 recognized market therefor, sells at the price current in that  
6-25 market at the time of the sale, or has otherwise sold in conformity  
6-26 with commercially reasonable practices among dealers in the type of  
6-27 goods sold. A sale of more goods than apparently necessary to be  
6-28 offered to ensure satisfaction of the obligation is not  
6-29 commercially reasonable, except in cases covered by the preceding  
6-30 sentence.

6-31 (b) A warehouse's lien on goods, other than goods stored by  
6-32 a merchant in the course of its business, may be enforced only if  
6-33 the following requirements are satisfied:

6-34 (1) All persons known to claim an interest in the goods  
6-35 must be notified.

6-36 (2) The notification must include an itemized  
6-37 statement of the claim, a description of the goods subject to the  
6-38 lien, a demand for payment within a specified time not less than 10  
6-39 days after receipt of the notification, and a conspicuous statement  
6-40 that unless the claim is paid within that time the goods will be  
6-41 advertised for sale and sold by auction at a specified time and  
6-42 place.

6-43 (3) The sale must conform to the terms of the  
6-44 notification.

6-45 (4) The sale must be held at the nearest suitable place  
6-46 to where the goods are held or stored.

6-47 (5) After the expiration of the time given in the  
6-48 notification, an advertisement of the sale must be published once a  
6-49 week for two weeks consecutively in a newspaper of general  
6-50 circulation where the sale is to be held. The advertisement must  
6-51 include a description of the goods, the name of the person on whose  
6-52 account the goods are being held, and the time and place of the  
6-53 sale. The sale must take place at least 15 days after the first  
6-54 publication. If there is no newspaper of general circulation where  
6-55 the sale is to be held, the advertisement must be posted at least 10  
6-56 days before the sale in not less than six conspicuous places in the  
6-57 neighborhood of the proposed sale.

6-58 (c) Before any sale pursuant to this section, any person  
6-59 claiming a right in the goods may pay the amount necessary to  
6-60 satisfy the lien and the reasonable expenses incurred in complying  
6-61 with this section. In that event, the goods may not be sold but must  
6-62 be retained by the warehouse subject to the terms of the receipt and  
6-63 this chapter.

6-64 (d) A warehouse may buy at any public sale held pursuant to  
6-65 this section.

6-66 (e) A purchaser in good faith of goods sold to enforce a  
6-67 warehouse's lien takes the goods free of any rights of persons  
6-68 against which the lien was valid, despite the warehouse's  
6-69 noncompliance with this section.

7-1           (f) A warehouse may satisfy its lien from the proceeds of  
 7-2 any sale pursuant to this section but shall hold the balance, if  
 7-3 any, for delivery on demand to any person to which the warehouse  
 7-4 would have been bound to deliver the goods.

7-5           (g) The rights provided by this section are in addition to  
 7-6 all other rights allowed by law to a creditor against a debtor.

7-7           (h) If a lien is on goods stored by a merchant in the course  
 7-8 of its business, the lien may be enforced in accordance with  
 7-9 Subsection (a) or (b).

7-10          (i) A warehouse is liable for damages caused by failure to  
 7-11 comply with the requirements for sale under this section and, in  
 7-12 case of wilful violation, is liable for conversion.

#### 7-13           SUBCHAPTER C. BILLS OF LADING: SPECIAL PROVISIONS

7-14          Sec. 7.301. LIABILITY FOR NONRECEIPT OR MISDESCRIPTION;  
 7-15 "SAID TO CONTAIN"; "SHIPPER'S LOAD AND COUNT"; IMPROPER HANDLING.

7-16          (a) A consignee of a nonnegotiable bill of lading which has given  
 7-17 value in good faith, or a holder to which a negotiable bill has been  
 7-18 duly negotiated, relying upon the description of the goods in the  
 7-19 bill or upon the date shown in the bill, may recover from the issuer  
 7-20 damages caused by the misdating of the bill or the nonreceipt or  
 7-21 misdescription of the goods, except to the extent that the document  
 7-22 of title indicates that the issuer does not know whether any part or  
 7-23 all of the goods in fact were received or conform to the  
 7-24 description, such as in a case in which the description is in terms  
 7-25 of marks or labels or kind, quantity, or condition, or the receipt  
 7-26 or description is qualified by "contents or condition of contents  
 7-27 of packages unknown," "said to contain," "shipper's weight, load  
 7-28 and count," or words of similar import, if that indication is true.

7-29          (b) If goods are loaded by the issuer of the bill of lading,  
 7-30 the issuer shall count the packages of goods if shipped in packages  
 7-31 and ascertain the kind and quantity if shipped in bulk and words  
 7-32 such as "shipper's weight, load and count," or words of similar  
 7-33 import indicating that the description was made by the shipper are  
 7-34 ineffective except as to goods concealed by packages.

7-35          (c) If bulk goods are loaded by a shipper that makes  
 7-36 available to the issuer of the bill of lading adequate facilities  
 7-37 for weighing those goods, the issuer shall ascertain the kind and  
 7-38 quantity within a reasonable time after receiving the shipper's  
 7-39 request in a record to do so. In that case, "shipper's weight" or  
 7-40 words of similar import are ineffective.

7-41          (d) The issuer, by including in the bill of lading the words  
 7-42 "shipper's weight, load and count," or words of similar import, may  
 7-43 indicate that the goods were loaded by the shipper, and, if that  
 7-44 statement is true, the issuer is not liable for damages caused by  
 7-45 the improper loading. However, omission of such words does not  
 7-46 imply liability for damages caused by improper loading.

7-47          (e) A shipper guarantees to the issuer the accuracy at the  
 7-48 time of shipment of the description, marks, labels, number, kind,  
 7-49 quantity, condition, and weight, as furnished by the shipper, and  
 7-50 the shipper shall indemnify the issuer against damage caused by  
 7-51 inaccuracies in those particulars. This right of the issuer to that  
 7-52 indemnity does not limit its responsibility or liability under the  
 7-53 contract of carriage to any person other than the shipper.

7-54          Sec. 7.302. THROUGH BILLS OF LADING AND SIMILAR DOCUMENTS  
 7-55 OF TITLE. (a) The issuer of a through bill of lading or other  
 7-56 document of title embodying an undertaking to be performed in part  
 7-57 by a person acting as its agent or by a performing carrier is liable  
 7-58 to any person entitled to recover on the document for any breach by  
 7-59 the other person or the performing carrier of its obligation under  
 7-60 the document. However, to the extent that the bill covers an  
 7-61 undertaking to be performed overseas or in territory not contiguous  
 7-62 to the continental United States or an undertaking including  
 7-63 matters other than transportation, this liability for breach by the  
 7-64 other person or the performing carrier may be varied by agreement of  
 7-65 the parties.

7-66          (b) If goods covered by a through bill of lading or other  
 7-67 document of title embodying an undertaking to be performed in part  
 7-68 by a person other than the issuer are received by that person, the  
 7-69 person is subject, with respect to its own performance while the

8-1 goods are in its possession, to the obligation of the issuer. The  
 8-2 person's obligation is discharged by delivery of the goods to  
 8-3 another person pursuant to the document and does not include  
 8-4 liability for breach by any other person or by the issuer.

8-5 (c) The issuer of a through bill of lading or other document  
 8-6 of title described in Subsection (a) is entitled to recover from the  
 8-7 performing carrier, or other person in possession of the goods when  
 8-8 the breach of the obligation under the document occurred:

8-9 (1) the amount it may be required to pay to any person  
 8-10 entitled to recover on the document for the breach, as may be  
 8-11 evidenced by any receipt, judgment, or transcript of judgment; and

8-12 (2) the amount of any expense reasonably incurred by  
 8-13 the issuer in defending any action commenced by any person entitled  
 8-14 to recover on the document for the breach.

8-15 Sec. 7.303. DIVERSION; RECONSIGNMENT; CHANGE OF  
 8-16 INSTRUCTIONS. (a) Unless the bill of lading otherwise provides, a  
 8-17 carrier may deliver the goods to a person or destination other than  
 8-18 that stated in the bill or may otherwise dispose of the goods,  
 8-19 without liability for misdelivery, on instructions from:

8-20 (1) the holder of a negotiable bill;  
 8-21 (2) the consignor on a nonnegotiable bill even if the  
 8-22 consignee has given contrary instructions;

8-23 (3) the consignee on a nonnegotiable bill in the  
 8-24 absence of contrary instructions from the consignor, if the goods  
 8-25 have arrived at the billed destination or if the consignee is in  
 8-26 possession of the tangible bill or in control of the electronic  
 8-27 bill; or

8-28 (4) the consignee on a nonnegotiable bill, if the  
 8-29 consignee is entitled as against the consignor to dispose of the  
 8-30 goods.

8-31 (b) Unless instructions described in Subsection (a) are  
 8-32 included in a negotiable bill of lading, a person to which the bill  
 8-33 is duly negotiated may hold the bailee according to the original  
 8-34 terms.

8-35 Sec. 7.304. TANGIBLE BILLS OF LADING IN SET. (a) Except as  
 8-36 customary in international transportation, a tangible bill of  
 8-37 lading may not be issued in a set of parts. The issuer is liable for  
 8-38 damages caused by violation of this subsection.

8-39 (b) If a tangible bill of lading is lawfully issued in a set  
 8-40 of parts, each of which contains an identification code and is  
 8-41 expressed to be valid only if the goods have not been delivered  
 8-42 against any other part, the whole of the parts constitutes one bill.

8-43 (c) If a tangible negotiable bill of lading is lawfully  
 8-44 issued in a set of parts and different parts are negotiated to  
 8-45 different persons, the title of the holder to which the first due  
 8-46 negotiation is made prevails as to both the document of title and  
 8-47 the goods even if any later holder may have received the goods from  
 8-48 the carrier in good faith and discharged the carrier's obligation  
 8-49 by surrendering its part.

8-50 (d) A person that negotiates or transfers a single part of a  
 8-51 tangible bill of lading issued in a set is liable to holders of that  
 8-52 part as if it were the whole set.

8-53 (e) The bailee is obliged to deliver in accordance with  
 8-54 Subchapter D against the first presented part of a tangible bill of  
 8-55 lading lawfully issued in a set. Delivery in this manner discharges  
 8-56 the bailee's obligation on the whole bill.

8-57 Sec. 7.305. DESTINATION BILLS. (a) Instead of issuing a  
 8-58 bill of lading to the consignor at the place of shipment, a carrier,  
 8-59 at the request of the consignor, may procure the bill to be issued  
 8-60 at destination or at any other place designated in the request.

8-61 (b) Upon request of any person entitled as against a carrier  
 8-62 to control the goods while in transit and on surrender of possession  
 8-63 or control of any outstanding bill of lading or other receipt  
 8-64 covering the goods, the issuer, subject to Section 7.105, may  
 8-65 procure a substitute bill to be issued at any place designated in  
 8-66 the request.

8-67 Sec. 7.306. ALTERED BILLS OF LADING. An unauthorized  
 8-68 alteration or filling in of a blank in a bill of lading leaves the  
 8-69 bill enforceable according to its original tenor.



9-1           Sec. 7.307. LIEN OF CARRIER. (a) A carrier has a lien on  
 9-2 the goods covered by a bill of lading or on the proceeds thereof in  
 9-3 its possession for charges after the date of the carrier's receipt  
 9-4 of the goods for storage or transportation, including demurrage and  
 9-5 terminal charges, and for expenses necessary for preservation of  
 9-6 the goods incident to their transportation or reasonably incurred  
 9-7 in their sale pursuant to law. However, against a purchaser for  
 9-8 value of a negotiable bill of lading, a carrier's lien is limited to  
 9-9 charges stated in the bill or the applicable tariffs or, if no  
 9-10 charges are stated, a reasonable charge.

9-11           (b) A lien for charges and expenses under Subsection (a) on  
 9-12 goods that the carrier was required by law to receive for  
 9-13 transportation is effective against the consignor or any person  
 9-14 entitled to the goods unless the carrier had notice that the  
 9-15 consignor lacked authority to subject the goods to those charges  
 9-16 and expenses. Any other lien under Subsection (a) is effective  
 9-17 against the consignor and any person that permitted the bailor to  
 9-18 have control or possession of the goods unless the carrier had  
 9-19 notice that the bailor lacked authority.

9-20           (c) A carrier loses its lien on any goods that it  
 9-21 voluntarily delivers or unjustifiably refuses to deliver.

9-22           Sec. 7.308. ENFORCEMENT OF CARRIER'S LIEN. (a) A  
 9-23 carrier's lien on goods may be enforced by public or private sale of  
 9-24 the goods, in bulk or in packages, at any time or place and on any  
 9-25 terms that are commercially reasonable, after notifying all persons  
 9-26 known to claim an interest in the goods. The notification must  
 9-27 include a statement of the amount due, the nature of the proposed  
 9-28 sale, and the time and place of any public sale. The fact that a  
 9-29 better price could have been obtained by a sale at a different time  
 9-30 or in a different method from that selected by the carrier is not of  
 9-31 itself sufficient to establish that the sale was not made in a  
 9-32 commercially reasonable manner. The carrier has sold goods in a  
 9-33 commercially reasonable manner if the carrier sells the goods in  
 9-34 the usual manner in any recognized market therefor, sells at the  
 9-35 price current in that market at the time of the sale, or has  
 9-36 otherwise sold in conformity with commercially reasonable  
 9-37 practices among dealers in the type of goods sold. A sale of more  
 9-38 goods than apparently necessary to be offered to ensure  
 9-39 satisfaction of the obligation is not commercially reasonable,  
 9-40 except in cases covered by the preceding sentence.

9-41           (b) Before any sale pursuant to this section, any person  
 9-42 claiming a right in the goods may pay the amount necessary to  
 9-43 satisfy the lien and the reasonable expenses incurred in complying  
 9-44 with this section. In that event, the goods may not be sold but must  
 9-45 be retained by the carrier, subject to the terms of the bill of  
 9-46 lading and this chapter.

9-47           (c) A carrier may buy at any public sale pursuant to this  
 9-48 section.

9-49           (d) A purchaser in good faith of goods sold to enforce a  
 9-50 carrier's lien takes the goods free of any rights of persons against  
 9-51 which the lien was valid, despite the carrier's noncompliance with  
 9-52 this section.

9-53           (e) A carrier may satisfy its lien from the proceeds of any  
 9-54 sale pursuant to this section but shall hold the balance, if any,  
 9-55 for delivery on demand to any person to which the carrier would have  
 9-56 been bound to deliver the goods.

9-57           (f) The rights provided by this section are in addition to  
 9-58 all other rights allowed by law to a creditor against a debtor.

9-59           (g) A carrier's lien may be enforced pursuant to either  
 9-60 Subsection (a) or the procedure set forth in Section 7.210(b).

9-61           (h) A carrier is liable for damages caused by failure to  
 9-62 comply with the requirements for sale under this section and, in  
 9-63 case of wilful violation, is liable for conversion.

9-64           Sec. 7.309. DUTY OF CARE; CONTRACTUAL LIMITATION OF  
 9-65 CARRIER'S LIABILITY. (a) A carrier that issues a bill of lading,  
 9-66 whether negotiable or nonnegotiable, shall exercise the degree of  
 9-67 care in relation to the goods which a reasonably careful person  
 9-68 would exercise under similar circumstances. This subsection does  
 9-69 not affect any statute, regulation, or rule of law that imposes

10-1 liability upon a common carrier for damages not caused by its  
 10-2 negligence.

10-3 (b) Damages may be limited by a term in the bill of lading or  
 10-4 in a transportation agreement that the carrier's liability may not  
 10-5 exceed a value stated in the bill or transportation agreement if the  
 10-6 carrier's rates are dependent upon value and the consignor is  
 10-7 afforded an opportunity to declare a higher value and is advised of  
 10-8 the opportunity. However, such a limitation is not effective with  
 10-9 respect to the carrier's liability for conversion to its own use.

10-10 (c) Reasonable provisions as to the time and manner of  
 10-11 presenting claims and commencing actions based on the shipment may  
 10-12 be included in a bill of lading or a transportation agreement.

10-13 SUBCHAPTER D. WAREHOUSE RECEIPTS AND BILLS OF LADING: GENERAL  
 10-14 OBLIGATIONS

10-15 Sec. 7.401. IRREGULARITIES IN ISSUE OF RECEIPT OR BILL OR  
 10-16 CONDUCT OF ISSUER. The obligations imposed by this chapter on an  
 10-17 issuer apply to a document of title even if:

10-18 (1) the document does not comply with the requirements  
 10-19 of this chapter or of any other statute, rule, or regulation  
 10-20 regarding its issue, form, or content;

10-21 (2) the issuer violated laws regulating the conduct of  
 10-22 its business;

10-23 (3) the goods covered by the document were owned by the  
 10-24 bailee when the document was issued; or

10-25 (4) the person issuing the document is not a warehouse  
 10-26 but the document purports to be a warehouse receipt.

10-27 Sec. 7.402. DUPLICATE DOCUMENT OF TITLE; OVERISSUE. A  
 10-28 duplicate or any other document of title purporting to cover goods  
 10-29 already represented by an outstanding document of the same issuer  
 10-30 does not confer any right in the goods, except as provided in the  
 10-31 case of tangible bills of lading in a set of parts, overissue of  
 10-32 documents for fungible goods, substitutes for lost, stolen, or  
 10-33 destroyed documents, or substitute documents issued pursuant to  
 10-34 Section 7.105. The issuer is liable for damages caused by its  
 10-35 overissue or failure to identify a duplicate document by a  
 10-36 conspicuous notation.

10-37 Sec. 7.403. OBLIGATION OF WAREHOUSE OR CARRIER TO DELIVER;  
 10-38 EXCUSE. (a) A bailee shall deliver the goods to a person entitled  
 10-39 under a document of title if the person complies with Subsections  
 10-40 (b) and (c), unless and to the extent that the bailee establishes  
 10-41 any of the following:

10-42 (1) delivery of the goods to a person whose receipt was  
 10-43 rightful as against the claimant;

10-44 (2) damage to or delay, loss, or destruction of the  
 10-45 goods for which the bailee is not liable;

10-46 (3) previous sale or other disposition of the goods in  
 10-47 lawful enforcement of a lien or on a warehouse's lawful termination  
 10-48 of storage;

10-49 (4) the exercise by a seller of its right to stop  
 10-50 delivery pursuant to Section 2.705 or by a lessor of its right to  
 10-51 stop delivery pursuant to Section 2A.526;

10-52 (5) a diversion, reconsignment, or other disposition  
 10-53 pursuant to Section 7.303;

10-54 (6) release, satisfaction, or any other fact affording  
 10-55 a personal defense against the claimant; or

10-56 (7) any other lawful excuse.

10-57 (b) A person claiming goods covered by a document of title  
 10-58 shall satisfy the bailee's lien if the bailee so requests or the  
 10-59 bailee is prohibited by law from delivering the goods until the  
 10-60 charges are paid.

10-61 (c) Unless a person claiming the goods is one against which  
 10-62 the document of title does not confer a right under Section  
 10-63 7.503(a):

10-64 (1) the person claiming under a document shall  
 10-65 surrender possession or control of any outstanding negotiable  
 10-66 document covering the goods for cancellation or indication of  
 10-67 partial deliveries; and

10-68 (2) the bailee shall cancel the document or  
 10-69 conspicuously indicate in the document the partial delivery or be

11-1 liable to any person to which the document is duly negotiated.

11-2 Sec. 7.404. NO LIABILITY FOR GOOD FAITH DELIVERY PURSUANT  
 11-3 TO DOCUMENT OF TITLE. A bailee that in good faith has received  
 11-4 goods and delivered or otherwise disposed of the goods according to  
 11-5 the terms of a document of title or pursuant to this chapter is not  
 11-6 liable for the goods even if:

11-7 (1) the person from which the bailee received the  
 11-8 goods did not have authority to procure the document or to dispose  
 11-9 of the goods; or

11-10 (2) the person to which the bailee delivered the goods  
 11-11 did not have authority to receive the goods.

11-12 SUBCHAPTER E. WAREHOUSE RECEIPTS AND BILLS OF LADING: NEGOTIATION  
 11-13 AND TRANSFER

11-14 Sec. 7.501. FORM OF NEGOTIATION AND REQUIREMENTS OF DUE  
 11-15 NEGOTIATION. (a) The following rules apply to a negotiable  
 11-16 tangible document of title:

11-17 (1) If the document's original terms run to the order  
 11-18 of a named person, the document is negotiated by the named person's  
 11-19 indorsement and delivery. After the named person's indorsement in  
 11-20 blank or to bearer, any person may negotiate the document by  
 11-21 delivery alone.

11-22 (2) If the document's original terms run to bearer, it  
 11-23 is negotiated by delivery alone.

11-24 (3) If the document's original terms run to the order  
 11-25 of a named person and it is delivered to the named person, the  
 11-26 effect is the same as if the document had been negotiated.

11-27 (4) Negotiation of the document after it has been  
 11-28 indorsed to a named person requires indorsement by the named person  
 11-29 as well as delivery.

11-30 (5) A document is duly negotiated if it is negotiated  
 11-31 in the manner stated in this subsection to a holder that purchases  
 11-32 it in good faith, without notice of any defense against or claim to  
 11-33 it on the part of any person, and for value, unless it is  
 11-34 established that the negotiation is not in the regular course of  
 11-35 business or financing or involves receiving the document in  
 11-36 settlement or payment of a monetary obligation.

11-37 (b) The following rules apply to a negotiable electronic  
 11-38 document of title:

11-39 (1) If the document's original terms run to the order  
 11-40 of a named person or to bearer, the document is negotiated by  
 11-41 delivery of the document to another person. Indorsement by the  
 11-42 named person is not required to negotiate the document.

11-43 (2) If the document's original terms run to the order  
 11-44 of a named person and the named person has control of the document,  
 11-45 the effect is the same as if the document had been negotiated.

11-46 (3) A document is duly negotiated if it is negotiated  
 11-47 in the manner stated in this subsection to a holder that purchases  
 11-48 it in good faith, without notice of any defense against or claim to  
 11-49 it on the part of any person, and for value, unless it is  
 11-50 established that the negotiation is not in the regular course of  
 11-51 business or financing or involves taking delivery of the document  
 11-52 in settlement or payment of a monetary obligation.

11-53 (c) Indorsement of a nonnegotiable document of title  
 11-54 neither makes it negotiable nor adds to the transferee's rights.

11-55 (d) The naming in a negotiable bill of lading of a person to  
 11-56 be notified of the arrival of the goods does not limit the  
 11-57 negotiability of the bill or constitute notice to a purchaser of the  
 11-58 bill of any interest of that person in the goods.

11-59 Sec. 7.502. RIGHTS ACQUIRED BY DUE NEGOTIATION.  
 11-60 (a) Subject to Sections 7.205 and 7.503, a holder to which a  
 11-61 negotiable document of title has been duly negotiated acquires  
 11-62 thereby:

11-63 (1) title to the document;

11-64 (2) title to the goods;

11-65 (3) all rights accruing under the law of agency or  
 11-66 estoppel, including rights to goods delivered to the bailee after  
 11-67 the document was issued; and

11-68 (4) the direct obligation of the issuer to hold or  
 11-69 deliver the goods according to the terms of the document free of any

12-1 defense or claim by the issuer except those arising under the terms  
 12-2 of the document or under this chapter. In the case of a delivery  
 12-3 order, the bailee's obligation accrues only upon the bailee's  
 12-4 acceptance of the delivery order and the obligation acquired by the  
 12-5 holder is that the issuer and any indorser will procure the  
 12-6 acceptance of the bailee.

12-7 (b) Subject to Section 7.503, title and rights acquired by  
 12-8 due negotiation are not defeated by any stoppage of the goods  
 12-9 represented by the document of title or by surrender of the goods by  
 12-10 the bailee and are not impaired even if:

12-11 (1) the due negotiation or any prior due negotiation  
 12-12 constituted a breach of duty;

12-13 (2) any person has been deprived of possession of a  
 12-14 negotiable tangible document or control of a negotiable electronic  
 12-15 document by misrepresentation, fraud, accident, mistake, duress,  
 12-16 loss, theft, or conversion; or

12-17 (3) a previous sale or other transfer of the goods or  
 12-18 document has been made to a third person.

12-19 Sec. 7.503. DOCUMENT OF TITLE TO GOODS DEFEATED IN CERTAIN  
 12-20 CASES. (a) A document of title confers no right in goods against a  
 12-21 person that before issuance of the document had a legal interest or  
 12-22 a perfected security interest in the goods and that did not:

12-23 (1) deliver or entrust the goods or any document  
 12-24 covering the goods to the bailor or the bailor's nominee with actual  
 12-25 or apparent authority to ship, store, or sell; with power to obtain  
 12-26 delivery under Section 7.403; or with power of disposition under  
 12-27 Section 2.403, 2A.304(a)(2), 2A.305(a)(2), or 9.320 or other  
 12-28 statute or rule of law; or

12-29 (2) acquiesce in the procurement by the bailor or its  
 12-30 nominee of any document.

12-31 (b) Title to goods based upon an unaccepted delivery order  
 12-32 is subject to the rights of any person to which a negotiable  
 12-33 warehouse receipt or bill of lading covering the goods has been duly  
 12-34 negotiated. That title may be defeated under Section 7.504 to the  
 12-35 same extent as the rights of the issuer or a transferee from the  
 12-36 issuer.

12-37 (c) Title to goods based upon a bill of lading issued to a  
 12-38 freight forwarder is subject to the rights of any person to which a  
 12-39 bill issued by the freight forwarder is duly negotiated. However,  
 12-40 delivery by the carrier in accordance with Subchapter D pursuant to  
 12-41 its own bill of lading discharges the carrier's obligation to  
 12-42 deliver.

12-43 Sec. 7.504. RIGHTS ACQUIRED IN ABSENCE OF DUE NEGOTIATION;  
 12-44 EFFECT OF DIVERSION; STOPPAGE OF DELIVERY. (a) A transferee of a  
 12-45 document of title, whether negotiable or nonnegotiable, to which  
 12-46 the document has been delivered but not duly negotiated, acquires  
 12-47 the title and rights that its transferor had or had actual authority  
 12-48 to convey.

12-49 (b) In the case of a nonnegotiable document of title, until  
 12-50 but not after the bailee receives notice of the transfer, the rights  
 12-51 of the transferee may be defeated:

12-52 (1) by those creditors of the transferor that could  
 12-53 treat the transfer as void under Section 2.402 or 2A.308;

12-54 (2) by a buyer from the transferor in ordinary course  
 12-55 of business if the bailee has delivered the goods to the buyer or  
 12-56 received notification of the buyer's rights;

12-57 (3) by a lessee from the transferor in ordinary course  
 12-58 of business if the bailee has delivered the goods to the lessee or  
 12-59 received notification of the lessee's rights; or

12-60 (4) as against the bailee, by good faith dealings of  
 12-61 the bailee with the transferor.

12-62 (c) A diversion or other change of shipping instructions by  
 12-63 the consignor in a nonnegotiable bill of lading which causes the  
 12-64 bailee not to deliver the goods to the consignee defeats the  
 12-65 consignee's title to the goods if the goods have been delivered to a  
 12-66 buyer in ordinary course of business or a lessee in ordinary course  
 12-67 of business and in any event defeats the consignee's rights against  
 12-68 the bailee.

12-69 (d) Delivery of the goods pursuant to a nonnegotiable

13-1 document of title may be stopped by a seller under Section 2.705 or  
 13-2 a lessor under Section 2A.526, subject to the requirements of due  
 13-3 notification in those sections. A bailee honoring the seller's or  
 13-4 lessor's instructions is entitled to be indemnified by the seller  
 13-5 or lessor against any resulting loss or expense.

13-6 Sec. 7.505. INDORSER NOT GUARANTOR FOR OTHER PARTIES. The  
 13-7 indorsement of a tangible document of title issued by a bailee does  
 13-8 not make the indorser liable for any default by the bailee or  
 13-9 previous indorsers.

13-10 Sec. 7.506. DELIVERY WITHOUT INDORSEMENT; RIGHT TO COMPEL  
 13-11 INDORSEMENT. The transferee of a negotiable tangible document of  
 13-12 title has a specifically enforceable right to have its transferor  
 13-13 supply any necessary indorsement, but the transfer becomes a  
 13-14 negotiation only as of the time the indorsement is supplied.

13-15 Sec. 7.507. WARRANTIES ON NEGOTIATION OR DELIVERY OF  
 13-16 DOCUMENT OF TITLE. If a person negotiates or delivers a document of  
 13-17 title for value, otherwise than as a mere intermediary under  
 13-18 Section 7.508, unless otherwise agreed, the transferor warrants to  
 13-19 its immediate purchaser only in addition to any warranty made in  
 13-20 selling or leasing the goods that:

13-21 (1) the document is genuine;

13-22 (2) the transferor does not have knowledge of any fact  
 13-23 that would impair the document's validity or worth; and

13-24 (3) the negotiation or delivery is rightful and fully  
 13-25 effective with respect to the title to the document and the goods it  
 13-26 represents.

13-27 Sec. 7.508. WARRANTIES OF COLLECTING BANK AS TO DOCUMENTS  
 13-28 OF TITLE. A collecting bank or other intermediary known to be  
 13-29 entrusted with documents of title on behalf of another or with  
 13-30 collection of a draft or other claim against delivery of documents  
 13-31 warrants by the delivery of the documents only its own good faith  
 13-32 and authority even if the collecting bank or other intermediary has  
 13-33 purchased or made advances against the claim or draft to be  
 13-34 collected.

13-35 Sec. 7.509. ADEQUATE COMPLIANCE WITH COMMERCIAL CONTRACT.  
 13-36 Whether a document of title is adequate to fulfill the obligations  
 13-37 of a contract for sale, a contract for lease, or the conditions of a  
 13-38 letter of credit is determined by Chapter 2, 2A, or 5.

13-39 SUBCHAPTER F. WAREHOUSE RECEIPTS AND BILLS OF LADING:  
 13-40 MISCELLANEOUS PROVISIONS

13-41 Sec. 7.601. LOST, STOLEN, OR DESTROYED DOCUMENTS OF TITLE.  
 13-42 (a) If a document of title is lost, stolen, or destroyed, a court  
 13-43 may order delivery of the goods or issuance of a substitute document  
 13-44 and the bailee may without liability to any person comply with the  
 13-45 order. If the document was negotiable, a court may not order  
 13-46 delivery of the goods or issuance of a substitute document without  
 13-47 the claimant's posting security unless it finds that any person  
 13-48 that may suffer loss as a result of nonsurrender of possession or  
 13-49 control of the document is adequately protected against the loss.  
 13-50 If the document was nonnegotiable, the court may require security.  
 13-51 The court may also order payment of the bailee's reasonable costs  
 13-52 and attorney's fees in any action under this subsection.

13-53 (b) A bailee that without court order delivers goods to a  
 13-54 person claiming under a missing negotiable document of title is  
 13-55 liable to any person injured thereby. If the delivery is not in  
 13-56 good faith, the bailee is liable for conversion. Delivery in good  
 13-57 faith is not conversion if the claimant posts security with the  
 13-58 bailee in an amount at least double the value of the goods at the  
 13-59 time of posting to indemnify any person injured by the delivery that  
 13-60 files a notice of claim within one year after the delivery.

13-61 Sec. 7.602. ATTACHMENT OF GOODS COVERED BY NEGOTIABLE  
 13-62 DOCUMENT OF TITLE. Unless a document of title was originally issued  
 13-63 upon delivery of the goods by a person that did not have power to  
 13-64 dispose of them, a lien does not attach by virtue of any judicial  
 13-65 process to goods in the possession of a bailee for which a  
 13-66 negotiable document of title is outstanding unless possession or  
 13-67 control of the document is first surrendered to the bailee or the  
 13-68 document's negotiation is enjoined. The bailee may not be  
 13-69 compelled to deliver the goods pursuant to process until possession

14-1 or control of the document is surrendered to the bailee or to the  
 14-2 court. A purchaser of the document for value without notice of the  
 14-3 process or injunction takes free of the lien imposed by judicial  
 14-4 process.

14-5 Sec. 7.603. CONFLICTING CLAIMS; INTERPLEADER. If more than  
 14-6 one person claims title to or possession of the goods, the bailee is  
 14-7 excused from delivery until the bailee has a reasonable time to  
 14-8 ascertain the validity of the adverse claims or to commence an  
 14-9 action for interpleader. The bailee may assert an interpleader  
 14-10 either in defending an action for nondelivery of the goods or by  
 14-11 original action.

14-12 [~~CHAPTER 7. WAREHOUSE RECEIPTS, BILLS OF LADING AND OTHER~~  
 14-13 ~~DOCUMENTS OF TITLE~~

14-14 [~~SUBCHAPTER A. GENERAL~~

14-15 [~~Sec. 7.101. SHORT TITLE.~~ This chapter may be cited as  
 14-16 Uniform Commercial Code--Documents of Title.

14-17 [~~Sec. 7.102. DEFINITIONS AND INDEX OF DEFINITIONS.~~ (a) In  
 14-18 this chapter, unless the context otherwise requires:

14-19 [(1) "Bailee" means the person who by a warehouse  
 14-20 receipt, bill of lading or other document of title acknowledges  
 14-21 possession of goods and contracts to deliver them.

14-22 [(2) "Consignee" means the person named in a bill to  
 14-23 whom or to whose order the bill promises delivery.

14-24 [(3) "Consignor" means the person named in a bill as  
 14-25 the person from whom the goods have been received for shipment.

14-26 [(4) "Delivery order" means a written order to deliver  
 14-27 goods directed to a warehouseman, carrier or other person who in the  
 14-28 ordinary course of business issues warehouse receipts or bills of  
 14-29 lading.

14-30 [(5) "Document" means document of title as defined in  
 14-31 the general definitions in Chapter 1 (Section 1.201).

14-32 [(6) "Goods" means all things which are treated as  
 14-33 movable for the purposes of a contract of storage or  
 14-34 transportation.

14-35 [(7) "Issuer" means a bailee who issues a document  
 14-36 except that in relation to an unaccepted delivery order it means the  
 14-37 person who orders the possessor of goods to deliver. Issuer  
 14-38 includes any person for whom an agent or employee purports to act in  
 14-39 issuing a document if the agent or employee has real or apparent  
 14-40 authority to issue documents, notwithstanding that the issuer  
 14-41 received no goods or that the goods were misdescribed or that in any  
 14-42 other respect the agent or employee violated his instructions.

14-43 [(8) "Warehouseman" is a person engaged in the  
 14-44 business of storing goods for hire.

14-45 [(b) Other definitions applying to this chapter or to  
 14-46 specified subchapters thereof, and the sections in which they  
 14-47 appear are:

14-48 ["Duly negotiate". Section 7.501.

14-49 ["Person entitled under the document". Section  
 14-50 7.403(d).

14-51 [(c) Definitions in other chapters applying to this chapter  
 14-52 and the sections in which they appear are:

14-53 ["Contract for sale". Section 2.106.

14-54 ["Overseas". Section 2.323.

14-55 ["Receipt" of goods. Section 2.103.

14-56 [(d) In addition Chapter 1 contains general definitions and  
 14-57 principles of construction and interpretation applicable  
 14-58 throughout this chapter.

14-59 [~~Sec. 7.103. RELATION OF CHAPTER TO TREATY, STATUTE,~~  
 14-60 ~~TARIFF, CLASSIFICATION OR REGULATION.~~ To the extent that any  
 14-61 treaty or statute of the United States, regulatory statute of this  
 14-62 state or tariff, classification or regulation filed or issued  
 14-63 pursuant thereto is applicable, the provisions of this chapter are  
 14-64 subject thereto.

14-65 [~~Sec. 7.104. NEGOTIABLE AND NON-NEGOTIABLE WAREHOUSE~~  
 14-66 ~~RECEIPT, BILL OF LADING OR OTHER DOCUMENT OF TITLE.~~ (a) A  
 14-67 warehouse receipt, bill of lading or other document of title is  
 14-68 negotiable

14-69 [(1) if by its terms the goods are to be delivered to

15-1 ~~bearer or to the order of a named person, or~~

15-2 ~~[(2) where recognized in overseas trade, if it runs to~~  
 15-3 ~~a named person or assigns.~~

15-4 ~~[(b) Any other document is non-negotiable. A bill of lading~~  
 15-5 ~~in which it is stated that the goods are consigned to a named person~~  
 15-6 ~~is not made negotiable by a provision that the goods are to be~~  
 15-7 ~~delivered only against a written order signed by the same or another~~  
 15-8 ~~named person.~~

15-9 ~~[Sec. 7.105. CONSTRUCTION AGAINST NEGATIVE IMPLICATION.~~  
 15-10 ~~The omission from either Subchapter B or Subchapter C of this~~  
 15-11 ~~chapter of a provision corresponding to a provision made in the~~  
 15-12 ~~other subchapter does not imply that a corresponding rule of law is~~  
 15-13 ~~not applicable.~~

15-14 ~~[SUBCHAPTER B. WAREHOUSE RECEIPTS: SPECIAL PROVISIONS~~

15-15 ~~[Sec. 7.201. WHO MAY ISSUE A WAREHOUSE RECEIPT; STORAGE~~  
 15-16 ~~UNDER GOVERNMENT BOND. (a) A warehouse receipt may be issued by~~  
 15-17 ~~any warehouseman.~~

15-18 ~~[(b) Where goods including distilled spirits and~~  
 15-19 ~~agricultural commodities are stored under a statute requiring a~~  
 15-20 ~~bond against withdrawal or a license for the issuance of receipts in~~  
 15-21 ~~the nature of warehouse receipts, a receipt issued for the goods has~~  
 15-22 ~~like effect as a warehouse receipt even though issued by a person~~  
 15-23 ~~who is the owner of the goods and is not a warehouseman.~~

15-24 ~~[Sec. 7.202. FORM OF WAREHOUSE RECEIPT; ESSENTIAL TERMS,~~  
 15-25 ~~OPTIONAL TERMS. (a) A warehouse receipt need not be in any~~  
 15-26 ~~particular form.~~

15-27 ~~[(b) Unless a warehouse receipt embodies within its written~~  
 15-28 ~~or printed terms each of the following, the warehouseman is liable~~  
 15-29 ~~for damages caused by the omission to a person injured thereby:~~

15-30 ~~[(1) the location of the warehouse where the goods are~~  
 15-31 ~~stored;~~

15-32 ~~[(2) the date of issue of the receipt;~~

15-33 ~~[(3) the consecutive number of the receipt;~~

15-34 ~~[(4) a statement whether the goods received will be~~  
 15-35 ~~delivered to the bearer, to a specified person, or to a specified~~  
 15-36 ~~person or his order;~~

15-37 ~~[(5) the rate of storage and handling charges, except~~  
 15-38 ~~that where goods are stored under a field warehousing arrangement a~~  
 15-39 ~~statement of that fact is sufficient on a non-negotiable receipt;~~

15-40 ~~[(6) a description of the goods or of the packages~~  
 15-41 ~~containing them;~~

15-42 ~~[(7) the signature of the warehouseman, which may be~~  
 15-43 ~~made by his authorized agent;~~

15-44 ~~[(8) if the receipt is issued for goods of which the~~  
 15-45 ~~warehouseman is owner, either solely or jointly or in common with~~  
 15-46 ~~others, the fact of such ownership; and~~

15-47 ~~[(9) a statement of the amount of advances made and of~~  
 15-48 ~~liabilities incurred for which the warehouseman claims a lien or~~  
 15-49 ~~security interest (Section 7.209). If the precise amount of such~~  
 15-50 ~~advances made or of such liabilities incurred is, at the time of the~~  
 15-51 ~~issue of the receipt, unknown to the warehouseman or to his agent~~  
 15-52 ~~who issues it, a statement of the fact that advances have been made~~  
 15-53 ~~or liabilities incurred and the purpose thereof is sufficient.~~

15-54 ~~[(c) A warehouseman may insert in his receipt any other~~  
 15-55 ~~terms which are not contrary to the provisions of this title and do~~  
 15-56 ~~not impair his obligation of delivery (Section 7.403) or his duty of~~  
 15-57 ~~care (Section 7.204). Any contrary provisions shall be~~  
 15-58 ~~ineffective.~~

15-59 ~~[Sec. 7.203. LIABILITY FOR NON-RECEIPT OR MISDESCRIPTION.~~  
 15-60 ~~A party to or purchaser for value in good faith of a document of~~  
 15-61 ~~title other than a bill of lading relying in either case upon the~~  
 15-62 ~~description therein of the goods may recover from the issuer~~  
 15-63 ~~damages caused by the non-receipt or misdescription of the goods,~~  
 15-64 ~~except to the extent that the document conspicuously indicates that~~  
 15-65 ~~the issuer does not know whether any part or all of the goods in fact~~  
 15-66 ~~were received or conform to the description, as where the~~  
 15-67 ~~description is in terms of marks or labels or kind, quantity or~~  
 15-68 ~~condition, or the receipt or description is qualified by "contents,~~  
 15-69 ~~condition and quality unknown", "said to contain" or the like, if~~

16-1 ~~such indication be true, or the party or purchaser otherwise has~~  
 16-2 ~~notice.~~

16-3 ~~[Sec. 7.204. DUTY OF CARE; CONTRACTUAL LIMITATION OF~~  
 16-4 ~~WAREHOUSEMAN'S LIABILITY. (a) A warehouseman is liable for~~  
 16-5 ~~damages for loss of or injury to the goods caused by his failure to~~  
 16-6 ~~exercise such care in regard to them as a reasonably careful man~~  
 16-7 ~~would exercise under like circumstances but unless otherwise agreed~~  
 16-8 ~~he is not liable for damages which could not have been avoided by~~  
 16-9 ~~the exercise of such care.~~

16-10 ~~[(b) Damages may be limited by a term in the warehouse~~  
 16-11 ~~receipt or storage agreement limiting the amount of liability in~~  
 16-12 ~~case of loss or damage, and setting forth a specific liability per~~  
 16-13 ~~article or item, or value per unit of weight, beyond which the~~  
 16-14 ~~warehouseman shall not be liable; provided, however, that such~~  
 16-15 ~~liability may on written request of the bailor at the time of~~  
 16-16 ~~signing such storage agreement or within a reasonable time after~~  
 16-17 ~~receipt of the warehouse receipt be increased on part or all of the~~  
 16-18 ~~goods thereunder, in which event increased rates may be charged~~  
 16-19 ~~based on such increased valuation, but that no such increase shall~~  
 16-20 ~~be permitted contrary to a lawful limitation of liability contained~~  
 16-21 ~~in the warehouseman's tariff, if any. No such limitation is~~  
 16-22 ~~effective with respect to the warehouseman's liability for~~  
 16-23 ~~conversion to his own use.~~

16-24 ~~[(c) Reasonable provisions as to the time and manner of~~  
 16-25 ~~presenting claims and instituting actions based on the bailment may~~  
 16-26 ~~be included in the warehouse receipt or tariff.~~

16-27 ~~[(d) This section does not impair or repeal Texas Revised~~  
 16-28 ~~Civil Statutes of 1925, Articles 5545 and 5546.~~

16-29 ~~[Sec. 7.205. TITLE UNDER WAREHOUSE RECEIPT DEFEATED IN~~  
 16-30 ~~CERTAIN CASES. A buyer in the ordinary course of business of~~  
 16-31 ~~fungible goods sold and delivered by a warehouseman who is also in~~  
 16-32 ~~the business of buying and selling such goods takes free of any~~  
 16-33 ~~claim under a warehouse receipt even though it has been duly~~  
 16-34 ~~negotiated.~~

16-35 ~~[Sec. 7.206. TERMINATION OF STORAGE AT WAREHOUSEMAN'S~~  
 16-36 ~~OPTION. (a) A warehouseman may on notifying the person on whose~~  
 16-37 ~~account the goods are held and any other person known to claim an~~  
 16-38 ~~interest in the goods require payment of any charges and removal of~~  
 16-39 ~~the goods from the warehouse at the termination of the period of~~  
 16-40 ~~storage fixed by the document, or, if no period is fixed, within a~~  
 16-41 ~~stated period not less than thirty days after the notification. If~~  
 16-42 ~~the goods are not removed before the date specified in the~~  
 16-43 ~~notification, the warehouseman may sell them in accordance with the~~  
 16-44 ~~provisions of the section on enforcement of a warehouseman's lien~~  
 16-45 ~~(Section 7.210).~~

16-46 ~~[(b) If a warehouseman in good faith believes that the goods~~  
 16-47 ~~are about to deteriorate or decline in value to less than the amount~~  
 16-48 ~~of his lien within the time prescribed in Subsection (a) for~~  
 16-49 ~~notification, advertisement and sale, the warehouseman may specify~~  
 16-50 ~~in the notification any reasonable shorter time for removal of the~~  
 16-51 ~~goods and in case the goods are not removed, may sell them at public~~  
 16-52 ~~sale held not less than one week after a single advertisement or~~  
 16-53 ~~posting.~~

16-54 ~~[(c) If as a result of a quality or condition of the goods of~~  
 16-55 ~~which the warehouseman had no notice at the time of deposit the~~  
 16-56 ~~goods are a hazard to other property or to the warehouse or to~~  
 16-57 ~~persons, the warehouseman may sell the goods at public or private~~  
 16-58 ~~sale without advertisement on reasonable notification to all~~  
 16-59 ~~persons known to claim an interest in the goods. If the~~  
 16-60 ~~warehouseman after a reasonable effort is unable to sell the goods~~  
 16-61 ~~he may dispose of them in any lawful manner and shall incur no~~  
 16-62 ~~liability by reason of such disposition.~~

16-63 ~~[(d) The warehouseman must deliver the goods to any person~~  
 16-64 ~~entitled to them under this chapter upon due demand made at any time~~  
 16-65 ~~prior to sale or other disposition under this section.~~

16-66 ~~[(e) The warehouseman may satisfy his lien from the proceeds~~  
 16-67 ~~of any sale or disposition under this section but must hold the~~  
 16-68 ~~balance for delivery on the demand of any person to whom he would~~  
 16-69 ~~have been bound to deliver the goods.~~



17-1 ~~[Sec. 7.207. GOODS MUST BE KEPT SEPARATE, FUNGIBLE GOODS.~~  
 17-2 ~~(a) Unless the warehouse receipt otherwise provides, a~~  
 17-3 ~~warehouseman must keep separate the goods covered by each receipt~~  
 17-4 ~~so as to permit at all times identification and delivery of those~~  
 17-5 ~~goods except that different lots of fungible goods may be~~  
 17-6 ~~commingled.~~

17-7 ~~[(b) Fungible goods so commingled are owned in common by the~~  
 17-8 ~~persons entitled thereto and the warehouseman is severally liable~~  
 17-9 ~~to each owner for that owner's share. Where because of overissue a~~  
 17-10 ~~mass of fungible goods is insufficient to meet all the receipts~~  
 17-11 ~~which the warehouseman has issued against it, the persons entitled~~  
 17-12 ~~include all holders to whom overissued receipts have been duly~~  
 17-13 ~~negotiated.~~

17-14 ~~[Sec. 7.208. ALTERED WAREHOUSE RECEIPTS. Where a blank in a~~  
 17-15 ~~negotiable warehouse receipt has been filled in without authority,~~  
 17-16 ~~a purchaser for value and without notice of the want of authority~~  
 17-17 ~~may treat the insertion as authorized. Any other unauthorized~~  
 17-18 ~~alteration leaves any receipt enforceable against the issuer~~  
 17-19 ~~according to its original tenor.~~

17-20 ~~[Sec. 7.209. LIEN OF WAREHOUSEMAN. (a)(1) A warehouseman~~  
 17-21 ~~has a lien against the bailor on the goods covered by a warehouse~~  
 17-22 ~~receipt or on the proceeds thereof in his possession for charges for~~  
 17-23 ~~storage or transportation (including demurrage and terminal~~  
 17-24 ~~charges), insurance, labor, or charges present or future in~~  
 17-25 ~~relation to the goods, and for expenses necessary for preservation~~  
 17-26 ~~of the goods or reasonably incurred in their sale pursuant to law.~~

17-27 ~~[(2) If the person on whose account the goods are held~~  
 17-28 ~~is liable for like charges or expenses in relation to other goods~~  
 17-29 ~~whenever deposited and it is stated in the receipt that a lien is~~  
 17-30 ~~claimed for charges and expenses in relation to other goods, the~~  
 17-31 ~~warehouseman also has a lien against him for such charges and~~  
 17-32 ~~expenses whether or not the other goods have been delivered by the~~  
 17-33 ~~warehouseman. But against a person to whom a negotiable warehouse~~  
 17-34 ~~receipt is duly negotiated a warehouseman's lien is limited to~~  
 17-35 ~~charges in an amount or at a rate specified on the receipt or if no~~  
 17-36 ~~charges are so specified then to a reasonable charge for storage of~~  
 17-37 ~~the goods covered by the receipt subsequent to the date of the~~  
 17-38 ~~receipt.~~

17-39 ~~[(b) The warehouseman may also reserve a security interest~~  
 17-40 ~~against the bailor for a maximum amount specified on the receipt for~~  
 17-41 ~~charges other than those specified in Subsection (a), such as for~~  
 17-42 ~~money advanced and interest. Such a security interest is governed~~  
 17-43 ~~by the chapter on Secured Transactions (Chapter 9).~~

17-44 ~~[(c) A warehouseman's lien for a security interest under~~  
 17-45 ~~Subsection (b) is effective against any person who so entrusted the~~  
 17-46 ~~bailor with possession of the goods that a pledge of them by him to a~~  
 17-47 ~~good faith purchaser for value would have been valid but is not~~  
 17-48 ~~effective against a person as to whom the document confers no right~~  
 17-49 ~~in the goods covered by it under Section 7.503. However, the~~  
 17-50 ~~warehouseman's specific lien for charges and expenses under~~  
 17-51 ~~Subsection (a)(1) is effective against any security interest. If~~  
 17-52 ~~the warehouseman learns of a perfected security interest owned by a~~  
 17-53 ~~person as to whom the document confers no right in the goods covered~~  
 17-54 ~~by it under Section 7.503 against the goods and fails thereafter to~~  
 17-55 ~~give such secured party (Section 9.105) written notice of the~~  
 17-56 ~~accrued and unpaid charges and expenses at the time when they have~~  
 17-57 ~~accrued for between two and six months, then the warehouseman's~~  
 17-58 ~~specific lien under Subsection (a)(1) is effective as against such~~  
 17-59 ~~secured party only with respect to unpaid charges and expenses~~  
 17-60 ~~which have accrued by the end of six months.~~

17-61 ~~[(d) A warehouseman loses his lien on any goods which he~~  
 17-62 ~~voluntarily delivers or which he unjustifiably refuses to deliver.~~

17-63 ~~[Sec. 7.210. ENFORCEMENT OF WAREHOUSEMAN'S LIEN.~~  
 17-64 ~~(a) Except as provided in Subsection (b), a warehouseman's lien~~  
 17-65 ~~may be enforced by public or private sale of the goods in block or in~~  
 17-66 ~~parcels, at any time or place and on any terms which are~~  
 17-67 ~~commercially reasonable, after notifying all persons known to claim~~  
 17-68 ~~an interest in the goods. Such notification must include a~~  
 17-69 ~~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 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 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 insure satisfaction of the obligation is not commercially reasonable except in cases covered by the preceding sentence.~~

~~[(b) 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:~~

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

~~[(2) 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.~~

~~[(3) 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.~~

~~[(4) The sale must conform to the terms of the notification.~~

~~[(5) The sale must be held at the nearest suitable place to that where the goods are held or stored.~~

~~[(6) 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 they 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.~~

~~[(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 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 chapter.~~

~~[(d) The warehouseman may buy at any public sale pursuant to this section.~~

~~[(e) 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 warehouseman with the requirements of this section.~~

~~[(f) The 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.~~

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

~~[(h) 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 (a) or (b).~~

~~[(i) 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.~~

[SUBCHAPTER C. ~~BILLS OF LADING; SPECIAL PROVISIONS~~

[Sec. 7.301. ~~LIABILITY FOR NON-RECEIPT OR MISDESCRIPTION, "SAID TO CONTAIN", "SHIPPER'S LOAD AND COUNT", IMPROPER HANDLING.~~

(a) ~~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.~~

[(b) ~~When goods are loaded by an issuer who is a common carrier, the issuer must count the packages of goods if package freight and ascertain the kind and quantity if 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 concealed by packages.~~

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

[(d) ~~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.~~

[(e) ~~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.~~

[Sec. 7.302. ~~THROUGH BILLS OF LADING AND SIMILAR DOCUMENTS.~~

(a) ~~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 may be varied by agreement of the parties.~~

[(b) ~~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 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.~~

[(c) ~~The issuer of such through bill of lading or other document 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~~

20-1 ~~recover on the document therefor.~~

20-2 ~~[Sec. 7.303. DIVERSION, RECONSIGNMENT, CHANGE OF~~  
 20-3 ~~INSTRUCTIONS. (a) Unless the bill of lading otherwise provides,~~  
 20-4 ~~the carrier may deliver the goods to a person or destination other~~  
 20-5 ~~than that stated in the bill or may otherwise dispose of the goods~~  
 20-6 ~~on instructions from~~

20-7 ~~[(1) the holder of a negotiable bill, or~~  
 20-8 ~~[(2) the consignor on a non-negotiable bill~~  
 20-9 ~~notwithstanding contrary instructions from the consignee, or~~

20-10 ~~[(3) the consignee on a non-negotiable bill in the~~  
 20-11 ~~absence of contrary instructions from the consignor, if the goods~~  
 20-12 ~~have arrived at the billed destination or if the consignee is in~~  
 20-13 ~~possession of the bill, or~~

20-14 ~~[(4) the consignee on a non-negotiable bill if he is~~  
 20-15 ~~entitled as against the consignor to dispose of them.~~

20-16 ~~[(b) Unless such instructions are noted on a negotiable bill~~  
 20-17 ~~of lading, a person to whom the bill is duly negotiated can hold the~~  
 20-18 ~~bailee according to the original terms.~~

20-19 ~~[Sec. 7.304. BILLS OF LADING IN A SET. (a) Except where~~  
 20-20 ~~customary in overseas transportation, a bill of lading must not be~~  
 20-21 ~~issued in a set of parts. The issuer is liable for damages caused by~~  
 20-22 ~~violation of this subsection.~~

20-23 ~~[(b) Where a bill of lading is lawfully drawn in a set of~~  
 20-24 ~~parts, each of which is numbered and expressed to be valid only if~~  
 20-25 ~~the goods have not been delivered against any other part, the whole~~  
 20-26 ~~of the parts constitute one bill.~~

20-27 ~~[(c) Where a bill of lading is lawfully issued in a set of~~  
 20-28 ~~parts and different parts are negotiated to different persons, the~~  
 20-29 ~~title of the holder to whom the first due negotiation is made~~  
 20-30 ~~prevails as to both the document and the goods even though any later~~  
 20-31 ~~holder may have received the goods from the carrier in good faith~~  
 20-32 ~~and discharged the carrier's obligation by surrender of his part.~~

20-33 ~~[(d) Any person who negotiates or transfers a single part of~~  
 20-34 ~~a bill of lading drawn in a set is liable to holders of that part as~~  
 20-35 ~~if it were the whole set.~~

20-36 ~~[(e) The bailee is obliged to deliver in accordance with~~  
 20-37 ~~Subchapter D of this chapter against the first presented part of a~~  
 20-38 ~~bill of lading lawfully drawn in a set. Such delivery discharges~~  
 20-39 ~~the bailee's obligation on the whole bill.~~

20-40 ~~[Sec. 7.305. DESTINATION BILLS. (a) Instead of issuing a~~  
 20-41 ~~bill of lading to the consignor at the place of shipment a carrier~~  
 20-42 ~~may at the request of the consignor procure the bill to be issued at~~  
 20-43 ~~destination or at any other place designated in the request.~~

20-44 ~~[(b) Upon request of anyone entitled as against the carrier~~  
 20-45 ~~to control the goods while in transit and on surrender of any~~  
 20-46 ~~outstanding bill of lading or other receipt covering such goods,~~  
 20-47 ~~the issuer may procure a substitute bill to be issued at any place~~  
 20-48 ~~designated in the request.~~

20-49 ~~[Sec. 7.306. ALTERED BILLS OF LADING. An unauthorized~~  
 20-50 ~~alteration or filling in of a blank in a bill of lading leaves the~~  
 20-51 ~~bill enforceable according to its original tenor.~~

20-52 ~~[Sec. 7.307. LIEN OF CARRIER. (a) A carrier has a lien on~~  
 20-53 ~~the goods covered by a bill of lading for charges subsequent to the~~  
 20-54 ~~date of its receipt of the goods for storage or transportation~~  
 20-55 ~~(including demurrage and terminal charges) and for expenses~~  
 20-56 ~~necessary for preservation of the goods incident to their~~  
 20-57 ~~transportation or reasonably incurred in their sale pursuant to~~  
 20-58 ~~law. But against a purchaser for value of a negotiable bill of~~  
 20-59 ~~lading a carrier's lien is limited to charges stated in the bill or~~  
 20-60 ~~the applicable tariffs, or if no charges are stated then to a~~  
 20-61 ~~reasonable charge.~~

20-62 ~~[(b) A lien for charges and expenses under Subsection (a) on~~  
 20-63 ~~goods which the carrier was required by law to receive for~~  
 20-64 ~~transportation is effective against the consignor or any person~~  
 20-65 ~~entitled to the goods unless the carrier had notice that the~~  
 20-66 ~~consignor lacked authority to subject the goods to such charges and~~  
 20-67 ~~expenses. Any other lien under Subsection (a) is effective against~~  
 20-68 ~~the consignor and any person who permitted the bailor to have~~  
 20-69 ~~control or possession of the goods unless the carrier had notice~~

21-1 ~~that the bailor lacked such authority.~~

21-2 ~~[(c) A carrier loses his lien on any goods which he~~  
 21-3 ~~voluntarily delivers or which he unjustifiably refuses to deliver.~~

21-4 ~~[Sec. 7.308. ENFORCEMENT OF CARRIER'S LIEN. (a) A~~  
 21-5 ~~carrier's lien may be enforced by public or private sale of the~~  
 21-6 ~~goods, in block or in parcels, at any time or place and on any terms~~  
 21-7 ~~which are commercially reasonable, after notifying all persons~~  
 21-8 ~~known to claim an interest in the goods. Such notification must~~  
 21-9 ~~include a statement of the amount due, the nature of the proposed~~  
 21-10 ~~sale and the time and place of any public sale. The fact that a~~  
 21-11 ~~better price could have been obtained by a sale at a different time~~  
 21-12 ~~or in a different method from that selected by the carrier is not of~~  
 21-13 ~~itself sufficient to establish that the sale was not made in a~~  
 21-14 ~~commercially reasonable manner. If the carrier either sells the~~  
 21-15 ~~goods in the usual manner in any recognized market therefor or if he~~  
 21-16 ~~sells at the price current in such market at the time of his sale or~~  
 21-17 ~~if he has otherwise sold in conformity with commercially reasonable~~  
 21-18 ~~practices among dealers in the type of goods sold he has sold in a~~  
 21-19 ~~commercially reasonable manner. A sale of more goods than~~  
 21-20 ~~apparently necessary to be offered to ensure satisfaction of the~~  
 21-21 ~~obligation is not commercially reasonable except in cases covered~~  
 21-22 ~~by the preceding sentence.~~

21-23 ~~[(b) Before any sale pursuant to this section any person~~  
 21-24 ~~claiming a right in the goods may pay the amount necessary to~~  
 21-25 ~~satisfy the lien and the reasonable expenses incurred under this~~  
 21-26 ~~section. In that event the goods must not be sold, but must be~~  
 21-27 ~~retained by the carrier subject to the terms of the bill and this~~  
 21-28 ~~chapter.~~

21-29 ~~[(c) The carrier may buy at any public sale pursuant to this~~  
 21-30 ~~section.~~

21-31 ~~[(d) A purchaser in good faith of goods sold to enforce a~~  
 21-32 ~~carrier's lien takes the goods free of any rights of persons against~~  
 21-33 ~~whom the lien was valid, despite noncompliance by the carrier with~~  
 21-34 ~~the requirements of this section.~~

21-35 ~~[(e) The carrier may satisfy his lien from the proceeds of~~  
 21-36 ~~any sale pursuant to this section but must hold the balance, if any,~~  
 21-37 ~~for delivery on demand to any person to whom he would have been~~  
 21-38 ~~bound to deliver the goods.~~

21-39 ~~[(f) The rights provided by this section shall be in~~  
 21-40 ~~addition to all other rights allowed by law to a creditor against~~  
 21-41 ~~his debtor.~~

21-42 ~~[(g) A carrier's lien may be enforced in accordance with~~  
 21-43 ~~either Subsection (a) or the procedure set forth in Subsection (b)~~  
 21-44 ~~of Section 7.210.~~

21-45 ~~[(h) The carrier is liable for damages caused by failure to~~  
 21-46 ~~comply with the requirements for sale under this section and in case~~  
 21-47 ~~of willful violation is liable for conversion.~~

21-48 ~~[Sec. 7.309. DUTY OF CARE, CONTRACTUAL LIMITATION OF~~  
 21-49 ~~CARRIER'S LIABILITY. (a) A carrier who issues a bill of lading~~  
 21-50 ~~whether negotiable or non-negotiable must exercise the degree of~~  
 21-51 ~~care in relation to the goods which a reasonably careful man would~~  
 21-52 ~~exercise under like circumstances. This subsection does not repeal~~  
 21-53 ~~or change any law or rule of law which imposes liability upon a~~  
 21-54 ~~common carrier for damages not caused by its negligence.~~

21-55 ~~[(b) Damages may be limited by a provision that the~~  
 21-56 ~~carrier's liability shall not exceed a value stated in the document~~  
 21-57 ~~if the carrier's rates are dependent upon value and the consignor by~~  
 21-58 ~~the carrier's tariff is afforded an opportunity to declare a higher~~  
 21-59 ~~value or a value as lawfully provided in the tariff, or where no~~  
 21-60 ~~tariff is filed he is otherwise advised of such opportunity, but no~~  
 21-61 ~~such limitation is effective with respect to the carrier's~~  
 21-62 ~~liability for conversion to its own use.~~

21-63 ~~[(c) Reasonable provisions as to the time and manner of~~  
 21-64 ~~presenting claims and instituting actions based on the shipment may~~  
 21-65 ~~be included in a bill of lading or tariff.~~

21-66 ~~[SUBCHAPTER D. WAREHOUSE RECEIPTS AND BILLS OF LADING: GENERAL~~  
 21-67 ~~OBLIGATIONS~~

21-68 ~~[Sec. 7.401. IRREGULARITIES IN ISSUE OF RECEIPT OR BILL OR~~  
 21-69 ~~CONDUCT OF ISSUER. The obligations imposed by this chapter on an~~

22-1 issuer apply to a document of title regardless of the fact that  
 22-2 ~~[(1) the document may not comply with the requirements~~  
 22-3 ~~of this chapter or of any other law or regulation regarding its~~  
 22-4 ~~issue, form or content, or~~

22-5 ~~[(2) the issuer may have violated laws regulating the~~  
 22-6 ~~conduct of his business, or~~

22-7 ~~[(3) the goods covered by the document were owned by~~  
 22-8 ~~the bailee at the time the document was issued, or~~

22-9 ~~[(4) the person issuing the document does not come~~  
 22-10 ~~within the definition of warehouseman if it purports to be a~~  
 22-11 ~~warehouse receipt.~~

22-12 ~~[Sec. 7.402. DUPLICATE RECEIPT OR BILL; OVERISSUE. Neither~~  
 22-13 ~~a duplicate nor any other document of title purporting to cover~~  
 22-14 ~~goods already represented by an outstanding document of the same~~  
 22-15 ~~issuer confers any right in the goods, except as provided in the~~  
 22-16 ~~case of bills in a set, overissue of documents for fungible goods~~  
 22-17 ~~substitutes for lost, stolen or destroyed documents. But the~~  
 22-18 ~~issuer is liable for damages caused by his overissue or failure to~~  
 22-19 ~~identify a duplicate document as such by conspicuous notation on~~  
 22-20 ~~its face.~~

22-21 ~~[Sec. 7.403. OBLIGATION OF WAREHOUSEMAN OR CARRIER TO~~  
 22-22 ~~DELIVER; EXCUSE. (a) The bailee must deliver the goods to a person~~  
 22-23 ~~entitled under the document who complies with Subsections (b) and~~  
 22-24 ~~(c), unless and to the extent that the bailee establishes any of the~~  
 22-25 ~~following:~~

22-26 ~~[(1) delivery of the goods to a person whose receipt~~  
 22-27 ~~was rightful as against the claimant;~~

22-28 ~~[(2) damage to or delay, loss or destruction of the~~  
 22-29 ~~goods for which the bailee is not liable, but the burden of~~  
 22-30 ~~establishing negligence in case of damage or destruction by fire is~~  
 22-31 ~~on the person entitled under the document;~~

22-32 ~~[(3) previous sale or other disposition of the goods~~  
 22-33 ~~in lawful enforcement of a lien or on warehouseman's lawful~~  
 22-34 ~~termination of storage;~~

22-35 ~~[(4) the exercise by a seller of his right to stop~~  
 22-36 ~~delivery pursuant to the provisions of the chapter on Sales~~  
 22-37 ~~(Section 2.705);~~

22-38 ~~[(5) a diversion, reconsignment or other disposition~~  
 22-39 ~~pursuant to the provisions of this chapter (Section 7.303) or~~  
 22-40 ~~tariff regulating such right;~~

22-41 ~~[(6) release, satisfaction or any other fact affording~~  
 22-42 ~~a personal defense against the claimant;~~

22-43 ~~[(7) any other lawful excuse.~~

22-44 ~~[(b) A person claiming goods covered by a document of title~~  
 22-45 ~~must satisfy the bailee's lien where the bailee so requests or where~~  
 22-46 ~~the bailee is prohibited by law from delivering the goods until the~~  
 22-47 ~~charges are paid.~~

22-48 ~~[(c) Unless the person claiming is one against whom the~~  
 22-49 ~~document confers no right under Section 7.503(a), he must surrender~~  
 22-50 ~~for cancellation or notation of partial deliveries any outstanding~~  
 22-51 ~~negotiable document covering the goods, and the bailee must cancel~~  
 22-52 ~~the document or conspicuously note the partial delivery thereon or~~  
 22-53 ~~be liable to any person to whom the document is duly negotiated.~~

22-54 ~~[(d) "Person entitled under the document" means holder in~~  
 22-55 ~~the case of a negotiable document, or the person to whom delivery is~~  
 22-56 ~~to be made by the terms of or pursuant to written instructions under~~  
 22-57 ~~a non-negotiable document.~~

22-58 ~~[Sec. 7.404. NO LIABILITY FOR GOOD FAITH DELIVERY PURSUANT~~  
 22-59 ~~TO RECEIPT OR BILL. A bailee who in good faith including observance~~  
 22-60 ~~of reasonable commercial standards has received goods and delivered~~  
 22-61 ~~or otherwise disposed of them according to the terms of the document~~  
 22-62 ~~of title or pursuant to this chapter is not liable therefor. This~~  
 22-63 ~~rule applies even though the person from whom he received the goods~~  
 22-64 ~~had no authority to procure the document or to dispose of the goods~~  
 22-65 ~~and even though the person to whom he delivered the goods had no~~  
 22-66 ~~authority to receive them.~~

22-67 ~~[SUBCHAPTER E. WAREHOUSE RECEIPTS AND BILLS OF LADING: NEGOTIATION~~  
 22-68 ~~AND TRANSFER~~

22-69 ~~[Sec. 7.501. FORM OF NEGOTIATION AND REQUIREMENTS OF "DUE~~

23-1 ~~NEGOTIATION". (a) A negotiable document of title running to the~~  
 23-2 ~~order of a named person is negotiated by his indorsement and~~  
 23-3 ~~delivery. After his indorsement in blank or to bearer any person~~  
 23-4 ~~can negotiate it by delivery alone.~~

23-5 ~~[(b)(1) A negotiable document of title is also negotiated by~~  
 23-6 ~~delivery alone when by its original terms it runs to bearer.~~

23-7 ~~[(2) When a document running to the order of a named~~  
 23-8 ~~person is delivered to him the effect is the same as if the document~~  
 23-9 ~~had been negotiated.~~

23-10 ~~[(c) Negotiation of a negotiable document of title after it~~  
 23-11 ~~has been indorsed to a specified person requires indorsement by the~~  
 23-12 ~~special indorsee as well as delivery.~~

23-13 ~~[(d) A negotiable document of title is "duly negotiated"~~  
 23-14 ~~when it is negotiated in the manner stated in this section to a~~  
 23-15 ~~holder who purchases it in good faith without notice of any defense~~  
 23-16 ~~against or claim to it on the part of any person and for value,~~  
 23-17 ~~unless it is established that the negotiation is not in the regular~~  
 23-18 ~~course of business or financing or involves receiving the document~~  
 23-19 ~~in settlement or payment of a money obligation.~~

23-20 ~~[(e) Indorsement of a non-negotiable document neither makes~~  
 23-21 ~~it negotiable nor adds to the transferee's rights.~~

23-22 ~~[(f) The naming in a negotiable bill of a person to be~~  
 23-23 ~~notified of the arrival of the goods does not limit the~~  
 23-24 ~~negotiability of the bill nor constitute notice to a purchaser~~  
 23-25 ~~thereof of any interest of such person in the goods.~~

23-26 ~~[Sec. 7.502. RIGHTS ACQUIRED BY DUE NEGOTIATION.~~  
 23-27 ~~(a) Subject to the following section and to the provisions of~~  
 23-28 ~~Section 7.205 on fungible goods, a holder to whom a negotiable~~  
 23-29 ~~document of title has been duly negotiated acquires thereby:~~

23-30 ~~[(1) title to the document;~~

23-31 ~~[(2) title to the goods;~~

23-32 ~~[(3) all rights accruing under the law of agency or~~  
 23-33 ~~estoppel, including rights to goods delivered to the bailee after~~  
 23-34 ~~the document was issued; and~~

23-35 ~~[(4) the direct obligation of the issuer to hold or~~  
 23-36 ~~deliver the goods according to the terms of the document free of any~~  
 23-37 ~~defense or claim by him except those arising under the terms of the~~  
 23-38 ~~document or under this chapter. In the case of a delivery order the~~  
 23-39 ~~bailee's obligation accrues only upon acceptance and the obligation~~  
 23-40 ~~acquired by the holder is that the issuer and any indorser will~~  
 23-41 ~~procure the acceptance of the bailee.~~

23-42 ~~[(b) Subject to the following section, title and rights so~~  
 23-43 ~~acquired are not defeated by any stoppage of the goods represented~~  
 23-44 ~~by the document or by surrender of such goods by the bailee, and are~~  
 23-45 ~~not impaired even though the negotiation or any prior negotiation~~  
 23-46 ~~constituted a breach of duty or even though any person has been~~  
 23-47 ~~deprived of possession of the document by misrepresentation, fraud,~~  
 23-48 ~~accident, mistake, duress, loss, theft or conversion, or even~~  
 23-49 ~~though a previous sale or other transfer of the goods or document~~  
 23-50 ~~has been made to a third person.~~

23-51 ~~[Sec. 7.503. DOCUMENT OF TITLE TO GOODS DEFEATED IN CERTAIN~~  
 23-52 ~~CASES. (a) A document of title confers no right in goods against a~~  
 23-53 ~~person who before issuance of the document had a legal interest or a~~  
 23-54 ~~perfected security interest in them and who neither~~

23-55 ~~[(1) delivered or entrusted them or any document of~~  
 23-56 ~~title covering them to the bailor or his nominee with actual or~~  
 23-57 ~~apparent authority to ship, store or sell or with power to obtain~~  
 23-58 ~~delivery under this chapter (Section 7.403) or with power of~~  
 23-59 ~~disposition under this title (Sections 2.403 and 9.320) or other~~  
 23-60 ~~statute or rule of law; nor~~

23-61 ~~[(2) acquiesced in the procurement by the bailor or~~  
 23-62 ~~his nominee of any document of title.~~

23-63 ~~[(b) Title to goods based upon an unaccepted delivery order~~  
 23-64 ~~is subject to the rights of anyone to whom a negotiable warehouse~~  
 23-65 ~~receipt or bill of lading covering the goods has been duly~~  
 23-66 ~~negotiated. Such a title may be defeated under the next section to~~  
 23-67 ~~the same extent as the rights of the issuer or a transferee from the~~  
 23-68 ~~issuer.~~

23-69 ~~[(c) 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 Subchapter D of this chapter pursuant to its own bill of lading discharges the carrier's obligation to deliver.~~

~~[Sec. 7.504. RIGHTS ACQUIRED IN THE ABSENCE OF DUE NEGOTIATION, EFFECT OF DIVERSION, SELLER'S STOPPAGE OF DELIVERY.~~

~~(a) 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.~~

~~[(b) 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~~

~~[(1) by those creditors of the transferor who could treat the sale as void under Section 2.402; or~~

~~[(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 his rights; or~~

~~[(3) as against the bailee by good faith dealings of the bailee with the transferor.~~

~~[(c) A diversion or other change of shipping instructions by the consignor in a non-negotiable 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.~~

~~[(d) Delivery pursuant to a non-negotiable document may be stopped by a seller under Section 2.705, and subject to the requirement of due notification there provided. A bailee honoring the seller's instructions is entitled to be indemnified by the seller against any resulting loss or expense.~~

~~[Sec. 7.505. INDORSER NOT A GUARANTOR FOR OTHER PARTIES. The indorsement of a document of title issued by a bailee does not make the indorser liable for any default by the bailee or by previous indorsers.~~

~~[Sec. 7.506. DELIVERY WITHOUT INDORSEMENT: RIGHT TO COMPEL INDORSEMENT. The transferee of a negotiable 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.~~

~~[Sec. 7.507. WARRANTIES ON NEGOTIATION OR TRANSFER OF RECEIPT OR BILL. Where a person negotiates or transfers a document of title for value otherwise than as a mere intermediary under the next following section, then unless otherwise agreed he warrants to his immediate purchaser only in addition to any warranty made in selling the goods~~

~~[(1) that the document is genuine; and~~

~~[(2) that he has no knowledge of any fact which would impair its validity or worth; and~~

~~[(3) that his negotiation or transfer is rightful and fully effective with respect to the title to the document and the goods it represents.~~

~~[Sec. 7.508. WARRANTIES OF COLLECTING BANK AS TO DOCUMENTS. 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.~~

~~[Sec. 7.509. RECEIPT OR BILL: WHEN ADEQUATE COMPLIANCE WITH COMMERCIAL CONTRACT. The question whether a document is adequate to fulfill the obligations of a contract for sale or the conditions of a credit is governed by the chapters on Sales (Chapter 2) and on Letters of Credit (Chapter 5).~~

~~[SUBCHAPTER F. WAREHOUSE RECEIPTS AND BILLS OF LADING: MISCELLANEOUS PROVISIONS~~

~~[Sec. 7.601. LOST AND MISSING DOCUMENTS. (a) 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 a non-surrender of the document. 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.~~

~~[(b) 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.~~

~~[Sec. 7.602. ATTACHMENT OF GOODS COVERED BY A NEGOTIABLE DOCUMENT. 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 unless 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 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.~~

~~[Sec. 7.603. CONFLICTING CLAIMS; INTERPLEADER. 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.]~~

SECTION 2. Subdivisions (5), (6), (15), (16), (21), and (42), Subsection (b), Section 1.201, Business & Commerce Code, are amended to read as follows:

(5) "Bearer" means a person in control of a negotiable electronic document of title or a person in possession of a negotiable instrument, a negotiable tangible document of title, or a certificated security that is payable to bearer or indorsed in blank.

(6) "Bill of lading" means a document of title evidencing the receipt of goods for shipment issued by a person engaged in the business of directly or indirectly transporting or forwarding goods. The term does not include a warehouse receipt.

(15) "Delivery," with respect to an electronic document of title, means voluntary transfer of control, and with respect to an instrument, a tangible document of title, or chattel paper, means voluntary transfer of possession.

(16) "Document of title" means a record that [includes bill of lading, dock warrant, dock receipt, warehouse receipt or order for the delivery of goods, and also any other document which] in the regular course of business or financing is treated as adequately evidencing that the person in possession or control of the record [it] is entitled to receive, control, hold, and dispose of the record [document] and the goods the record [it] covers, and purports to be issued by or addressed to a bailee and to cover goods in the bailee's possession which are either identified or are fungible portions of an identified mass. The term includes a bill of lading, transport document, dock warrant, dock receipt, warehouse receipt, and order for delivery of goods. An electronic document of title is evidenced by a record consisting of information stored in an electronic medium. A tangible document of title is evidenced by a record consisting of information that is inscribed on a tangible medium. [To be a document of title a document must purport to be issued by or addressed to a bailee and

26-1 ~~purport to cover goods in the bailee's possession which are either~~  
 26-2 ~~identified or are fungible portions of an identified mass.]~~

26-3 (21) "Holder" means:

26-4 (A) the person in possession of a negotiable  
 26-5 instrument that is payable either to bearer or to an identified  
 26-6 person that is the person in possession; ~~or~~

26-7 (B) the person in possession of a negotiable  
 26-8 tangible document of title if the goods are deliverable either to  
 26-9 bearer or to the order of the person in possession; or

26-10 (C) a person in control of a negotiable  
 26-11 electronic document of title.

26-12 (42) "Warehouse receipt" means a document of title  
 26-13 ~~[receipt]~~ issued by a person engaged in the business of storing  
 26-14 goods for hire.

26-15 SECTION 3. Subsection (c), Section 2.103, Business &  
 26-16 Commerce Code, is amended to read as follows:

26-17 (c) The following definitions in other chapters apply to  
 26-18 this chapter:

26-19 "Check". Section 3.104.

26-20 "Consignee". Section 7.102.

26-21 "Consignor". Section 7.102.

26-22 "Consumer goods". Section 9.102.

26-23 "Control". Section 7.106.

26-24 "Dishonor". Section 3.502.

26-25 "Draft". Section 3.104.

26-26 SECTION 4. Subsection (b), Section 2.104, Business &  
 26-27 Commerce Code, is amended to read as follows:

26-28 (b) "Financing agency" means a bank, finance company or  
 26-29 other person who in the ordinary course of business makes advances  
 26-30 against goods or documents of title or who by arrangement with  
 26-31 either the seller or the buyer intervenes in ordinary course to make  
 26-32 or collect payment due or claimed under the contract for sale, as by  
 26-33 purchasing or paying the seller's draft or making advances against  
 26-34 it or by merely taking it for collection whether or not documents of  
 26-35 title accompany or are associated with the draft. "Financing  
 26-36 agency" includes also a bank or other person who similarly  
 26-37 intervenes between persons who are in the position of seller and  
 26-38 buyer in respect to the goods (Section 2.707).

26-39 SECTION 5. Section 2.310, Business & Commerce Code, is  
 26-40 amended to read as follows:

26-41 Sec. 2.310. OPEN TIME FOR PAYMENT OR RUNNING OF CREDIT;  
 26-42 AUTHORITY TO SHIP UNDER RESERVATION. Unless otherwise agreed

26-43 (1) payment is due at the time and place at which the  
 26-44 buyer is to receive the goods even though the place of shipment is  
 26-45 the place of delivery; and

26-46 (2) if the seller is authorized to send the goods he  
 26-47 may ship them under reservation, and may tender the documents of  
 26-48 title, but the buyer may inspect the goods after their arrival  
 26-49 before payment is due unless such inspection is inconsistent with  
 26-50 the terms of the contract (Section 2.513); and

26-51 (3) if delivery is authorized and made by way of  
 26-52 documents of title otherwise than by Subdivision (2) then payment  
 26-53 is due regardless of where the goods are to be received:

26-54 (A) at the time and place at which the buyer is to  
 26-55 receive delivery of the tangible documents; or

26-56 (B) at the time the buyer is to receive delivery  
 26-57 of the electronic documents and at the seller's place of business or  
 26-58 if none, the seller's residence ~~[regardless of where the goods are~~  
 26-59 ~~to be received]~~; and

26-60 (4) where the seller is required or authorized to ship  
 26-61 the goods on credit the credit period runs from the time of shipment  
 26-62 but post-dating the invoice or delaying its dispatch will  
 26-63 correspondingly delay the starting of the credit period.

26-64 SECTION 6. Subsection (c), Section 2.401, Business &  
 26-65 Commerce Code, is amended to read as follows:

26-66 (c) Unless otherwise explicitly agreed where delivery is to  
 26-67 be made without moving the goods,

26-68 (1) if the seller is to deliver a tangible document of  
 26-69 title, title passes at the time when and the place where he delivers

27-1 such documents and if the seller is to deliver an electronic  
 27-2 document of title, title passes when the seller delivers the  
 27-3 document; or

27-4 (2) if the goods are at the time of contracting already  
 27-5 identified and no documents are to be delivered, title passes at the  
 27-6 time and place of contracting.

27-7 SECTION 7. Subsection (e), Section 2.503, Business &  
 27-8 Commerce Code, is amended to read as follows:

27-9 (e) Where the contract requires the seller to deliver  
 27-10 documents

27-11 (1) he must tender all such documents in correct form,  
 27-12 except as provided in this chapter with respect to bills of lading  
 27-13 in a set (Subsection (b) of Section 2.323); and

27-14 (2) tender through customary banking channels is  
 27-15 sufficient and dishonor of a draft accompanying or associated with  
 27-16 the documents constitutes non-acceptance or rejection.

27-17 SECTION 8. Section 2.505, Business & Commerce Code, is  
 27-18 amended to read as follows:

27-19 Sec. 2.505. SELLER'S SHIPMENT UNDER RESERVATION.

27-20 (a) Where the seller has identified goods to the contract by or  
 27-21 before shipment:

27-22 (1) his procurement of a negotiable bill of lading to  
 27-23 his own order or otherwise reserves in him a security interest in  
 27-24 the goods. His procurement of the bill to the order of a financing  
 27-25 agency or of the buyer indicates in addition only the seller's  
 27-26 expectation of transferring that interest to the person named.

27-27 (2) a non-negotiable bill of lading to himself or his  
 27-28 nominee reserves possession of the goods as security but except in a  
 27-29 case of conditional delivery (Subsection (b) of Section 2.507) a  
 27-30 non-negotiable bill of lading naming the buyer as consignee  
 27-31 reserves no security interest even though the seller retains  
 27-32 possession or control of the bill of lading.

27-33 (b) When shipment by the seller with reservation of a  
 27-34 security interest is in violation of the contract for sale it  
 27-35 constitutes an improper contract for transportation within the  
 27-36 preceding section but impairs neither the rights given to the buyer  
 27-37 by shipment and identification of the goods to the contract nor the  
 27-38 seller's powers as a holder of a negotiable document of title.

27-39 SECTION 9. Subsection (b), Section 2.506, Business &  
 27-40 Commerce Code, is amended to read as follows:

27-41 (b) The right to reimbursement of a financing agency which  
 27-42 has in good faith honored or purchased the draft under commitment to  
 27-43 or authority from the buyer is not impaired by subsequent discovery  
 27-44 of defects with reference to any relevant document which was  
 27-45 apparently regular [~~on its face~~].

27-46 SECTION 10. Subsection (b), Section 2.509, Business &  
 27-47 Commerce Code, is amended to read as follows:

27-48 (b) Where the goods are held by a bailee to be delivered  
 27-49 without being moved, the risk of loss passes to the buyer

27-50 (1) on the buyer's [~~his~~] receipt of possession or  
 27-51 control of a negotiable document of title covering the goods; or

27-52 (2) on acknowledgment by the bailee of the buyer's  
 27-53 right to possession of the goods; or

27-54 (3) after the buyer's [~~his~~] receipt of possession or  
 27-55 control of a non-negotiable document of title or other written  
 27-56 direction to deliver, as provided in Subsection (d)(2) of Section  
 27-57 2.503.

27-58 SECTION 11. Subsection (b), Section 2.605, Business &  
 27-59 Commerce Code, is amended to read as follows:

27-60 (b) Payment against documents made without reservation of  
 27-61 rights precludes recovery of the payment for defects apparent in  
 27-62 [~~on the face of~~] the documents.

27-63 SECTION 12. Subsections (b) and (c), Section 2.705,  
 27-64 Business & Commerce Code, are amended to read as follows:

27-65 (b) As against such buyer the seller may stop delivery until

27-66 (1) receipt of the goods by the buyer; or

27-67 (2) acknowledgment to the buyer by any bailee of the  
 27-68 goods except a carrier that the bailee holds the goods for the  
 27-69 buyer; or

28-1 (3) such acknowledgment to the buyer by a carrier by  
28-2 reshipment or as a warehouse [~~warehouseman~~]; or

28-3 (4) negotiation to the buyer of any negotiable  
28-4 document of title covering the goods.

28-5 (c)(1) To stop delivery the seller must so notify as to  
28-6 enable the bailee by reasonable diligence to prevent delivery of  
28-7 the goods.

28-8 (2) After such notification the bailee must hold and  
28-9 deliver the goods according to the directions of the seller but the  
28-10 seller is liable to the bailee for any ensuing charges or damages.

28-11 (3) If a negotiable document of title has been issued  
28-12 for goods the bailee is not obliged to obey a notification to stop  
28-13 until surrender of possession or control of the document.

28-14 (4) A carrier who has issued a non-negotiable bill of  
28-15 lading is not obliged to obey a notification to stop received from a  
28-16 person other than the consignor.

28-17 SECTION 13. Subdivisions (1) and (15), Subsection (a),  
28-18 Section 2A.103, Business & Commerce Code, are amended to read as  
28-19 follows:

28-20 (1) "Buyer in the ordinary course of business" means a  
28-21 person who in good faith and without knowledge that the sale to him  
28-22 or her is in violation of the ownership rights or security interest  
28-23 or leasehold interest of a third party in the goods buys in the  
28-24 ordinary course from a person in the business of selling goods of  
28-25 that kind but does not include a pawnbroker. "Buying" may be for  
28-26 cash or by exchange of other property or on secured or unsecured  
28-27 credit and includes acquiring [~~receiving~~] goods or documents of  
28-28 title under a preexisting contract for sale but does not include a  
28-29 transfer in bulk or as security for or in total or partial  
28-30 satisfaction of a money debt.

28-31 (15) "Lessee in ordinary course of business" means a  
28-32 person who in good faith and without knowledge that the lease to him  
28-33 or her is in violation of the ownership rights or security interest  
28-34 or leasehold interest of a third party in the goods, leases in  
28-35 ordinary course from a person in the business of selling or leasing  
28-36 goods of that kind but does not include a pawnbroker. "Leasing" may  
28-37 be for cash or by exchange of other property or on secured or  
28-38 unsecured credit and includes acquiring [~~receiving~~] goods or  
28-39 documents of title under a preexisting lease contract but does not  
28-40 include a transfer in bulk or as security for or in total or partial  
28-41 satisfaction of a money debt.

28-42 SECTION 14. Subsection (b), Section 2A.514, Business &  
28-43 Commerce Code, is amended to read as follows:

28-44 (b) A lessee's failure to reserve rights when paying rent or  
28-45 other consideration against documents precludes recovery of the  
28-46 payment for defects apparent in [~~on the face of~~] the documents.

28-47 SECTION 15. Subsection (b), Section 2A.526, Business &  
28-48 Commerce Code, is amended to read as follows:

28-49 (b) In pursuing its remedies under Subsection (a), the  
28-50 lessor may stop delivery until:

- 28-51 (1) receipt of the goods by the lessee;
- 28-52 (2) acknowledgement to the lessee by any bailee of the  
28-53 goods, except a carrier, that the bailee holds the goods for the  
28-54 lessee; or

28-55 (3) such an acknowledgement to the lessee by a carrier  
28-56 via reshipment or as a warehouse [~~warehouseman~~].

28-57 SECTION 16. Subsection (c), Section 4.104, Business &  
28-58 Commerce Code, is amended to read as follows:

28-59 (c) The following definitions in other chapters apply to  
28-60 this chapter:

28-61 "Acceptance"	Section 3.409.
28-62 "Alteration"	Section 3.407.
28-63 "Cashier's check"	Section 3.104.
28-64 "Certificate of deposit"	Section 3.104.
28-65 "Certified check"	Section 3.409.
28-66 "Check"	Section 3.104.
28-67 " <u>Control</u> "	<u>Section 7.106.</u>
28-68 "Holder in due course"	Section 3.302.
28-69 "Instrument"	Section 3.104.

29-1	"Notice of dishonor"	Section 3.503.
29-2	"Order"	Section 3.103.
29-3	"Ordinary care"	Section 3.103.
29-4	"Person entitled to enforce"	Section 3.301.
29-5	"Presentment"	Section 3.501.
29-6	"Promise"	Section 3.103.
29-7	"Prove"	Section 3.103.
29-8	"Teller's check"	Section 3.104.
29-9	"Unauthorized signature"	Section 3.403.
29-10	SECTION 17. Subsection (c), Section 4.210, Business & Commerce Code, is amended to read as follows:	
29-11	(c) Receipt by a collecting bank of a final settlement for an item is a realization on its security interest in the item, accompanying documents, and proceeds. So long as the bank does not receive final settlement for the item or give up possession of the item or <u>possession or control of the accompanying documents</u> for purposes other than collection, the security interest continues to that extent and is subject to Chapter 9, but:	
29-12	(1) no security agreement is necessary to make the security interest enforceable (Section 9.203(b)(3)(A));	
29-13	(2) no filing is required to perfect the security interest; and	
29-14	(3) the security interest has priority over conflicting perfected security interests in the item, accompanying documents, or proceeds.	
29-15	SECTION 18. Section 8.103, Business & Commerce Code, is amended by adding Subsection (g) to read as follows:	
29-16	(g) <u>A document of title, as defined in Section 1.201(b)(16), is not a financial asset unless Section 8.102(a)(9)(C) applies.</u>	
29-17	SECTION 19. Subsection (b), Section 9.102, Business & Commerce Code, is amended to read as follows:	
29-18	(b) The following definitions in other chapters apply to this chapter:	
29-19	"Applicant"	Section 5.102.
29-20	"Beneficiary"	Section 5.102.
29-21	"Broker"	Section 8.102.
29-22	"Certificated security"	Section 8.102.
29-23	"Check"	Section 3.104.
29-24	"Clearing corporation"	Section 8.102.
29-25	"Contract for sale"	Section 2.106.
29-26	"Control" (with respect to a document of title)	Section 7.106.
29-27	"Customer"	Section 4.104.
29-28	"Entitlement holder"	Section 8.102.
29-29	"Financial asset"	Section 8.102.
29-30	"Holder in due course"	Section 3.302.
29-31	"Issuer" (with respect to a letter of credit or letter-of-credit right)	Section 5.102.
29-32	"Issuer" (with respect to a security)	Section 8.201.
29-33	"Lease"	Section 2A.103.
29-34	"Lease agreement"	Section 2A.103.
29-35	"Lease contract"	Section 2A.103.
29-36	"Leasehold interest"	Section 2A.103.
29-37	"Lessee"	Section 2A.103.
29-38	"Lessee in ordinary course of business"	Section 2A.103.
29-39	"Lessor"	Section 2A.103.
29-40	"Lessor's residual interest"	Section 2A.103.
29-41	"Letter of credit"	Section 5.102.
29-42	"Merchant"	Section 2.104.
29-43	"Negotiable instrument"	Section 3.104.
29-44	"Nominated person"	Section 5.102.
29-45	"Note"	Section 3.104.
29-46	"Proceeds of a letter of credit"	Section 5.114.
29-47	"Prove"	Section 3.103.
29-48	"Sale"	Section 2.106.
29-49	"Securities account"	Section 8.501.
29-50	"Securities intermediary"	Section 8.102.
29-51	"Security"	Section 8.102.
29-52	"Security certificate"	Section 8.102.
29-53	"Security entitlement"	Section 8.102.

30-1 "Uncertificated security"

30-2 SECTION 20. Subsection (b), Section 9.203, Business &  
30-3 Commerce Code, is amended to read as follows:

30-4 (b) Except as otherwise provided in Subsections (c)-(j), a  
30-5 security interest is enforceable against the debtor and third  
30-6 parties with respect to the collateral only if:

30-7 (1) value has been given;

30-8 (2) the debtor has rights in the collateral or the  
30-9 power to transfer rights in the collateral to a secured party; and

30-10 (3) one of the following conditions is met:

30-11 (A) the debtor has authenticated a security  
30-12 agreement that provides a description of the collateral and, if the  
30-13 security interest covers timber to be cut, a description of the land  
30-14 concerned;

30-15 (B) the collateral is not a certificated security  
30-16 and is in the possession of the secured party under Section 9.313  
30-17 pursuant to the debtor's security agreement;

30-18 (C) the collateral is a certificated security in  
30-19 registered form and the security certificate has been delivered to  
30-20 the secured party under Section 8.301 pursuant to the debtor's  
30-21 security agreement; or

30-22 (D) the collateral is deposit accounts,  
30-23 electronic chattel paper, investment property, ~~or~~  
30-24 letter-of-credit rights, or electronic documents, and the secured  
30-25 party has control under Section 7.106, 9.104, 9.105, 9.106, or  
30-26 9.107 pursuant to the debtor's security agreement.

30-27 SECTION 21. Subsection (c), Section 9.207, Business &  
30-28 Commerce Code, is amended to read as follows:

30-29 (c) Except as otherwise provided in Subsection (d), a  
30-30 secured party having possession of collateral or control of  
30-31 collateral under Section 7.106, 9.104, 9.105, 9.106, or 9.107:

30-32 (1) may hold as additional security any proceeds,  
30-33 except money or funds, received from the collateral;

30-34 (2) shall apply money or funds received from the  
30-35 collateral to reduce the secured obligation, unless remitted to the  
30-36 debtor; and

30-37 (3) may create a security interest in the collateral.

30-38 SECTION 22. Subsection (b), Section 9.208, Business &  
30-39 Commerce Code, is amended to read as follows:

30-40 (b) Within 10 days after receiving an authenticated demand  
30-41 by the debtor:

30-42 (1) a secured party having control of a deposit  
30-43 account under Section 9.104(a)(2) shall send to the bank with which  
30-44 the deposit account is maintained an authenticated statement that  
30-45 releases the bank from any further obligation to comply with  
30-46 instructions originated by the secured party;

30-47 (2) a secured party having control of a deposit  
30-48 account under Section 9.104(a)(3) shall:

30-49 (A) pay the debtor the balance on deposit in the  
30-50 deposit account; or

30-51 (B) transfer the balance on deposit into a  
30-52 deposit account in the debtor's name;

30-53 (3) a secured party, other than a buyer, having  
30-54 control of electronic chattel paper under Section 9.105 shall:

30-55 (A) communicate the authoritative copy of the  
30-56 electronic chattel paper to the debtor or its designated custodian;

30-57 (B) if the debtor designates a custodian that is  
30-58 the designated custodian with which the authoritative copy of the  
30-59 electronic chattel paper is maintained for the secured party,  
30-60 communicate to the custodian an authenticated record releasing the  
30-61 designated custodian from any further obligation to comply with  
30-62 instructions originated by the secured party and instructing the  
30-63 custodian to comply with instructions originated by the debtor; and

30-64 (C) take appropriate action to enable the debtor  
30-65 or its designated custodian to make copies of or revisions to the  
30-66 authoritative copy that add or change an identified assignee of the  
30-67 authoritative copy without the consent of the secured party;

30-68 (4) a secured party having control of investment  
30-69 property under Section 8.106(d)(2) or 9.106(b) shall send to the

31-1 securities intermediary or commodity intermediary with which the  
31-2 security entitlement or commodity contract is maintained an  
31-3 authenticated record that releases the securities intermediary or  
31-4 commodity intermediary from any further obligation to comply with  
31-5 entitlement orders or directions originated by the secured party;  
31-6 [~~and~~]

31-7 (5) a secured party having control of a  
31-8 letter-of-credit right under Section 9.107 shall send to each  
31-9 person having an unfulfilled obligation to pay or deliver proceeds  
31-10 of the letter of credit to the secured party an authenticated  
31-11 release from any further obligation to pay or deliver proceeds of  
31-12 the letter of credit to the secured party; and

31-13 (6) a secured party having control of an electronic  
31-14 document shall:

31-15 (A) give control of the electronic document to  
31-16 the debtor or its designated custodian;

31-17 (B) if the debtor designates a custodian that is  
31-18 the designated custodian with which the authoritative copy of the  
31-19 electronic document is maintained for the secured party,  
31-20 communicate to the custodian an authenticated record releasing the  
31-21 designated custodian from any further obligation to comply with  
31-22 instructions originated by the secured party and instructing the  
31-23 custodian to comply with instructions originated by the debtor; and

31-24 (C) take appropriate action to enable the debtor  
31-25 or its designated custodian to make copies of or revisions to the  
31-26 authoritative copy which add or change an identified assignee of  
31-27 the authoritative copy without the consent of the secured party.

31-28 SECTION 23. Section 9.301, Business & Commerce Code, is  
31-29 amended to read as follows:

31-30 Sec. 9.301. LAW GOVERNING PERFECTION AND PRIORITY OF  
31-31 SECURITY INTERESTS. Except as otherwise provided in Sections 9.303  
31-32 through 9.306, the following rules determine the law governing  
31-33 perfection, the effect of perfection or nonperfection, and the  
31-34 priority of a security interest in collateral:

31-35 (1) Except as otherwise provided in this section,  
31-36 while a debtor is located in a jurisdiction, the local law of that  
31-37 jurisdiction governs perfection, the effect of perfection or  
31-38 nonperfection, and the priority of a security interest in  
31-39 collateral.

31-40 (2) While collateral is located in a jurisdiction, the  
31-41 local law of that jurisdiction governs perfection, the effect of  
31-42 perfection or nonperfection, and the priority of a possessory  
31-43 security interest in that collateral.

31-44 (3) Except as otherwise provided in Subdivision (4),  
31-45 while tangible negotiable documents, goods, instruments, money, or  
31-46 tangible chattel paper is located in a jurisdiction, the local law  
31-47 of that jurisdiction governs:

31-48 (A) perfection of a security interest in the  
31-49 goods by filing a fixture filing;

31-50 (B) perfection of a security interest in timber  
31-51 to be cut; and

31-52 (C) the effect of perfection or nonperfection and  
31-53 the priority of a nonpossessory security interest in the  
31-54 collateral.

31-55 (4) The local law of the jurisdiction in which the  
31-56 wellhead or minehead is located governs perfection, the effect of  
31-57 perfection or nonperfection, and the priority of a security  
31-58 interest in as-extracted collateral.

31-59 SECTION 24. Subsection (b), Section 9.310, Business &  
31-60 Commerce Code, is amended to read as follows:

31-61 (b) The filing of a financing statement is not necessary to  
31-62 perfect a security interest:

31-63 (1) that is perfected under Section 9.308(d), (e),  
31-64 (f), or (g);

31-65 (2) that is perfected under Section 9.309 when it  
31-66 attaches;

31-67 (3) in property subject to a statute, regulation, or  
31-68 treaty described in Section 9.311(a);

31-69 (4) in goods in possession of a bailee that is

- 32-1 perfected under Section 9.312(d)(1) or (2);
- 32-2 (5) in certificated securities, documents, goods, or
- 32-3 instruments which is perfected without filing, control or
- 32-4 possession under Section 9.312(e), (f), or (g);
- 32-5 (6) in collateral in the secured party's possession
- 32-6 under Section 9.313;
- 32-7 (7) in a certificated security that is perfected by
- 32-8 delivery of the security certificate to the secured party under
- 32-9 Section 9.313;
- 32-10 (8) in deposit accounts, electronic chattel paper,
- 32-11 electronic documents, investment property, or letter-of-credit
- 32-12 rights that is perfected by control under Section 9.314;
- 32-13 (9) in proceeds that is perfected under Section 9.315;
- 32-14 (10) that is perfected under Section 9.316; or
- 32-15 (11) in oil or gas production or their proceeds under
- 32-16 Section 9.343.

32-17 SECTION 25. Subsection (e), Section 9.312, Business &

32-18 Commerce Code, is amended to read as follows:

32-19 (e) A security interest in certificated securities,

32-20 negotiable documents, or instruments is perfected without filing or

32-21 the taking of possession or control for a period of 20 days from the

32-22 time it attaches to the extent that it arises for new value given

32-23 under an authenticated security agreement.

32-24 SECTION 26. Subsection (a), Section 9.313, Business &

32-25 Commerce Code, is amended to read as follows:

32-26 (a) Except as otherwise provided in Subsection (b), a

32-27 secured party may perfect a security interest in tangible

32-28 negotiable documents, goods, instruments, money, or tangible

32-29 chattel paper by taking possession of the collateral. A secured

32-30 party may perfect a security interest in certificated securities by

32-31 taking delivery of the certificated securities under Section 8.301.

32-32 SECTION 27. Subsections (a) and (b), Section 9.314,

32-33 Business & Commerce Code, are amended to read as follows:

32-34 (a) A security interest in investment property, deposit

32-35 accounts, letter-of-credit rights, ~~or~~ electronic chattel paper,

32-36 or electronic documents may be perfected by control of the

32-37 collateral under Section 7.106, 9.104, 9.105, 9.106, or 9.107.

32-38 (b) A security interest in deposit accounts, electronic

32-39 chattel paper, ~~or~~ letter-of-credit rights, or electronic

32-40 documents is perfected by control under Section 7.106, 9.104,

32-41 9.105, or 9.107 when the secured party obtains control and remains

32-42 perfected by control only while the secured party retains control.

32-43 SECTION 28. Subsections (b) and (d), Section 9.317,

32-44 Business & Commerce Code, are amended to read as follows:

32-45 (b) Except as otherwise provided in Subsection (e), a buyer,

32-46 other than a secured party, of tangible chattel paper, tangible

32-47 documents, goods, instruments, or a security certificate takes free

32-48 of a security interest or agricultural lien if the buyer gives value

32-49 and receives delivery of the collateral without knowledge of the

32-50 security interest or agricultural lien and before it is perfected.

32-51 (d) A licensee of a general intangible or a buyer, other

32-52 than a secured party, of accounts, electronic chattel paper,

32-53 electronic documents, general intangibles, or investment property

32-54 other than a certificated security takes free of a security

32-55 interest if the licensee or buyer gives value without knowledge of

32-56 the security interest and before it is perfected.

32-57 SECTION 29. Section 9.338, Business & Commerce Code, is

32-58 amended to read as follows:

32-59 Sec. 9.338. PRIORITY OF SECURITY INTEREST OR AGRICULTURAL

32-60 LIEN PERFECTED BY FILED FINANCING STATEMENT PROVIDING CERTAIN

32-61 INCORRECT INFORMATION. If a security interest or agricultural lien

32-62 is perfected by a filed financing statement providing information

32-63 described in Section 9.516(b)(5) that is incorrect at the time the

32-64 financing statement is filed:

32-65 (1) the security interest or agricultural lien is

32-66 subordinate to a conflicting perfected security interest in the

32-67 collateral to the extent that the holder of the conflicting

32-68 security interest gives value in reasonable reliance upon the

32-69 incorrect information; and



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

SECTION 30. Subsection (b), Section 9.601, Business & Commerce Code, is amended to read as follows:

(b) A secured party in possession of collateral or control of collateral under Section 7.106, 9.104, 9.105, 9.106, or 9.107 has the rights and duties provided in Section 9.207.

SECTION 31. 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.

SECTION 32. 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.

SECTION 33. This Act takes effect September 1, 2005.

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