

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 19-CV-81263-SMITH/MATTHEWMAN

PHILIPS NORTH AMERICA, LLC, *et al.*,

Plaintiffs,

v.

626 HOLDINGS, INC., *et al.*,

Defendants.

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**DEFENDANTS' REPLY IN SUPPORT OF MOTION FOR LEAVE TO AMEND THEIR  
AFFIRMATIVE DEFENSES AND ASSERT COUNTERCLAIM [D.E. 132]**

Defendants, 626 Holdings, Inc., and Alexander Kalish (“Defendants”), file their Reply in support of their Motion for Leave to Amend [D.E. 143] (the “Motion”), and state:

In Plaintiffs’ Opposition to Defendants’ Motion for Leave to Amend Their Affirmative Defenses and Assert Counterclaim [D.E. 150] (the “Response”), Plaintiffs claim Defendants should not be permitted to amend their affirmative defenses or assert a counterclaim because of the timing of the motion, and because they claim the counterclaim is futile. Plaintiffs arguments fail because: (1) under Rule 15(a), leave to amend should be freely given, particularly when the request for leave to amend occurs before the close of discovery and any prejudice can be avoided by allowing additional time for discovery, (2) Defendants did not unduly delay in filing the motion, but learned of the relevant information through the course of discovery and asserted their counterclaim promptly, (3) there is no undue prejudice to Plaintiffs, and any minimal prejudice can be avoided by extending discovery for a short period of time, and (4) the claims in the counterclaim all properly assert claims that are not subject to dismissal as a matter of law.

**A. Leave to Amend Should be Freely Given Under Rule 15(a).**

Contrary to Plaintiffs’ claim, the Scheduling Order, not the accompanying docket text, controls, and under the Scheduling Order, there is no listed deadline for Defendants to amend their affirmative defenses or file a counterclaim. Scheduling Order, [D.E. 24]. Plaintiffs admit the Scheduling Order does not contain a deadline for amending defenses or raising a

counterclaim. Response at 1. Instead, Plaintiffs claim that the docket text, *not the Scheduling Order*, stated “Amended Pleadings due by 4/1/2020.” *Id.* However, the docket text is not the order. *In re Champion*, 600 B.R. 459, 469 (Bankr. S.D. Ga. 2019) (finding docket entry that incorrectly stated a deadline in the filed consent order did not control or overrule the language in the consent order). Accordingly, because the Motion is not brought after the expiration of a deadline in the Scheduling Order, Rule 15(a), rather than Rule 16(b), applies, and Plaintiffs’ arguments regarding good cause miss the mark.

**B. Defendants Did not Unduly Delay in Filing the Motion.**

Defendants’ motion was filed less than one year after this case was filed, and before the close of discovery. Cases, including those cited by Plaintiffs, in which undue delay has been found under Rule 15(a) involve multiple years of delays without excuse. *In re Engle Cases*, 767 F.3d 1082, 1119–20 (11th Cir. 2014) (“Thus, we affirm the District Court’s conclusion that the years of unjustified delay and obfuscation stripped plaintiffs’ counsel of whatever rights to amendment that they might have had if they had brought the defects to the court’s attention in a timely fashion” when the cases were pending for four years); *Tampa Bay Water v. HDR Eng’g, Inc.*, 731 F.3d 1171, 1187 (11th Cir. 2013) (more than two years after the case was filed). Defendants’ Motion was filed less than a year after the Complaint was filed, immediately after (and during) a very active period of discovery, and shortly after new counsel was retained. Defendants did not unduly delay.

Plaintiffs spend much of the Response arguing that the timing of the Motion is later than it should have been as a result of Defendants’ purported own lack of diligence. Response, 1-8. However, the Protective Order, which was necessary for Plaintiffs to produce the many of the most relevant documents in this case, was not entered until February 6, 2020. [D.E. 29] Defendants served their first discovery requests shortly thereafter, on March 4, 2020. *See* Response, ex. A. As Plaintiffs state in the Response, Plaintiffs have continued producing documents on a rolling basis through September, and the parties did not take depositions until July and August, when nine depositions took place.<sup>1</sup> Response at 2.

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<sup>1</sup> Plaintiffs suggestion that the Motion is somehow a contradiction of the statements in the parties’ joint request to extend discovery deadlines, filed on August 28, is misplaced. Response at 2-3. Beyond the fact that Defendants informed Plaintiffs of their intent to file the Motion before the joint request, the language quoted by Plaintiffs states that the requested extension of the discovery time period was not intended to allow a party “to assert new claims absent leave of

In the Motion, Defendants identified four categories of information of which they had recently obtained information sufficient to amend their affirmative defenses and assert the Counterclaim. As to topics (a) and (c) in the Motion, while Defendants may have suspected some of the allegations of their proposed Counterclaim (for example, the fact that Plaintiffs have contracts with many of their customers), it was not until discovery that the details of these contracts and arrangements were identified in further detail. Defendants are still attempting to obtain documents from Plaintiffs on these subjects. *See* September 17, 2020 Email to Opposing Counsel On Agreements, attached as **Exhibit C**. As to topic (b), related to Plaintiffs' failures to take reasonable steps to protect their trade secrets, Defendants have learned of Plaintiffs' failures through their own investigations as well as discovery in this case, and indeed, they are still attempting to obtain information about the steps Plaintiffs took to allegedly protect their trade secret and still obtaining new information even after filing the Motion. *See* Plaintiffs' Objections and Responses to Defendant 626 Holdings, Inc.'s Amended Third Set of Interrogatories to Plaintiffs, served on September 15, 2020, attached as **Exhibit D**. Finally, as to topic (d), the numerous lawsuits filed by Plaintiffs, those lawsuits are ongoing and additional documents related to Plaintiffs' anticompetitive behavior have been filed or provided in discovery since the beginning of this case. *E.g.*, Counterclaim asserting antitrust claims against several of Plaintiffs in *Philips Medical Systems Nederland B.V., et al. v. TEC Holdings, Inc., f/k/a Transate Equipment Company, Inc., et al.*, Case No. 3:20-cv-0021-MOC-DCK, (W.D. N.C.) filed on April 30, 2020 and attached as **Exhibit E**.

Defendants learned of the information that led to the Motion throughout the summer of 2020, and it took some time to review the information and prepare amended affirmative defenses and a counterclaim. Defendants filed the Motion on August 31, 2020, less than a year into this litigation. Defendants did not unduly delay in filing their motion.

**C. Plaintiffs Will Not Be Prejudiced By the Timing of the Proposed Amended Affirmative Defenses and Counterclaim.**

Plaintiffs claim they will be prejudiced if Defendants are permitted to amend their affirmative defenses and to assert the counterclaim. There will be no undue prejudice, however. Trial is not set until the end of March 2021. All pretrial deadlines can be extended 60 days

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court." Response at 2-3; Emails between counsel, attached as **Exhibits A and B**. The Motion is a request for leave of court to assert claims, exactly as provided by the joint request.

without affecting the trial date, but, the reality is that given the existing, unprecedented circumstances in which jury trials are currently suspended because of a global pandemic, a civil jury trial for what the parties estimated to be a trial that lasts more than one week (D.E. 20 at 3) may not be able to proceed in March 2021 regardless of whether Defendants amend. Defendants filed their Motion with more than four weeks left before the extended deadline for discovery. Any possible prejudice to Plaintiffs is remedied by extending the deadlines by sixty days to allow Plaintiffs to take whatever discovery they believe is necessary. *Williams v. R.W. Cannon, Inc.*, 2008 WL 2229538, at \*2 (S.D. Fla. May 28, 2008) (no prejudice when motion to amend affirmative defenses filed six weeks before the close of discovery); *McDaniel v. Bradshaw*, 2011 WL 1827731, at \*2 (S.D. Fla. May 12, 2011) (granting motion to amend and, “[i]n order to avoid any prejudice to any party, the Court will extend the deadlines and trial setting by a few weeks.”).

Plaintiffs’ basis for opposing Defendants’ amendments to their affirmative defenses is even less compelling. Plaintiffs’ decision to not seek further discovery on the existing affirmative defenses, even though they considered it deficient, was their own strategic decision, and should not act as a bar to Defendants’ ability to defend its case. Response, 9-10. Further, the amended affirmative defenses clarify the previous affirmative defenses and for the most part involve the same subject matter that would have been the subject of Plaintiffs’ discovery:

<b>Original Affirmative Defenses</b>	<b>Proposed Amended Affirmative Defenses</b>
1. Failure to State a Claim	1. Failure to State a Claim
2. Untimely Assertion of Claims and Assumption of Risk, including laches, waiver, ratification, estoppel, consent, duty to mitigate, failure to investigate, statute of limitations	2. Statute of Limitations 4. Waiver – failure to take reasonable measures to protect trade secrets/consent 5. Estoppel – failure to take reasonable measures to protect trade secrets 6. Waiver – failure to take reasonable measures to protect software security 7. Estoppel – failure to take reasonable measures to protect software security 8. Failure to mitigate damages
3. Preemption pursuant to 21 C.F.R. § 1020.30, § 17 USC 301(a) (Copyright Act), § 688.008 (Florida Uniform Trade Secrets Act)	13. Preemption – § 688.008 (Florida Uniform Trade Secrets Act) 14. Preemption – § 17 USC 301(a) (Copyright Act), and federal regulations, including 21 C.F.R. § 1020.30

4. Lack of Standing	15. Lack of Standing
5. Apparent agency/authority, estoppel, license, release and ratification due to the conduct of Plaintiffs' agents	12. License, express or implied, to perform repairs under contracts
6. Illegality and Fair Use	10. Copyright Misuse 11. Copyright Invalidity 16. First Sale Doctrine 17. Permitted Copies under 17 U.S.C. § 117 18. Fair Use Doctrine
7. Unclean Hands – delay	3. <i>In pari delicto</i>
8. Failure to Join Indispensable Parties, Recoupment, Setoff and Apportionment to avoid Double Recovery	9. Setoff

Plaintiffs have already had an opportunity to take discovery on the subjects of Defendants' amended affirmative defenses, and any possible prejudice can be remedied by extending discovery to allow Plaintiffs to take additional discovery. To be sure, resolving the counterclaims in the present litigation will cause less time, money and effort than litigating the substance of the counterclaim in a separate lawsuit.

**D. The Proposed Counterclaim Is Not Futile.**

“As for Defendant’s argument that the amendment is futile, the Eleventh Circuit has consistently recognized that an amendment to a complaint is only futile when the amended complaint would be subject to dismissal as a matter of law.” *Travelers Cas. & Sur. Co. of Am. v. Madsen, Sapp, Mena, Rodriguez & Co., P.A.*, 2008 WL 11399642, at \*1 (S.D. Fla. Jan. 31, 2008). Plaintiffs do not argue the proposed amended affirmative defenses are futile. As to the proposed Counterclaim, none of the counts are subject to dismissal as a matter of law.

Counts I and II of the Counterclaim allege illegal tying arrangements in violation of section 1 of the Sherman Act. “A tying arrangement is ‘an agreement by a party to sell one product but only on the condition that the buyer also purchases a different (or tied) product, or at least agrees that he will not purchase that product from any other supplier.’” *Eastman Kodak Co. v. Image Tech. Servs., Inc.*, 504 U.S. 451, 461-62 (1992) (quoting *Northern Pacific R. Co. v. United States*, 356 U.S. 1, 5-6 (1958)). A tying “arrangement violates § 1 of the Sherman Act if

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