

A recreational outfitter placed an online order with a seller for 20 new kayaks. The outfitter agreed to delivery by carrier under a destination contract, paid for the order, and received an email confirmation from the seller. The seller placed shipping labels on 20 individual kayaks in the seller's warehouse. The shipping labels listed the outfitter's name and address, the order number, and the proposed delivery date. The seller informed the carrier that the kayaks were ready to be picked up from the seller's warehouse for delivery to the outfitter. The carrier picked up the kayaks and delivered them to the outfitter.

At what point were the kayaks identified to the contract?

- A. When the outfitter and the seller entered into the contract.
- B. When the seller placed the shipping labels on the kayaks.
- C. When the carrier picked up the kayaks.
- D. When the carrier delivered the kayaks to the outfitter.

Incorrect

Correct answer B

Collecting Statistics

01 min, 35 secsTime Spent

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Explanation:

Under the UCC, a buyer of goods obtains an insurable interest in the goods as soon as the **goods are identified** to the contract. Identification can be made at any time by the **parties' explicit agreement**. In the **absence of** such an agreement, **identification occurs**:

for goods already existing and identified, when the contract is made *or*

for **goods that are not already existing and identified** (ie, future goods), at the earliest of when the **goods are shipped, marked, or otherwise designated** by the seller.*

Here, the recreational outfitter placed an online order with the seller for 20 new kayaks. The kayaks were not identified prior to the parties' contract, nor did the contract specifically identify them **(Choice A)**. Instead, the kayaks were identified to the contract when the seller marked them by placing shipping labels on them.

*However, in contracts for the sale of cattle to be born within 12 months after contracting or for the sale of crops to be harvested within 12 months or the next normal harvest season after contracting (whichever period is longer), identification occurs when the cattle are conceived or the crops are planted or otherwise become growing crops.

(Choices C & D) Had the seller not marked the kayaks by placing shipping labels on them, they would have been identified to the contract when the seller shipped them. Shipment occurred when the carrier picked up the kayaks—not when the carrier ultimately delivered them to the outfitter.

Educational objective:

In the absence of an agreement that identifies goods, identification occurs (1) for goods already existing and identified, when the contract is made or (2) for goods that are not already existing and identified (ie, future goods), at the earliest of when the goods are marked, shipped, or otherwise designated by the seller.

*UCC = Uniform Commercial Code.

References

U.C.C. § 2-501(1) (explaining when goods are identified to a contract).

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Identification of future goods to contract (U.C.C. § 2-501(1))

Future goods are identified at the earliest of when:

Goods are shipped



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Goods are marked



Goods are otherwise
designated by seller

