

China chip maker to pay \$200 mln to settle TSMC claims

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A woman walks past a logo of the TSMC, Taiwan Semiconductor Manufacturing Co, the world's largest custom chip maker. TSMC said Tuesday China's top chip maker will pay it 200 million US dollars cash after they settled a long-running dispute over alleged theft of trade secrets.

Taiwan Semiconductor Manufacturing Co (TSMC) said Tuesday China's top chip maker will pay it 200 million US dollars cash after they settled a long-running dispute over alleged theft of trade secrets.

The Shanghai-based Semiconductor Manufacturing International Corp (SMIC), also agreed to provide "TSMC with other valuable

consideration," TSMC said in a statement, without providing details.

SMIC said in a statement in [Hong Kong](#) it would pay TSMC 15 million dollars and a further 185 million dollars in instalments over four years through 2013, [Dow Jones](#) Newswires reported.

SMIC will issue 1.79 billion new shares to TSMC with a value of 1.30 Hong Kong dollars each, and a warrant for another 695.9 million SMIC shares. TSMC's stake in SMIC would be about 10 percent if it exercised the warrant.

The settlement appeared to put an end to the row, which started in 2006 when TSMC said its Chinese rival had caused it more than one billion dollars in damages.

"Pursuant to the new settlement, the parties have agreed to the entry of a stipulated judgment in favour of TSMC in the California action," TSMC, the world's largest contract [microchip](#) maker, said in a statement.

"The settlement figure may looks small to a big company like TSMC, but what is more important to it is that the further consolidation of the company's leadership in the industry," an analyst of TLG Asset Management, who requested anonymity, told AFP.

TSMC's US unit filed a suit in 2006, alleging that the Chinese company had used its trade secrets and breached a patent agreement reached in 2005.

"Under the new settlement agreement and the related stipulated judgment, SMIC has agreed to make cash payments to TSMC totalling 200 million US dollars," TSMC said.

The company did not provide details of the litigation, but it said the

firms had also agreed to terminate the 2005 cross-licensing agreement.

"We are pleased to have amicably resolved all of our pending litigation with SMIC in California and Beijing and to have fully protected TSMC's valuable trade secrets and technologies," TSMC chairman Morris Chang said.

"We believe the settlement serves the best interests of TSMC and our shareholders."

Chang's remarks came hours after Richard Chang, who used to be Morris Chang's main rival while in Taiwan, stepped down as chief executive and president of SMIC, the firm said in a statement on its website.

It said Richard Chang resigned to pursue personal interests and gave no further explanation for his decision.

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