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## Article 8: Investment Securities

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ARTICLE 8: INVESTMENT SECURITIES

SECTION 8-312. Effect of Guaranteeing Signature or Endorsement.

(1) Any person guaranteeing a signature of an indorser of a security warrants that at the time of signing

- (a) the signature was genuine; and
- (b) the signer was an appropriate person to indorse; and
- (c) the signer had legal capacity to sign.

But the guarantor does not otherwise warrant the rightfulness of the particular transfer. . . .

(3) The foregoing warranties are made to any person taking or dealing with the security in reliance on the guarantee and the guarantor is liable to such person for any loss resulting from breach of the warranties.

*Love v. Pennsylvania R.R.*, 200 F. Supp. 561 (E.D. Pa. 1961).

Plaintiff alleged that she had owned 220 shares of the defendant Railroad Company jointly with her father prior to his death. Plaintiff further claimed right of survivorship and that the defendant had transferred record ownership to the sole name of the father pursuant to an assignment on which plaintiff's name had been forged. Plaintiff, in this action, moved to amend her complaint in order to assert a claim under Section 8-312 against two banks who were third party defendants and who had guaranteed plaintiff's signature.

The court held that the warranty of this section did not run to the plaintiff, but only to one who dealt with the securities in reliance on the guarantee. Although under the 1953 draft of the Code (which governed this case) the liability for warranty ran to "any person," the court declared that such liability must be coextensive with the warranty under subsection (1) which favored only those who relied on the guarantee in dealing with the securities. The court pointed out that the 1958 draft of the Code expressly adopts this construction of the section. .

[N.B. This case was decided under the 1953 draft of the Code, where Section 8-312 read:

"(1) any person guaranteeing a signature as being that of an indorser of a security warrants to any person taking or dealing with the security in reliance on the guaranteed signature that

- (a) the signature is not forged; and
- (b) the signer is the holder or has authority to sign in the name of the holder; and
- (c) the signer has legal capacity to sign.

But the guarantor does not warrant the rightfulness of the particular transfer. . . .

(3) The guarantor of a signature or an indorsement shall be liable to any person, including an issuer who registers a transfer in reliance on the guarantee, from any loss resulting from the breach of

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(Where a cited case interprets only a portion of a Code section only that portion is set out.)

the warranties stated in this section but no issuer may require an indorsement guarantee as a condition to registration or transfer of a security.”]

ARTICLE 9: SECURED TRANSACTIONS; SALES OF ACCOUNTS,  
CONTRACT RIGHTS AND CHATTEL PAPER

SECTION 9-103. **Accounts, Contract Rights, General Intangibles  
and Equipment Relating to Another Jurisdiction;  
and Incoming Goods Already Subject to a Security  
Interest.**

(3) . . . If the security interest was already perfected under the law of the jurisdiction where the property was when the security interest attached and before being brought into this state, the security interest continues perfected in this state for four months. . . .

(4) Notwithstanding subsections (2) and (3), if personal property is covered by a certificate of title issued under a statute of this state or any other jurisdiction which requires indication on a certificate of title of any security interest in the property as a condition of perfection, then the perfection is governed by the law of the jurisdiction which issued the certificate.

*General Motors Acceptance Corp. v. Mannheim Auto Auction*, 25 D.&C. 2d 179 (Pa. 1961).

An action of replevin was brought to recover a Chevrolet, which had been purchased by one Robert Lorna in New York under a conditional sales contract, which was assigned to the plaintiff. Plaintiff filed within ten days in order to perfect his security interest according to New York law (Uniform Conditional Sales Act). However, prior to this filing, Lorna brought the automobile to Pennsylvania, secured an unencumbered certificate of title as required by Pennsylvania law, and sold the car to an innocent purchaser. Ultimately the car came into the hands of the defendant, also an innocent purchaser for value.

The court held that plaintiff could not recover the car, basing its decision on two grounds. First, it declared that under Section 9-303(1) a security interest is not perfected until all of the applicable steps required for perfection have been taken. Since all the required steps had not been completed according to New York law until the contract was filed, the security interest in the Chevrolet had not been perfected when the Chevrolet was brought into Pennsylvania. Therefore, Section 9-103(3) in regard to continuance of foreign perfection for four months would not apply. Second, subsection (4), quoted above, clearly provides that the law of the certificate of title state must govern as to manner of perfection.

[Annotator's Comment: Although in the Pennsylvania-New York situation presented here the decision can clearly be based upon sub-

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