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Nichia Tells Fed. Circ. Judge Gilstrap Erred On Injunction

By Kelly Knaub

Law360, New York (April 22, 2016, 10:22 PM ET) -- Japan-based Nichia Corp. has urged the Federal Circuit to vacate Texas Judge Rodney Gilstrap's decision denying the company's bid to block a rival from infringing three Nichia LED semiconductor patents after he found the patents were valid and infringed, saying the judge violated the court's rules.

In a brief filed Wednesday, Nichia argued that in concluding the company had failed to satisfy the irreparable harm requirement for injunctive relief, the Eastern District of Texas federal judge had ignored the parties' pre-trial stipulations and uncontested trial evidence. Those included that Nichia and Taiwan-based Everlight Electronics Co. Ltd. are competitors, that the LED market is a "design-win market" in which even one lost sale can cause incalculable future harm, and that Everlight has marketed infringing LEDs to many of Nichia's most important U.S. customers.

Nichia also argued that Judge Gilstrap violated the court's rules in finding that it is not entitled to an injunction because it has cross-license agreements involving the patents-in-suit with other light-emitting diode suppliers that account for 41 percent of the LED market is based on an arithmetic error and furthermore contradicted Federal Circuit precedent in holding that "the mere existence of such licenses" precludes injunctive relief.

After a three-day bench trial conducted in May 2015, Judge Gilstrap issued his 134-page ruling on Jan. 25, finding that three Nichia LED patents were valid and that Everlight infringed them, but declining to grant Nichia's bid for an injunction.

"The [district court] violated the guidelines this court has set out for the proper exercise of equitable discretion," Nichia said.

Nichia also said the decision would create a disincentive to innovation, imposing a penalty on the cross-licensing of new technologies, or both.

If the Federal Circuit refuses to vacate Judge Gilstrap's decision and remand the case with instructions to enter an appropriate injunction, Nichia has alternatively asked the appeals court to vacate the denial and remand with instructions to correct the legal and factual errors identified in its brief, and to reconsider its entitlement to an injunction based on a proper assessment of the complete record.

Nichia initially filed its complaint in September 2013 accusing Everlight and its American unit of flouting a semiconductor patent, U.S. Patent Number 7,432,589. Two other patents, U.S. Patent Numbers 7,462,870 and 8,530,250, were later added to the case.

Everlight subsequently filed counterclaims that sought declarations that Nichia's patents were invalid and that Everlight's products didn't infringe.

In addition to his findings of validity and infringement, and his denial of Nichia's permanent injunction bid, Judge Gilstrap had ordered the parties to confer and subsequently file a status report on the issue of any damages that are potentially recoverable by Nichia in the case.

"Unfortunately we think Judge Gilstrap made several errors in his decision denying Nichia a permanent injunction and we believe, for the reasons stated in our brief, that the Federal Circuit will vacate that decision," Robert Parker, an attorney for Nichia, told Law360. "We look forward to a quick and successful resolution of this case concluding with the issuance of the permanent injunction."

An attorney for Everlight did not respond on Friday to a request for comment.

The patents-in-suit are U.S. Patent Numbers 7,432,589; 7,462,870; and 8,530,250.

Nichia is represented by Robert P. Parker, Marty Zoltick, Steven P. Weihrouch, Michael H. Jones and Daniel R. McCallum of Rothwell Figg Ernst & Manbeck PC.

Everlight is represented by Jerry Robin Selinger of Patterson & Sheridan LLP and Richard C. Vasquez, Jeffrey T. Lindgren, Eric W. Benisek, Robert S. McArthur and Stephen C. Steinberg of Vasquez Benisek & Lindgren LLP.

The case is Nichia Corp. v. Everlight Americas Inc. et al., case numbers 16-1585 and 16-1618, in the U.S. Court of Appeals for the Federal Circuit.

--Additional reporting by Vin Gurrieri. Editing by Jill Coffey.