

## STATEMENT OF POSITION REGARDING INTELLECTUAL PROPERTY

### The term “*intellectual property*”

In this discussion, we are using the term “intellectual property” (or “IP”) as a generic expression referring to patents, trademarks, copyrights, trade secrets and any other intangible personal property that is created through the intellectual efforts of its creator.

### Motivation for this statement of position

The extent to which Flextronics is providing design, engineering and ODM services to our customers is becoming an increasingly significant part of our business. As a consequence, we have seen an escalation in the requirement to address intellectual property issues with our customers. The following provides an overview of our current position on intellectual property as it relates to our business. It is our intent that this statement will facilitate a more effective basis for the development of business relationships which include elements of design, engineering and ODM services. This statement is not intended as a legal pact to bind Flextronics and our customers.

### Governing principles

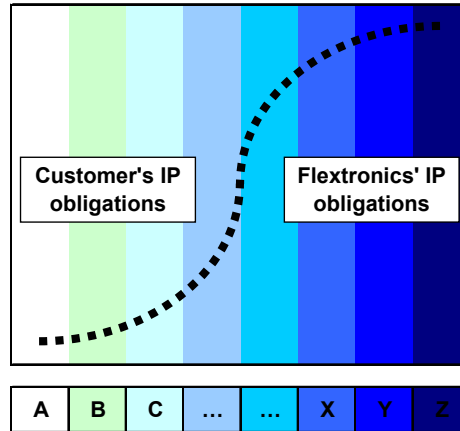
Flextronics will continue to manage our business to the *highest ethical standards*. This means that we extend the same exacting principles we have consistently applied in our manufacturing services business to our expanded offerings which now incorporate design, engineering and ODM services.

The extent to which, and the nature by which, our design, engineering and ODM services are utilized by customers has a direct impact on the implications of fair and reasonable compensation for our efforts. For this reason, we have outlined below a range of possible engagement scenarios and attribute different applications to our obligations associated with intellectual property matters. Simply stated, we expect that the risks (including risks associated with intellectual property) attributed to these different engagement scenarios should be tied to the rewards.

Flextronics provides protection of proprietary information.

### Statement of position

The range of potential engagement scenarios is illustrated in the chart below – where at the extreme left hand side, the nature of the engagement implies that our customer has the overriding obligation towards Flextronics for risks associated with intellectual property. On the extreme right hand side, Flextronics bears most of the obligations associated with intellectual property risks.



The positions that Flextronics has adopted for these *specific engagement* scenarios are as follows:

#### A : On-site Engineering Contractors

Flextronics is engaged by our customer to provide engineering services on-site at the customer's facility. These design services are at the customer's direction and are in compliance with the customer's specifications and instructions. All of the intellectual property which is developed by Flextronics is owned by the customer, who enjoys the sole benefit associated with the marketing and distribution of products incorporating this IP, including all revenues and profits. In this scenario, our engineers are essentially functioning as the customer's "employees". Just as employees do not indemnify or carry insurance associated with the risk of IP ownership, *Flextronics does not assume any of the risks* associated with ownership of the customer's resulting IP and further, we would be entitled to protection from our customer for such risks in as much as an employee would be protected by its employer for such risks.

#### B : Contract Design Services

In this scenario, Flextronics is engaged by the customer to design but not manufacture a product according to the customer's specification and using intellectual property owned by the customer. Intellectual property that is developed by Flextronics during the course of the engagement becomes the property of our customer. In this case, *Flextronics does not assume any of the risks associated with ownership of the intellectual property*. As a part of these services offered by Flextronics, we include a rigorous process to contain risks associated with intellectual property, which can include physical separation of development teams and key-engineer exclusivity. Furthermore, we provide our customers with access to the engineering process and the necessary information for our customers to complete their selected intellectual property review. Flextronics will disclose any areas known where potential IP issues could exist, for further investigation by the customer.

## C : Contract Design and Non-Exclusive Contract Manufacturing Services

Flextronics is engaged by the customer to design and manufacture on a non-exclusive basis, a product according to the customer's specification and using intellectual property owned by the customer. Intellectual property that is developed by Flextronics during the course of the engagement becomes the property of our customer. In this case, *Flextronics will assume limited risks associated with ownership of the intellectual property*. The extent to which we assume these risks is *limited to a fraction of the revenues we receive* from our customers for design and engineering services. We include a rigorous process to contain risks associated with intellectual property, which can include physical separation of development teams and key-engineer exclusivity, and we provide our customers with access to the engineering process and the necessary information for our customers to complete their selected intellectual property review. Flextronics will disclose any areas known where potential IP issues could exist, for further investigation by the customer.

## X : Contract Design and Exclusive Manufacturing Services

Flextronics is engaged by the customer to design and exclusively manufacture a product according to the customer's specification and using intellectual property owned by the customer. Intellectual property that is developed by Flextronics during the course of the engagement becomes the property of our customer. Since the design and exclusive manufacturing rights of the product are inextricably linked, we maintain significant influence over the component and supplier selection process. In this case, *Flextronics will assume limited risks associated with ownership of the intellectual property*. The extent to which we assume these risks is *limited to the revenues we receive* from our customers for design and engineering services. We include a rigorous process to contain risks associated with intellectual property, which can include physical separation of development teams and key-engineer exclusivity, and we mutually agree with our customers on the scope and nature of an intellectual property review that is performed by Flextronics. Flextronics will disclose any areas known where potential IP issues could exist, for further investigation by the customer.

## Y : ODM with Essential<sup>1</sup> Intellectual Property

Flextronics engages with our customer who undertakes to brand and market a product in which, with the exception of essential intellectual property, the IP is owned exclusively by Flextronics. In this scenario, we utilize or develop our own intellectual property which is incorporated into the product for which Flextronics has developed the specifications and is responsible for approving a final product

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<sup>1</sup> Essential Intellectual Property implies intellectual property rights in industry recognized standards, protected in any jurisdiction, which would be inherently infringed by the manufacture, design, use, or sale of a device made in compliance with such industry recognized standards. For example, GSM Intellectual Property.

design related to the IP. In this scenario, we will perform our own intellectual property review and *except for essential intellectual property Flextronics will assume the risks related to IP ownership*, subject to a mutually agreed cap.. The resulting revenue and control associated with the sale of the product which incorporates our IP provides us the ability to manage and bear the resulting risks. Flextronics will disclose all known Essential IP, for which Flextronics does not take IP risk.

#### Z : ODM with no Essential Intellectual Property

Flextronics engages with our customer who undertakes to brand and market a product in which all the intellectual property is owned exclusively by Flextronics. In this scenario, we utilize or develop our own intellectual property which is incorporated into the product for which Flextronics has developed the specifications and is responsible for approving a final product design related to the IP. In this scenario, we will perform our own intellectual property review and *Flextronics will assume the risks related to IP ownership*, subject to a mutually agreed cap. The resulting revenue and control associated with the sale of the product which incorporates our IP provides us the ability to manage and bear the resulting risks.

#### Related items to note

Flextronics' commitments to resulting obligations associated with design and engineering services and intellectual property carry with them the full weight of our company and our reputation as an industry leader. We believe that in certain instances, this *differentiates our commitments* from undertakings by other service providers.

Our obligations covering Flextronics' intellectual property risks are diminished in specific cases, where the influence of the customer has created the IP risk. Examples include a certain customer specification or feature, or the combination by the customer of a Flextronics product with some other product, or changes made to the product by parties other than Flextronics.

There are, of course, many product developments that could include some combination of the scenarios described above. In these cases, the parties will combine the IP protection as appropriate. For example, a product could have a portion designed on an ODM basis by Flextronics with a portion designed or provided by the customer. In that case, Flextronics would provide the protections listed above for that portion of the product designed by Flextronics. Each product opportunity has unique characteristics which will require modifications to the outline provided in this document.

The requirement to address this matter of intellectual property has been driven by the rapid evolution of our industry. Flextronics believes that our industry will continue to adapt rapidly to the changing environment, and for this reason, we will *expect revisions* to this statement of position regarding intellectual property.