

June 29, 2009

To our customers:

I want to update you regarding the patent litigation with Power Integrations, Inc. As you may know, there are currently three lawsuits pending—affecting power conversion products of both companies.

Firstly, the U.S. Patent Office has issued final rejections of patent claims from two unexpired PI patents involved in two of the patent lawsuits. The final rejections were issued following the re-examination of PI U.S. patent No. 6,107,851 and No. 6,249,876.

As a result of the final rejections, 12 of the 14 re-examined claims from the two patents received final rejections, and all but one claim from the two patents that were tried to jury in the 2004 lawsuit received final rejections. In addition to the 2004 lawsuit, the '851 and '876 PI patents are also being asserted against Fairchild in another lawsuit filed by PI in 2008. The majority of the claims from these two patents asserted in the 2008 lawsuit have received final rejections.

As to the third unexpired patent involved in the 2004 lawsuit (U.S. patent No. 6,229,366), the Patent Office has issued a final rejection regarding all claims that were asserted against Fairchild.

Secondly, the U.S. District Court for the District of Delaware has issued a permanent injunction effective May 13, 2009 regarding certain Fairchild products involved in the 2004 lawsuit. The affected Fairchild products are the ones listed under Schedule 1 below. Please note that Fairchild had already voluntarily withdrawn the products listed on Schedule 1 from the U.S. market in 2007, and we have been offering replacement products since 2006. Attached to this letter is a copy of the court's injunction ruling and listing of the affected Fairchild products. The injunction prohibits Fairchild or any of our subsidiaries from making, using, selling or offering to sell in the United States, or importing into the United States, or inducing or contributing to the same by third parties, any of the products listed on Schedule 1.

Also attached are information updates regarding:

- Our principles and commitments
- Status of the 2008 lawsuit brought by Fairchild against Power Integrations
- Status of the 2008 lawsuit brought by Power Integrations against Fairchild
- Status of the 2004 actions brought by PI against Fairchild and System General (SG)
 - Alternative Green FPS™ e-Series™ PWM products

We will continue to provide you with complete, accurate and up-to-date information on the litigation as we continue to serve your product needs.

Sincerely,



Allan Lam

Executive Vice President, Worldwide Sales and Marketing

OUR PRINCIPLES AND COMMITMENTS

Fairchild Semiconductor remains committed to the following principles:

We respect the legitimate intellectual property interests of our competitors. We also believe in competing in markets where we have the right to do so. We have profound disagreements with PI over the validity and scope of their patent claims. We are continuing to litigate those claims and expect the lawsuit will continue, including through appeals as necessary.

We continue to support this business with products that are not affected by the 2004 lawsuit or the U.S. International Trade Commission (ITC). To avoid possible disruption for our customers, in 2006 we introduced a new series of Green FPS™ e-Series™ PWM controllers. These parts *will not be affected* by the 2004 lawsuit and have not been mentioned in PI's latest lawsuit or customer communications. For more information about these alternative products, see below. System General also introduced alternative products not affected by the 2006 ITC order against SG. Our responses to these events show that, while we disagreed with PI's claims, Fairchild and SG responded by offering products with similar functionality and without a disruption to our customers' supply.

We continue to stand behind our products. Our worldwide terms and conditions of sale include industry-standard indemnification for patent infringement. As we have previously communicated, for products affected by the 2004 lawsuit, we have voluntarily limited this indemnification as described below. Otherwise we continue to offer standard indemnification on all our products, including all Green FPS™ e-Series™ PWM controllers and all SG products.



STATUS OF THE 2008 LAWSUIT BROUGHT BY FAIRCHILD AGAINST POWER INTEGRATIONS

Fairchild Semiconductor and our subsidiary System General Corporation initiated a new lawsuit against Power Integrations for infringement of three of our patents related to primary side regulation in pulse-width modulation power conversion products. We believe at least the following Power Integrations LinkSwitch[®]-II products infringe one or more Fairchild/System General patents:

LNK603PG/DG
LNK613PG/DG
LNK604PG/DG
LNK614PG/DG
LNK605PG/DG
LNK615PG/DG
LNK606PG/GG
LNK616PG/GG
SC1098
SC1097

Other Power Integrations parts may be accused of infringing as the lawsuit continues.

STATUS OF THE 2008 LAWSUIT BROUGHT BY POWER INTEGRATIONS AGAINST FAIRCHILD

Power Integrations filed a new lawsuit against Fairchild Semiconductor, which remains in its earliest stages. Two of the three patents asserted in the case are the same patents that were asserted in the 2004 lawsuit and subject of the recent final rejection decisions by the U.S. Patent Office. The final rejections were issued following the re-examination of two PI U.S. patents: No. 6,107,851 and No. 6,249,876. As a result, the majority of the claims from those patents that are asserted in the 2008 lawsuit have been issued final rejections by the Patent Office during the re-examination proceedings. Regarding the third Power Integrations patent asserted in the case, the Patent Office has decided to reexamine all claims that have been asserted against Fairchild. The Patent Office final rejection decisions could have an effect on this lawsuit and the 2004 lawsuit. We do not believe any Fairchild or System General products infringe valid PI patent claims.

STATUS OF 2004 ACTIONS BROUGHT BY PI AGAINST FAIRCHILD AND SG

Lawsuit Against Fairchild Semiconductor. The lawsuit by PI against Fairchild that began in 2004 is still continuing. The U.S. Patent Office has issued final rejections of patent claims for all three unexpired PI patents. The final rejections were issued following the re-examination of the '851, '876, and '366 patents referenced above. As a result, all but one claim from the three patents that were tried to jury received final rejections. The Patent office proceedings could have an effect on the lawsuit.

The U.S. District Court for the District of Delaware has issued a permanent injunction ruling regarding certain Fairchild products involved in the 2004 lawsuit. We have voluntarily withdrawn affected products from the U.S. market and have been offering replacement products since 2006; see below under "Products Affected by 2004 Lawsuit."

Lawsuit and ITC Case Against System General. Power Integrations' separate lawsuit against System General, which also began in 2004, was dismissed earlier this year. This dismissal followed first office actions by the Patent Office rejecting all of the claims of all PI patents asserted in the lawsuit. The Patent Office rejections are non-final, and PI responded, in part, by amending some of the patent claims involved in the lawsuit. In 2006, while the lawsuit was pending and before the Patent Office rejected the patents, PI



obtained an exclusion order from the ITC, based on two of the four patents involved in the lawsuit. (Power Integrations withdrew the other two patents during the ITC proceedings, but had not withdrawn them from the lawsuit when it was dismissed.) The existing ITC order prevents the following System General power supply controllers from being imported into the United States:

SG6840
SG6841
SG6841x3
SG6842
SG6842J
SG6843

System General no longer offers the above parts for importation or sale in the U.S. and offers replacements parts which are not affected by the ITC order.

The ITC order does not affect any Fairchild Semiconductor or System General parts other than those listed above.

Depending on the outcome of the Patent Office reexamination proceedings, we may address the ITC order at a later time.

Alternative Green FPS™ e-Series™ PWM products

In an effort to avoid disruption for our customers, Fairchild has introduced a new series of Green FPS™ e-Series™ PWM controllers. These parts will not be affected by the injunction from the 2004 lawsuit and have not been specifically accused in PI's latest lawsuit or customer communications. Fairchild is strongly recommending that our customers transition to the new Green FPS™ e-Series™ products (detailed below). We are confident that these new products will satisfy our customers' design needs, and the products are available throughout the world with our standard terms and conditions. To enable a rapid transition to our new FPS products, Fairchild's application engineers are available to play an active role in assisting with the new designs.

Green FPS™ e-Series™ Product Reference Guide

The below cross-reference guide provides the equivalent Green FPS™ e-Series™ alternative part number for Green FPS™ devices affected by the 2004 lawsuit. The cross reference is organized by base part number and is intended as a guide for selecting the replacement part. Please contact your Fairchild representative for assistance in selecting the complete part number.

Example:

If the Green FPS™ part (affected by 2004 lawsuit) is a FSDM0365RN, the base part would be an FSDx0365R, where the x is a wild card representing H, M, or L. The base alternative Green FPS™ e-Series™ part (not affected by 2004 lawsuit) would be the FSQ0365R.

Green FPS™ Base Part (affected by 2004 lawsuit)	Green FPS™ e-Series™ Alternative (not affected by 2004 lawsuit)
FSDx0365R	FSQ0365R
FAN7602M	FAN7602B
FAN7602MX	FAN7602B
FAN7602N	FAN7602B
FSCM0465R	FSQ0465R
FSCM0565R	FSQ0565R
FSCM0765R	FSQ0765R
FSD200	FSQ510
FSD210	FSQ510
FSD211	FSQ321
FSDH0170RNB	FSQ0170RNA
FSDH0270RNB	FSQ0270RNA
FSDH0370RNB	FSQ0370RNA
FSDL0165R	FSQ0165R
FSDM100	FSQ100; FSQ311
FSDM311	FSQ100; FSDM311A; FSQ311
FSDx0265R	FSQ0265R
FSDx321	FSQ110; FSQ321

Products affected by 2004 lawsuit

Products We Continue to Offer. We wish to reassure customers that the 2004 litigation does not pose a risk of injunction to the following FPS™ products. We are also confident that the following products will continue to be available worldwide with our standard terms and conditions.

Not accused in the lawsuit:

FSDM0465
FAN7602B

Accused in the lawsuit under only one patent, which has now expired:

FSDM0565
FSDM07652
FAN7601

Products No Longer Offered in U.S. or for U.S. Importation; Offered Elsewhere on a Restricted Basis. We disagree with the court's permanent injunction ruling ordering Fairchild Semiconductor to stop making, using or selling certain products in the United States or offering them for sale in the U.S., preventing Fairchild from importing the products into the U.S., and prohibiting us from providing patent indemnification in the U.S. for the Power Integrations patents involved in the case.

Although we disagree with the court's ruling, to avoid disruption to our customers and in advance of the injunction we voluntarily implemented the following steps in November 2007:

- We no longer make, use or sell in the U.S., offer to sell in the U.S., or import into the U.S. any of the products listed below on Schedule 1 ("Schedule 1 Fairchild Products").
- We continue to sell Schedule 1 Fairchild Products outside the U.S., on condition that, and with the understanding that, customers who purchase such products outside the U.S. will not import them into the U.S., either as individual products or within customers' finished goods or products. Customers who wish to import finished goods or products into the U.S. must not purchase or use the Schedule 1 Fairchild Products in any goods or products imported into the U.S.
- For Schedule 1 Fairchild Products, we no longer provide patent indemnification under our standard terms and conditions of sale for the following three U.S. patents: No. 6,107,851; No. 6,229,366; and No. 6,249,876. As to all other patents, we will continue to offer patent indemnification in accordance with our standard terms and conditions of sale.

Please note that Fairchild's acceptance of orders for Schedule 1 Fairchild Products is made subject to the above requirements, which modify our Standard Terms and Conditions of Sale and any other agreements we may have with you governing sales of the Schedule 1 Fairchild Products.

While we believe that our products will be ultimately vindicated, litigation is an uncertain process that will take time, and we feel it is important to take the steps outlined above. Green FPS™ e-Series™ products offer you a viable alternative solution to avoid any business disruption (see above).

SCHEDULE 1

The following Fairchild Semiconductor products are no longer offered for sale or sold in the United States. The following products are also subject to the attached court-ordered injunction. Sales of the following products outside the United States are made with the understanding, and subject to the condition, that buyers of the products will not import any of the following products into the United States, either as individual products or within their finished goods or products, or the finished goods or products of others. Customers who wish to import finished goods or products into the U.S. must not purchase or use the following products in any goods or products imported into the U.S.

FSCM0465RGWDTU	FSD210BMX	FSDM0265RL_NL
FSCM0465RJ	FSD210BMX_SB82110	FSDM0265RN
FSCM0465RJX	FSD210DH	FSDM0265RN_NL
FSCM0565RCYDTU	FSD210H	FSDM0265RNB
FSCM0565RCYDTU_NL	FSD210HD	FSDM0265RNB_NL
FSCM0565RD	FSD210L	FSDM0265RNC
FSCM0565RGTU	FSD211H	FSDM0265RNC_NL
FSCM0565RGWDTU	FSD211H_NL	FSDM0365RL
FSCM0565RIWDTU	FSDH0170RNB	FSDM0365RL_NL
FSCM0565RJ	FSDH0265RL	FSDM0365RLX
FSCM0565RJX	FSDH0265RL_NL	FSDM0365RN
FSCM0765RC	FSDH0265RL_SB82109	FSDM0365RN_NL
FSCM0765RCYDTU	FSDH0265RLD	FSDM0365RNB
FSCM0765RCYDTU_NL	FSDH0265RLD_NL	FSDM0365RNC
FSCM0765RD	FSDH0265RLDX	FSDM100
FSCM0765RGWDTU	FSDH0265RLDX_NL	FSDH321
FSCM0765RIWDTU	FSDH0265RLX	FSCM0465RIWDTU
FSCM0765RJ	FSDH0265RLX_SB82109	FAN7602M
FSCM0765RJX	FSDH0265RN	FAN7602MX
FSD1000	FSDH0270RNB	FAN7602N
FSD200	FSDH0370RNB	FSCM0456RGWDTU
FSD200_NL	FSDH321B	FSCM0465R
FSD200B	FSDH321L	FSCM0565R
FSD200B_NL	FSDH321LX_NL	FSCM0765R
FSD200BM	FSDH321Z	FSD210DH_NL
FSD200BM_NL	FSDH321Z_NL	FSD211
FSD200BMX	FSDL0165RL	FSD500
FSD210	FSDL0165RL_NL	FSDH0265RLN
FSD210B	FSDL0165RN	FSDH0265RLN_NL
FSD210BH	FSDL0365RL	FSDH0265RLX_SB82190
FSDM100_NL	FSDL0365RL_NL	FSDH321XL
FSDM101	FSDL0365RN	FSDM0170RNB
FSDM311	FSDL0365RNB	FSDM0270RNB
FSDM311_NL	FSDL321	FSDM0370RNB
FSDM311L	FSDL321_NL	FAN7602
FSDM311L_NL	FSDL321L	FSDH0265RL_SB82190
FSD210BM	FSDL321L_NL	FSDH321LX
FSD210BM_NL	FSDM0265RL	FSD210HD_NL

Note: This list may include some parts that are discontinued, multiple suffixed versions of the same original part, and/or parts that were misidentified on the court-ordered injunction.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

POWER INTEGRATIONS, INC., a
Delaware corporation,

Plaintiff,

v.

FAIRCHILD SEMICONDUCTOR
INTERNATIONAL, INC., a Delaware
corporation, and FAIRCHILD
SEMICONDUCTOR CORPORATION, a
Delaware corporation,

Defendants.

C.A. No. 04-1371 (JJF)

ORDER GRANTING PERMANENT INJUNCTION

GOOD CAUSE HAVING BEEN SHOWN, the Court hereby finds as follows:

- Defendants Fairchild Semiconductor International, Inc. and Fairchild Semiconductor Corp. (collectively, "Fairchild") have been found to infringe Power Integrations' U.S. Patent Nos. 6,229,366 B1, 6,249,876 B1, and 6,107,851 by the incorporation of an "integrated frequency jitter" and/or "integrated soft start" feature covered by one or more of the claims of the Power Integrations patents in "off-line" power supply controller integrated circuit products referred to with the following part number designations:

FSD200	FSDH321L	FSDH0265RL
FSD200B	FSDL0165RN	FSDL0365RL
FSD210	FSDM0265RN	FSDM0365RL
FSD210B	FSDM0265RNB	FSDM311
FSD210H	FSDH0265RN	FSCM0565R
FSD210HD	FSDL0365RN	FSCM0765R
FSD211	FSDL0365RNB	
FSD500	FSDM0365RN	
FSDL321	FSDM0365RNB	
FSDL321L	FSDL0165RL	
FSDH321	FSDM0265RL	

2. IT IS HEREBY ORDERED that pursuant to 35 U.S.C. § 283, Fairchild and its successors, assigns, officers, agents, servants, employees, attorneys, and persons in active concert or participation with them (including any affiliated entities, including specifically Fairchild Korea Semiconductor, Ltd. and Fairchild Korea Trading Company), during the period commencing on the date hereof and through and including the date of expiration of each of the patents, the latest of which is currently November 16, 2018, are hereby ENJOINED and RESTRAINED from infringing and from inducing or contributing to the infringement of any claim of U.S. Patent Nos. 6,229,366 B1, 6,249,876 B1, and 6,107,851 by making, using, selling, or offering to sell in the United States, or importing into the United States, or by inducing or contributing to the same by third-parties, of any of the integrated circuit products listed above, or any variations thereof not more than colorably different, or any power supply product or component incorporating any such integrated circuit products.

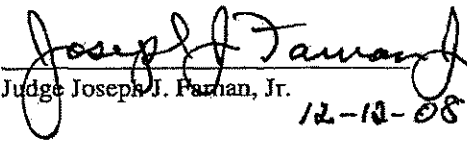
3. Any additional Fairchild products that include the infringing “integrated frequency jitter” and “integrated soft start” features are also covered by this injunction, including those not more than colorably different with respect to these features from the parts identified in paragraph 1 above, and further specifically including, but not limited to, off-line power supply controller integrated circuit products referred to with the following additional part number designations:

FAN7602	FSD200BMX	FSDH321LX_NL
FSCM0456RGWDTU	FSD210BH	FSDH321Z
FSCM0465R	FSD210BM	FSDH321Z_NL
FSCM0465RIWDTU	FSD210BM_NL	FSDL0165RL_NL
FSCM0465RJ	FSD210BMX	FSDL0365RL_NL
FSCM0465RJX	FSD210BMX_SB82110	FSDL321_NL
FSCM0565RCYDTU	FSD210DH	FSDL321L_NL
FSCM0565RCYDTU_NL	FSD210HD_NL	FSDM0170RNB
FSCM0565RD	FSD210L	FSDM0265RL_NL

FSCM0565RGTU	FSD200BM_NL	FSDH321LX
FSCM0565RGWDTU	FSD211H	FSDM0265RN_NL
FSCM0565RIWDTU	FSD211H_NL	FSDM0265RNB_NL
FSCM0565RJ	FSDH0170RNB	FSDM0265RNC
FSCM0565RJX	FSDH0265RL_NL	FSDM0265RNC_NL
FSCM0765RC	FSDH0265RL_SB82109	FSDM0270RNB
FSCM0765RCYDTU	FSDH0265RLD	FSDM0365RL_NL
FSCM0765RCYDTU_NL	FSDH0265RLD_NL	FSDM0365RLX
FSCM0765RD	FSDH0265RLDX	FSDM0365RN_NL
FSCM0765RGWDTU	FSDH0265RLDX_NL	FSDM0365RNC
FSCM0765RIWDTU	FSDH0265RLN	FSDM0370RNB
FSCM0765RJ	FSDH0265RLN_NL	FSDM100
FSCM0765RJX	FSDH0265RLX	FSDM100_NL
FSD1000	FSDH0265RLX_SB82190	FSDM101
FSD200_NL	FSDH0270RNB	FSDM311_NL
FSD200B_NL	FSDH0370RNB	FSDM311L
FSD200BM	FSDH321B	FSDM311L_NL

4. Fairchild is required, within 10 business days of its issuance, to provide notice of this Order Granting Permanent Injunction to all distributors, customers or other third-parties who have ordered, received or purchased any of the parts enumerated in paragraphs 1 or 3 above from Fairchild or any affiliated entity.

IT IS SO ORDERED.


 Judge Joseph J. Parham, Jr. 12-10-08