

**COURSE SYLLABUS  
COMMERICAL LAW -- PAYMENT SYSTEMS  
SPRING QUARTER 2010**

Professor Daniel A. Austin Class meets: M, W, 3:30 p.m. – 5:00 p.m. Office hours: T: 10-12, W: 12-2	Office: Cargill 54a Tel: 617.373.3668 Email: d.austin@neu.edu
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**OVERVIEW OF THE COURSE**

The consideration for most transaction is money. Yet transactions are seldom paid with actual cash, which is bulky and inconvenient to carry. Instead, modern commerce relies upon complex and constantly-evolving legal and electronic systems to provide an efficient means of making payments. These systems, treated mostly in UCC Articles 3, 4, and 4A, and in several other statutes, are the subject of this course.

**EVALUATION**

We will learn through class discussion and simulations. In the simulations, you will negotiate and/or litigate commercial law issues. It is essential that you read the material and engage in class discussion. Fifty percent of your grade will be based upon class participation and upon your performance in representing your clients in the simulations. The other 50% of your grade will be based upon an open-note, open-book final exam.

**TEXT**

The main text for the course is William D. Warren and Steven D. Walt, Commercial Law (Foundation Press, Seventh Ed., 2007). You will also need a copy of the Uniform Commercial Code. I recommend Selected Commercial Statutes (West, 2009 Ed.), which includes the UCC with Official Comments, and relevant other statutes.

I recommend that you also read Nial Ferguson, The Ascent of Money (Penguin Press, 2008). This is a lively and highly readable primer on role and current status of finance. For a moderate investment in time and effort, you will have a much more sophisticated understanding of modern economics.

**READINGS AND CLASS DISCUSSION**

I. NEGOTIABILITY AND HOLDERS IN DUE COURSE

A. Commercial Paper and The Concept of Negotiability

Text, pp. 600-613.

Don't do problem 2 on p. 606. Don't do problem on p. 613.

B. Requirements of Negotiable Instruments

Text, pp. 613-622

You may skip *Taylor v. Roeder*, pp. 615-620.

C. Requirements for Holder in Due Course

Text, pp. 622-674

HDC is a key aspect of negotiable instruments. It is essential you review this material and become adept at identifying a HDC.

Don't read Note regarding *In Matter of Knox* on pp. 659-660.

II. LIABILITY OF PARTIES TO NEGOTIABLE INSTRUMENTS

A. Makers, Indorsers Transferees, and Banks

Text, pp. 675-690

Skip *Diaz v. Manufactureres Hanover Trust Co.*, pp. 690-692.

B. Accommodation parties and representatives

Text, pp. 693-717

Skip *Plein v. Lacky*, pp. 696 – 700, and skip pp. 700-702. Read "Signatures by Representatives" and the comment on 3-402(c) on pp. 702-703, but skip *Triffin v. Ameripay, LLC* on pp. 703- 710. Read 3-402 and Comment 2 carefully.

C. Accord and Satisfaction

Text, pp. 711-717.

III. PAYMENT SYSTEMS: CHECKS AND CREDIT CARDS

The sections in Article 4 are "default" provisions governing the duties and relationships of financial institutions. While the provisions of Article 3 and 4A generally are not modifiable, under 4-103(a), the provisions of Article 4 may, with some limitations, be modified by agreement of the parties.

A. Check Collection

1. Payor Bank

Text, pp. 718-749

Pay careful attention to *Blake v. Woodford Bank and Trust Co.*

Skip Note 2 on p. 732 dealing with *Hanna v. First National Bank*.

Read carefully the text on Regulation CC and the midnight deadline, pp. 744-749.

2. Dishonor and collection issues

Text, pp. 749-768

Skip *First Union Bank v. Bank One*, and related notes on pp. 754-758.

Note the difference between §§ 4-301 and 4-302.

B. Credit and Debit Cards

1. Use and authorization

Text, pp. 768-785. Skip the problem on p. 785.

2. Collection and fraud issues

Text, pp. 785-802

IV. PAYMENT SYSTEMS: ELECTRONIC TRANSFERS

A. Electronic Funds Transfers Under Article 4A

1. Article 4A basics

Text, pp. 803-814

2. Errors and Fraud

Text, pp. 814-839

Skip *In re Calumet Farms*, pp. 825-829. Read carefully pp. 823-824 and §4A-303, Comment 2, for the “discharge for value” rule.

Skip *Corfan Banco Trust*, pp. 835-839.

3. Bank-customer agreement

Text, pp. 839-885

Read §4A-505, but skip *Regatos v. North Fork Bank*, pp. 839-845.

B. Other Electronic Funds Transfers

You will learn a lot in this section.

Text, pp. 845-854

V. FRAUD, FORGERY, AND ALTERATION

A. Forgery

1. Allocation of Loss Between Customer and Payor Bank

Text, pp. 855-883

Do problems 1 and 2 on p. 861, but skip *Halifax Corp. v. Wachovia Bank*, p. 862-867. Read carefully §4-406, Comment 1. Section §4-406 is a key provision. Note that §4-406(d) deals with unauthorized signatures by the same wrongdoer.

2. Right of Payor Bank to Recover Mistaken Payment of Check  
Text, pp. 883-887. Read also §3-301(b)(4).
3. Conversion and Imposters  
Text, pp. 887-906
4. Double Forgery, Payroll Padding, and Allocation of Loss by Contract  
Review the middle paragraph on p. 906. Skip *Gina Chin & Associates Inc. v. First Union Bank* on pp. 906 – 908. However, determine who bears the loss in event an employer forges a check to a payee name, and forges the signature on the check and the indorsement of the payee. See Comment 3 to §3-404, Case #5.  
Text, pp. 906-914.

B. Alteration and Restrictive Endorsements

Text., pp. 914-922.

You may skip *State of Qatar v. First American Bank*, and the notes following, pp. 922-926. Of course, you may read the case if you are really fascinated by restrictive indorsements. As for myself, I've had about all I can take of the subject. In fact, if this course doesn't end soon, I'm going to scream.

VI. THE BANK-CUSTOMER RELATIONSHIP

A. Stop payments, posting, and dishonor

Text, pp. 927-957

Skip problem on pp. 944-945. Note the "high to low" discussion starting on p. 945.

B. The Bank-Customer Agreement

Text, pp. 957-989. This is fairly easy reading. Even a caveman could understand it.