BLAW 3430 Extra Problems

Negotiable Instruments — Holder in Due Course

1. a. Discuss primary liability on a note; on a check.
   b. What is secondary liability? What must be done before a person with secondary liability can be sued? Who has secondary liability on a note? Who has secondary liability on a check?
   c. How does liability on the instrument differ from warranty liability?

2. a. What warranties are given by an endorser?
   b. What warranties are given by a transferor by delivery without endorsement?
   c. If a person has no liability on the instrument, does that mean he has no liability as a result of the transaction involved? Explain.

3. Thomas is the treasurer of Oklaw, Inc. He has authority to sign on behalf of the company. One day, he signs a note as follows: "Thomas, as treasurer." The company's name does not appear on the note. Is the company liable on the note? Is Thomas liable on the note? Explain.

4. Arthur is the payee of a negotiable promissory note on which Brian is the maker. Arthur indorses the note in blank and delivers it to Clark, who then transfers it to David without endorsement. David presents it to Brian for payment when it becomes due, but Brian claims he signed the note based upon fraud in the inducement and refuses to pay.
   a. Who is primarily liable on the instrument? Who is secondarily liable on the instrument?
   b. Who has warranty liability? Why? Explain.
   c. From whom can David try to collect now that Brian refuses to pay?

5. What is the difference between the liability of a qualified endorser and an unqualified endorser? Does the fact that a person has given a qualified endorsement mean that the person has no liability? Explain.

6. Discuss the reasons (explained in the "Business Law in Action" feature in the textbook) most banks instruct their tellers to obtain endorsements on all checks, including those made payable to "Cash."

7. Discuss the effect of an unauthorized signature on an instrument.

8. List and generally explain the warranties on presentment.