

Consignment Agreement ... How You Can Lose Your Goods in a Retail Bankruptcy

“In a typical consignment transaction, a seller (you, the consignor) delivers goods to a reseller (your customer, the consignee) who holds the goods until they are sold to a buyer, and then a portion of the proceeds are transferred back to the seller. Article 9 of the UCC governs most typical consignment transactions and treats the consignee as having an ownership interest even though the consignee doesn’t really own the goods. As a result, if a consignee files a bankruptcy case, any consigned goods then in its possession may become property of the bankruptcy estate unless the consignor has properly protected its interests in those consigned goods,” writes Allen J. Guon, Robert M. Fishman and Danielle N. Garno in *Cozen O’Connor’s Recent News & Publications*.

“There are a number of steps a seller must take to protect its interests in consigned goods under the UCC.”

Read the article.