UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

EVERLIGHT ELECTRONICS CO., LTD.,
and EMCORE CORPORATION,

Civil Action No.12-cv-11758
HON. GERSHWIN A. DRAIN

Plaintiffs/Counter-Defendants,

v.

NICHIA CORPORATION, and
NICHIA AMERICA CORPORATION,

Defendants/Counter-Plaintiffs,

v.

EVERLIGHT AMERICAS, INC.,

Defendant.
_____/

ORDER DENYING NICHIA'S MOTION FOR LEAVE TO AMEND THEIR ANSWER TO ADD A DEFENSE OF UNCLEAN HANDS [#265], DENYING EVERLIGHT'S MOTION TO STRIKE FOURTH SUPPLEMENTAL EXPERT REPORT OF JOHN C. JAROSZ [#268] AND DENYING EVERLIGHT'S MOTION TO STRIKE NICHIA'S INFRINGEMENT THEORIES REGARDING THE DOCTRINE OF EQUIVALENTS AND CLAIMS 5-8 [#272]

I. INTRODUCTION

The is a patent action. Presently before the Court are the following motions: (1) Nichia Corporation's and Nichia America Corporation's (collectively "Nichia") Motion for Leave to Amend their Answer to Add a Defense for Unclean Hands, filed on April 17, 2014, (2) Everlight Electronics, Co., Ltd.'s ("Everlight") Motion to Strike the Fourth Supplemental Expert Report of John C. Jarosz, filed on April 30, 2014, and (3) Everlight's Motion to Strike Nichia's Infringement Theories Regarding the Doctrine of Equivalents and Claims 5-8 of '925 Patent, filed on May 9,

2014. These matters are fully briefed and a hearing was held on July 8, 2014. For the reasons that follow, the Court will deny all three motions presently before it.

II. LAW & ANALYSIS

A. Nichia's Motion for Leave to Amend

In the present motion, Nichia seeks leave to add a defense of unclean hands to Everlight's claims for a declaratory judgment of invalidity and unenforceablity of the '925 and '960 patents, or for Counts II, III, V, and VII of Everlight's Second Amended Complaint. Nichia argues that it has been diligent during these proceedings in pursuing an unclean hands defense, as well as maintains that Everlight will not suffer prejudice if Nichia is allowed to add the defense of unclean hands. Conversely, Everlight asserts that Nichia's eleventh hour attempt to add an unclean hands defense is procedurally and substantively flawed. Specifically, Everlight suggests that Nichia could have moved to add this defense earlier and Everlight will be severely prejudiced if Nichia's motion is granted because discovery is now closed.

At the heart of the instant dispute is Everlight's witness, Hans-Dieter Wustlich, a German citizen and former General Manager of Wustlich Mikro-Electronik GmbH, a company focused on the development of LEDs. Wustlich claims that he created a single-chip white LED in 1995, which Everlight relies on to support its contention that Nichia's patents-in-suit are invalid based on prior art. According to Nichia, at least one of the documents supplied by Everlight to support Wustlich's claims–an OSRAM datasheet for the L175 phosphor[1]–was fabricated by Wustlich. Nichia argues that a former OSRAM employee, Robert Otto, has provided a sworn statement that the datasheet Wustlich claims to have received in February of 1995 was not created by OSRAM until 1996. As

[1] This is the phosphor Wustlich claims he used to create his white LED.

such, Wustlich could not have created his white LED prior to Nichia's invention.

A scheduling order establishing a deadline for amendments to pleadings may be modified upon a showing of good cause and upon leave of the district court judge. *Inge v. Rock Fin. Corp.*, 281 F.3d 613, 625 (6th Cir. 2002) (citing Fed. R. Civ. P. 16(b)). "The primary measure of Rule 16's 'good cause' standard is the moving party's diligence in attempting to meet the case management order's requirements." *Id.* "Another relevant consideration is possible prejudice to the party opposing the modification." *Id.*

If good cause is demonstrated, leave to amend should be freely given pursuant to Rule 15(a). *Leary v. Daeschner*, 349 F.3d 888, 909 (6th Cir. 2003). Rule 15 "reinforce[s] the principle that cases should be tried on their merits rather than the technicalities of pleadings." *Moore v. Paducah*, 790 F.2d 557, 559 (6th Cir. 1986). The United States Court of Appeals for the Sixth Circuit has identified various factors that this Court must consider when determining whether to grant leave to amend:

> Undue delay in filing, lack of notice to the opposing party, bad faith by the moving party, repeated failure to cure deficiencies by previous amendments, undue prejudice to the opposing party, and futility of amendment are all factors which may affect the decision. Delay by itself is not sufficient reason to deny a motion to amend. Notice and substantial prejudice to the opposing party are critical factors in determining whether an amendment should be granted.

Brooks v. Celeste, 39 F.3d 125, 129 (6th Cir. 1994) (citing *Head v. Jellico Housing Auth.*, 870 F.2d 1117, 1123 (6th Cir. 1989)).

The original deadline for amendment of pleadings was February 20, 2013. While it is true that this Court has previously found Everlight has been less than cooperative during the discovery phase of this action, the Court cannot conclude that Nichia's failure to bring the instant motion earlier is solely attributable to Everlight. Even if Nichia could not add its unclean hands defense

prior to the deadline for amendments to pleadings, it could have and should have moved to add its defense earlier than April of 2014, months after the close of discovery. Discovery related to Wustlich was produced by Everlight in November of 2013. Additionally, Nichia points to no new knowledge from the February 2014 deposition of Everlight's Rule 30(b)(6) witness that supports its contention that it had recently learned of the purported fabrication.

Moreover, Everlight's assertion that it will be severely prejudiced if Nichia is permitted to add an unclean hands defense at this late stage in the proceedings is persuasive. Everlight is foreclosed from taking discovery from the manufacturer of the L175 phosphor, nor will it be able to obtain corroborating testimony from third-party witnesses that support Wustlich's assertion that he produced a single chip white LED in 1995.

As such, based on the foregoing considerations, the Court denies Nichia's Motion for Leave to Add an Unclean Hands Defense.

B. Everlight's Motion to Strike the Fourth Supplemental Expert Report of John C. Jarosz

Here, Everlight argues that the Court should strike the Fourth Supplemental Expert Report of Nichia's expert, John C. Jarosz, as untimely. On December 21, 2013 and March 7, 2014, Nichia submitted its initial expert report. The parties exchanged rebuttal reports on March 28, 2014. Everlight's expert, Christopher Bakewell, opined in his rebuttal report that Nichia failed to meet its burden to show that it was entitled to lost profits damages and could not show that it would suffer irreparable harm absent an injunction. Two days before Mr. Jarosz's deposition, Nichia served a Fourth Supplemental Expert Report, which included new analyses and opinions relating to market segmentation, pricing evaluations and irreparable harm. At Jarosz's April 23, 2014 deposition, he admitted that he had all the requisite information available to provide the analyses and opinions

found in his Fourth Supplemental Expert Report.

Expert disclosures under Rule 26(a)(2)(B) must be made "at the times and in the sequence that the court orders." Fed. R. Civ. P. 26(a)(2)(D). When a party fails to disclose expert opinions in accordance with the Court's deadlines, the Court has the authority to prohibit that party from "supporting or opposing designated claims or defenses, or from introducing designated matters in evidence." Fed. R. Civ. P. 37(b)(2)(A)(ii).

Nichia argues that Everlight did not disclose its intent to argue that it does not compete for U.S. customers for the sale of white light LEDs and that the white LED market is further segmented into low power, mid power, and high power market segments until Everlight submitted its March 28, 2014 Rebuttal Report. Nichia asserts that the Bakewell Rebuttal Report relies on new information from Everlight, including a spreadsheet that had not been previously produced, concerning the components used by Everlight in manufacturing white LEDs, as well as included information concerning the power levels for Everlight's Accused Products, information which was repeatedly sought in discovery. Instead of moving to strike the Bakewell Rebuttal report, Nichia decided to respond to Everlight's "ambush" by requesting a supplement from Jarosz, which ultimately consisted of 9 and ½ pages and only addressed the new theories set forth in the rebuttal report. Moreover, the Jarosz Fourth Supplemental Expert Report was provided prior to the depositions of both experts.

Nichia maintains that the Fourth Supplemental Expert Report complies with Federal Rule of Civil Procedure 26(e)(2) because Jarosz had a duty to supplement in order to properly respond to the new theories raised in the Bakewell Rebuttal Report. *See Seton Co. v. Lear Corp.*, No. 02-71118, 2005 U.S. Dist. LEXIS 8963, *8-9 (E.D. Mich. 2005) (report found proper because the expert corrected lost profits estimate based on information not available at time of initial report,

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