

Article 42

(1) The seller must deliver goods which are free from any right or claim of a third party based on industrial property or other intellectual property, of which at the time of the conclusion of the contract the seller knew or could not have been unaware, provided that the right or claim is based on industrial property or other intellectual property:

(a) Under the law of the State where the goods will be resold or otherwise used, if it was contemplated by the parties at the time of the conclusion of the contract that the goods would be resold or otherwise used in that State; or

(b) In any other case, under the law of the State where the buyer has his place of business.

(2) The obligation of the seller under the preceding paragraph does not extend to cases where:

(a) At the time of the conclusion of the contract the buyer knew or could not have been unaware of the right or claim; or

(b) The right or claim results from the seller's compliance with technical drawings, designs, formulae or other such specifications furnished by the buyer.

OVERVIEW

1. Article 42 states the seller's duty to deliver goods that are free from industrial property or other intellectual property rights or claims of third parties. A seller is in breach if it delivers goods in violation of article 42; it has been held that the buyer bears the burden of proving such a breach.¹ It has also been held that the industrial property rights referred to in article 42 encompass "patents of any kind," including "processing patents"; and that there is a breach of article 42 if the third party's industrial or intellectual property rights in fact exists, or "if any industrial property right is being unrightfully claimed" because "[i]t is part of the seller's sphere of risk to deal with the third party in such cases."² The seller's obligation to deliver goods free of third party rights or claims based on intellectual property, however, is subject to three significant limitations. First, the seller is only liable under article 42 if the third party's right or claim is one "of which at the time of the conclusion of the contract the seller knew or could not have been unaware";³ it has been held that the buyer bears the burden of proving this element of article 42 (1).⁴ Second, the seller is only liable if the third party's right or claim is based on the law of the State designated by articles 42 (1) (a) or (b), whichever alternative is applicable. As one decision stated, "[t]he seller merely has to guarantee a corresponding conformity in certain countries, but not on a worldwide level It is primarily liable for any conflict with property rights under the law of the State in which it is being resold or in which it is supposed to be used, provided that the parties took this State into consideration at the time of the conclusion of the sales contract."⁵ The third limitation on the seller's obligations under article 42 is stated in article 42 (2), and appears to be based on assumption of risk principles: the seller is not liable if the third party's right or claim is one of which the buyer "knew or could not have

been unaware"⁶ when the contract was concluded, or if the right or claim arose from the seller's compliance with technical specifications ("technical drawings, designs, formulae or other such specifications") that the buyer itself supplied to the seller.

APPLICATION OF ARTICLE 42

2. The relatively few decisions that have applied article 42 have tended to focus on the question whether the buyer, at the time of the conclusion of the contract, knew or could not have been unaware of the third party's industrial or other intellectual property rights or claims. One decision involved a transaction governed by the 1964 Hague Convention on the Uniform Law for International Sales ("ULIS"), but the court invoked CISG article 42 (2) in deciding the case: the seller had delivered goods with a symbol that infringed a third party's well-known trademark, but the court found that the seller was not liable to the buyer because the buyer could not have been unaware of the infringement, and the buyer had itself specified attachment of the symbol in the designs that the buyer supplied the seller.⁷ Similarly, a court found that a buyer, as a professional in the field, could not have been unaware that shoelaces used on the footwear seller delivered violated a third party's trademark, and the buyer had in fact acted "with complete knowledge" of those trademark rights; the court therefore held that, under article 42 the buyer could not recover from the seller the payments buyer had made to compensate the holder of the trademark.⁸ It was also held that professional buyers who, at the time the contract was concluded, were clearly aware of the creators of a particular line of furniture, and who regularly consulted with professional interior decorators, "could not have been unaware that the furniture bought from the [Seller] was counterfeit,"

and thus the buyer could not assert a claim against the seller under article 42.⁹ And in a decision involving an action by a seller to collect the unpaid price for plastic faceplates for mobile phones, the buyer complained, *inter alia*, that the goods delivered by the seller violated the trademark rights of a third party, and that as a result “huge quantities” of the

goods had been confiscated; the court rejected the buyer’s complaint on the basis that the buyer had failed to give the seller notice specifying the third party’s right or claim within a reasonable time after the buyer became aware or ought to have become aware of such right or claim, as required by article 43 (1).¹⁰

Notes

¹ CLOUT case No. 753 [Oberster Gerichtshof, Austria, 12 September 2006], although the court noted that in “exceptional circumstances, considerations of equity can lead to a shifting of the burden of proof” (see the full text of the decision). The court appears to have derived this burden of proof rule from the Convention itself rather than from non-CISG domestic law. See also *Gerechtshof Arnhem*, the Netherlands, 21 May 1996, Unilex; *Rechtbank Zwolle*, the Netherlands, 1 March 1995 (final decision) and 16 March 1994 (interim decision), Unilex.

² CLOUT case No. 753 [Oberster Gerichtshof, Austria, 12 September 2006] (see full text of the decision).

³ The phrase “knew or could not have been unaware” as a standard for a party’s responsibility for awareness of facts is also used in articles 8 (1), 35 (3), 40 and 42 (2) (a).

⁴ *Gerechtshof Arnhem*, the Netherlands, 21 May 1996, Unilex; *Rechtbank Zwolle*, the Netherlands, 1 March 1995 (final decision) and 16 March 1994 (interim decision), Unilex.

⁵ CLOUT case No. 753 [Oberster Gerichtshof, Austria, 12 September 2006] (see full text of the decision). According to this decision, the buyer bears the burden of proving that the third party’s right or claim was based on the law of the state designated by article 42 (1) (a) or (b).

⁶ The phrase “knew or could not have been unaware” as was noted above, is also used in article 42 (1), and it appears in articles 8 (1), 35 (3), and 40.

⁷ Supreme Court of Israel, 22 August 1993, Unilex.

⁸ CLOUT case No. 479 [Cour de cassation, France 19 March 2002] (see full text of the decision). Compare CLOUT case No. 491 [Cour d’appel de Colmar, France, 23 November 2002] (holding that the buyer, who acted in its “professional capacity” in entering into the contract for sale, could not have been unaware that the blouses it purchased violated a third party’s intellectual property rights); *Cour d’appel Rouen*, France, 17 February 2000, English translation available on the Internet at www.cisg.law.pace.edu (buyer, who provided instructions regarding the shoes that seller manufactured on its behalf, could not have been unaware that the shoe ribbons on the goods it received violated the intellectual property rights of a third party).

⁹ Tribunal de grande instance de Versailles, France, 23 November 2004, English translation available on the Internet at www.cisg.law.pace.edu.

¹⁰ Landgericht Köln, Germany, 5 December 2006, English translation available on the Internet at www.cisg.law.pace.edu.