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CHINESE INVESTMENTS IN THE UNITED STATES REMAIN IN CFIUS CROSSHAIRS

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On September 13, 2017, President Trump issued an Executive Order blocking the $1.3 billion acquisition by Canyon Bridge Capital Partners, a Chinese government-backed private equity fund ("Canyon Bridge") of Lattice Semiconductor Corporation ("Lattice"). The Order came after the Committee on Foreign Investment in the United States ("CFIUS") concluded that the transaction posed a risk to national security. Significantly, President Trump's Order is the second blocked Chinese acquisition of a U.S. chipmaker within the last year and only the fourth time that a President has ordered a transaction blocked or unwound because of national-security concerns. The Order shows that the U.S. Government's will continue to closely scrutinize Chinese investment in U.S. businesses, especially in the semiconductor and high-tech industries. The Order also reminds foreign investors that they face serious regulatory risks on certain transactions in this era of foreign-investment policy uncertainty under the Trump Administration.

Canyon/Lattice Acquisition

In November 2016, the parties announced Canyon Bridge's acquisition of Lattice. In late December 2016, the parties filed with CFIUS but then withdrew their filing twice to allow for review and discussion. Ultimately, CFIUS investigated the transaction three times before informing the parties that it would recommend that President Trump block the transaction. Despite the fact that most parties voluntarily withdrew their notices/abandoned their transactions under such circumstances, Lattice did not do so. Rather, Lattice presumably decided to forge ahead because it believed Canyon Bridge's commitment to double the number of U.S. employees would be well received by the Trump Administration. President Trump nevertheless blocked the transaction, highlighting 4 national-security concerns: (1) the potential transfer of intellectual property; (2) the Chinese Government's role in the transaction; (3) the importance of the semiconductors to the U.S. Government; and (4) the U.S. Government's use of Lattice's products.

China's Attempted Investment in Semiconductors

Recently, Chinese entities have attempted to acquire semiconductor companies in the U.S. and other Western countries seemingly as part of the Chinese Government's attempts to acquire such companies rather than develop them. CFIUS has responded by closely scrutinizing transactions involving the transfer of strategically-important technologies with potential military applications to China. This is especially true for semiconductors and their supply chain heavily utilized by the U.S. Government and Military. President Trump's Order certainly shows that CFIUS has become more hostile to foreign

acquisitions of U.S. tech companies, especially those involving China. It also indicates the likelihood that CFIUS will block China's attempts to acquire U.S. tech companies for the foreseeable future and should cause parties to exercise appropriate due diligence when considering such transactions.

Conclusion

As expected under the Trump Administration, CFIUS continues to heavily scrutinize Chinese acquisitions of tech companies, especially those in the semiconductor industry. Either way, CFIUS will continue to present significant regulatory risks to certain foreign buyers of U.S. technology companies as evidenced by the fact that last week the U.S. Senate Committee on Banking, Housing and Urban Affairs conducted a full-committee hearing examining CFIUS for the first time in almost a decade.