

§9-1408. Restrictions on assignment of promissory notes, health-care-insurance receivables and certain general intangibles ineffective

(CONTAINS TEXT WITH VARYING EFFECTIVE DATES)

(1). Except as otherwise provided in subsection (2), a term in a promissory note or in an agreement between an account debtor and a debtor that relates to a health-care-insurance receivable or a general intangible, including a contract, permit, license or franchise, and which term prohibits, restricts or requires the consent of the person obligated on the promissory note or the account debtor to, the assignment or transfer of, or creation, attachment or perfection of a security interest in, the promissory note, health-care-insurance receivable or general intangible, is ineffective to the extent that the term:

(a). Would impair the creation, attachment or perfection of a security interest; or [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(b). Provides that the assignment or transfer or the creation, attachment or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination or remedy under the promissory note, health-care-insurance receivable or general intangible. [PL 2001, c. 471, Pt. A, §16 (AMD); PL 2001, c. 471, Pt. A, §18 (AFF).]

[PL 2001, c. 471, Pt. A, §16 (AMD); PL 2001, c. 471, Pt. A, §18 (AFF).]

(2). Subsection (1) applies to a security interest in a payment intangible or promissory note only if the security interest arises out of a sale of the payment intangible or promissory note, other than a sale pursuant to a disposition under section 9-1610 or acceptance of collateral under section 9-1620. [PL 2013, c. 317, Pt. A, §19 (AMD).]

(3). A rule of law, statute or regulation that prohibits, restricts or requires the consent of a government, governmental body or official, person obligated on a promissory note, or account debtor to the assignment or transfer of, or creation of a security interest in, a promissory note, health-care-insurance receivable or general intangible, including a contract, permit, license or franchise between an account debtor and a debtor, is ineffective to the extent that the rule of law, statute or regulation:

(a). Would impair the creation, attachment or perfection of a security interest; or [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(b). Provides that the assignment or transfer or the creation, attachment or perfection of the security interest may give rise to a default, breach, right of recoupment, claim, defense, termination, right of termination or remedy under the promissory note, health-care-insurance receivable or general intangible. [PL 2001, c. 471, Pt. A, §17 (AMD); PL 2001, c. 471, Pt. A, §18 (AFF).]

[PL 2001, c. 471, Pt. A, §17 (AMD); PL 2001, c. 471, Pt. A, §18 (AFF).]

(4). To the extent that a term in a promissory note or in an agreement between an account debtor and a debtor that relates to a health-care-insurance receivable or general intangible or a rule of law, statute or regulation described in subsection (3) would be effective under law other than this Article but is ineffective under subsection (1) or (3), the creation, attachment or perfection of a security interest in the promissory note, health-care-insurance receivable or general intangible:

(a). Is not enforceable against the person obligated on the promissory note or the account debtor; [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(b). Does not impose a duty or obligation on the person obligated on the promissory note or the account debtor; [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(c). Does not require the person obligated on the promissory note or the account debtor to recognize the security interest, pay or render performance to the secured party or accept payment or performance from the secured party; [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(d). Does not entitle the secured party to use or assign the debtor's rights under the promissory note, health-care-insurance receivable or general intangible, including any related information or materials furnished to the debtor in the transaction giving rise to the promissory note, health-care-insurance receivable or general intangible; [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(e). Does not entitle the secured party to use, assign, possess or have access to any trade secrets or confidential information of the person obligated on the promissory note or the account debtor; and [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(f). Does not entitle the secured party to enforce the security interest in the promissory note, health-care-insurance receivable or general intangible. [PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

[PL 1999, c. 699, Pt. A, §2 (NEW); PL 1999, c. 699, Pt. A, §4 (AFF).]

(5). (TEXT EFFECTIVE 7/01/25) For the purposes of this section, "promissory note" includes a negotiable instrument that evidences chattel paper.

[PL 2023, c. 669, Pt. A, §138 (NEW); PL 2023, c. 669, Pt. E, §1 (AFF).]

SECTION HISTORY

PL 1999, c. 699, §A2 (NEW). PL 1999, c. 699, §A4 (AFF). PL 2001, c. 471, §§A16,17 (AMD). PL 2001, c. 471, §A18 (AFF). PL 2013, c. 317, Pt. A, §19 (AMD). PL 2023, c. 669, Pt. A, §138 (AMD). PL 2023, c. 669, Pt. E, §1 (AFF).

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