

Acer sues 3 suppliers over HP complaint

Print

By Kathrin Hille in Taipei

Published: May 10 2007 11:10 | Last updated: May 10 2007 11:10

Acer, the world's third-largest computer company, has sued three of its suppliers, demanding they jointly face a patent infringement law suit brought against Acer by market leader **Hewlett-Packard** in the US.

Acer said Thursday its US subsidiary had filed suit in a Texas court against **Hon Hai**, the world's largest electronics contract manufacturer; **Quanta Computer**, the world's largest maker of notebooks; and **Wistron**, Acer's former manufacturing arm. Acer is requesting that the three companies jointly fulfil their obligation to face HP's complaint together with Acer.

The move came after HP sought to block sales of Acer computers in the US last month, claiming that they infringed on five HP patents related to circuits, power management, optical data storage and other functions. The lawsuit followed a boost in Acer's sales in the US over the past year. Wang Jen-tang, Acer chairman, has interpreted HP's move as an attempt to slow Acer's rapid growth in the US market.

Acer's move to bring its suppliers into the law suit could mean it would have to bear only part of any damages that arise from the HP complaint in the long term.

Branded computer vendors, who have most or all of their products made by original design manufacturers, or ODMs, like Hon Hai, generally protect themselves from legal action through indemnity agreements with the contract manufacturers.

"Such agreements are standard procedure in the industry. They are their kind of insurance," said John Eastwood, a Taipei-based intellectual property lawyer. Such agreements normally state as part of the terms of delivery that the contract manufacturer indemnifies his customer for any claim related to intellectual property by third parties.

Acer and the three suppliers declined to say to what extent their contracts transfer responsibility from Acer to the suppliers.

"How responsibility and potential damages are shared depends on the bargaining power of both parties," said Edmund Ding, Hon Hai vice president.

Mr Eastwood said that in some cases, indemnification agreements can carry heavy penalties for contract manufacturers, far exceeding the value of damages from intellectual property litigation.

Quanta said it was in a difficult situation as both HP and Acer are its customers. Hon Hai and Wistron also supply both companies.

Copyright The Financial Times Limited 2007