

UNIFORM COMMERCIAL CODE (EXCERPT)
Act 174 of 1962

440.2904 Transfer from lessor to subsequent lessee; power; obtaining rights in ordinary course of business; entrustment; certificate of title.

Sec. 2A304.

(1) Subject to section 2A303, a subsequent lessee from a lessor of goods under an existing lease contract obtains, to the extent of the leasehold interest transferred, the leasehold interest in the goods that the lessor had or had power to transfer, and except as provided in subsection (2) and section 2A527(4), takes subject to the existing lease contract. A lessor with voidable title has power to transfer a good leasehold interest to a good faith subsequent lessee for value, but only to the extent set forth in the preceding sentence. If goods have been delivered under a transaction of purchase, the lessor has that power even though any of the following apply:

- (a) The lessor's transferor was deceived as to the identity of the lessor.
- (b) The delivery was in exchange for a check which is later dishonored.
- (c) It was agreed that the transaction was to be a "cash sale".
- (d) The delivery was procured through fraud punishable as larcenous under the criminal law.

(2) A subsequent lessee in the ordinary course of business from a lessor who is a merchant dealing in goods of that kind to whom the goods were entrusted by the existing lessee of that lessor before the interest of the subsequent lessee became enforceable against that lessor obtains, to the extent of the leasehold interest transferred, all of that lessor's and the existing lessee's rights to the goods, and takes free of the existing lease contract.

(3) A subsequent lessee from the lessor of goods that are subject to an existing lease contract and are covered by a certificate of title issued under a statute of this state or of another jurisdiction takes no greater rights than those provided both by this section and by the certificate of title statute.

History: Add. 1992, Act 101, Eff. Sept. 30, 1992