336.2A-304 SUBSEQUENT LEASE OF GOODS BY LESSOR.

(1) Subject to section 336.2A-303, a subsequent lessee from a lessor of goods under an existing lease contract obtains, to the extent of the leasehold interest transferred, the leasehold interest in the goods that the lessor had or had power to transfer, and except as provided in subsection (2) and section 336.2A-527(4), takes subject to the existing lease contract. A lessor with voidable title has power to transfer a good leasehold interest to a good faith subsequent lessee for value but only to the extent set forth in the preceding sentence. If goods have been delivered under a transaction of purchase, the lessor has that power even though:

(a) the lessor's transferor was deceived as to the identity of the lessor;

(b) the delivery was in exchange for a check which is later dishonored;

(c) it was agreed that the transaction was to be a "cash sale"; or

(d) the delivery was procured through fraud punishable as larcenous under the criminal law.

(2) If a lessee has entrusted leased goods to the lessee's lessor who is a merchant dealing in goods of that kind, a subsequent lessee from that lessor under a lease entered into after the entrustment and in the ordinary course of business takes those goods free of the existing lease contract and obtains, to the extent of the leasehold interest transferred, all of the lessor's and the earlier lessee's rights to the goods.

(3) A subsequent lessee from the lessor of goods that are subject to an existing lease contract and are covered by a certificate of title issued under a statute of this state or of another jurisdiction takes no greater rights than those provided both by this section and by the certificate of title statute.

History: *1989 c 232 art 1 s 2A-304; 1991 c 171 art 1 s 4*