CONTENTS

Preface	xix
Chapter 1 Introduction to	the Uniform Commercial Code and Payment Law 1
I. A Bit of History	1
II. The Creation of the Uni	form Commercial Code 2
III. Federal Law	4
IV. Article 1 of the Code	4
V. The Official Comments	6
Chapter 2 Negotiability	7
I. Introduction	7
II. Types of Negotiable Inst	ruments 8
III. The Negotiability Conce	pt 10
A. "Writing"	12
Good v. Wells Farg	o Bank, N.A.
B. "Signed"	19
C. "Unconditional Pror	nise or Order" 20
1. Implied Condition	ns 20
Triffin v. Dillabou	gh 20
2. Consideration Sta	ated 28
D. "Fixed Amount of M	oney" 29
Heritage Bank v. H	Bruha 30
E. "Courier Without Lu	ggage" Requirement 33
Santos v. Yellowfin	Loan Servicing Corp. 34
Woodworth v. The	Richmond Indiana Venture 38
F. "Payable on Demand	or at a Definite Time" 40
G. "Payable to Bearer or	r to Order" 41
H. Consumer Notes	43
Assessment	44
Multiple Choice Questions	44

xii	Contents
Chapter 3 Negotiation	49
I. Some Technical Terms	49
A. Parties	49
B. Negotiability vs. Negotiation	50
II. Transfer and Negotiation	50
III. Special and Blank Indorsement	51
U.S. Bank National Association v. Hunte	55
IV. Forgery of the Payee's Name	56
Assessment	58
Multiple Choice Questions	58
Chapter 4 Holders in Due Course	61
I. Acquiring Holder in Due Course Status	61
A. Some History of the Doctrine	61
B. The Payee as Holder in Due Course	62
Heritage Bank v. Bruha	63
C. "Holder"	67
D. "Value"	67
Falls Church Bank v. Wesley Heights Realty, Inc.	69
E. "Good Faith" and "Notice"	70
In re Dixon-Ford	71
Any Kind Checks Cashed, Inc. v. Talcott	77
Winter & Hirsch, Inc. v. Passarelli	86
Dawda, Mann, Mulcahy & Sadler, P.L.C. v. Bank of America, N.A.	91
Jones v. Approved Bancredit Corp.	99
Sullivan v. United Dealers Corp.	105
F. The Shelter Rule	107
Triffin v. Somerset Valley Bank	109
II. Real and Personal Defenses/Claims	115
A. Defenses Against a Holder in Due Course	115
Federal Deposit Insurance Corp. v. Culver	116
Sea Air Support, Inc. v. Herrmann	123
Kedzie & 103rd Currency Exchange, Inc. v. Hodge	124
B. A Special Note on Forgery	132
C. Procedural Issues	133
Virginia National Bank v. Holt	134
D. Defenses Against a Non-Holder in Due Course	136
Herzog Contracting Corp. v. McGowen Corp.	137

Contents	xiii
E. Jus Tertii	142
F. Conclusion	143
Assessment	145
Multiple Choice Questions	145
Chapter 5 The Nature of Liability	149
I. The Underlying Obligation	150
Gray1 CPB, LLC v. SCC Acquisitions, Inc.	151
Ward v. Federal Kemper Insurance Co.	156
II. Liability on the Instrument	161
A. The Maker's Obligation	162
B. The Indorser's Obligation	163
C. The Surety's Obligation	166
1. Exoneration	167
2. Subrogation	167
3. Contribution	168
4. Strictissimi Juris	168
5. The Accommodation Party	170
Floor v. Melvin	171
6. Tender of Payment	175
7. Section 3-605 — Strictissimi Juris Again	176
Chemical Bank v. Pic Motors Corp.	177
London Leasing Corp. v. Interfina, Inc.	184
8. New Notes for Old	186
D. The Drawer's Obligation	187
1. Presentment and Dishonor	187
Messing v. Bank of America, N.A.	188
2. Notice of Dishonor	194
3. Protest	194
4. Excuse	194
Makel Textiles, Inc. v. Dolly Originals, Inc.	195
E. The Drawee's Obligation	197
1. The Non-Bank Acceptor	198
Norton v. Knapp	198
2. Checks	200
Galyen Petroleum Co. v. Hixson	201
3. Certification	203

xiv	Contents
F. Signature by an Agent	204
Mundaca Investment Corp. v. Febba	205
Nichols v. Seale	208
III. Other Theories of Liability	211
Assessment	211
Multiple Choice Questions	211
Chapter 6 Mortgages and Promissory Notes	215
I. Introduction	215
II. The Person Entitled to Enforce the Instrument	217
Bank of America v. Kabba	220
Hogan v. Washington Mutual Bank, N.A.	224
III. The Merger Rule	228
IV. Lost Notes	230
State Street Bank and Trust Co. v. Lord	230
V. Conclusion	232
Assessment	233
Multiple Choice Questions	233
Chapter 7 Banks and Their Customers	239
I. The Checking Account	240
A. "Properly Payable" Rule	240
Majestic Building Maintenance, Inc. v. Huntington Bancshares Incorporated	241
B. Wrongful Dishonor	250
Twin City Bank v. Isaacs	250
C. Death or Incompetence of Customer	254
D. Bank's Right of Setoff	255
Walter v. National City Bank of Cleveland	257
E. Customer's Right to Stop Payment	261
1. Ordinary Checks	261
Parr v. Security National Bank	261
Canty v. Vermont National Bank	265
2. Cashier's, Teller's, and Certified Checks	270
Patriot Bank v. Navy Federal Credit Union	270
F. Bank Statements	277

Contents	XV

II. Bank Collection		277
A.	Funds Availability	278
	1. Cash	279
	2. Checks	279
B.	Check Truncation	286
	1. Introduction	286
	2. Creating the Image and the Substitute Check	287
	3. Legal Equivalence	290
	4. Warranty Liability	291
	5. Indemnity Liability	292
	First Financial Bank, N.A. v. Citibank, N.A.	293
	6. Expedited Recredit for Consumer	299
	7. Expedited Recredit for Banks	300
	8. Lawsuits and Miscellaneous Provisions	301
C.	Final Payment	301
	Rock Island Auction Sales, Inc. v. Empire Packing Co.	<i>30</i> 4
	First National Bank of Chicago v. Standard Bank & Trust	<i>307</i>
D.	Check Return	313
E.	Charge Back	314
	Valley Bank of Ronan v. Hughes	317
F.	Undoing Final Payment	325
G.	Delays	327
Н.	Restrictive Indorsements and Banks	327
I.	Priorities in the Bank Account: The Four Legals	328
Assessn	nent	331
Multip	le Choice Questions	331
Chapte	r 8 Wrongdoing and Error	335
I. Fo	rgery of the Payee's Name	336
A.	Some Basic Ideas	336
В.	Warranty Liability	337
	Wesseling & Brackmann, PC v. Huntington Bancshares Financial Corporation	339
C	Conversion Liability	344
٥.	Leeds v. Chase Manhattan Bank, N.A.	346
II. Fo	rgery of the Drawer's Signature	350
22. 10	Price a Neal	35

xvi			Contents
		Decibel Credit Union v. Pueblo Bank & Trust Co.	355
		Wachovia Bank, N.A. v. Foster Bancshares, Inc.	358
III.	Val	lidation of the Forgery	363
	A.	Common Law Validation	364
		Hutzler v. Hertz Corp.	364
	B.	The Impostor Rule	370
		State Sec. Check Cashing, Inc. v. American General Financial	371
	C.	The Employee Forgery Rule	379
		Auto Sision, Inc. v. Wells Fargo	380
		H.G. Silverman Litigation Group, P.C., et al. v. TD Bank, N.A., et al.	386
	D.	The Negligence Rule	391
		The Bank/First Citizens Bank v. Citizens and Associates	392
	E.	The Bank Statement Rule	400
		Peters v. Riggs Natl. Bank, N.A.	401
		Clemente Bros. Contracting Corp. v. Hafner-Milazzo	410
IV.	Alt	terations	422
Ass	essn	nent	424
Mu	ltipl	le Choice Questions	424
Cha	pte	r 9 Electronic Banking	429
I.	Co	onsumers and Electronic Fund Transfers	430
	A.	Credit Cards	430
		1. Basic Liability	430
		Azur v. Chase Bank, USA	431
		2. Asserting Defenses Against the Credit Card Issuer	439
		3. Billing Errors	440
	B.	Debit Cards and Other Consumer Electronic Funds Transfers	440
	C.	Foreign Remittances	446
	D.	Other Payment Systems	447
		Rider v. Uphold HQ, Inc	447
II.	Wi	re Transfers	451
	A.	Scope of Article 4A	453
	B.	Acceptance of Payment Orders	455
		Peter E. Shapiro, P.A. v. Wells Fargo Bank, N.A.	456
	C.	Transmission Errors	464
		Grain Traders, Inc. v. Citibank, N.A.	464
		Corfan Banco Asuncion Paraguay v. Ocean Bank	475

Contents	xvii
D. Unauthorized Funds Transfers	480
PacMoore Products, Inc. v. Fifth Third Bank	481
E. Conclusion	486
Assessment	486
Multiple Choice Questions	486
Chapter 10 Investment Securities	491
I. Terminology	492
II. Overissue	494
III. The Issuer and the Holder	495
First American National Bank v. Christian Foundation Life Insurance Co.	495
IV. Transfers Between Purchasers	498
Кпор v. Кпор	499
V. Registration	506
Jennie Clarkson Home for Children v. Missouri, Kansas & Texas Railway	507
VI. Security Entitlements	513
In re Estate of Rider	513
Powers v. American Express Financial Advisors, Inc.	522
Assessment	525
Multiple Choice Questions	525
Table of Cases	529
Table of Statutes	535
Index	541