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 intellectual property rights or claims of third parties. A seller is in breach if it delivers goods in violation of article 42, but the seller’s obligation to deliver goods free of third party rights or claims based on intellectual property 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”.1 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. 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”2 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. Few decisions have applied Article 42. In one case, both the lower court and the appeals court emphasized that the buyer bears the burden of proving that, at the time the contract was concluded, the seller knew or could not have been unaware of the third party intellectual property right or claim that the buyer alleges produced a violation of article 42.3 Another 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.4 Similarly, a court found that a buyer, as a professional in the field, could not have been unaware that shoe-laces 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 (2) (a) the buyer could not recover from the seller the payments buyer had made to compensate the holder of the trademark.5

Notes

1The 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).

2The 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.
3 Hof Arnhem, the Netherlands, 21 May 1996, Unilex; Rechtbank Zwolle, the Netherlands, 1 March 1995 (final decision) and 16 March 1994 (interim decision), Unilex.

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

5 CLOUT case No. 479 [Cour de Cassation, France 19 March 2002] (see full text of the decision).