

DEPAUL UNIVERSITY COLLEGE OF LAW

Commercial Paper

Professor William Stuart

Course Description

In the Commercial Paper course, we consider the contractual liability of parties to a negotiable instrument and the effects of the transfer and payment of a negotiable instrument upon any underlying obligation between the parties. We discuss the liability of the maker of a promissory note, of the drawer of checks and other drafts and of indorsers generally. Our focus will be principally on Articles 3, 4, and 4A of the Uniform Commercial Code. In addition, attention will be paid to the electronic transfers of funds with special emphasis on the Expedited Funds Availability Act and the Federal Reserve Regulation CC.

Method of Evaluation

The course grade will be based on a three hour, written final examination. Regular preparation and participation in class will be indispensable to performance on the examination and mastery of the subject.

Class Hours

This is a three hour class.

Assigned Materials

1. Problems and Materials on Payment Law, Douglas J. Whaley, 8th ed., Aspen Publishers
2. Selected Commercial Statutes For Payment Systems Courses, Carol Chomsky, Thomson-West Publishers
3. Commercial Paper Supplemental Cases, William Stuart, DePaul University

COURSE OUTLINE

- I. Negotiability
 - A. Types of Negotiable Instruments
 - B. The Requisites of a Negotiable Instrument
- II. Negotiation
 - A. Parties to the Instrument
 - B. Negotiability vs. Negotiation
 - C. Transfer and Negotiation
 - D. Special vs. Blank Indorsements
 - E. Forging of the Payee's Name
- III. Holders in Due Course
 - A. Acquiring HDC Status
 - B. Real vs. Personal Defenses
- IV. The Nature of Liability
 - A. The Underlying Obligation
 - B. Liability on the Instrument
 - 1. The Maker's Obligation
 - 2. The Indorser's Obligation
 - 3. The Surety's Obligation
 - 4. The Drawer's Obligation
 - 5. The Drawee's Obligation
 - 6. The Agent's Obligation
- V. Banks and Their Customers
 - A. The Checking Account
 - 1. "Properly Payable" Rule
 - 2. Wrongful Dishonor
 - 3. Death or Incompetence of the Customer
 - 4. Bank's Right of Setoff
 - 5. Customer's Right to Stop Payment
 - 6. Bank Statements

- B. Bank Collection
 - 1. Funds Availability
 - 2. Final Payment
 - 3. Check Return
 - 4. Charge Back
 - 5. Undoing Final Payment
 - 6. Priorities: “The Four Legals”

- VI. Wrongdoing and Error
 - A. Forging of the Payee’s Name
 - B. Forging of the Drawer’s Name
 - C. Validation of the Forgery
 - D. Alteration

- VII. Electronic Banking
 - A. The Electronic Fund Transfer Act
 - 1. Credit Cards
 - 2. Asserting Defenses Against the Credit Card Issuer
 - 3. Billing Errors
 - 4. Electronic Fund Transfers and the Consumer

 - B. Wire Transfers
 - 1. Scope of Article 4A
 - 2. Acceptance of Payment Orders
 - 3. Transmission Errors