

Item 3. Legal Proceedings

On June 7, 1993, we filed suit against Altera Corporation (Altera) in the United States District Court for the Northern District of California for infringement of certain of our patents. Subsequently, Altera filed suit against Xilinx, alleging that certain of our products infringe certain Altera patents. Fact and expert discovery have been completed in both cases, which have been consolidated. Both Altera and Xilinx filed motions with the Court for summary judgment with respect to certain of the issues pending in the litigation. In October 1999, the Court ruled on all but one of the motions. As a result of those rulings, Altera is left with one claim against Xilinx, which remains the subject of a Company motion for summary judgment. A ruling on this motion is pending. The Court's rulings also dismissed certain claims by us, leaving intact claims of infringement under two Company patents by Altera. The remaining claims against Altera will be decided at a trial scheduled to begin in October, 2000. If the remaining claim against Xilinx survives the motion for summary judgment, it will be decided at a trial, which is currently scheduled to commence on June 19, 2000.

On April 20, 1995, Altera filed an additional suit against Xilinx in the Federal District Court in Delaware, alleging that our XC5200 family infringes an Altera patent. We answered the Delaware suit denying that the XC5200 family infringes the patent in suit, asserting certain affirmative defenses and counterclaiming that the Altera Max 9000 family infringes certain of our patents. The Delaware suit was transferred to the United States District Court for the Northern District of California.

On July 22, 1998, Altera and Joseph Ward, a former Xilinx employee, filed suit against Xilinx in Superior Court in Santa Clara County, California, arising out of our efforts to prevent disclosure of certain Company confidential information. Altera's suit requests declaratory relief and claims Xilinx engages in unfair business practices and interference with contractual relations. On September 10, 1998 we filed cross claims against Altera and Ward for unfair competition and breach of contract, among other claims, in the California action. On October 20, 1998, Altera and Ward filed crossclaims against Xilinx for malicious prosecution of civil action and defamation. On September 15, 1999, the Court dismissed all of our claims against Altera and Mr. Ward, finding that we were unable to show any damages we suffered as a result of any actions by Mr. Ward. Claims against Xilinx are still pending.

The ultimate outcome of these matters cannot be determined at this time. Management believes that it has meritorious defenses to such claims and is defending them vigorously. The foregoing is a forward-looking statement subject to risks and uncertainties, and the future outcome of these matters could differ materially due to the uncertain nature of each legal proceeding and because the lawsuits are still in the pre-trial stages.

On May 31, 2000, Altera filed an additional suit against Xilinx in the Federal District Court for the Northern District of California, alleging that certain Xilinx products, including our Virtex™ FPGAs, infringe three Altera patents. Altera's suit requests unspecified monetary damages as well as issuance of an injunction to prevent Xilinx from selling allegedly infringing parts. Xilinx has not yet had the opportunity to fully review this latest suit and investigate the facts related thereto, and therefore can make no comment as to its likely outcome.

On July 31, 1998, the Lemelson Foundation Partnership (Lemelson) filed a lawsuit in the United States District Court in Phoenix, Arizona against the Company and twenty-five (25) other United States semiconductor companies for infringement of certain of its patents. During the third quarter of fiscal 1999, we entered into a license settlement with Lemelson. In response, Lemelson dismissed with prejudice all claims against us.

There are no other pending legal proceedings of a material nature to which we are a party or of which any of our property is the subject. We know of no legal proceedings contemplated by any governmental authority or agency.