

**355.7-501 Form of negotiation and requirements of due negotiation.**

- (1) The following rules apply to a negotiable tangible document of title:
  - (a) If the document's original terms run to the order of a named person, the document is negotiated by the named person's indorsement and delivery. After the named person's indorsement in blank or to bearer, any person may negotiate the document by delivery alone.
  - (b) If the document's original terms run to bearer, it is negotiated by delivery alone.
  - (c) If the document's original terms run to the order of a named person and it is delivered to the named person, the effect is the same as if the document had been negotiated.
  - (d) Negotiation of the document after it has been indorsed to a named person requires indorsement by the named person as well as delivery.
  - (e) A document is duly negotiated if it is negotiated in the manner stated in this subsection to a holder that purchases it in good faith, without notice of any defense against or claim to it on the part of any person, and for value, unless it is established that the negotiation is not in the regular course of business or financing or involves receiving the document in settlement or payment of a monetary obligation.
- (2) The following rules apply to a negotiable electronic document of title:
  - (a) If the document's original terms run to the order of a named person or to bearer, the document is negotiated by delivery of the document to another person. Indorsement by the named person is not required to negotiate the document.
  - (b) If the document's original terms run to the order of a named person and the named person has control of the document, the effect is the same as if the document had been negotiated.
  - (c) A document is duly negotiated if it is negotiated in the manner stated in this subsection to a holder that purchases it in good faith, without notice of any defense against or claim to it on the part of any person, and for value, unless it is established that the negotiation is not in the regular course of business or financing or involves taking delivery of the document in settlement or payment of a monetary obligation.
- (3) Indorsement of a nonnegotiable document of title neither makes it negotiable nor adds to the transferee's rights.
- (4) The naming in a negotiable bill of lading of a person to be notified of the arrival of the goods does not limit the negotiability of the bill or constitute notice to a purchaser of the bill of any interest of that person in the goods.

**Effective:** July 12, 2012

**History:** Repealed and reenacted 2012 Ky. Acts ch. 132, sec. 30, effective July 12, 2012. -- Created 1958 Ky. Acts ch. 77, sec. 7-501, effective July 1, 1960.