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Resolution finally reached after 6 years of litigations trafficz

China's Top Chip Maker SMIC Will Pay TSMC \$290M

Litigation over trade secrets concludes out of court

Intel and AMD aren't the only ones [throwing in the towel](#) after too many years of seeing each other in the court of law. In tune with their seniors, Taiwan Semiconductor Manufacturing Company and Semiconductor Manufacturing International signed an agreement of their own that seems to put a stop to all of their current quarrels. The deal was reached after TSMC won a court-room victory in a case involving alleged patent infringement, trade secret theft and the breach of a previous settlement between the two companies.

The first litigation between them occurred in 2003 (a patent infringement and trade secrets theft case) and was resolved two whole years later with a cross-license deal and a payment of US\$175 by SMIC. The case that just concluded was filed no later than a year afterwards. Although the Taiwan-based manufacturer is the only one who gets paid, TSMC doesn't get out of this with just good news.

Whereas the jury at the Superior Court of California in Alameda County ruled in favor of TSMC, allowing it to keep the trade secrets, Taiwan legislation prohibits technology transfers and investments in relation to China because of the latter's continued threats to invade the island (following Taiwan's separation from China after the civil war in 1949). Although not suggested, it is possible that this feuding mentality is what caused the fallout between the two corporations in the first place (being part of "enemy" countries).

"SMIC believes this settlement is a win-win for the parties, resolving uncertainty for their employees, mutual customers, and other stakeholders," SMIC said in a statement to the Stock Exchange of Hong Kong.

TSMC has lost its rights to vote in the SMIC's board of directors with its shares. And its voting rights will also be reduced to a vote in favor of actions recommended by the board. "This would be a passive ownership of shares," said J.H. Tzeng, deputy spokesman, TSMC.

Although it is portrayed as a compromise, TSMC is the one that seems to reap the most benefits out of this agreement. Not only does it walk out with the rights to SMIC's trade secrets that were the start of all the problems, but the Chinese chip maker will also pay the sum of \$290 million. This amount includes the \$40 million that TSMC was owed following the previous case.