

PENNSYLVANIA (Status of the Commercial Code for 2020)

TITLE 13. COMMERCIAL CODE

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§ 1301. Territorial applicability; parties' power to choose applicable law.

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(a) **Agreement; reasonable relation requirement.**--Except as otherwise provided in this section, when a transaction bears a reasonable relation to this Commonwealth and also to another state or nation, the parties may agree that the law either of this Commonwealth or of such other state or nation shall govern their rights and duties.

(b) **Absence of agreement; approved relation requirement.**--In the absence of an agreement effective under subsection (a), and except as provided in subsection (c), this title applies to transactions bearing an appropriate relation to this Commonwealth.

(c) **Mandatory applicability of title.**--If one of the following provisions of this title specifies the applicable law, that provision governs, and a contrary agreement is effective only to the extent permitted by the law so specified:

- (1) *Section 2402 (relating to rights of creditors of seller against sold goods).*
- (2) *Sections 2A105 (relating to territorial application of division to goods covered by certificate of title) and 2A106 (relating to limitation on power of parties to consumer lease to choose applicable law and judicial forum).*
- (3) *Section 4102 (relating to applicability).*
- (4) *Section 4A507 (relating to choice of law).*
- (5) *Section 5116 (relating to choice of law and forum).*
- (6) *Section 8110 (relating to applicability; choice of law).*
- (7) *Ch. 93 Subch. A (relating to law governing perfection and priority).*

§ 4A507. Choice of law

<https://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=13&div=4A&chpt=4A5&scn=7&subscn=0>

(a) **General rule.**--The following rules apply unless the affected parties otherwise agree or subsection (c) applies:

- (1) The rights and obligations between the sender of a payment order and the receiving bank are *governed by the law of the jurisdiction in which the receiving bank is located.*
- (2) The rights and obligations between the beneficiary's bank and the beneficiary are governed *by the law of the jurisdiction in which the beneficiary's bank is located.*
- (3) The issue of when payment is made pursuant to a funds transfer by the originator to the beneficiary is governed by the law *of the jurisdiction in which the beneficiary's bank is located.*

(b) **By agreement.**--If the parties described in each paragraph of subsection (a) have made an agreement selecting the law of a particular jurisdiction to govern rights and obligations between each other, *the law of that jurisdiction governs those rights and obligations, whether or not the payment order or the funds transfer bears a reasonable relation to that jurisdiction.*

(c) **By funds-transfer system rule.**--A funds-transfer system rule may select *the law of a particular jurisdiction to govern:*

- (1) rights and obligations between participating banks with respect to payment orders transmitted or processed through the system; or
- (2) the rights and obligations of some or all parties to a funds transfer, any part of which is carried out by means of the system.

A choice of law made pursuant to paragraph (1) is binding on participating banks. A choice of law made pursuant to paragraph (2) is binding on the originator, other sender or a receiving bank having notice that the funds-transfer system might be used in the funds transfer and of the choice of law by the system when the originator, other sender or receiving bank issued or accepted a payment order. The beneficiary of a funds transfer is bound by the choice of law if, when the funds transfer is initiated, the beneficiary has notice that the funds-transfer system might be used in the funds transfer and of the choice of law by the system. *The law of a jurisdiction selected pursuant to this subsection may govern, whether or not that law bears a reasonable relation to the matter in issue.*

**(d) Inconsistency between agreement and rule.**--In the event of inconsistency between an agreement under subsection (b) and a choice-of-law rule under subsection (c), the agreement under subsection (b) prevails.

**(e) Inconsistency between choice-of-law rules of systems.**--If a funds transfer is made by use of more than one funds-transfer system and there is inconsistency between choice-of-law rules of the system, the matter in *issue is governed by the law of the selected jurisdiction that has the most significant relationship to the matter in issue.*

**Cross References.** Section 4A507 is referred to in sections 1301, 4A501 of this title.

### § 5116. Choice of law and forum.

<https://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=13&div=5&chpt=51&sctn=16&subsctn=0>

**(a) Express choice of law.**--The liability of an issuer, nominated person or advisor for action or *omission is governed by the law of the jurisdiction chosen by an agreement in the form* of a record signed or otherwise authenticated by the affected parties in the manner provided in section 5104 (relating to formal requirements) or by a provision in the person's letter of credit, confirmation or other undertaking. The jurisdiction whose law is chosen need not bear any relation to the transaction.

**(b) Governing law otherwise.**--Unless subsection (a) applies, the liability of an issuer, nominated person or advisor for action or omission *is governed by the law of the jurisdiction in which the person is located.* The person is considered to be located at the address indicated in the person's undertaking. If more than one address is indicated, the person is considered to be located at the address from which the person's undertaking was issued. For the purpose of jurisdiction, choice of law and recognition of interbranch letters of credit, but not enforcement of a judgment, all branches of a bank are considered separate juridical entities, and a bank is considered to be located at the place where its relevant branch is considered to be located under this subsection.

**(c) Role of custom or practice.**--Except as otherwise provided in this subsection, the liability of an issuer, nominated person or advisor *is governed by any rules of custom or practice, such as the Uniform Customs and Practice for Documentary Credits*, to which the letter of credit, confirmation or other undertaking is expressly made subject. If:

- (1) this division would govern the liability of an issuer, nominated person or advisor under subsection (a) or (b);
  - (2) the relevant undertaking incorporates rules of custom or practice; and
  - (3) there is conflict between this division and those rules as applied to that undertaking;
- those rules govern except to the extent of any conflict with the nonvariable provisions specified in section 5103(c) (relating to variation by agreement or undertaking).

**(d) Conflict with certain other divisions.**--If there is conflict between this division and Division 3 (relating to negotiable instruments), 4 (relating to bank deposits and collections), 4A (relating to funds transfers) or 9 (relating to secured transactions), this division governs.

(e) **Forum.**--The forum for settling disputes arising out of an undertaking within this division *may be chosen in the manner and with the binding effect that governing law may be chosen in accordance with subsection (a)*.

**Cross References.** Section 5116 is referred to in sections 1301, 9306, 9700 of this title.

### § 8110. Applicability; choice of law.

<https://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=13&div=8&chapter=81&sctn=10&subscn=0>

(a) **When local law of issuer's jurisdiction governs.**--The local law of the issuer's jurisdiction, as specified in subsection (d), governs:

- (1) the validity of a security;
- (2) the rights and duties of the issuer with respect to registration of transfer;
- (3) the effectiveness of registration of transfer by the issuer;
- (4) whether the issuer owes any duties to an adverse claimant to a security; and
- (5) whether an adverse claim can be asserted against a person to whom transfer of a certificated or uncertificated security is registered or a person who obtains control of an uncertificated security.

(b) **When local law of securities intermediary's jurisdiction governs.**--The local law of the securities intermediary's jurisdiction, as specified in subsection (e), governs:

- (1) acquisition of a security entitlement from the securities intermediary;
- (2) the rights and duties of the securities intermediary and entitlement holder arising out of a security entitlement;
- (3) whether the securities intermediary owes any duties to an adverse claimant to a security entitlement; and
- (4) whether an adverse claim can be asserted against a person who acquires a security entitlement from the securities intermediary or a person who purchases a security entitlement or interest therein from an entitlement holder.

(c) **Assertion of adverse claims.**--The local law of the jurisdiction in which a security certificate is located at the time of delivery governs whether an adverse claim can be asserted against a person to whom the security certificate is delivered.

(d) **Definition of "issuer's jurisdiction".**--"Issuer's jurisdiction" means the jurisdiction under which the issuer of the security is organized or, if permitted by the law of that jurisdiction, the law of another jurisdiction specified by the issuer. An issuer organized under the laws of this Commonwealth may specify the law of another jurisdiction as the law governing the matters specified in subsection (a)(2) through (5).

(e) **Determination of "securities intermediary's jurisdiction".**--The following rules determine a "securities intermediary's jurisdiction" for purposes of this section:

(1) If an agreement between the securities intermediary and its entitlement holder governing the securities account expressly provides that a particular jurisdiction is the securities intermediary's jurisdiction for purposes of this chapter, this division or this title, that jurisdiction is the securities intermediary's jurisdiction.

(2) If paragraph (1) does not apply and an agreement between the securities intermediary and its entitlement holder governing the securities account expressly provides that *the agreement is governed by the law of a particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction*.

(3) If neither paragraph (1) nor paragraph (2) applies and an agreement between the securities intermediary and its entitlement holder governing the securities account expressly provides that the securities account is maintained at an office in a particular jurisdiction, that jurisdiction is the securities intermediary's jurisdiction.

(4) If none of the preceding paragraphs applies, the securities intermediary's jurisdiction is the jurisdiction in which the office identified in an account statement as the office serving the entitlement holder's account is located.

(5) If none of the preceding paragraphs applies, the securities intermediary's jurisdiction is the jurisdiction in which the chief executive office of the securities intermediary is located.

**(f) Factors not used to determine securities intermediary's jurisdiction.--**A securities intermediary's jurisdiction is not determined by the physical location of certificates representing financial assets, or by the jurisdiction in which is organized the issuer of the financial asset with respect to which an entitlement holder has a security entitlement, or by the location of facilities for data processing or other record keeping concerning the account.

(June 8, 2001, P.L.123, No.18, eff. July 1, 2001)

### **Section 2402 (relating to rights of creditors of seller against sold goods).**

<https://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=13&div=2&chpt=24&sctn=2&subsctn=0>

**(a) Priority of buyer over unsecured creditors.--**Except as provided in subsections (b) and (c), rights of unsecured creditors of the seller with respect to goods which have been identified to a contract for sale are subject to the rights of the buyer to recover the goods under this division (section 2502 (relating to right of buyer to goods on insolvency of seller) and section 2716 (relating to right of buyer to specific performance or replevin)).

**(b) Right to void sale upon fraudulent retention of goods.--**A creditor of the seller may treat a sale or an identification of goods to a contract for sale as void if as against him a retention of possession by the seller is fraudulent under any rule of law of the state where the goods are situated, except that retention of possession in good faith and current course of trade by a merchant-seller for a commercially reasonable time after a sale or identification is not fraudulent.

**(c) Other rights of creditors unimpaired.--**Nothing in this division shall be deemed to impair the rights of creditors of the seller:

- (1) under the provisions of Division 9 (relating to secured transactions); or
- (2) where identification to the contract or delivery is made not in current course of trade but in satisfaction of or as security for a pre-existing claim for money, security or the like and is made under circumstances which under any rule of law of the state where the goods are situated would apart from this division constitute the transaction a fraudulent transfer or voidable preference.

**Cross References.** Section 2402 is referred to in sections 1301, 7504 of this title.

### **§ 2403. Power to transfer; good faith purchase of goods; "entrusting."**

**(a) Transfer of title.--**A purchaser of goods acquires all title which his transferor had or had power to transfer except that a purchaser of a limited interest acquires rights only to the extent of the interest purchased. A person with voidable title has power to transfer a good title to a good faith purchaser for value. When goods have been delivered under a transaction of purchase the purchaser has such power even though:

- (1) the transferor was deceived as to the identity of the purchaser;
- (2) the delivery was in exchange for a check which is later dishonored;
- (3) it was agreed that the transaction was to be a "cash sale"; or
- (4) the delivery was procured through fraud punishable as larcenous under the criminal law.

**(b) Transfer by merchant entrusted with possession of goods.--**Any entrusting of possession of goods to a merchant who deals in goods of that kind gives him power to transfer all rights of the entruster to a buyer in ordinary course of business.

**(c) Definition of "entrusting".**--"Entrusting" includes any delivery and any acquiescence in retention of possession regardless of any condition expressed between the parties to the delivery or acquiescence and regardless of whether the procurement of the entrusting or the disposition of the goods by the possessor has been such as to be larcenous under the criminal law.

**(d) Rights of other purchasers and lien creditors.**--The rights of other purchasers of goods and of lien creditors are governed by Division 7 (relating to documents of title) and Division 9 (relating to secured transactions).  
(July 9, 1992, P.L.507, No.97, eff. one year)

**Cross References.** Section 2403 is referred to in sections 2103, 2702, 2A103, 7209, 7503, 9315 of this title.

### **Sections 2A105 (relating to territorial application of division to goods covered by certificate of title)**

<https://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=13&div=2A&chpt=2A1&sctn=5&subsctn=0>

Subject to the provisions of sections 2A304(c) (relating to subsequent lease of goods by lessor) and 2A305(c) (relating to sale or sublease of goods by lessee), with respect to goods covered by a certificate of title issued under a statute of this Commonwealth or of another jurisdiction, compliance and the effect of compliance or noncompliance with a certificate of title statute are governed by the law (including the conflict of laws rules) of the jurisdiction issuing the certificate until the earlier of:

- (1) surrender of the certificate; or
- (2) four months after the goods are removed from that jurisdiction and thereafter until a new certificate of title is issued by another jurisdiction.

### **2A106 (relating to limitation on power of parties to consumer lease to choose applicable law and judicial forum).**

<https://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=13&div=2A&chpt=2A1&sctn=6&subsctn=0>

**(a) Choice of law.**--If the law chosen by the parties to a consumer lease is that of a jurisdiction other than a jurisdiction in which the lessee resides at the time the lease agreement becomes enforceable or within 30 days thereafter or in which the goods are to be used, the choice is not enforceable.

**(b) Choice of judicial forum.**--If the judicial forum chosen by the parties to a consumer lease is a forum that would not otherwise have jurisdiction over the lessee, the choice is not enforceable.

### **Section 5116 (relating to choice of law and forum).**

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