INTRODUCTION OF ARTICLES

Study on the Indemnity Clause Relevant to Intellectual Property

The Third Subcommittee, License Committee

In a patent license agreement, it is not unusual that either party falls within an unfavorable position with respect to warranty clauses. For example, the licensor might be obliged to warrant non-infringement of a third party's patent by the license granted to the licensee. The licensor might also be obliged to exclude the infringement of the licensed patent by a third party. In these cases, hardship on the licensor may vary depending on how relevant provisions are drafted.

In the United States, a patent license agreement is deemed as synonymous with a covenant not to assert the patent right. Accordingly, it is understood that there is no implied warranty obligation. Case laws support this rationale. In Japan, on the other hand, the nature of a patent license is not always clear, in particular, with regard to the warranty obligation of the licensor. In either country, it is important to provide clear indemnity/warranty clauses in agreements. This article provides some examples of indemnity/warranty clauses.

The article also discusses the indemnity/warranty clauses in commodity sales/purchase agreements. The warranty obligation of a seller is found in both in the U.S. and Japan to a certain extent in a case where a commodity sale was found to have infringed a patent right of a third party. Accordingly, it is important for a seller to include an adequate indemnity clause in its sales agreement.

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