

355.7-502 Rights acquired by due negotiation.

- (1) Subject to KRS 355.7-503 and to the provisions of KRS 355.7-205 on fungible goods, a holder to whom a negotiable document of title has been duly negotiated acquires thereby:
 - (a) Title to the document;
 - (b) Title to the goods;
 - (c) All rights accruing under the law of agency or estoppel, including rights to goods delivered to the bailee after the document was issued; and
 - (d) The direct obligation of the issuer to hold or deliver the goods according to the terms of the document free of any defense or claim by him except those arising under the terms of the document or under this article. In the case of a delivery order the bailee's obligation accrues only upon acceptance and the obligation acquired by the holder is that the issuer and any indorser will procure the acceptance of the bailee.
- (2) Subject to KRS 355.7-503, title and rights so acquired are not defeated by any stoppage of the goods represented by the document or by surrender of such goods by the bailee, and are not impaired even though the negotiation or any prior negotiation constituted a breach of duty or even though any person has been deprived of possession of the document by misrepresentation, fraud, accident, mistake, duress, loss, theft or conversion, or even though a previous sale or other transfer of the goods or document has been made to a third person.

Effective: July 1, 1960

History: Created 1958 Ky. Acts ch. 77, sec. 7-502, effective July 1, 1960.