

MAINE STATE LEGISLATURE

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PART 2

TRANSFER AND NEGOTIATION

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§ 3-201. Transfer: right to indorsement

(1) Transfer of an instrument vests in the transferee such rights as the transferor has therein, except that a transferee, who has himself been a party to any fraud or illegality affecting the instrument or who as a prior holder had notice of a defense or claim against it, cannot improve his position by taking from a later holder in due course.

(2) A transfer of a security interest in an instrument vests the foregoing rights in the transferee to the extent of the interest transferred.

(3) Unless otherwise agreed, any transfer for value of an instrument not then payable to bearer gives the transferee the specifically enforceable right to have the unqualified indorsement of the transferor. Negotiation takes effect only when the indorsement is made and until that time there is no presumption that the transferee is the owner.

1963, c. 362, § 1.

§ 3-202. Negotiation

(1) Negotiation is the transfer of an instrument in such form that the transferee becomes a holder. If the instrument is payable to order, it is negotiated by delivery with any necessary indorsement: if payable to bearer, it is negotiated by delivery.

(2) An indorsement must be written by or on behalf of the holder and on the instrument or on a paper so firmly affixed thereto as to become a part thereof.

(3) An indorsement is effective for negotiation only when it conveys the entire instrument or any unpaid residue. If it purports to be of less, it operates only as a partial assignment.

(4) Words of assignment, condition, waiver, guaranty, limitation or disclaimer of liability and the like accompanying an indorsement do not affect its character as an indorsement.

1963, c. 362, § 1.

§ 3-203. Wrong or misspelled name

Where an instrument is made payable to a person under a misspelled name or one other than his own, he may indorse in that name or his own or both; but signature in both names may be required by a person paying or giving value for the instrument.

1963, c. 362, § 1.

§ 3-204. Special indorsement; blank indorsement

(1) A special indorsement specifies the person to whom or to whose order it makes the instrument payable. Any instrument specially indorsed becomes payable to the order of the special indorsee and may be further negotiated only by his indorsement.

(2) An indorsement in blank specifies no particular indorsee and may consist of a mere signature. An instrument payable to order and indorsed in blank becomes payable to bearer and may be negotiated by delivery alone until specially indorsed.

(3) The holder may convert a blank indorsement into a special indorsement by writing over the signature of the indorser in blank any contract consistent with the character of the indorsement.

1963, c. 362, § 1.

§ 3-205. Restrictive indorsements

An indorsement is restrictive which either

(1) Is conditional; or

(2) Purports to prohibit further transfer of the instrument;

or

(3) Includes the words "for collection," "for deposit," "pay any bank" or like terms signifying a purpose of deposit or collection; or

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(4) Otherwise states that it is for the benefit or use of the indorser or of another person.

1963, c. 362, § 1.

§ 3-206. Effect of restrictive indorsement

(1) No restrictive indorsement prevents further transfer or negotiation of the instrument.

(2) An intermediary bank, or a payor bank which is not the depository bank, is neither given notice nor otherwise affected by a restrictive indorsement of any person except the bank's immediate transferor or the person presenting for payment.

(3) Except for an intermediary bank, any transferee under an indorsement which is conditional or includes the words "for collection," "for deposit," "pay any bank" or like terms (section 3-205 subsection (1) and (3)) must pay or apply any value given by him for or on the security of the instrument consistently with the indorsement and to the extent that he does so he becomes a holder for value. In addition such transferee is a holder in due course if he otherwise complies with the requirements of section 3-302 on what constitutes a holder in due course.

(4) The first taker under an indorsement for the benefit of the indorser or another person (section 3-205 subsection (4)) must pay or apply any value given by him for or on the security of the instrument consistently with the indorsement and to the extent that he does so he becomes a holder for value. In addition such taker is a holder in due course if he otherwise complies with the requirements of section 3-302 on what constitutes a holder in due course. A later holder for value is neither given notice nor otherwise affected by such restrictive indorsement unless he has knowledge that a fiduciary or other person has negotiated the instrument in any transaction for his own benefit or otherwise in breach of duty (subsection (2) of section 3-304).

1963, c. 362, § 1.

§ 3-207. Negotiation effective although it may be rescinded

(1) Negotiation is effective to transfer the instrument, although the negotiation is

(a) Made by an infant, a corporation exceeding its powers or any other person without capacity; or

(b) Obtained by fraud, duress or mistake of any kind; or

- (c) Part of an illegal transaction; or
- (d) Made in breach of duty.

(2) Except as against a subsequent holder in due course, such negotiation is in an appropriate case subject to rescission, the declaration of a constructive trust or any other remedy permitted by law.

1963, c. 362, § 1.

§ 3-208. Reacquisition

Where an instrument is returned to or reacquired by a prior party he may cancel any indorsement which is not necessary to his title and reissue or further negotiate the instrument, but any intervening party is discharged as against the reacquiring party and subsequent holders not in due course, and if his indorsement has been cancelled, is discharged as against subsequent holders in due course as well.

1963, c. 362, § 1.