

Richard Chang Fired as SMIC CEO; David N.K. Wang Takes Helm

Richard Chang, the founder of Shanghai-based foundry SMIC, was forced out as CEO following a settlement between TSMC and SMIC in their long-running intellectual property trial. As part of the agreement, TSMC acquired a "substantial portion" of SMIC's stock.

David Lammers, News Editor -- Semiconductor International, 11/9/2009

Richard Chang, the founder and CEO of Semiconductor Manufacturing International Corp. (SMIC, Shanghai, China), resigned today from the company he founded in 2000, a move that one source said was engineered by SMIC's new minority shareholder, Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC, Hsinchu, Taiwan). David N.K. Wang, a former Applied Materials executive, will become CEO of the Chinese foundry, effective immediately, SMIC said. The announcement made no immediate mention of Marco Mora, SMIC's COO, who played an early role in the misappropriation of TSMC's trade secrets.

"Call this a move orchestrated by the new minority shareholder of SMIC," said an attorney involved in the case who asked not to be identified.

SMIC issued a statement to the Hong Kong Stock Exchange Monday, saying, "The board announces that Dr. Richard R. Chang has resigned as an authorized representative of the company for the purpose of the listing rules with immediate effect, and Mr. Jiang Shang Zhou has been appointed as an authorized representative of the company for the purpose of the listing rules with immediate effect."

As part of the [settlement in the TSMC vs. SMIC trade secrets trial](#) announced this morning, SMIC will pay \$200M in cash to TSMC. However, sources said that amount is relatively small, compared with the \$800M-\$1B that TSMC felt it was entitled to for the IP thefts. The jury found that SMIC had misappropriated 61 of the 65 technology items disputed in the trial, which the attorney said is the largest number of contested trade secrets he has heard of in his legal career.

The source said that for strategic reasons related to TSMC's desire to increase its standing in China, the Taiwan foundry agreed to a relatively small cash settlement and a "significant" stock holding in SMIC. As the new minority shareholder, the source said TSMC demanded Chang's ouster for his role in taking TSMC's intellectual property, starting when SMIC was founded.

SMIC's lead attorney, David Steuer of the Wilson, Sonsini law firm representing SMIC in the trial, was not available to comment on Chang's status with SMIC. A source said Chang's dismissal from SMIC was not part of the agreement, but came in the background because TSMC now owns a "substantial portion" of SMIC stock as a result of the settlement.

"TSMC is a very successful company, so money by itself was not the main issue," the source said. "By kicking Chang to the curb, TSMC can get what it wants in terms of improved relations with the Chinese government. It is a strategic move for TSMC."

Wang, the new CEO, is a native of China who played a key role in developing the early plasma deposition equipment at Applied Materials Inc. (Santa Clara, Calif.). He takes over as SMIC moves on to advanced process technology offerings licensed from IBM Corp. However, the Shanghai-based foundry faces intense pricing competition, particularly as TSMC defends its market share from possible encroachment by GlobalFoundries Inc. (Sunnyvale, Calif.). With Chang reasserting his role as CEO of TSMC, and GlobalFoundries seeking to gain customers at the leading edge, other foundries will face an intensifying competitive landscape, said Bill McClean, president of IC Insights Inc. (Scottsdale, Ariz.).

"This could mean some big changes at SMIC," said Joanne Itow, foundry analyst at Semico Research (Phoenix). "I think it could be very good in the long run."

Jeff Chanin, lead attorney for TSMC and a partner at the Kecker & Van Nest (San Francisco) law firm, said TSMC opted for a relatively large amount of SMIC's stock, rather than a punitive amount of cash, as a way of "supporting the Chinese industry, not harming it. This is for the good of everyone, and it gives TSMC a way of protecting its intellectual property."

Chanin said the settlement may foster "healthier competition" in the foundry industry.

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