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New Jersey Uniform Commercial Code
Study Commission,

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FOREWORD

On the following pages is the third report of the New Jersey Commission authorized by the legislature in 1959 to study the Uniform Commercial Code and make its recommendations concerning it.

The report speaks for itself but it is interesting to know who the ten members of the New Jersey Commission are: Two of them, Messrs. Stout and Lynch, are State Senators; two of them, Messrs. Farrington and Maraziti are Assemblymen; three of them, Messrs. Denton, Kirkman and Riker, are prominent bankers; and Messrs. Abrams, Brown and Hellring are the New Jersey Commissioners on Uniform State Laws, as well as active practicing lawyers. Messrs. Kirkman and Riker are also lawyers.

COMMERCIAL CODE COMMITTEE
OF THE
NATIONAL CONFERENCE OF COMMISSIONERS
ON UNIFORM STATE LAWS

THIRD REPORT OF THE STATE OF NEW JERSEY
COMMISSION TO STUDY AND REPORT UPON
THE UNIFORM COMMERCIAL CODE

*To: The Honorable, the Governor, the Senate
and Assembly of the State of New Jersey.*

We have the honor to submit this Third Report of the Commission.

The Commission was created by Act of June 3, 1959. Its function was to study the Uniform Commercial Code and make recommendations thereon. Our second report, which is annexed, includes our study and relates the history of the Commission and the scope of its work. With respect to our first duty—the study of the Code, we believe the second report contains as complete an analysis of the Code as has ever been made. We analyzed and evaluated each of the 400 sections and their impact on every New Jersey statute and reported case in any way affecting or affected by the Code. The Second Report is an encyclopedia and provides New Jersey with the best compilation of its own commercial law of any of the United States.

This third report is in fulfillment of our second duty—to make recommendations on whether or not New Jersey should adopt the Commercial Code.

The Commission has met as a full body 5 times. An Executive Committee of the Commission has met more than 20 times. All interested groups have been contacted. It has been discussed with representatives of the New Jersey Bankers Association. Two Hearings have been held, at the 1959 and 1960 midwinter meetings of the N. J. State Bar Association. We have heard from distinguished represen-

tatives from Pennsylvania and Massachusetts who have been living under the Code for 6 and 2 years respectively. We have examined the voluminous literature on the Code.

Based upon our study, our hearings and reports from other states, we unanimously recommend that New Jersey adopt the Uniform Commercial Code as soon as practicable.

The Code is a vast improvement over existing New Jersey law. The Acts which form the basis of our commercial law were originally drafted and promulgated by the same organization that sponsors the Code—the National Conference of Commissioners on Uniform State Laws. The Code, however, has the additional sponsorship of the American Law Institute and the approval of the American Bar Association. Our Uniform Acts, to be replaced by the Code and their dates of adoption in New Jersey are:

Negotiable Instruments	1902
Sales	1907
Stock Transfers	1916
Trust Receipts	1938
Warehouse Receipts	1907, amended 1930
Bills of Lading	1913
Conditional Sales	1919

The two most important, Sales and Negotiable Instruments were drafted respectively in 1906 and 1892, and have persisted substantially unaltered since, despite the enormous changes in the scope and form of commercial and financial activity. The result is that our modern commerce is transacted under outdated laws. In many fields there is no law in New Jersey at all. In others the law is conflicting or extremely difficult to ascertain and apply. The various interpretations of these old statutes has also seriously undermined the original concept of uniformity among the states. By now these statutes are due for extensive revision and modification.

The Code is essentially a conservative statute. It modernizes the law of commercial transactions and treats

Commercial Law as a comprehensive whole, recognizing the inter-relation between the various aspects of commercial transactions. The Code does not revolutionize the law. It does not change the basic principles. It selects those principles which have been found most effective. It fills in the gaps where there has been no law. It clarifies existing law.

The drafting of the Code took 20 years, hundreds of thousands of dollars and a great national effort by many of the best schools and commercial groups in the United States. New Jersey could not attempt such an effort itself and should take advantage of the vast reservoir of learning and experience embodied in the Uniform Commercial Code.

The Uniform Commercial Code offers the only present hope of achieving uniformity in commercial law among the several states. New Jersey will not be a pioneer in this field. Six states, including our neighbors in Pennsylvania and Connecticut have already adopted the Code. New Jersey's commercial position is as important as any. Its transactions with the rest of the United States require uniformity of treatment of commercial transactions. The National Conference of Commissioners on Uniform State Laws has no present intention of revising any of the existing acts to conflict with the Code. We believe the Code will be adopted by most of the United States, and adding New Jersey to the present list of Code states will provide renewed impetus to its adoption elsewhere. New Jersey has been in the forefront of many great legal reforms. It should also be in the forefront in the modernization of its commercial law.

To those who may assert that the law is satisfactory as it is, we recommend a detailed reading of our report which specifically shows where such assertion is not founded on fact. To those who say they will have to learn a whole new set of laws, we say our report and the Code will make the law much simpler to learn and apply than it now is. What is now scattered throughout our statutes and reports

as well as the reports of all the other states will be comprehended in a single volume.

The Code has several optional provisions. Our recommendations concerning them are annexed hereto. We have deliberately withheld our recommendations concerning filing of financing statements. Our decision as to whether or not there should be central filing or local filing requires consultation with the Secretary of State and County Clerks. Similarly we need advice on filing fees and costs. We believe central filing is the most secure and simplest of the filing systems. Office equipment manufacturers have approached us with alternative types of systems, all a vast improvement on existing systems. We shall submit our recommendations on this important subject before the end of 1960.

We also have not submitted Article X—the Repealer section. This requires careful analysis and consultation. Our report pinpoints all statutes requiring repeal, but some of the statutes, particularly for filing liens on Motor Vehicles requires accommodation with the Bureau concerned. This too we hope to report upon by January 1961.

We believe that the effective date of the Code should be one year from the date of its approval. This will allow those concerned to acquaint themselves with the new rules and change their forms and procedures.

No useful purpose will be served by further hearings on the part of the Commission. We believe that after introduction of the Code in the respective houses of the Legislature, the proper legislative committees should hold such hearings as may be deemed necessary. By that time all interested persons will have had an opportunity to study our Report. If they have any suggestions or amendments or modifications they can make them known to the Legislature.

* * *

We are proud of the honor to have served on the Commission and of the opportunity it gave us to contribute this important work.

Respectfully submitted,

ARTHUR L. ABRAMS, *Chairman*
IRVING RIKER, *Vice-Chairman*
HON. RICHARD R. STOUT
HON. JOHN A. LYNCH
HON. CHARLES E. FARRINGTON
HON. JOSEPH A. MARAZITI
J. FURMAN DENTON
ELWOOD F. KIRKMAN
LEONARD G. BROWN
BERNARD HELLRING