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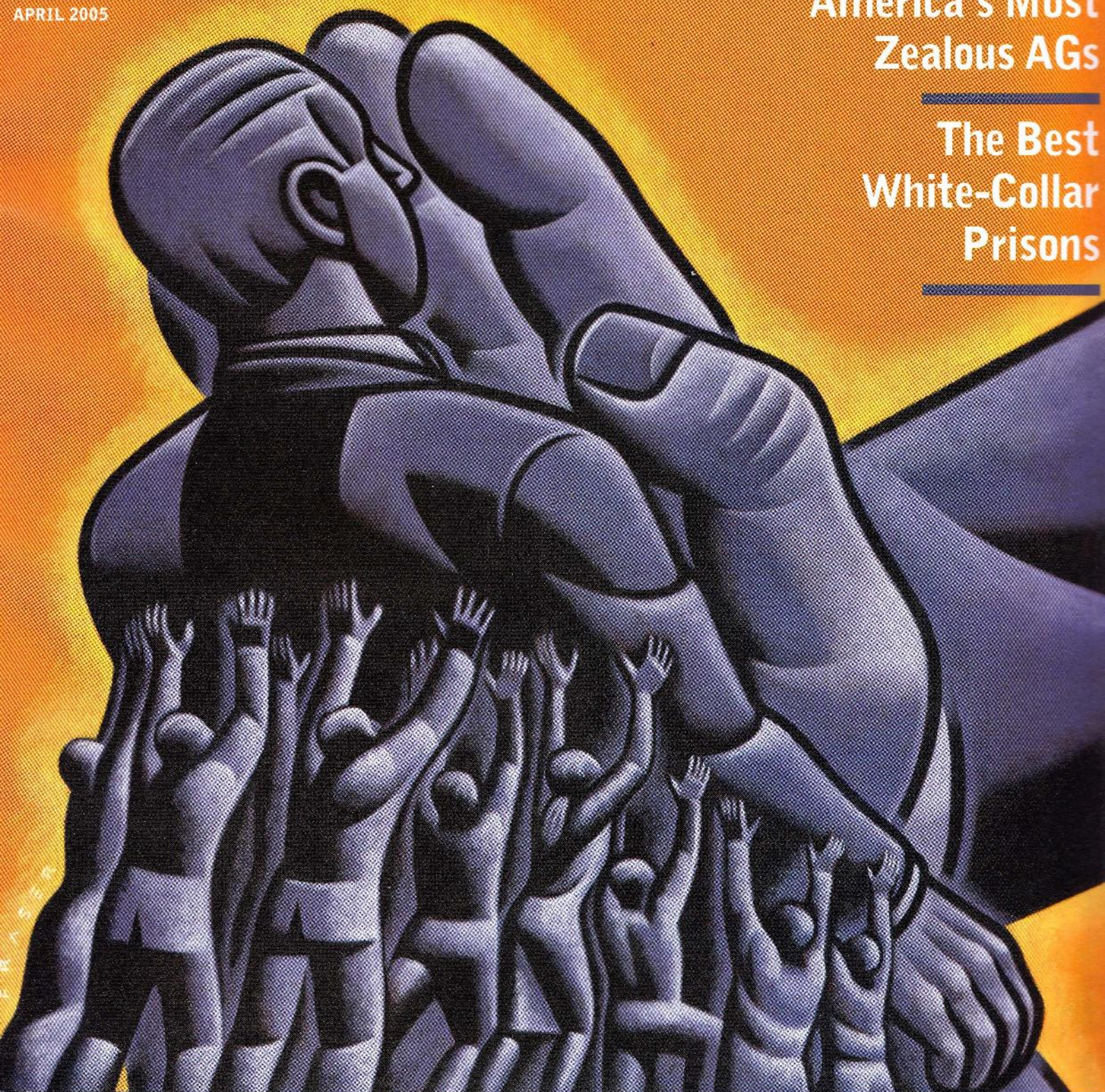
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Richard Thurston

VP AND GC, TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY

BY DEBORAH ROSENTHAL PHOTO BY FRANCIS KEATING

Dick Thurston has been dealing with Pacific Rim electronics companies since the 1980s. As vice president and assistant Far East counsel for Texas Instruments, he negotiated the opening of the first software development center in Bangalore, India, by a U.S. company. In 2002 Thurston relocated to Hsinchu, Taiwan, to become vice president and general counsel of Taiwan Semiconductor Manufacturing Company (TSMC), the world's largest semiconductor foundry business. Today, with annual revenues between \$6 billion and \$7 billion, TSMC seeks recognition as a global technology leader. And it's relying on Thurston to get it.

When you joined TSMC, you replaced K. C. Chen as GC and became the first American general counsel in Taiwan. How have you adapted to succeed as a foreigner?

I have had to find the right balance between U.S. and Taiwanese and Chinese legal principles and culture. Two-thirds of our senior management team has worked in the United States or for a U.S. company. But in a lot of other Taiwanese companies the overwhelming majority don't have that level of international business experience. If an American were to move into one of those companies, they might have more difficulties and challenges than I've had.

You've had business and legal dealings with Asia since the 1980s. What are the big differences between American and Chinese executives in top management?

Again, the question is: How broad, how deep has their business experience been with other global companies? If folks don't have that, you have to explain a lot. You can't take for granted that the chair of a company here knows what you would assume the chair of a company in the United States would know.

As far as the lawyers go, they take courses on U.S. contract principles, but it's almost all in Chinese. I was shocked by the lack of knowledge with respect to contracts—what various terms and conditions mean, things like doing proper due diligence—that's where they have deficiency. I was also shocked to learn how little they know about outside counsel, and how afraid they are to go to them. That's starting to change, but there's still a great degree of hesitancy.

TSMC is trying to shift public perception of it from that of a leading Taiwanese company to that of a global brand. How are you facilitating that shift?

First, I revamped our whole patent practice. We now file around 600 patent applications a year. We file in whichever countries around the world we think it's going to be most important to file in.

And as we get into new advanced technology, like silicon germanium and the more advanced geometries of the semiconductor product, we are getting into things that are leading edge. So it's very important to make sure that as we grow, our IP is not only properly protected but that we use our intellectual capital to further our global competitiveness.

Second, I help structure our strategic business relationships. There's more focus now on contractual relationships, joint-development agreements, joint ventures, and everything of that nature. Legal gets involved in most projects from the earliest stage.

And third is to grow and develop a truly global legal department. Many Asian companies—certainly other Taiwanese companies—never had a formal legal department. TSMC has had a much longer tradition of a GC's office than most other Asian companies, and we've only had one for seven years. Almost all of the lawyers we hire are bilingual Chinese who have had experience dealing with the international arena.

What sort of pitfalls and challenges should U.S. business people expect to face in countries with different legal systems?

Because of the World Trade Organization, a lot of the core structure is there when it comes to certain laws and regulations

governing business. But in practice, there's a tremendous variety in the way that people in these countries handle business problems that may evolve into legal problems. So you really want to make sure that you get advisors with real hands-on experience. If you are going to be an active player doing business in Asia, you need to keep up with the speed of change. That requires having the right people—those who really know the ins and outs of all the businesses and world cultures out there.

As TSMC and other Taiwanese companies grow over the next few years, how do you see disputes between them and U.S.-based companies playing out?

On a global scale, they'll be much more significant. Because the countries that join the WTO have to have basic standards regarding IP, the biggest thing in Asia now is developing and protecting intellectual property. Today, Taiwan ranks fourth among countries obtaining U.S. patents.

The U.S. advantage was initially one of early lead time: If you look at the majority of the patent suits against Asian companies, and particularly Taiwanese companies, they're based on patents that were largely issued before those companies existed. It's older technology. Now we're getting into advanced technology. The patents that we get issued are equal to if not better than those of American companies.

As the years go by, Chinese companies are going to be in perhaps a stronger position than maybe even their counterparts in the United States, which have lost manufacturing and cut back on some of the R&D.

So what should U.S. companies expect to see coming out of China and Taiwan in terms of competition from billion-dollar companies in the coming years?

You're going to see a lot of changes in this area. You'll see many strong, global companies emerging and developing their own very good IP portfolios. ☼

Deborah Rosenthal is editor of *B-K*.

