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The Uniform Commercial Code—A Modernization of Commercial Law

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THE UNIFORM COMMERCIAL CODE–A MODERNIZATION OF COMMERCIAL LAW

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[Editor's Note: The Uniform Commercial Code continues to be the major topic of interest in the commercial law area as additional states enact this important statute. The roster now includes Pennsylvania, Massachusetts, Kentucky, Connecticut, New Hampshire, and Rhode Island. This issue of the *Review* contains the first of a series of articles by Richard Cosway, which will complete the discussion of the sales coverage of the Code, commenced by Ralph W. Johnson *(Sales-A Comparison of the Law in Washington and the Uniform Commercial Code,* 34 WASH. L. REV.78(1959)), and will continue with a comparison of the Code and the Washington law on negotiable instruments. In 1954 the *Review* published *Secured Transactions (Other Than Real Estate Mortgages)—A Comparison of the Law in Washington and the Uniform Commerical Code,* by Warren L. Shattuck (29 WASH. L. REV. 1, 195,263 (1954)). It is hoped that these articles will provide a nucleus for the Washington annotations which will no doubt be promptly prepared if the Code is enacted here.

George V. Powell and Charles Horowitz, Washington members of the National Conference on Uniform State Laws, have announced plans to submit the Uniform Commercial Code to the 1961 session of the legislature. The following succinct statement is presented to acquaint the Bar with the origins, objectives and the content of the Code so that the Bar can make an appraisal of the worth of and need for the proposed legislation.]

The Uniform Commercial Code was prepared under the joint direction of the National Conference of Commissioners on Uniform State Laws and the American Law Institute. The National Conference, organized in 1892, sponsored the many uniform laws which the Washington Legislature has enacted in past sessions. The American Law Institute, organized in 1923, prepared the various Restatements of the Law which have so often been cited by the Washington Supreme Court.

The studies which culminated in the Uniform Commercial Code were commenced in 1942 and were concerned with the Uniform Sales Act, modernization of which even then was badly needed. This statute,

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promulgated in 1906 and patterned on a 1893 English statute, was drafted within a frame of reference determined by nineteenth century commercial practice. As new products, new selling and distribution technics, new transportation methods and new credit practices developed, it has been increasingly difficult to find in the Sales Act answers for sales-transaction problems. Controversies and litigation have been the inevitable result. Moreover, divergent construction of the statute by courts has made it operate with a steadily decreasing uniformity. In 1942 it was expected that other of the older uniform laws which also needed revision would be taken up later. The Uniform Negotiable Instruments Law, promulgated in 1896, was based on an 1882 English statute. The Uniform Warehouse Receipts Act was promulgated in 1906, the Uniform Bills of Lading in 1909, and the Uniform Stock Transfer Act in 1909. All of these statutes have suffered in varying degrees the obsolescence expectable in an extended period of business change and have in large measure ceased to be "uniform" laws by reasons of differences in judicial construction or partial amendment by some legislatures.

As work on the Sales Act progressed, it became more and more obvious that the close inter-relation between the various areas of commercial law made piece-meal modernization unwise. In 1945 the scope of the new drafting enterprise was broadened to include negotiable instruments, bank collections, bills of lading, warehouse receipts, letters of credit, bulk sales, stock and bond transfers and security transactions in assets other than land. The result is a truly "commercial" code.

The first draft of the Uniform Commercial Code was finished in 1952. The final draft, which is the subject-matter of the bill to be placed before the Washington Legislature, was promulgated in 1958. The statute is arranged in ten sub-divisions denominated "Articles." Article 1 is devoted to statements of basic principles and definitions. Article 10 is the repealer article. Each of the articles numbered 2 through 9 is concerned with a particular type of commercial activity. These articles are discussed in the following sections.

OBJECTIVES

The Uniform Commercial Code is aimed at two objectives—improvement of the legal principles which govern commercial transactions, and nationwide uniformity in those principles.

The goal of improvement was pursued by soliciting the advice of hundreds of lawyers and businessmen concerning defects in the existing

law and concerning remedies for those defects. More suggestions came to the draftsmen as legislative and other groups studied the early drafts of the statute, and from Pennsylvania, where the Code became the law in 1954. The final draft of the Code is grounded on a comprehensive examination of the present law in actual operation, and reflects to a degree unusual in the drafting of commercial law legislation the opinions of affected people and groups about the best solutions for the many problems encountered in commercial activity.

The goal of uniformity will of course be achieved only as additional states join the six (Pennsylvania, Massachusetts, Kentucky, Connecticut, New Hampshire, and Rhode Island) which have already enacted the Uniform Commercial Code. That uniformity in the commercial laws of the states is desirable seems self-evident. Inter-state commerce in all of its aspects is a vital part of the national economic structure. The movement of Washington agricultural, timber and manufactured products into other states is a vital part of our economy. Equally important is the distribution in Washington of goods manufactured or produced in other states. The flow of farm products, raw materials, credit, capital and finished goods across state lines is needlessly complicated and made more hazardous and expensive by differences, state to state, in the legal principles which govern the relationships between buyer and seller, lender and borrower, warehouseman and depositor. That the importance of uniformity is well understood in Washington has been demonstrated by the enactment here of most of the commercial-law statutes previously proposed by the National Conference of Commissioners on Uniform State Laws.

ARTICLE 2 — SALES

Article 2 of the Code would replace the Sales portion of the Uniform Sales Act, which was promulgated in 1906, enacted in Washington in 1925, and carried into RCW as chapter 63.04. The Uniform Sales Act also contains a partial coverage of documents of title. The pertinent RCW sections are 63.04.280 — 63.04.410. Article 2 has no comparable provisions. Article 7 contains a comprehensive treatment of both bills of lading and warehouse receipts.

Experience with the Uniform Sales Act has disclosed some gaps in its coverage. There are routine sales problems for which clear and specific statutory solutions should be but are not now available. Approximately one-third of article 2 is devoted to the statement of rules covering such problems. The following examples are illustrative. Sec-

tion 2-202 states principles regulating the admission of parol evidence to contradict a memorandum of sale. Section 2-205 makes irrevocable a merchant's written offer which by its terms gives assurance that it will be held open, even though the offer is not supported by consideration. Section 2-207 takes cognizance of the use by many businessmen of their own printed forms and of the contract-formation complications which ensue from use by an offeree of a form normally employed by him in ordering goods. The offeree's form may contain provisions not conforming to the offer. Under section 2-207 there is an acceptance unless the offeree's variant terms are expressly made conditions. Section 2-210 provides rules for the regulation of assignment of rights and delegation of duties under a contract to sell. Section 2-302 permits the court to refuse enforcement of a contract or contract term deemed by it to be unconscionable. Section 2-501 indicates when a buyer acquires and the period during which a seller retains an insurable interest in goods. Each of these sections deals with matters on which there is now a continuing grist of controversy and litigation. The Code rules should materially help in resolving such disputes.

Experience with the Sales Act has also disclosed some points at which that statute operates inefficiently or no longer conforms to business practices, or at which the language could be improved. Two-thirds of article 2 is devoted to corrections in these details. The following examples are illustrative. Section 2-201 restates the Statute of Frauds requirements for sales transactions. Sections 2-312, 2-313, 2-314 and 2-315 restate the rules regulating warranties. Sections 2-319, 2-320 and 2-321 provide clear definitions of the terms "F.O.B.," "F.A.S.," "C.I.F." and "C. & F." and indicate their operation. The subject-matter of the illustrative sections has heretofore been particularly fruitful of controversy. The Code rules should operate with a minimum of friction.

At two points the Code departs from the Sales Act in matters of basic policy. In both particulars the departure seems obviously desirable. Under the Sales Act, title to the goods regulates several incidents (notably the risk of loss) of the buyer-seller relationship and much litigation has been occasioned by disputes concerning the location of title. Under the Code these incidents are regulated by the parties' agreement, and by express provisions of the Code if the agreement does not cover. The second important policy change is the creation of some special rules for the transactions of "merchants," that is, persons in the business of buying or selling goods. One example is the "firm offer" rule

mentioned above. Another is the rule stated in section 2-403(2), that the entrusting of goods to a merchant who deals in such goods gives him the power to transfer the entruster's interest to a buyer in ordinary course of business.

Persons concerned with sales, whether as buyer, seller, or counsel, will find article 2 a marked improvement over the existing sales law.

ARTICLE 3 — COMMERCIAL PAPER

Article 3 of the Code would replace The Negotiable Instruments Law, a uniform statute promulgated in 1896, enacted in Washington in 1899, and carried into RCW as chapter 62.01. Bearer bonds, which are now within some of the provisions of the older statute, are specifically covered by article 8 and are not affected by article 3.

Experience with the existing statute has disclosed ambiguities, some of which remain unresolved even now despite much litigation. Examples are to be found in RCW 62.01.029, 62.01.066, 62.01.119, 62.01.120, and 62.01.121. The applicability of these sections to accommodation parties is in several particulars obscure. Article 3 contains clearly stated rules regulating the contracts of surety parties and their discharge, in sections 3-415 and 3-416, and the discharge sections, 3-601-606. The older statute contains some provisions which are no longer compatible with business usages. Examples are the requirement of protest or dishonor of bills of exchange drawn in one state and payable in another (RCW 62.01.129, 62.01.152) and the elaborate provisions covering acceptance for honor. (RCW 62.01.161-170). These unnecessary provisions were dropped in the drafting of article 3. At other points the present statute has been construed by courts in ways which impair the utility of negotiable paper. Examples are RCW 62.01.009 (3), which has resulted in much confusion concerning the fictitious payee problem, and RCW 62.01.071, which as construed requires presentation of checks for payment within a period so short as to be impracticable in the instance of a farmer or other holder who lives at a distance from a bank. Section 3-405 of the Code sets forth definite rules for the fictitious payee situation. Section 3-503 (2) provides sensible rules governing presentment for payment (with respect to the liability of the drawer, thirty days after date or issue whichever is later; and with respect to the liability of an indorser, seven days after his indorsement).

The examples set out above are of course not exhaustive. They are fairly indicative of the modernization and clarification needed in the bills and notes area, and accomplished by article 3.

ARTICLE 4 — BANK DEPOSITS AND COLLECTIONS

Article 4 of the Code would replace RCW chapter 30.52. The subject matter of this chapter is a statute promulgated by the American Bankers Association and enacted in Washington in 1929. Article 4 would also replace RCW sections 30.16.010-050, which were enacted at various times and are concerned with some of the special problems presented by checks.

The general coverage of article 4 is regulation of the legal relations between a bank and its customer, and between banks insofar as collection items (such as checks) are concerned. The Code provisions, although differing in some details from the present statute, make no major changes. The most significant contribution of the Code is in a more detailed coverage of bank collection problems and in clarification of the law on a few points which have occasioned controversy.

ARTICLE 5 — LETTERS OF CREDIT

Article 5 of the Code creates detailed rules for the regulation of letters of credit. It has no previous statutory counterpart either in Washington or elsewhere in the United States. Although letters of credit are much used in the state, particularly in the financing of foreign imports, there is little decisional law here and not much even in the major commercial states. Article 5 is in part a codification of the existing case law and in part statutory sanction for trade usages which have developed around letters of credit. The article appears to coincide with the understanding of the Washington business community concerning the operation of letters of credit. Enactment of this statute would enable Washington financing institutions and businesses to use letters of credit with assurance concerning the resulting legal relations.

ARTICLE 6 — BULK TRANSFERS

Article 6 of the Code would replace RCW chapter 63.08, which is the current version of a statute originally enacted in 1901 and several times amended. Bulk transfers are not the subject of any previous uniform legislation.

There is no difference between the over-all purpose sought to be accomplished by the present statute and that sought to be accomplished by article 6. Both statutes aim to protect creditors of a merchant against the risks of fraud which exist where the merchant disposes of his inventory and fixtures in bulk (as opposed to sales in ordinary course of business). Both statutes implement this basic purpose by a combina-

tion of controls. The seller is required to make, under oath, and furnish to the buyer, a list of his creditors and of the inventory or fixtures being sold. The buyer is required to file the list with the county auditor, and to disburse sales proceeds first to creditors. The statutes do however differ in some details. It is believed that on balance article 6 provides the greater protection to creditors.

In three particulars the Code coverage is less broad than is the present Washington statute. Article 6 does not cover service enterprises such as taverns, cafes or hotels, and does not cover fixtures or equipment sold in a transaction which does not include inventory. Section 6-111 requires the seller's creditors to move against the buyer or against the property within six months after a nonconforming buyer takes possession. RCW chapter 63.08 contains no special statute of limitations for bulk-sale transactions. In other particulars the Code coverage is broader than that provided by 63.08. Section 6-102 (2) encompasses tranfers of a major part of inventory; RCW 63.08.010 is limited to transfer of all or substantially all of a business or inventory or fixtures. Section 6-104 (a) requires the seller to list all of his creditors. RCW 63.08.020 demands only disclosure of his business creditors. Section 6-104 (c) requires the buyer to preserve the list of creditors and of property for six months and to permit creditors to see and copy from it. Sections 6-105 requires the buyer to notify creditors of the impending transfer, either personally or by registered mail. The present statute has no comparable provisions. Section 6-106 makes the buyer personally liable to creditors if he fails to distribute sales proceeds as article 6 specifies. The only penalty under RCW 63.08.050 is invalidity in the sale; creditors can pursue the property—if they can find it.

It should be observed that article 6 does not specifically make the seller's conduct in providing a false list a crime, as does RCW 63.08.060. Since article 6 requires the seller to swear to his list, the general perjury provisions of the Washington criminal law (RCW 9.72.030, 9.72.040 and 9.72.060) would no doubt be violated by his false oath.

It should also be observed that section 6-106 (1) extends the buyer's duty to creditors whose names were not on the seller's list, if they file their claims with the buyer within thirty days after the notice to creditors was mailed. This provision can of course help an omitted creditor only if he learns of the impending sale. There is reason to believe that his prospects for acquiring this information will be excellent. There will be general awareness of the sale among the seller's creditors, by reason of the notice to them required by section 6-107.

There will also be the information bulletins of credit management associations, which check filings in the auditor's office and inform their membership of the data so acquired. An omitted creditor will learn of the sale if he receives such a bulletin. He will probably learn of it through his contacts with other creditors, even if he is not a credit management association member. The present Washington statute makes no provision for the omitted creditor. It may well be that if he learns of the impending sale and notifies the buyer prior to distribution of the sale price, the court would require the buyer to treat him as though his name were on the list. The explicit provision of article 6 is however better protection than the probability of a favorable court decision in the event of litigation. Moreover, the thirty-day provision of section 6-106 (1) much increases the omitted creditor's opportunity to learn of the sale and file his claim.

ARTICLE 7

WAREHOUSE RECEIPTS, BILLS OF LADING AND OTHER DOCUMENTS OF TITLE

Article 7 of the Code would replace the Uniform Warehouse Receipts Act, which was promulgated in 1906, enacted in Washington in 1913, and carried into RCW as chapter 22.04. It would also replace the Uniform Bills of Lading Act, which was promulgated in 1909, enacted in Washington in 1915, and carried into RCW as chapter 81.32. It would replace that part of the Uniform Sales Act (RCW 63.04.280 - 63.04.410) which is devoted to documents of title.

The principal contribution of article 7 is in its consolidation of the statutory coverage of intrastate transactions involving documents of title, now spread through three statutes which are not at all points consistent. Distinctions are made in the Code between warehouse receipts and bills of lading only where special problems exist which require different treatment.

Article 7 is also a revision of the earlier statutes, clarifying some details which have proved in practice to be confusing, and including some new matter made desirable by changes in the operations of carriers and warehousemen.

Examples of clarification are found in sections 7-204 and 7-309, which spell out the rules governing contractual terms limiting the liability of a carrier or warehouseman; in section 7-301, which states rules governing a carrier's liability for improper loading; and in section 7-404, which protects a bailee who in good faith delivers to his bailor,

even though the bailor's conduct in creating the bailment may have been wrongful as against another person.

Examples of modernization are found in section 1-201, which extends the definition of "bill of lading" to include freight forwarders' bills and bills issued by contract carriers; in section 7-303, which takes cognizance of the reconsignment problem and states who can effectively direct reconsignment; and in section 7-305, which permits a carrier to issue a bill of lading at destination.

Article 7 departs at a few points from the present statutes. In section 7-102(1)(h) a "warehouseman" is defined as one who is so engaged, without regard to the lawfulness of his operation. The change seems desirable; failure of the warehouseman to meet statutory regulations should not insulate him from liability on his receipts. Under section 7-205 a buyer of fungible goods in ordinary course from a warehouseman who also deals in such goods for his own account takes free of the interests of persons who hold warehouse receipts. This change also seems desirable; it follows the modern trend which is to protect a person who buys in ordinary course from a merchant. Section 7-307 preserves the carrier's lien against a person as to whom the bailment was wrongful, if the carrier was required by law to receive the goods for transportation, and provided the carrier was unaware of the wrongfulness of the bailment. This change seems desirable. Even in the instance of stolen goods, if the carrier is under a statutory duty to transport them its lien should be effective against the rightful owner.

Article 7 would appear to be a worthwhile improvement over the existing law.

ARTICLE 8 — INVESTMENT SECURITIES

Article 8 would replace the Uniform Stock Transfer Act, promulgated in 1909, enacted in Washington in 1939 and carried into RCW as chapter 23.80. It would also replace RCW 21.16.010 and 21.16.020, which had when enacted in 1947 no uniform law counterpart. These RCW sections protect a corporation or transfer agent who acts in good faith against liability to the beneficiary for a wrongful registration or transfer by a fiduciary. It also supersedes such of the Negotiable Instruments Law as appertains to bearer bonds.

Article 8 provides detailed and comprehensive rules governing the issuance and transfer of "investment securities," a term broadly enough defined to include both bearer bonds and stock certificates. For many purposes bonds and stock certificates are treated alike and given characteristics of negotiability. The rules stated in the article for bonds

are a particularly useful modernization of the law. Being payable to bearer and in money, a bond now falls within the general framework of the Negotiable Instruments Law, which is a statute ill-suited to long-term investment securities. A bond must of necessity refer to the underlying indenture agreement and this has resulted in much controversy concerning the negotiability of bonds. The many technical problems which can come up in the transfer of this type of investment security require statutory treatment which goes far beyond the Negotiable Instruments Law.

As would be expected of a statute now fifty-one years old and operating in an area which has expanded as much as has the investment security area, the Stock Transfer Act does not now provide complete coverage. It has in practice been supplemented by trade usage and by some decisional law; both have been drawn on in article 8, which is however as to stock certificates basically a revision of the older statute. In the Stock Transfer Act the emphasis is on the legal relations between transferor and transferee, and transferee and a third-party claimant. There is particular need for detailed coverage also of the legal relations between an issuing corporation or its transfer agent and persons having or claiming an interest in a certificate. This coverage is provided by article 8.

The Uniform Stock Transfer Act makes no attempt to solve the special problems faced by transfer agents and issuing corporations under the common law, where the registration or transfer of an investment security is by a fiduciary. This defect has led to serious delays in the closing of estates and in other situations where fiduciaries are involved. The Washington legislature recognized the need for corrective measures and enacted the statute which is now RCW 21.16.010 and 21.16.020. Article 8 has substantially identical coverage, in sections 8-403(3), 8-404(1) (b), and 8-406(1) (b).

Another detail on which the Stock Transfer Act is not definitive is the legal situation where a particular certificate is an overissue. Section 8-104 states rules for the solution of this problem.

The legal effect of a call for its redemption or exchange on subsequent transfers of a bond or stock certificate presents special difficulties for which neither the Negotiable Instruments Law nor the Stock Transfer Act affords solutions. Sections 8-203 and 8-305 state rules governing the transferee's position as to the issuer and as to adverse claimants.

Article 8 is a badly needed modernization of the law relating to investment securities.

ARTICLE 9

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

Article 9 would replace the Uniform Trust Receipts Act, promulgated in 1933, enacted in Washington in 1943, and carried into RCW as chapter 61.20. It would also replace RCW chapters 61.04, 61.08, 61.16, 63.12, 63.16, and RCW sections 65.08.010, 65.08.020, 65.08.040. These RCW chapters and sections comprise the present Washington statutory coverage of chattel mortgages, conditional sale contracts and assignments of accounts receivable.

In stating both substantive law and filing requirements for security transactions in all types of property save land, article 9 creates a simple, efficient and unified security system for an area now characterized by the utmost in complexity and confusion.

Four kinds of transaction by which security in chattels can be taken are now used in Washington—pledges, chattel mortgages, conditional sales and trust receipts. Each type is governed by a special set of substantive law principles and (save for the pledge of chattels) by a special filing statute. In practice the rigid classifications created by these substantive law and filing rules create pitfalls for the unwary seller or lender. The inflexibility of the existing law also makes it difficult to handle secured financing which does not exactly fit into one of the available types. The present situation has neither logical nor practical justification. It can be explained only as the product of historical accident.

The pledge has become the accepted method for taking collateral in contract rights, book accounts, stock certificates, bonds, bills of lading and warehouse receipts—again more by accident than otherwise. Being traditionally grounded on possessory control over the collateral, a pledge is not an ideal method for taking security in accounts or other intangible interests. Some warping of the concept of "possession" and some uncertainties have resulted from the use of pledges for such collateral.

Public notice through filing is now required for assignments of accounts receivable but not for pledges of other kinds of asset.

Two important themes run through article 9. One is the concept of unification, of a basic set of legal principles and a basic filing system for most security transactions, with exceptional treatment for the few special problems which require it. The other is the concept of moderni-

zation, of conformity to present-day financing needs and practices.

Some examples will demonstrate how these concepts were carried out in the drafting of article 9.

Section 9-203 requires for the creation of a security interest only that the collateral be in the possession of the secured party under an agreement for security, or that the debtor sign a document describing the collateral (and the land where crops or minerals are involved) and reciting the existence or creation of a security interest. There are no restrictions or special rules such as are now encountered in the use of conditional sale contracts or trust receipts and which can operate to invalidate a bona fide transaction.

Under sections 9-204 and 9-303(1) a security agreement which so provides will attach to after-acquired property of the debtor (with a limited number of exceptions), the original filing being effective to protect all the collateral. Under section 9-204 future advances whether mandatory or optional are secured if the security agreement covers them. Save for crops, the operation of future property clauses in Washington chattel mortgages under the present law remains uncertain, the major difficulty being with the filing statute. The operation of future advance clauses in chattel mortgages or pledges is complicated by distinctions made in Washington decisions between mandatory and optional advances, and by uncertainty about the evidence requisite to prove an advance was mandatory.

Section 9-205 abrogates the common-law rules which invalidate a security transfer as to the transferor's creditors if the secured party permits the debtor to consume or sell or retain dominion over the collateral or its proceeds, without an accounting. Although the Washington legislature has already partially abrogated these rules, in RCW 63.12.030 and 63.16.080, inventory financing is still much complicated by an accounting requirement and by uncertainty concerning the exact scope of the requirement.

Under section 9-307(1) a bona fide purchaser of goods from a person who is in the business of selling such goods takes free of any security interest in them. This conforms to decisions of the Washington court which seem entirely fair in result but are difficult to reconcile with the present chattel mortgage and conditional sale filing statutes.

Save for possessory security, (and a few other exceptions concerned with particular types of property) public filing is required by section 9-302. The place for filing is with the Secretary of State, excepting security in consumer goods, farm equipment or crops and accounts

arising from the sale of crops by a farmer as to which filing must be with the auditor in the county of the debtor's residence. What is filed is a writing signed by the debtor and the secured party, stating the addresses of both, and describing the property. This type of notice-filing is now required by the Washington trust receipt and accounts receivable statutes and is working well.

An important contribution of the article 9 filing system is in its elimination of the numerous and diverse technical formalities demanded by the present statutes. That these formalities accomplish or have ever accomplished any useful purpose is doubtful. That they create many opportunities for mistakes in the execution and filing of security documents is amply attested by the appellate decisions in which the effects of such mistakes were in issue.

A major test of any body of security law is its operation when the debtor defaults. Does it protect his equity in the collateral against forfeiture, and against waste by realization technics which are not calculated to bring as near the fair market value of the collateral as can reasonably be obtained? Does it enable the secured party to proceed with confidence and to employ the realization method best suited to obtaining the maximum of return from the collateral? Article 9 provides in sections 9-501 through 9-507 a comprehensive set of remedies which amply protect the interests of both parties and which permit a high degree of flexibility in adjusting the realization method to the type of collateral. These sections are in marked contrast with the drawbacks and rigidities of the existing remedies rules—the inescapable sheriff's sale in chattel mortgage foreclosure, a method which cannot as to some kinds of goods be expected to produce a fair price; the vendor's forced election between repossession and recovery of the contract balance, and forfeiture of the vendee's equity on repossession, which are features of the Washington conditional sale law; the uncertain margins of the "fair sale" concept, which complicates many a pledgee's realization.

Section 9-103 also resolves the perplexing difficulties now encountered when security is taken in a chattel intended to be removed from Washington to another state, when an encumbered chattel is removed to Washington from another state, and when pledged accounts receivable or contract rights have inter-state elements. These transactions raise problems as to which the present Washington rules are either undeterminable or confused.

Article 9 is a long-over-due modernization of the law governing security transactions.

SUMMARY

In closing this report on the Uniform Commercial Code it seems appropriate to stress three points.

The proposed statute is the product of the National Conference of Commissioners on Uniform Laws and the American Law Institute, organizations which represent no private interest or group and have no objective save improvement of the law.

The proposed statute is the end-result of a prodigious amount of effort, not only on the part of the sponsoring organizations but also on the part of the hundreds of people who participated in its preparation as draftsmen and advisors. Any likelihood that this effort can be duplicated in the foreseeable future is indeed remote.

In considering the wisdom of enacting the proposed statute the approach should be—"is it a worthwhile advance in commercial law?," and not "is it perfect?" No statute of this scope will please everyone in all its details. In both language and content the Uniform Commercial Code represents the best effort of experienced organizations and persons who had no self-interest to be served. That the proposed statute is a worthwhile advance in commercial law seems clear beyond doubt. That there is a need for revision and modernization of commercial law will not be questioned by anyone who has any familiarity with commerce.