

554.7504 Rights acquired in the absence of due negotiation effect of diversion seller's stoppage of delivery.

1. A transferee of a document, whether negotiable or nonnegotiable, to whom the document has been delivered but not duly negotiated, acquires the title and rights which the transferee's transferor had or had actual authority to convey.
2. In the case of a nonnegotiable document, until but not after the bailee receives notification of the transfer, the rights of the transferee may be defeated
 - a. by those creditors of the transferor who could treat the sale as void under section 554.2402; or
 - b. by a buyer from the transferor in ordinary course of business if the bailee has delivered the goods to the buyer or received notification of the buyer's rights; or
 - c. as against the bailee by good faith dealings of the bailee with the transferor.
3. A diversion or other change of shipping instructions by the consignor in a nonnegotiable bill of lading which causes the bailee not to deliver to the consignee defeats the consignee's title to the goods if they have been delivered to a buyer in ordinary course of business and in any event defeats the consignee's rights against the bailee.
4. Delivery pursuant to a nonnegotiable document may be stopped by a seller under section 554.2705, and subject to the requirement of due notification there provided. A bailee honoring the seller's instructions is entitled to be indemnified by the seller against any resulting loss or expense.

[S13, § 3138-a41, -a42, -b31, -b32; C24, 27, 31, 35, 39, § **8276, 8277, 9701, 9702, 9959, 9963**; C46, 50, 54, 58, 62, § 487.32, 487.33, 542.41, 542.42, 554.31, 554.35; C66, 71, 73, 75, 77, 79, 81, § 554.7504]