2000

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Melissa Evans Buss

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PRODUCTS LIABILITY AND INTELLECTUAL PROPERTY LICENSORS

Melissa Evans Buss†

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I. INTRODUCTION

Imagine you work for a multi-national corporation that invests heavily in research and development and manufactures a large portfolio of products. Each year, company scientists and engineers develop new technologies that are patented or kept as trade secrets, trademarked and commercialized. However, some of the corporation's technology cannot be effectively commercialized to recoup the expenses of its investment. As a result, the corporation licenses these technologies to other companies, usually involving patent licenses and trademark licenses.

Now imagine you have just learned of an explosion at a manufacturing plant in Southfield, Michigan, which has killed twenty-five people. The manufacturing company to whom you licensed your technology owns the plant where the accident occurred. Upon further investigation, you learn that the building where the explosion occurred was the same building where the manufacturing company was using your patented chemical process to manufacture a product originally designed by you, covered by your patent, and sold under your current trademark. Many questions race through your mind. Is your company a potential defendant in a products liability lawsuit because it was the designer and developer of the original technology? Is your company a potential defendant based on its status as a patent licensor? What is your liability risk as the owner of the current trademark? Did you effectively distance your company from the manufacturing company in your licensing agreement? Will potential plaintiffs seek to include you in the lawsuit because of your "deep pockets?"

This paper summarizes the potential liability of trademark licensors, which are original designers and developers of technology who are

1. Infra Part IV.
not the manufacturer,\(^2\) and patent licensors with respect to current case law,\(^3\) and policies for both supporting and opposing liability. A variety of ways are also included to help minimize such liability from extending to trademark licensors, designers who are not the manufacturer, and patent licensors.

II. THE EXPANSION OF PRODUCTS LIABILITY

The explosion of products liability lawsuits in recent years is enough to make any developer of technology very nervous. One reason for the growth in products liability litigation has been the courts' willingness to break down barriers to extend liability to defendants. One barrier was the "privity requirement." Originally, "anyone not in 'privity of contract' with the supplier could not recover for the supplier's negligence no matter how directly and foreseeable his injuries were causally linked to that negligence."\(^4\) In 1916, Judge Cardozo in *MacPherson v. Buick Motor Co.* eliminated the privity requirement as an obstacle to recover against negligent manufacturers to encourage manufacturers to make products safer.\(^5\) Judge Cardozo stated:

> If the nature of a thing is such that it is reasonably certain to place life and limb in peril when negligently made, it is then a thing of danger... If to the element of danger there is added knowledge that the thing will be used by persons other than the purchaser, and used without new tests, then irrespective of contract, the manufacturer of this thing of danger is under a duty to make it carefully.\(^6\)

A second barrier to establishing the defendant's negligence was eliminated by the development of strict liability. The famous case of *Greenman v. Yuba Power Products, Inc.* made it easier for plaintiffs to seek relief.\(^7\) In *Greenman*, Justice Traynor established the doctrine of strict liability, stating:

> A manufacturer is strictly liable in tort when an article he places on the market, knowing that it is to be used without inspection for defects, proves to have a defect that causes

\(^2\) *Infra* Part V.
\(^3\) *Infra* Part VI.
\(^6\) *Id.*
\(^7\) 377 P.2d 897, 900-01 (Cal. 1962).
injury to a human being.... The purpose of such liability is to insure that the costs of injuries resulting from defective products are borne by the manufacturers that put such products on the market rather than the injured persons who are powerless to protect themselves and since the manufacturers have the most knowledge of the product, they can most effectively reduce the hazards. 8

Justice Traynor was instrumental in the adoption of Section 402A of the Restatement (Second) of Torts by the American Law Institute in 1964, which allowed a user or consumer, without having to establish negligence, to bring an action against a manufacturer, as well as against any other member of a distribution chain that sold a product containing a manufacturing defect. 9 The adoption of this section opened many doors to plaintiffs which had otherwise been closed.

A second reason for the growth in products liability litigation has been the courts' expansion of the scope of potential plaintiffs; for example, buyers of used products 10 and innocent bystanders. 11 The courts have also expanded the scope of potential defendants, for example, component part manufacturers. 12

A third reason for the growth in products litigation has been

8. Id.
   (1) One who sells any product in a defective condition unreasonably dangerous to the user or consumer or to his property is subject to liability for physical harm thereby caused to the ultimate user or consumer, or to his property, if (a) the seller is engaged in the business of selling such a product, and (b) it is expected to and does reach the user or consumer without substantial change in the condition in which it is sold. (2) The rule stated in Subsection (1) applies although (a) the seller has exercised all possible care in the preparation and sale of his product, and (b) the user or consumer has not bought the product from or entered into any contractual relation with the seller.
Id.
10. See generally Crandell v. Larkin and Jones Appliance Co., 334 N.W.2d 31 (S.D. 1983) (purchaser of reconditioned clothes dryer sued the used-product merchant from whom she purchased the dryer. The used-product merchant was found strictly liable for the defective dryer.).
12. See generally Suvada v. White Motor Co., 210 N.E.2d 182 (Ill. 1965) (manufacturer of a defective truck brake found liable); Fleck v. KDI Sylvan Pools, Inc., 981 F.2d 107 (3d Cir. 1992) (where a component is defectively designed for its designated use involving replacement liner for swimming pool which lacked depth markers).
the courts' willingness to impose strict liability on non-manufacturers located further up the distributive chain from the manufacturer. To impose liability on these non-manufacturers, the courts have used the "stream-of-commerce" approach. One of the first cases to use the stream of commerce theory was **Kasel v. Remington Arms.** The Kasel court stated:

> [N]o precise legal relationship to the member of the enterprise causing the defect to be manufactured or to the member most closely connected with the customer is required before the court will impose strict liability. It is the defendant's participatory connection, for his personal profit or benefit...which calls for imposition of strict liability.  

Using this same theory, other courts have determined that status as a lessor or franchisor in the distribution chain does not protect a party from being a defendant in a products liability lawsuit. For example, the court in **Cintrone v. Hertz Truck Leasing & Rental Service** found a long-term lessor of trucks strictly liable for an injurious defect that arose during the term of the lease. Other courts have stated both lessors and sellers are an integral part of the overall marketing enterprise and, therefore, they should bear the cost of injuries resulting from defective products.

As a result, products liability may extend to various parties in the distribution chain. The parties discussed in this paper are all considered "upstream" from the party who manufactured the product that caused the harm and even further "upstream" from the person who suffered injury.

### III. Products Liability Theories

Various types of liability should be understood before discussing whether or not liability extends to trademark licensors, designers who are not the manufacturers, and patent licensors.

#### A. Negligence

The following must exist for a negligence cause of action: 1) a

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14. Id. at 328.
duty of reasonable care on the part of the defendant; 2) a breach of that duty; 3) a causal connection between the conduct and the injury; and 4) an actual loss or damage as a result of injury. Negligence typically occurs when a manufacturer does not use reasonable care when designing or manufacturing a product. "Negligent manufacture" refers to conduct with respect to a single, specific product. "Negligent design" refers to an entire product line. Reasonableness is judged in view of whether someone would do the same thing or not in the same or similar circumstances.

B. Strict Liability

Strict product liability is "liability in tort for harm caused by defective products without any necessity for the plaintiff to show fault on the part of the defendant." Strict liability looks to the product rather than the conduct of the seller. "It is not important whether the defendant's negligence played a role in causing a product to be defective. A manufacturer may have utilized the finest methods of quality control extant but would still be held liable if the product that emerged from the assembly line were defective." The purpose of strict liability "is to insure that the costs of injuries resulting from defective products are borne by the manufacturer that put such products on the market rather than by the injured persons who are powerless to protect themselves." Other reasons generally given for the imposition of strict liability are to "prevent accidents and prevent frustration of consumer expectations," encouraging investment in product safety, discouraging consumption of hazardous products, reducing transaction costs, and promoting loss spreading.

18. Id.
20. Id. at 16.
C. Breach of Warranty

Causes of action in breach of warranty consist of three separate theories: 1) implied warranty of merchantability; 2) implied warranty of fitness for a particular purpose; and 3) express warranty. All three are derived from the Sales Article (Article 2) of the Uniform Commercial Code. Regardless of what type of warranty is claimed to be breached, a plaintiff must prove the following: 1) the defendant made an express warranty, or circumstances that support the imposition of any implied warranty; 2) the product breached the warranty at the time of sale; 3) the existence of damage as a result of the breach; and 4) the breach was the legal and factual cause of the damages. Merchantability is clearly the most important implied warranty because it is inseparable from the sale of product. The buyer need do nothing other than purchase the product. Breach of warranty plays an important role in determining the liability of trademark licensors discussed below.

IV. LIABILITY EXTENDING TO TRADEMARK LICENSORS

Of the three types of parties discussed in this article, the law regarding trademark licensor liability has been the most litigated and thus, the law is more developed in this area, as compared to designers and patent licensors.

A. Trademark Licenses

A trademark is any "word, name, symbol, or device" used by a manufacturer or merchant "to identify and distinguish his or her goods...from those manufactured or sold by others..." In general, trademarks perform four functions: 1) to identify one's seller's goods and distinguish them from goods sold by others; 2) to signify that all goods bearing the trademark come from or are controlled by a single, albeit anonymous source; 3) to signify that all goods bearing the trademark are of an equal level of quality; and 4) as a prime instrument in advertising and selling the goods. In addition, a trademark is the objective symbol of the "good will" that

24. See generally U.C.C. ART. II.
25. LOUIS R. FRUMER & MELVIN I. FRIEDMAN, PRODUCTS LIABILITY § 2.03 (Nov. 1998).
business has built up. Without the identification function performed by trademarks, buyers would have no way of returning to buy the product that they have used and liked. Hence, this consumer satisfaction and preference is typically labeled "good will" and a trademark is the symbol by which the world can identify that good will.\(^{28}\)

Trademarks may be licensed to others, but only where the licensor exercises control over goods and services that reach the customer under the licensed mark. Control is necessary to ensure the expected level of quality is maintained.\(^{29}\) Since the quality control function of trademarks is so important, a trademark licensor must have the right to inspect and certify the quality of products or services sold with the licensed mark under the federal Lanham Trademark Act.\(^{30}\) Also, under the Lanham Act, if the licensor fails to maintain sufficient actual control, the trademark may be considered abandoned.\(^{31}\) This quality control requirement over the nature and quality of the product on which the trademark is used forms the basis for finding trademark licensors liable for injuries to third parties who use a product bearing the trademark licensor's trademark.

**B. Review Of Case Law**

Under the current case law, trademark licensors are subject to strict liability only when their licensee's products or services hurt a third party and when the licensor participates substantially in the design, manufacture or distribution of the licensee's products or services. However, in examining the legal history of liability of trademark licensors, the law has not always been so clear. Plaintiffs have exercised many different theories to find trademark licensors liable.

The basis for holding trademark licensors strictly liable for their licensee's actions was founded initially on two theories in the early 1970's. The first theory was based on agency principles of apparent authority.\(^{32}\) The trademark represented the giving of ap-

\(^{28}\) *Id.*


parent authority to a licensee to act on behalf of the licensor. The Restatement (Second) of Torts stated, "[o]ne who puts out as his own product a chattel manufactured by another is subject to the same liability as though he were its manufacturer." Comment (d) in the same section illustrated the applicability of the rule to the owner of a trademark:

[O]ne puts out a chattel as his own product when he puts it out under his name or affixes to it his trade name or trademark. When such identification is referred to on the label as an indication of the quality or wholesomeness of the chattel, there is an added emphasis that the user can rely upon the reputation of the person so identified.

Therefore, a customer assumes when buying a product bearing a trademark that the product comes from the trademark owner, who is responsible for the product, even if it is made by the trademark licensee, who must be acting on behalf of the trademark licensor.

The second theory used by plaintiffs was the "stream of commerce" theory. The stream of commerce theory advocates that strict liability should attach to anyone, including the trademark owner, within the "stream of commerce" in which the product flows. For example, the Second District Court of Appeals in California used this expansive theory to find Remington Arms Company strictly liable for the personal injuries caused by a defective shell manufactured by its Mexican trademark licensee. Acknowledging that this was the first case to apply strict liability upward in the chain of distribution to a trademark licensor, the court said it was justified in imposing liability on anyone who is a link in the marketing enterprise, which places a defective product within the stream of commerce. The court stated that:

It is the defendant's participatory connection, for his personal profit or other benefit, with the injury-producing product and with the enterprise that created consumer demand for and the reliance upon the product (and not the defendant's legal relationship (such as agency) with the manufacturer or other entities involved in the manu-

33. RESTATEMENT (SECOND) OF TORTS § 400 (1964).
34. Id. at cmt. d.
36. Id.
facturing-marketing system) which calls for imposition of 
strict liability.37

As the law further developed in the late 1970's, courts started 
using a breach of warranty theory to find trademark licensors li-
able, particularly using a breach of an implied warranty of mer-
chantability. Relying primarily on the quality control requirement 
for trademark licensors, one of the first successful breach of war-
ranty actions was brought against the 7-Up Corporation by a plain-
tiff injured when a bottle slipped from a carton and exploded.38 
Pursuant to the trademark agreement, the licensor retained the 
right to approve the type and design of carton used by the licen-
see.39 The court found that although the licensor did not manufac-
ture, sell, handle, ship or require the use of the product, it had ex-
ercised control over the "type, style, size and design of the allegedly 
defective carton to the extent that it could be considered a supplier 
of the product."40 The court relied on the following factors in find-
ing the licensor strictly liable: 1) the risk created by approving an 
unsafe product for distribution; 2) the licensor's ability and oppor-
tunity to eliminate the unsafe character of the product; 3) the con-
sumer's lack of knowledge of the danger; and 4) the consumer's re-
liance on the trademark which gave the impression that the 
licensor stood behind the product. Other courts have used simi-
lar factors finding trademark licensors liable under a breach of war-

By the 1980's, the courts had narrowed the question of liability 
to one of sufficient participation. In other words, had the trade-
mark licensor participated significantly enough in the design, 
manufacture or distribution of the licensee's products to justify the 
imposition of strict liability under Section 402A of the Restatement 
(Second) of Torts? Sufficient participation was determined on the 
partial facts of the case. Thus, it is worth examining which facts 
show evidence of sufficient participation and which did not.

One example where a court found a trademark licensor suffi-
ciently participated in the licensee's products is Torres v. Goodyear

37. Id.
39. Id.
40. Id.
41. Id.
42. E.g., Harris v. Aluminum Co. of Am., 550 F. Supp. 1024, 1028 (W. Va 
1982).
The Torres court found the trademark licensor liable based on the licensor's level of involvement in the production of the tires, which caused the plaintiff's injuries. The licensing agreement required the tires to be manufactured according to the licensor's formulas and specifications, using only materials approved by the licensor, and gave the licensor the right to approve labeling, marketing, packaging, and advertising. Secondly, the court believed due to on the overlap in management between the licensee and licensor and the percentage of stock the licensor held in the licensee corporation, the licensor maintained sufficient control over the licensee to subject it to liability.

A second example where a court found that a trademark licensor participated sufficiently is City of Hartford v. Associated Construction Co. The City of Hartford court found a trademark licensor liable for a defective roofing base product sold by its licensee. The licensor formulated, designed, advertised, manufactured, distributed, sold, nationally promoted, and issued specifications and instructions for the product. The licensee could only buy the raw materials for making the product from the licensor. Consistent with the requirements of the Lanham Act, the licensor retained and exercised rights of control as to the quality of the product as well as to the methods and manner of its application under its licensing agreement. These actions exhibited sufficient control by the licensor over the licensee to find the licensor strictly liable.

In contrast, courts have not found evidence of substantial participation by the licensor where the licensor's involvement was limited to merely displaying their trademark on the product or marketing assistance to promote the product.

The recently published Restatement (Third) of Torts: Products Liability draws liability distinctions between those trademark licensors.
who substantially participate in their licensee's products and those trademark licensors who do not.

C. Review Of Restatement (Third) Of Torts: Products Liability

Trademark licensors are included in Section 14 of the Restatement (Third) of Torts: Products Liability, "Selling or Distributing as One's Own a Product Manufactured by Another." This section was derived from Section 400 of the Restatement (Second) of Torts. "One engaged in the business of selling or otherwise distributing products who sells or distributes as its own a product manufactured by another is subject to the same liability as though the seller or distributor were the product's manufacturer." The owner of a trademark is not liable if he licenses a manufacturer to place the licensor's trademark or logo on the manufacturer's product and distribute it as though manufactured by the licensor. Even though purchasers of the product might assume that the trademark owner was the manufacturer, the licensor does not "sell[s] or distribute[s] as its own a product manufactured by another." However, trademark licensors are liable for harm caused by defective products distributed under the licensor's trademark or logo when they substantially participate in the design, manufacture, or distribution of the licensee's products. In these circumstances, they are treated as sellers of the products bearing their trademarks and may be liable for the manufacturing defect, defective design, or failure to warn of defects in the licensee's products.

In summary, trademark licensor liability is determined by whether or not the trademark licensor has substantially participated in the design, manufacture or distribution of the licensee's products. Ways for minimizing liability, while still maintaining the quality requirements under the Lanham Act, are listed in a later section.

55. Id. at cmt. c.
56. Id. at § 14.
57. Id.
58. Id.
V. LIABILITY EXTENDING TO ORIGINAL DESIGNERS AND DEVELOPERS OF TECHNOLOGY WHO ARE NOT THE MANUFACTURERS OF THE PRODUCT

In contrast to the thirty years of precedent for trademark licensors, the law concerning original designers and developers of technology who are not the manufacturers of the product is not as well developed.

A. Designers/Developers Of Technology And Independent Designers

There are two broad categories of designers and developers. The first category are those designers and developers who design a new product and the process of making the product, initially manufacture the products themselves, but later decide to transfer or license the designs and knowledge for making the product to another manufacturer. The multi-national corporation fits into this category. The second category of designers and developers are commonly labeled "independent designers." The independent designer is usually an outside contractor hired by the manufacturer. Independent designers may receive general direction from the manufacturer, but they then apply their professional design talents to transform the manufacturer's needs into a specific design. For example, chemical-processing companies may obtain the services of independent designers to develop portions of a chemical manufacturing process or plant. Both categories of designers are considered "upstream" from a manufacturer in the chain of distribution and both provide special information to the manufacturer for designing and manufacturing the final product.

The original designers and developers of technology, who are not the actual manufacturers of the product, and independent designers may become defendants in a products liability lawsuit where the product or process produced by the manufacturer harms a third party. The injured third party may claim that the product was defective in the original design provided by the designers and thus, as the original designers, they should be held liable.

B. Review Of Case Law

Only a few cases have addressed the question of whether the person who developed the original design for the product could be
found liable. One of the first cases was *Alm v. Aluminum Co. of America*. In *Alm*, the plaintiff suffered a severe eye injury when an aluminum bottle cap exploded off a soft drink bottle. The defendant, Aluminum Co. of America ("Alcoa"), was the original designer of the aluminum caps and the designer and manufacturer of the capping machines, which applied the aluminum caps to the bottle. However, Alcoa did not manufacture or sell the caps for the bottles. The plaintiff sued Alcoa for both negligence and strict liability in design of the bottle and cap assemblage, and for failing to warn. The district court dismissed the strict liability claim, but rendered a general verdict for the plaintiff on the other claims, and Alcoa appealed. On appeal, the Supreme Court of Texas affirmed and stated:

A manufacturer has long been held to have a duty to exercise ordinary care in the design of a product. A designer who is not also the manufacturer should share the same duty to develop a safe design. There is no reason to distinguish a designer, who has intimate knowledge of a designed product, from a retailer, wholesaler or manufacturer. Alcoa designed the closure system. It is the failure of that system which caused Alm's injury. There can be no justification for requiring a user of Alcoa's closure technology to warn of its hazards while not holding Alcoa to the same duty.

A second case involved an original designer who was sued even though he was unaware others were using his design. In *Piscitello v. Hobart Corp.*, the plaintiff was injured when she caught her hand in a meat grinder. Hobart Corporation originally designed the meat grinder in 1931, but did not manufacture or sell the actual grinder that caused the plaintiff's injury. Instead, a separate company, Intedge, manufactured the grinder that caused the injury. Intedge patterned its grinder design after Hobart's original design.

59. 717 S.W.2d 588 (Sup. Ct. Tex. 1986).
60. Id. at 591.
61. Id.
62. Id.
63. Id.
64. Id.
65. 717 S.W.2d 588, 591 (Sup. Ct. Tex. 1986).
67. Id.
68. Id.
69. Id.
The plaintiff argued that strict liability should attach to any party that is involved in the original design of the defective product. In making this argument, the plaintiff relied on the policy that "the burden of recompensing the injured should be spread to those parties responsible for the defect and in the best position to eliminate dangers in the future." Since Hobart developed the original design, they were in the best position to eliminate future dangers. Instead, the court found for the original designer, Hobart, reasoning, "[i]t would be unfair to impose such an expansive view of tort liability on those whose original design is mimicked without the designer's permission." Naturally, this finding of the court begs the question that if Hobart granted permission to Intedge to copy the design, would the court's decision been different? Based on the discussion below, if the original designer, Hobart, had granted permission, and the meat grinder was negligently designed, then most likely Hobart would have been liable in negligence.

Other cases have addressed the question of liability of the original designer in the "independent designer" context. The facts in these cases are largely the same. Companies hire independent designers to design a product or process and a third party is hurt as a result of the design. In general, the weight of the authority is that independent designers may be held liable for negligence in their designs, but not liable under a theory of strict liability.

As one example, in Mechanical Rubber & Supply Co. v. Caterpillar Tractor Co., the defendant designed and assembled a hopper, which caused the plaintiff's injury. The court stated:

Where a party merely designs a product for someone else there is no sale or equivalent transaction between the parties which subject the designer to liability as part of the distributive system. Such party provides a service and subjects the party to the duty to exercise reasonable care, but the party is not liable on a products liability theory.

In another example, La Rossa v. Scientific Design Co., the defendant was contracted to design, engineer and supervise the construction and startup of a new chemical process for a manufacturer. The process used pellets containing vanadium, which

70. Id.
71. Id.
74. Id.
75. 402 F.2d 937, 942-43 (3rd Cir. 1968).
caused one of the manufacturer's employees, the plaintiff, to develop cancer in his throat.\textsuperscript{76} The jury found for the defendant, and the plaintiff appealed.\textsuperscript{77} The appellate court stated that providing professional services lacks the elements of strict liability, but that negligence was applicable.\textsuperscript{78} Since the jury found no negligence on the part of the defendant, the judgment was affirmed.\textsuperscript{79}

In summary, whether an original designer is independent or not, if he or she negligently develops a design, which is later embodied in a final product by a separate manufacturer, and a third party's injuries are caused by their negligent design, then the original designer may be held liable. However, the theory of strict liability is not applicable as a general matter to original designers and developers.

The recent *Restatement (Third) of Torts: Products Liability* is consistent with this analysis, at least in regard to independent designers, and provides some guidance to original designers in determining the reasonableness of their design.\textsuperscript{80}

**C. Review Of Restatement (Third) Of Torts: Products Liability**

The *Third Restatement* does not discuss the potential liability of original designers and developers of technology who are not the manufacturers. However, the *Third Restatement* does address service providers, which includes independent designers.

Under Section 19, "Definition of Product," there is a distinction drawn between services and products.\textsuperscript{81} "The courts are unanimous in refusing to categorize commercially-provided services as product for the purposes of strict products liability in tort."\textsuperscript{82} The *Third Restatement* states "[a] wide range of other service-providers are insulated from strict products liability in tort," citing *Snyder v. ISC Alloys, Ltd.*, where an architect was not strictly liable for an alleged defect in a package of designs, technical drawings, and professional advice.\textsuperscript{83} This view is consistent with the independent designer cases discussed above. In short, designers are not subject

\textsuperscript{76.} Id.
\textsuperscript{77.} Id.
\textsuperscript{78.} Id.
\textsuperscript{79.} Id.
\textsuperscript{80.} *Restatement (Third) of Torts: Products Liability* (1998).
\textsuperscript{81.} Id. at § 19.
\textsuperscript{82.} Id.
to strict liability.

With regard to negligence of design, designers may look to Section 2, "Categories of Product Defects," which states:

A product is defective in design when the foreseeable risks of harm posed by the product could have been reduced or avoided by the adoption of a reasonable alternative design by the seller or other distributor, or a predecessor in the commercial chain of distribution, and the omission of the alternative design renders the product not reasonably safe.  

Designers have the duty to exercise ordinary care when providing information to the manufacturer that is used in the final design of a product. To assess whether they are meeting their duty of care, the Third Restatement provides several factors for judging the reasonableness of an alternative design. These factors include: magnitude and probability of the foreseeable risks of harm, the instructions and warnings accompanying the product, the nature and strength of consumers' expectations regarding the product, the relative advantages and disadvantages of the product as designed and as it alternatively could have been designed, production costs, product longevity, maintenance, repair, and aesthetics. As a result, before transferring their product designs and processes for making the product, the designers may want to review these factors to help assess their liability risk.

VI. LIABILITY EXTENDING TO PATENT LICENSORS

Typically, after designing a new product, a designer may seek patent protection to protect his or her invention and then license his or her design to others. As a consequence, the original designer may also be sued based on his or her status as a patent licensor. Unfortunately, this area of the law is not as well developed as trademark licensors liability. But, much has been written about the topic.

A. Patent Licenses

A patent issued by the U.S. Patent & Trademark Office grants an exclusive right to the patentee to exclude others from making, using, offering for sale, or selling the invention throughout the

84. RESTATEMENT (THIRD) OF TORTS: PRODUCTS LIABILITY § 2(b) (1998).
85. Id. at § 2(b) cmt. f.
United States or importing that invention into the United States.  

A patent license is essentially a contractual promise by the patent owner to refrain from asserting these rights against the licensee should the licensee practice the invention. Typically, a licensee will make and sell a product or use a process that is covered by the scope of the patent and pay royalties to the licensor.

Patent licensors may be included in products liability lawsuits for a variety of reasons when the patent licensee's product or process harms a third party. For example, the patent licensee may be unavailable, judgment-proof, insolvent, beyond the court's jurisdiction or protected by workers compensation plans. Alternatively, the injured third party might seek recovery from the licensor for tactical or jurisdictional reasons, or simply because the licensor has "deeper pockets." The injured party usually alleges the injuries suffered were due to a defect that is traceable back to the licensor, where the licensor had some responsibility.

B. Predictions Of Liability Extending To Patent Licensors

In the past twenty years, many commentators have predicted that products liability will eventually extend to patent licensors. The most common rationale for this prediction is that patent licensors are in positions analogous to trademark licensors. In particular, it is argued that if the patent licensor retains some type of control over the activities of the licensee, this could be analogous to the control found in a trademark license, which brings liability to the trademark licensor. It is also argued that members of the public could reasonably conclude that the patent licensee is acting on the authority of the patent licensor. However, based on the differences in policies between patents and trademarks discussed below, this analogy does not fit.

Secondly, commentators believe patent licensors fall within the definition of strict liability provided by Section 402A of the Restatement (Second) of Torts. Several argue that licensed patent rights should be considered a "product" and the licensor should be considered a "seller," under Section 402A. Since patents "have the at-

89. RESTATEMENT (SECOND) OF TORTS § 402A (1964).
tributes of personal property," and are "capable of being 'pro-
duced' through the creating of an inventive idea and the successful
prosecution of the patent application," then they should be consid-
ered products under Section 402A. The commentators reason
"[i]f the inventor's 'product' contains an inherent latent defect, it is
likely... that the inventor's product along with the defect will be
incorporated into the subsequent blueprints and translated into
the final physical product without substantial change, satisfying that
requirement of § 402A." However, based on the new definitions
of "product" and "one who sells or otherwise distributes" provided
by the recent Restatement (Third) of Torts: Products Liability, all of this
controversy should be put to rest.

Thirdly, some commentators believe liability should extend to
patent licensors due to a breach of the implied warranties of mer-
chantability and fitness. Still others argue that patent licensors
may be liable under a negligence theory under Section 395 of Re-
statement (Second) of Torts.

Lastly, commentators often point to Prosser and Keeton on
Torts where patent licensors are mentioned as possible defendants
to a products liability lawsuit:

It can be said that all those who participate in the process
of making products available to users for profit or finan-
cial gain are subject to liability on a negligence theory.
This would include endorsers, licensors of trademarks and
franchisers, and perhaps also those who license another to
manufacture and sell a patented invention.

But to the contrary, based on the analysis of case law to date,
there has not been an explosion of cases extending liability to the
patent licensor. In fact, there has been very little case law on the
subject, none of which found the patent licensor liable.

91. Dennis R. Kimball, Strict Tort Liability of Inventors for Defective and Dangerous
92. Id. at 821.
93. Dale H. Cowan, Tort Liability of Patentee Licensors, 64 J. PAT. & TRADEMARK
OFF. SOC'Y 87, 95-99 (1982); W.T. Vukowich, Implied Warranties in Patent, Know-How
and Technical Assistance Licensing Agreements 50 J. PAT. & TRADEMARK OFF. SOC'Y
307 (1968).
94. Cowan, supra note 88 at 101.
95. W. PAGE KEETON ET AL., PROSSER & KEETON ON THE LAW OF TORTS § 101

Published by Mitchell Hamline Open Access, 2000
C. Review Of Case Law

Although much commentary has been written about potential patent licensor liability, in reality, very few cases have ever been brought to trial. In fact, this author could not find a single case where the patent licensor was found liable based on their status as a patent licensor alone. The case most directly on point is Firestone Steel Products Co. v. Barajas. 96

In the late 1950's, Firestone designed and patented a new single-piece wheel known as the 15-degree bead seat taper. 97 This design permitted the installation of a tubeless tire on a wheel, instead of the tube-type tires then used on trucks. 98 Firestone granted a royalty-free license of its design to the entire industry. 99 By allowing domestic manufacturers of tires and wheels to use the design without charging a license fee under its patent, Firestone hoped to build industry use of the products that would help build customer demand for Firestone's own products. 100 Kelsey-Hayes Company modified Firestone's original wheel design to design its own wheel. 101 Jimmy Barajas used a tire manufactured by Kelsey-Hayes when attempting to fix a flat tire on a ¾ ton pickup. 102 Barajas tried to inflate a 16-inch tire made by General Tire Company on a 16.5-in. diameter wheel made by Kelsey-Hayes Company. 103 The tire exploded, fatally injuring Barajas. 104 The administrator of Barajas' estate brought a wrongful death suit against Firestone Co., Kelsey-Hayes Co., and others for allegations of negligence, strict products liability, and civil conspiracy. 105 Firestone did not participate in the manufacture or marketing of Kelsey-Hayes' tires in any way, and did not collect a royalty from Kelsey-Hayes for use of Firestone's patented design. 106

The district court granted Firestone's motion for summary judgment. 107 The Court of Appeals reversed and remanded the

96. 927 S.W.2d 608 (Tex. 1996).
97. Id. at 611.
98. Id.
99. Id.
100. Id.
101. Id.
102. Id.
103. Id.
104. Id.
105. Id. at 611-12.
106. Id. at 612.
107. Id.
case. On application for writ of error, the majority of the Supreme Court of Texas held that Firestone was not liable under negligence, not strictly liable, had no duty to warn the users of the licensee's products and thus, could not be held liable under a theory of civil conspiracy. The court stated, "in the circumstances of this case, the original designer of a general product concept that is copied, modified and used by a manufacturer is not liable for injuries resulting from the use of the manufacturer's product." The court relied on three lines of reasoning to eliminate the Barajas' strict liability claim. First, the court analogized Firestone's position as a licensor to that of original designers of a system or prototype that gives the design to another party. "This action alone is not enough to impose liability under a strict products liability theory." "Mere preparation of a drawing or a prototype, does not constitute designing the eventual product from which liability does lie." Second, the court relied primarily on law relating to trademark licensor liability in stating, "[m]ost jurisdictions require more than the mere act of licensing a design to impose strict products liability, and require some purposeful activity with respect to the design by the licensor as well." Third, the court stated that under traditional products liability law, the plaintiff must prove the defendant supplied the product that caused the injury and "[i]t is not enough that the seller merely introduced products of similar design and manufacture into the stream of commerce." With regard to Firestone's duty to warn, the court stated that a manufacturer generally does not have a duty to warn or instruct about another manufacturer's products. Because Firestone did not design, manufacture or sell the wheel, the court concluded Firestone owned no duty to Barajas, which negated an essential element of the Barajas' negligence cause of action.

Justice Enoch dissented in the majority's treatment of the negligence claims. Relying on Alm v. Aluminum Co. of America, dis-
discussed above in the section on designer liability, Justice Enoch stated:

It makes little sense to hold liable a manufacturer who purchased or obtained by license someone else's design, but not the party ultimately responsible for the design. A negligent design claim should not fail simply because the design is divorced from the manufacture of the product. Moreover, while a manufacturer may have independent liability for failing to test a product design, it would have a right of indemnity against a designer who licensed or sold a negligent design to the manufacturer.

Other than Firestone, the author found no other case directly on point, with the exception of two cases, which included only dictum regarding patent licensor liability. The first case was Torres v. Goodyear Tire & Rubber Co., a trademark licensor case discussed above. The Torres court distinguished patent licensors from trademark licensors:

The licensor of a patent is often in a somewhat different position. The licensor's contract is generally nothing more than a contract authorizing the use of an alleged patent, i.e., an invention. The product sold by the licenee is generally not sold under the trade name of the licensor of the patent. The general public is not in most instances relying on the licensor. That is not to say the licensor may not participate to such an extent in the construction and sale of products made pursuant to a patent to justify the imposition of strict liability.

The second case was an independent designer case, Mechanical Rubber & Supply Co. v. Caterpillar Tractor Co., which included patent licensors in a group of parties not subject to products liability theories:

There are many parties who conceivably have some relation with the manufacture and sale of the product, but their relationship is peripheral and not directly related to the distributive process. For example, a patent licensor, a consultant, an independent engineering firm, an independent testing laboratory, a law firm or, for that matter, a transportation company or an independent warehouse, might have some relation to a product and, although perhaps related to the general economic system, they are out-

118. Id. at 618.
side the manufacturing distributing system contemplated by the products liability theories.\textsuperscript{120}

In addition, there were a number of cases involving a patent licensee's employee injured by a licensed product or process seeking to recover damages from the patent licensor. Although the lawsuits were most often brought because workers compensation laws preclude the employee from a direct suit against the employer, the employee is still a third party relative to the relationship between the patent licensee and licensor. Therefore, this category of cases provides guidance on the question of patent licensor liability.

As a first example, an administrator of the estate of a deceased employee of the patent licensee brought a wrongful death suit against the patent licensor in \textit{Marker v. Universal Oil Product Co.}\textsuperscript{121} The licensor had originally developed and patented a petroleum refining process and engineered equipment to be used in the patented process.\textsuperscript{122} The patent owner licensed the patented process to the licensee, furnished plans and specifications for the equipment ("know-how"), and sold a catalyst to be used in the patented process.\textsuperscript{123} While the licensee's employee was lowered into a vessel to perform a function during a recharging process, he was asphyxiated by deadly carbon monoxide gas created by the catalyst.\textsuperscript{124} The administrator claimed the vessel was defectively designed by the licensor and that the licensor was negligent and failed to warn the decedent of the danger.\textsuperscript{125} The district court granted the licensor's directed verdict against the plaintiff.\textsuperscript{126} The Tenth Circuit Court of Appeals affirmed finding that the licensor "did not build or service the unit nor was there a functional failure in its operation which could be attributed to [the licensor] as its designer."\textsuperscript{127} With regard to the licensor's duty to warn, the court stated because the danger was equally within the technical knowledge of both the licensee and the licensor, the licensor had no duty to warn of such a poten-

\begin{thebibliography}{127}
\bibitem{120} Mech. Rubber & Supply Co. v. Caterpillar Tractor Co., 399 N.E.2d 722 (Ill. App. Ct. 1980); \textit{see also} Harms v. Caterpillar Tractor Co., 299 N.E.2d 722, 724 (1980) ("several examples of parties that are related to a product, but not in the distribution chain and not intended to be defendants in a products liability action. As examples...a patent licensor...").
\bibitem{121} 250 F.2d 603 (10th Cir. 1957).
\bibitem{122} \textit{Id.} at 604.
\bibitem{123} \textit{Id.}
\bibitem{124} \textit{Id.} at 605.
\bibitem{125} \textit{Id.}
\bibitem{126} \textit{Id.} at 604.
\bibitem{127} \textit{Id.} at 605.
\end{thebibliography}
tial danger.\textsuperscript{128}

As a second example, an administrator of the estate of a deceased employee of the licensee brought negligence and strict liability claims against the licensor and licensee of a steel casting process in \textit{Woodell v Amsted Industries}.\textsuperscript{129} The patent license agreement gave the licensee the right to use the licensor's pressure casting process to make steel products.\textsuperscript{130} The licensee obtained their own equipment from an unrelated manufacturer.\textsuperscript{131} The equipment used in the process caused the employee's death.\textsuperscript{132} The jury trial found both the patent licensor and licensee not liable.\textsuperscript{133} The Third Circuit Court of Appeals affirmed stating there was substantial evidence to indicate that the licensee had, on its own, significantly changed the design and method of the casting and as a result, the jury could not have found the licensor responsible for the accident.\textsuperscript{134}

Similarly, other courts have found patent licensors not liable when sued by licensee's employees.\textsuperscript{135} As a result, the case law to date supports the position that a patent licensor could not be found liable, even if the licensor substantially participates in providing the licensor with know-how and equipment to be used in the patented process. Moreover, the recently published \textit{Restatement (Third) of Torts: Products Liability} should calm patent licensor's fears of liability extending to them.\textsuperscript{136}

\section{D. Liability Under Restatement (Third) Of Torts: Products Liability}

Although the co-authors of the \textit{Restatement} include trademark licensors as potential defendants in a products liability suit, patent licensors are not mentioned. However, since the new \textit{Third Restatement} has dramatically increased its discussion on products liability issues, much of the speculation by past commentators on patent licensor liability may be properly addressed.

First, the co-authors included definitions of a "product" and
"one who sells or otherwise distributes." These definitions can be used to analyze the speculation that patents are "products" and patent licensors are "seller or distributors."

Under Section 19, "Definition of Product," there are two types of property, intangible property and real property. Patent rights are not defined in either category. The authors describe only two basic types of intangible personal property as potential products: 1) information in media such as books, maps and navigational charts; and 2) harm-causing products involving the transmission of forces, such as electricity and X-rays. Real property is included in the definition. However, it is noted that courts have been reluctant to impose products liability on sellers of real property. The Restatement also references several state statutes enacted in recent years that define the term "product." Licensed patent rights are not included in these definitions either. Although the authors of the Restatement state that "in every instance it is for the court to determine as a matter of law whether something is, or is not, a product," based on the analysis of the case law above, licensed patent rights should not be viewed as a "product."

"One who distributes a product" is defined in Section 20 of the Restatement as someone who:

provides a product to another either for use or consumption or a preliminary step leading to ultimate use or consumption. Commercial nonsale product distributors include, but are not limited to, lessors, bailors, and those who provide products to others as means of promoting either the use or consumption of such products or some other commercial activity.

While past commentators argued that a patent licensor is similar to a lessor in that property is leased to another party for use, a patent license does not extend anything beyond a promise not to sue the licensee if he should practice the invention. Moreover, even if patent rights could be declared a product, the Restatement requires that it be either "for use or consumption." As mentioned above, a U.S. patent does not carry with it the right to use, but

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138. Id. at § 19 cmt. e.
139. Id. at § 19 note. a.
140. Id. at § 19 cmt. a.
141. Id. at § 20(b).
rather to *exclude others* from making, using, offering for sale, and selling the invention throughout the United States. Regardless, patent licensors are not expressly included in the definition as "one who distributes a product."

Secondly, the *Restatement* provides guidance in addressing the analogy proposed by commentators between the patent licensor and the trademark licensor. The owner of a trademark is not liable if he licenses a manufacturer to place the licensor's trademark on the manufacturer's product and distribute it as though manufactured by the licensor. Even though purchasers of the product might assume that the trademark owner was the manufacturer, the trademark licensor does not "sell or distribute as its own a product manufactured by another." Then, by analogy, if a patent licensor licenses patent rights to a manufacturer and the manufacturer decides to practice those rights, the patent licensor would not be strictly liable because the licensor does not "sell or distribute as its own a product manufactured by another."

The *Restatement* does state that trademark licensors are liable for harm caused by defective products distributed under the licensor's trademark when they "participate substantially in the design, manufacture, or distribution of the licensee's products." In support of this position, the *Restatement* cites *Torres* and *City of Hartford*. But as mentioned above, *Torres* included dicta stating that a patent licensor is in a different position than that of a trademark licensor. Moreover, the facts of *Torres* do not fit that of the typical patent licensor/licensee situation, where the licensor is a separate company from its licensee. The licensor in *Torres* was the parent company and its licensees were its subsidiaries. It is also doubtful that any patent licensor would "participate substantially" as much as the trademark licensor Goodyear participated by designing, producing, packaging, advertising, selling and warranting its tire. Similarly, in *City of Hartford*, the licensor formulated, designed, advertised, manufactured, distributed, sold, nationally promoted, and issued specifications and instructions for the product bearing its trademark. Thus, based on these differences between a trademark licensor and a patent licensor, the patent licensor would not be

strictly liable.

Moreover, the policies supporting patent law differ greatly from the policies supporting trademark law. A trademark licensor must retain sufficient control over the nature and quality of the licensee's finished product to ensure goods bearing the trademark are of the same nature and quality of the goods bearing the trademark before the licensing. A patent licensor does not have a similar duty. In fact:

[t]here is nothing in the patent statute or any other statutes...which gives the Patent Office the right or the duty to require an applicant to prove that [his invention is] safe, effective and reliable for use with humans. It is not for [the court] or the Patent Office to legislate, and if the Congress desires to give this responsibility to the Patent Office, it should do so by statute.

Therefore, even if the information in the patent is inaccurate, leading to hazard, or accurate and failing to adequately warn about hazards, it is nonetheless only information, as opposed to a product itself. Thus, in licensing a patent, the licensor is not passing on any guarantee of safety from the Patent Office.

Although it is probably a safe assertion that patent licensors are not strictly liable for the actions of their licensees, a patent licensor might still be liable for negligence. If a patent licensor licenses any special knowledge or technical assistance to the manufacturer to assist the licensee in making the invention covered by the patent, he or she may be negligent. This special knowledge or technical assistance is commonly called "know-how" and may be in the form of trade secrets, manufacturing techniques, technical assistance, documented procedures, drawings, equipment, operator guides and manuals, raw material specifications, etc. By providing know-how or technical assistance, the patent licensor might be seen as the provider of designs or plans to the licensee and thus, viewed in the same category as original designers. When assessing their liability risk, patent licensors who are also licensing know-how may wish to refer to the analysis provided in the designer section above. Alternatively, patent licensors may consider avoiding licensing any special knowledge in conjunction with the patent itself.

E. Other Policy Considerations

Lastly, imposing products liability onto patent licensors discourages innovation and development of technology. Inventors are given strong exclusive rights, for limited times, to exploit their innovation commercially. These rights stem from the intellectual property clause of the Constitution, which authorizes Congress "to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." The purpose of a patent grant is "to provide an incentive for private enterprise to devote resources to innovative research, to make the investment required to put new inventions into practice, and to make the benefits of the invention available to a wider public." As a result, when the patent issues, it is published to the public and allows for the progression of science by allowing others to build on the advancements of technology. To complicate this relatively well settled and socially valuable behavior of innovation and licensing by the sudden imposition of products liability would mean compensating a few at the expense of disrupting a vital tool of business. This could at the very least chill, if not smother, licensing transactions, and all the benefits to society. Even if the patent licensor is protected from the financial burden in the license agreement, the very fact that products liability could be imposed would cast an ominous and unnecessary cloud of uncertainty on each license arrangement, and stifle the innovation that the patent system is meant to encourage.

VII. METHODS FOR MINIMIZING LIABILITY

The relationships between the parties is the one unifying theme that seems to dominate when courts decide whether or not to find trademark licensors, designers who are not the manufacturer, and patent licensors liable for the torts of their licensees or manufacturers. Where the parties act as if they were partners in business, the courts are likely to treat them accordingly. In contrast, where the parties act as independent businesses, each with their own individual interests, the trademark licensors, designers

151. Goldman, supra note 148 at 650-651 n.5.
152. Id.
who are not the manufacturer, and patent licensors are more likely to be found not liable. Thus, it is recommended while in the process of transferring your trademark, design, or patent to another party, the transaction reflect the simple act of transferring without more.

For trademark licensors, this is a difficult balance to strike. To ensure that its trademark rights are not abandoned, a trademark licensor must maintain sufficient control to ensure the quality of the goods is consistent with consumers' expectations. Yet, where a licensor retains control, the trademark licensor may be subject to liability. Therefore, when structuring the licensing agreement, the licensor should retain only the absolute minimum control necessary to protect its trademark rights under the Lanham Trademark Act. For instance, the licensing agreement should state the trademark licensor has no right to interfere with the actual production of the goods. If the licensee is not in compliance with the minimum product standards, the licensee will be notified. It should be entirely up to the licensee to bring the product back into compliance or lose the trademark license. This strategy allows the licensor to protect its trademark rights without "substantially participating" in the manufacture or design of the product.

To help minimize a trademark licensor's potential liability for a breach of implied warranty, it is recommended that the licensee's sales literature expressly limit the licensor's liability for defects. It is also suggested that as part of the licensing agreement, the licensee carry liability insurance with protection not only for the licensee, but also for the licensor. Depending on the risk associated with the product, the trademark licensor may also seek additional insurance for itself.

Lastly, the trademark license should include an indemnification clause holding the licensor harmless. For example, the following indemnification clause is recommended:

Licensee shall protect, defend, indemnify and hold harmless the Licensor, its shareholders, directors, officers, and employees from and against any and all claims, demands, losses, suits, liabilities or expenses (including court costs and reasonable attorneys' fees, if any) for property damage, injury or death of persons resulting from or arising out of the negligence or intentional or unintentional wrongful acts of Licensee, its subcontractors (and their employees and agents), or its invitees, during or in connection with the use of Licensee's products.
In contrast, designers who are not the manufacturer and patent licensors do not have the same quality control requirements that trademark licensors have. They can more easily distance themselves from the manufacturer of the product. In the event of litigation, a jury will most likely read the agreement for the transfer of the designs or licensing of patents. Therefore, it is recommended that every opportunity be taken in the agreement to express the difference between the two entities to help reduce products liability exposure to the designer or patent licensor.

To help distance the designer or patent licensor from the licensee, at the beginning of the agreement, recitals or whereas clauses may be written to reflect that the designer or patent licensor has designs or patents for which it no longer has an on-going business.

The recitals should then reflect that the manufacturer desires to buy such designs from the designer, or desires to license certain patents or desires to buy the right not to be sued for patent infringement by the patent licensor. The recitals should also state that the manufacturer or patent licensee is solely responsible for the design, manufacture, marketing and sale of the final product made under the license. In the warranties, the agreement should state that the manufacturer or patent licensee possesses such knowledge and experience in financial, business, technical, and legal matters in making an agreement of this type that it is: 1) capable of evaluating the merits and risks of entering into the agreement; and 2) able to bear the economic risks of entering in the agreement and exploiting the rights transferred. The agreement should also include an indemnification clause holding the designer or patent licensor harmless in the event of a products liability claim against the manufacturer, including any manufacturing defects, design defects and failures to warn. For example, the following indemnification clause is recommended for patent licensors:

Licensee agrees to indemnify, defend and hold harmless the Licensor and its directors, officers, employees, distributors, representatives and agents from any and all claims, actions, demands, losses, costs, expenses (including but not limited to reasonable attorneys fees and all other expenses of litigation and the expenses of handling claims), damages, liabilities and obligations relating to or arising from the Licensed Product or alleged Licensed Product or any component or product incorporating the Licensed Product or alleged Licensed Product, and which
are brought, asserted, commenced or pursued by any person or entity not a party to this Agreement against the Licensor, regardless of actual or alleged negligence or fault by the Licensor, including but not limited to indemnifiable losses relating to: sickness, bodily injury, personal injury, or death of any person, property damage, or business damage relating to or arising from the Licensed Product or alleged Licensed Product or any component or product incorporating the Licensed Product or alleged Licensed Product, including but not limited to any actual or alleged defect in the Licensed Product or any component or product incorporating the Licensed Product manufactured, sold or supplied by Licensee, any actual or alleged failure to warn with regard to Licensed Product or any component or product incorporating the Licensed Product manufactured, sold or supplied by Licensee, or breach of any express or implied warranty offered by Licensee on the Licensed Products.

Depending on the risk associated with the final product, the designer or patent licensor may require the manufacturer to purchase products liability insurance or buy additional products liability insurance for itself. For example, the following Insurance Clause is recommended:

Licensee shall maintain comprehensive general liability insurance, including products liability and contractual liability coverage, in an amount and for a time period which shall cover the liability assumed by Licensee under this Agreement, such amount being at least $______. Licensee shall provide Licensor with a certificate of insurance evidencing the existence of such coverages. Licensee shall remain responsible for any liability above the coverage.

It is important to keep in mind that despite the precautions taken in the agreement, the designer who is not the manufacturer or the patent licensor may be found liable if they negligently design the product. Thus, it is important to take precautions to design safe products. For instance, it is recommended that a designer or inventor design a product in compliance with the various government standards and engineering association standards. Also, the designer or inventors should pay close attention to the factors listed in the Restatement for judging the reasonableness of an alternative design.

Lastly, it is recommended when drafting the patent applica-
tion, the patentees are careful about what statements are included regarding the previous versions of the product. Such statements may serve as notice and recognition of some danger or hazard that might be used against the patent owner at a later date. 153

IV. CONCLUSION

To summarize, trademark licensors are subject to strict liability only when their licensee's products or services hurt a third party and when the licensor participates substantially in the design, manufacture or distribution of the licensee's product or services. Evidence of substantial participation includes: using only materials approved by the licensor, using the licensor's formulas and specifications, giving the licensor the right to approve labeling, marketing, packaging, and advertising, and overlap in management between the licensee and licensor. Original designers are not subject to strict liability, but do have a duty of care to provide non-negligent designs. Lastly, patent licensors are most likely not subject to strict liability based on the policy discussion above and flaws in commentator's arguments, and also because of a lack of case law about the issue. However, patent licensors may be liable for negligence if they provide know-how or technical assistance to their licensees in addition to the patents.

In conclusion, before transferring a trademark, a product or process design or patent rights to a third party, the attorney should understand the current case law, or lack thereof, and the views of the Restatement (Third) of Torts: Products Liability. Using the techniques above, the attorney should be able to effectively distance his or her client from any potential products liability issues.