

355.7-504 Rights acquired in the absence of due negotiation -- Effect of diversion -- Seller's stoppage of delivery.

- (1) A transferee of a document, whether negotiable or nonnegotiable, 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.
- (2) In the case of a nonnegotiable document, until but not after the bailee receives notification of the transfer, the rights of the transferee may be defeated
 - (a) by those creditors of the transferor who could treat the sale as void under KRS 355.2-402; or
 - (b) by a buyer from the transferor in ordinary course of business if the bailee has delivered the goods to the buyer or received notification of his rights; or
 - (c) as against the bailee by good faith dealings of the bailee with the transferor.
- (3) A diversion or other change of shipping instructions by the consignor in a nonnegotiable bill of lading which causes the bailee not to deliver 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.
- (4) Delivery pursuant to a nonnegotiable document may be stopped by a seller under KRS 355.2-705, 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.

Effective: July 1, 1960

History: Created 1958 Ky. Acts ch. 77, sec. 7-504, effective July 1, 1960.