



Intellectual Property

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Intellectual Property

The Issue

Suppliers seek reasonable compensation for their Intellectual Property (IP) and reasonable protection (confidentiality) for it. Suppliers accept the risks of ownership – investment, risk of infringement - in exchange for the benefits of ownership such as compensation and legal protection.

IP includes patents, trademarks, copyright and trade secrets not otherwise patented.



Intellectual Property

Buyer's Intellectual Property

➤ OEM Positions

- All OEMs attempt to protect intellectual property that they provide from being used by the Supplier beyond work to be performed for the OEM under the contract. The OESA Model Terms provide for a similar approach.



Intellectual Property

Seller's Intellectual Property

- OEM Positions - DCX and GM take the most aggressive positions
 - DCX: Supplier's right to protection of its IP is limited to copyrights or patents, all other IP disclosed to DCX is without protection.
 - GM: If the contract is for creation of copyrightable works, they are considered “works made for hire” and Supplier must assign to GM all rights to those works. Supplier waives all claims with respect to any technical information disclosed to GM in connection with a contract, except claims for patent infringement.



Intellectual Property Sellers Intellectual Property

- OEM Positions – (con't)
 - BMW, Ford, Honda, Nissan, and Toyota are less aggressive.
 - These OEMs promise to keep certain specified Supplier technical information confidential but the scope of that protection seems in practice uncertain.
 - Ford's detailed provisions attempt to identify what is and is not protected but may be difficult to apply.



Intellectual Property

Sellers Intellectual Property

- OEM Positions – (con't)
 - GM:
 - Supplier maintains ownership of its inventions.
 - GM may direct or cause a supplier to make changes to drawings or specifications of the goods.
 - GM has the right to repair, reconstruct or rebuild the product supplied.
 - GM claims a royalty free license in regards to the product supplied.



Intellectual Property

Seller's Intellectual Property

- OESA Model Terms and Conditions
 - OESA Model Terms include confidentiality restrictions and balanced licensing provisions.
 - Supplier IP may be used by Buyer under separate license only when contract is terminated.
 - Buyer must pay a royalty under that license unless Buyer has terminated the contract for Supplier's default or Supplier has terminated without cause.



Intellectual Property

Seller's Intellectual Property

- Conclusion
 - Any Supplier with IP which provides significant competitive advantage in the marketplace should carefully evaluate IP provisions and consider a separate technology agreement to protect their investment. Ford specifically mentions such an agreement in its contract, and other OEMs may be willing to consider this as well.



Intellectual Property Infringement

➤ OEM Positions

- DCX, Ford, GM, Nissan and possibly Hyundai require Supplier to indemnify the OEM for infringement claims where Supplier is not design-responsible. This extends not only to the part produced, but extends to parts in combination with other parts or systems.
- Toyota and VW are the only OEMs to indemnify the Supplier when the OEM is design-responsible.



Intellectual Property Infringement

➤ OESA Model Terms

- The Model Terms provide that the Supplier will indemnify the Buyer for infringement for which it is responsible for third party rights arising in the US, EU or Japan.
- The Model Terms exclude liability if Supplier's product is modified by or at the request of the Buyer or if the product is made according to the Buyer's specifications.



Intellectual Property Infringement

- Conclusion

Suppliers accept the consequences of ownership including responsibility for infringement.

Suppliers equally expect the OEM's to accept full responsibility for the ownership of their IP, including specifications, design – responsibility and not ask the Supplier to accept or share responsibility for what it cannot control.