

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

EDITH LISS, derivatively on behalf of
INTEL CORPORATION,

Plaintiff,

v.

ROBERT H. SWAN, GEORGE S. DAVIS,
VENKATA S.M. RENDUCHINTALA, DR.
OMAR ISHRAK, JAMES J. GOETZ,
ALYSSA HENRY, RISA LAVIZZO-
MOUREY, TSU-JAE KING LIU, GREGORY
D. SMITH, ANDREW WILSON AND
FRANK D. YEARY

Defendants,

and

INTEL CORPORATION

Nominal Defendant.

Civil Action No.: _____

JURY TRIAL DEMANDED

VERIFIED STOCKHOLDER DERIVATIVE COMPLAINT

Plaintiff Edith Liss, (“Plaintiff”), by and through her undersigned attorneys, hereby submits this Verified Shareholder Derivative Complaint (the “Complaint”) for the benefit of nominal defendant Intel Corporation (“Intel” or the “Company”) against the Individual Defendants (defined herein) seeking to remedy their breaches of fiduciary duties and other violations of law from October 25, 2019 until July 23, 2020 (the “Relevant Period”). Plaintiff makes these allegations upon personal knowledge as to those allegations concerning Plaintiff and, as to all other matters, upon information and belief based on the investigation of undersigned counsel, which includes, without limitation: (a) review and analysis of public filings made by Intel with the United States Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and other publications disseminated by Intel; (c) review of news

articles, stockholder communications, and postings on Intel’s website concerning the Company’s public statements; (d) pleadings, papers, and any documents filed with and publicly available from a related pending consolidated securities fraud class action pending in the Northern District of California captioned, *In re: Intel Corp. Securities Litigation*, Case No. 5:20cv5194 (the “Securities Class Action”); and (e) review of other publicly available information concerning Intel and the Individual Defendants (as defined below).

INTRODUCTION

1. This is a shareholder derivative action asserting claims for breach of fiduciary duty, unjust enrichment, and violations of Section 14(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and SEC Rule 14a-9 promulgated thereunder against certain officers and members of the Company’s Board of Directors (the “Board”).

2. Intel designs and manufactures microprocessors and other semiconductor components that are used in computers, data centers, communications infrastructure, and other devices.

3. New manufacturing processes in the semiconductor industry are measured by nanometers or “nm”—referring to the size of the transistors on the chips used to make calculations. The smaller the transistors, the more processing power that can be included in a chip’s finite space. These technological advancements help companies make semiconductors that have smaller circuits, which allows the components to count faster, store more information or use less electricity.

4. Intel is unique among semiconductor companies because it designs and produces its products in its own manufacturing facilities. Most of its competitors, including Advanced Micro Devices, Inc. (“AMD”), focus on design and rely upon third-party foundries, such as Taiwan Semiconductor Manufacturing Co. (“TSMC”), to manufacture their chips. The ability to

focus solely on production has helped TSMC improve its manufacturing capabilities faster than Intel and has given companies such as AMD an opportunity to compete with Intel.

5. The wrongdoing alleged herein arises from the Individual Defendants' repeated misrepresentations to investors regarding Intel's development and manufacturing of a new, seven-nanometer chip. Prior to the start of the Relevant Period, Intel repeatedly delayed the launch of its 10-nanometer chips due to flaws in Intel's manufacturing process. Those delays tarnished Intel's reputation as a premier semiconductor chip maker and allowed the Company's competitors to bring more advanced technology to market.

6. In April 2018, to address Intel's flawed execution in the development and production of its 10-nanometer chips, the Company hired Jim Keller ("Keller"), one of the industry's most highly respected chip architects, as a Senior Vice President who would revitalize Intel's struggling chip-design enterprise.

7. Accordingly, by the start of the Relevant Period, Intel purported to have positioned itself to promptly and successfully produce its next generation seven-nanometer chip, which was scheduled to debut in late 2021. Given Intel's previous problems with the 10-nanometer chips, the Individual Defendants knew that the Company's timely development and production of the seven-nanometer chip was critically important to Intel and its investors.

8. Throughout the Relevant Period, the Company repeatedly assured investors that it was making "good progress" on its seven-nanometer chip and that Intel's first seven-nanometer product was "on track" to launch by late 2021. Intel also touted its "in-house manufacturing as an important advantage" over its competitors. These and similar statements made throughout the Relevant Period were false. In reality, the Individual Defendants knew, or recklessly disregarded, that as a result of a material defect in Intel's manufacturing process, the

Company could not timely launch its next generation seven-nanometer chip. As a result of the Company's defective manufacturing process, the Individual Defendants also knew or recklessly disregarded that Intel's strategy of designing and manufacturing its products in-house did not provide the competitive advantage touted to investors.

9. The truth began to emerge on June 11, 2020, when Intel announced that Keller had abruptly resigned for "personal reasons," effective immediately. Keller's departure came as a surprise to many in the industry.

10. The Company also revealed significant leadership changes within its Technology, Systems Architecture and Client Group—the group responsible for engineering and manufacturing Intel's chips. As a result of these disclosures, the Company's stock price declined by \$4.17 per share, or 6.5%, from \$63.87 per share to \$59.70 per share.

11. Then, on July 23, 2020, after the market closed, Intel shocked investors when it revealed that production of its seven-nanometer chips was a full 12 months behind schedule, and would not be arriving until later 2022 or early 2023. The Company attributed the delay to a "defect" in Intel's seven-nanometer manufacturing process. Intel also revealed in an unprecedented move that, as a result of its production problems, it would use a competitor's manufacturing facilities if it could not resolve the delay quickly. These disclosures caused the price of Intel stock to decline by \$9.81 per share, or 16.2%, from \$60.40 per share to \$50.59 per share.

12. On July 27, 2020, Intel announced additional sweeping changes to the Company's Technology, Systems Architecture and Client Group. The division will now be split up into five different teams, divvying up responsibilities in technology development, manufacturing, design engineering, architecture, and supply chain management, and the leaders

of each of those groups will report directly to Intel's CEO. The changes also included the ousting of the Company's Chief Engineering Officer, Defendant Venkata S.M. Renduchintala ("Renduchintala").

13. The Individual Defendants breached their fiduciary duties of loyalty, good faith, due care, oversight, and candor by knowingly engaging in the deceptions alleged herein.

14. As a direct and proximate result of the Individual Defendants' breaches of fiduciary duties, Intel has sustained damages as described below.

JURISDICTION AND VENUE

15. This Court has jurisdiction over the claims asserted herein pursuant to Section 27 of the 1934 Act because the claims asserted herein arise under Sections 14(a) of the 1934 Act and Rule 14a-9.

16. This Court has supplemental jurisdiction over Plaintiff's state law claims pursuant to 28 U.S.C. § 1367(a).

17. This derivative action is not a collusive action to confer jurisdiction on a court of the United States that it would not otherwise have.

18. The Court has personal jurisdiction over each of the Defendants because each Defendant is an individual who has minimum contacts with this District to justify the exercise of jurisdiction over them.

19. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391 and 1401 because Intel is incorporated in this District. In addition, the defendants have conducted business in this District, and the defendants' actions have had an effect in this District.

20. Finally, the Amended and Restated Certificate of Incorporation of Intel includes an exclusive forum selection clause requiring all derivative actions be brought in "Delaware Court of Chancery (except that, in the event the Delaware Court of Chancery lacks subject matter

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