

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NORTH CAROLINA
WESTERN DIVISION

FILED

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No. 5:00-CV-703-F(2)

DAVID M. DANIEL, CLERK
U.S. DISTRICT COURT
EASTERN DISTRICT OF NORTH CAROLINA

NORTH CAROLINA STATE)
UNIVERSITY and CREE, INC.,)
Plaintiffs,)

v.)

NICHIA CORPORATION and)
NICHIA AMERICA CORPORATION,)
Defendants)

-----)

NICHIA CORPORATION and)
NICHIA AMERICA CORPORATION,)
Counterclaimants,)

v.)

NORTH CAROLINA STATE)
UNIVERSITY, CREE, INC., CREE)
LIGHTING COMPANY, and)
SHUJI NAKAMURA,)
Counterclaim-defendants.)

ORDER
and
MEMORANDUM

This matter is before the court for on a number of pending motions, many of which were ruled upon in open court on July 1, 2002. To the extent the court announced its rulings in open court, this order memorializes those rulings. The parties will be referred to herein as follows: North Carolina State University ("NCSU"); Cree, Inc. ("Cree"); Nichia Corporation and Nichia America Corporation (collectively, "Nichia"); Cree Lighting Company ("Cree Lighting"); and Shuji Nakamura ("Dr.

Nakamura”). Where appropriate, NCSU, Cree, and Dr. Nakamura will be referred to collectively as “counterclaim defendants.”

The pending motions are:

DE # 66-2:¹ Cree’s Motion to Bifurcate Trial

DE #144-2: Cree and NCSU’s Motion to Strike Immaterial Allegations;

DE #146: Cree Lighting’s Motion to Dismiss (or to Transfer) for Lack of Venue;

DE # 177: Cree’s Motion for Summary Judgment as to Nichia’s Trade Secret and Related Counterclaims, in which Dr. Nakamura has joined (**DE # 206**);

DE ##165 & 294: Nichia’s Motion and Amended Motion to Strike and Preclude Evidence;

DE #179: Cree’s Motion for Protective Order Maintaining Stay of Trade Secret Discovery, in which Dr. Nakamura has joined (**DE # 205**);

DE #242: Nichia’s Motion for Reconsideration and for Permission to Submit Documents;

DE #243: Consent Motion to Send Cree’s Response;

DE # 312: Cree’s Motion for Expedited Hearing, in which Dr. Nakamura has joined (**DE #322**).

All motions have been fully briefed by the parties and thoroughly considered by the court.

¹ **DE #** refers to a document’s docket entry number.

DE # 66-2
CREE'S MOTION TO BIFURCATE TRIAL

By order of August 8, 2002 (DE #342), the undersigned denied Cree's Motion to Bifurcate Discovery (DE #66-1), but reserved ruling on the Motion to Bifurcate Trial (DE #66-2). Resolution of the latter motion is not yet appropriate, and the court continues to RESERVE RULING until after full discovery when issues of liability and elements of damages become more clearly focused.

DE #144-2
CREE & NCSU'S MOTION TO STRIKE
IMMATERIAL ALLEGATIONS

The court's dismissal of Nichia's counterclaims against Cree and NCSU based on the Computer Fraud and Abuse Act ("CFAA") (DE # 273) renders the Motion to Strike Immaterial Allegations (DE #144-2) MOOT. Accordingly, the Motion to Strike (DE #144-2) is DENIED as MOOT.

DE # 146-1 and # 146-2
CREE LIGHTING'S MOTION TO DISMISS
NICHIA'S TRADE SECRETS COUNTERCLAIMS
OR TO TRANSFER

Nichia was permitted to file its First Amended Answer and Counterclaims ("Amended Answer") (DE #140) on September 21, 2001. Among other things, the Amended Answer added Cree Lighting as a party against whom Nichia asserted five counterclaims: Ninth Claim - Misappropriation of Trade Secrets; Eleventh Claim - Intentional Interference with Contractual Relations; Eighteenth Claim - Statutory Unfair Competition under N.C. GEN. STAT. § 75-1.1; Nineteenth Claim - Common Law Unfair Competition; and Twentieth Claim - Unjust Enrichment.

Following the hearing conducted on March 1, 2002, the court entered an order on March 25, 2002 (DE #240) that contained, *inter alia*, summary rulings on a number of pending motions, including DE # 146. The court ruled that “Cree Lighting’s Motion to Dismiss Nichia’s trade secrets claims against it is DENIED; however, Cree Lighting’s Motion in the Alternative to Transfer those trade secrets claims to the Central District of California is ALLOWED.” Order of March 25, 2002 (DE #240), at 5. Having reviewed that order (DE # 240), Cree Lighting’s motion (DE #146), Nichia’s response (DE #173), and Cree Lighting’s reply (DE #191), the court perceives that the order might be misinterpreted to apply only to Nichia’s Ninth Claim against Cree Lighting – Misappropriation of Trade Secrets – when, in fact, the parties and the court intended the phrase “trade secrets claims” to refer to *all five* counterclaims against Cree Lighting set forth in Nichia’s Amended Answer. The court finds that all five arise from, or are intertwined with, Nichia’s allegations that Cree Lighting misappropriated Nichia’s trade secrets.² That is, the reference in DE #240 to “trade secrets claims” refers to *all five of the permissive counterclaims Nichia asserted against third-party defendant, Cree Lighting, and not just the Ninth Counterclaim, “Misappropriation of Trade Secrets by Cree Lighting,” contained in Nichia’s Amended Answer & Counterclaims (DE# 140, ¶¶ 66-72).*³

² See *infra* notes 3 and 4.

³ While the court recognizes that cause of action pled in the Eleventh Counterclaim –intentional interference with contractual relations – does not necessarily depend upon the existence of facts tending to show a misappropriation of trade secrets, these claims properly should be tried along with the trade secrets claims in California in light of the manner in which Nichia pled that claim in its Amended Answer.

Accordingly, this court's March 25, 2002 order (DE #240) hereby is AMENDED to clarify that Cree Lighting's Motion to Dismiss Nichia's Trade Secrets Claims (DE # 146-1) is DENIED. However, on the rationale cogently stated in Cree Lighting's Brief (DE #147) and its Reply (DE #191), which rationale hereby is ADOPTED, Cree Lighting's Motion to Transfer (DE # 146-2) those claims is ALLOWED. The Clerk of Court is DIRECTED to TRANSFER to the Central District of California Nichia's Counterclaims Nine, Eleven, Eighteen, Nineteen and Twenty, contained in Nichia's Amended Answer (DE #140) and all materials and documents filed in this court related thereto, as *against Cree Lighting only*. The legal basis for this transfer is this court's determination the United States District Court for the Eastern District of North Carolina lacks venue over those claims under 28 U.S.C. § 1391(b), but that transfer to the proper district -- the Central District of California -- rather than dismissal of the claims, is the appropriate course of action. *See* 28 U.S.C. § 1406.

DE# 177
CREE'S & DR. NAKAMURA'S
MOTION FOR SUMMARY JUDGMENT:
NICHIA'S TRADE SECRET & RELATED COUNTERCLAIMS

Cree and Dr. Nakamura have moved for entry of summary judgment (DE #177) as to Nichia's remaining Trade Secret and Related Counterclaims contained in the Amended Answer. As with Cree Lighting, the court perceives this motion to relate not only to the Misappropriation of Trade Secrets Counterclaims, but also to the "related

counterclaims.”⁴ Therefore, DE #177 concerns the following counterclaims (hereinafter collectively “trade secrets counterclaims”) contained in Nichia’s Amended Answer:

As against **Cree**: Eighth Claim - Misappropriation of Trade Secrets; Tenth Claim – Intentional Interference with Contractual Relations;⁵ Fifteenth Claim - Statutory Unfair Competition under N.C. GEN. STAT.§ 75-1.1; Sixteenth Claim - Common Law Unfair Competition; and Seventeenth Claim - [Common law] Unjust Enrichment.

As against **Dr. Nakamura**: Sixth Claim – Breach of Contract;⁶ Seventh Claim - Misappropriation of Trade Secrets; Twelfth Claim: - Statutory Unfair Competition under N.C. GEN. STAT.§ 75-1.1; Thirteenth Claim - Common Law Unfair Competition; and Fourteenth Claim - [Common law] Unjust Enrichment.

Nichia’s Tenth Counterclaim
Against Cree

Nichia’s Tenth Counterclaim against Cree – Intentional Interference with Contractual Relations – theoretically could have vitality aside from the trade secrets counterclaims, as Cree’s alleged luring of Nakamura away from his employment with Nichia (notwithstanding any disclosure of trade secrets) could form a factual basis for

⁴ Here also, the breach of contract and intentional interference with contractual relations counterclaims do not *necessarily* require as a predicate the misappropriation of trade secrets. See *IDX Systems Corp. v. Epic Systems Corp.*, 285 F.3d 581, 586 (7th Cir. 2002) (“tort of inducing breach of non-disclosure contract . . . is ‘not based upon misappropriation of a trade secret.’ It is based on intentional interference with the contract.”). However, the factual basis upon which these claims purportedly arise, as Nichia has pled it in the Amended Answer, does require proof of Dr. Nakamura’s breach of a non-disclosure contract with Nichia by his revealing trade secrets.

⁵ See *supra*, note 4.

⁶ See *supra*, note 4.

the claim. In *IDX Systems Corp.*, 285 F.3d at 586, the court made the observation that “the tort of inducing breach of a non-disclosure contract . . . is ‘not based upon misappropriation of a trade secret.’ It is based on interference with the contract.” However, because of the manner in which Nichia chose to plead the Tenth Counterclaim, it, like the Sixth Counterclaim against Dr. Nakamura, specifically is tied to the alleged non-disclosure contract between Dr. Nakamura and Nichia, and requires proof of trade secret misappropriation. See Amended Answer (DE # 140) at ¶¶ 75-76, 80.

Sixth Counterclaim Against Nakamura

Similarly, Nichia’s Sixth Counterclaim against Dr. Nakamura – breach of contract – also depends upon proof of a misappropriation of trade secrets. The Sixth Counterclaim charges Nakamura with breach of contract – the contract being the alleged non-disclosure agreement – by misappropriation of Nichia’s trade secrets. See *id.* at ¶¶ 45-47.

*It All Started with
Interrogatory 12*

Each of the above-listed counterclaims is predicated upon Nichia’s allegation that Cree caused Dr. Nakamura to disclose Nichia’s trade secrets to Cree, through its agents and its subsidiary, Cree Lighting, and that Cree used those secrets to compete unfairly with Nichia and to profit therefrom. Among the legal predicates for Cree’s and Dr. Nakamura’s Motion for Summary Judgment as to these trade secrets counterclaims is that Nichia’s failure or refusal, after repeated opportunities – indeed, *orders* – to

describe or disclose the “trade secrets” Nichia contends Dr. Nakamura disclosed to Cree and that Cree supposedly used to its benefit and to Nichia’s detriment.

Early in the litigation and referencing Nichia’s misappropriation of trade secrets and related counterclaims contained in Nichia’s Answer filed on December 21, 2000 (DE #16),⁷ Cree and NCSU served the following interrogatory:

For each alleged trade secret or any confidential information that forms a basis for any counterclaim against Cree, identify and describe the subject matter of the alleged trade secret and/or confidential information in sufficient detail to distinguish it from matters of general knowledge in the trade and from matters of special knowledge of those who are skilled in the trade.

Interrogatory No. 12, Cree’s Second Set of Interrogatories, Exh. 1 to DE # 178 (hereinafter “Interrogatory 12”). Objecting on the ground that it called for confidential information, Nichia did not provide a substantive response to Interrogatory 12. *See id.*, Exh. 3 at pp. 3-4.

On February 15, 2001 (after Cree had submitted Interrogatory 12 to Nichia), Dr. Nakamura filed a Motion for Protective Order (DE #45), arguing that California law applies to Nichia’s trade secrets counterclaims and, therefore, that Nichia is required to comply with CAL. CODE CIV. PROC. § 2019(d).⁸ Section 2019(d) is “California’s

⁷ Nichia’s original Answer, DE #6, filed November 30, 2000, did not include counterclaims against Dr. Nakamura.

⁸ “In any action alleging the misappropriation of a trade secret under the Uniform Trade Secrets Act . . . , *before commencing discovery* relating to the trade secret, the party alleging the misappropriation shall identify *the trade secret* with reasonable particularity subject to any orders that may be appropriate” CA. CODE CIV. PROC. § 2019(d) (emphasis added). The rule does *not* suggest that the party simply identify “its trade secrets.” The language of the rule itself plainly requires disclosure of a description of *the* trade secret(s) allegedly misappropriated. Section 2019(d) “was enacted to curb unsupported trade secret lawsuits routinely commenced to harass

longstanding statutory requirement that trade secret owners must identify their trade secrets with reasonable particularity prior to commencing discovery relating to the trade secret. This requirement has recently held to be substantive, not merely procedural, and therefore binding in diversity actions.” Virginia A. Cundiff, *How to Identify Your Trade Secrets in Litigation*, 574 PLI/PAT. 557, 560 (1999) (footnotes omitted) (hereinafter “Cundiff”); see also *Computer Economics*, 50 F. Supp. 2d at 982.

According to Cree’s counsel, during the March 9, 2001 hearing on Dr. Nakamura’s Motion for Protective Order before Magistrate Judge Alexander B. Denson, Nichia counsel “said to Magistrate Judge Denson, [‘]I’ve got on my desk a trade secret disclosure and we’re just waiting for Your Honor to sign a confidentiality protective order[‘], and during the meeting to confer I was told that this document was [‘] a poster child for 2019(d)[‘].” Transcript of October 9, 2001 Hearing at p. 40 (hereinafter “October 9th Transcript”). Immediately thereafter, Nichia served on Cree and NCSU a 123-page supplemental response in which Nichia “disclosed” *over 1600 trade secrets* that purportedly are the subject of the counterclaims. See NCSU and Cree’s April 5, 2001 Response in Opposition to Nichia’s Motion for Telephonic Hearing (DE # 72) at 3.

In the interim, Nichia filed a Motion for Leave to File First Amended Answer and Counterclaims (DE #74) seeking to add a new party and raise eight new counterclaims.

competitors and former employees.” *Computer Economics, Inc. v. Gartner Group, Inc.*, 50 F. Supp.2d 980, 992 (S.D. Cal. 1999). As the *Computer Economics* court noted, “[t]rade secret claims are especially prone to discovery abuse since neither the court nor the defendant can delineate the scope of admissible discovery without an identification of plaintiff’s alleged trade secrets.” *Id.* Section 2019(d) is the mechanism for forcing this identification and is considered a substantive part of California trade secret law that must be applied by the federal courts under the *Erie* doctrine. See *id.*; *Del Monte Fresh Produce Co. v. Dole Food Co., Inc.*, 148 F. Supp.2d 1322, 1323-25 (S.D. Fla. 2001).

By order of May 17, 2001 (DE #96), Magistrate Judge Denson denied the Motion for Telephonic Hearing, and ruled that a scheduling order will not be entered until the court has ruled on the pending Motion to Bifurcate (DE # 66).⁹ Also during this time, the parties were filing briefs addressing Nichia's Motion for Partial Summary Judgment (DE # 12), Cree's Motion to Bifurcate Discovery and Trial (DE # 66), Nichia's Motion to File Amended Answer and Counterclaims (DE # 74), and various motions to strike documents filed in support of the substantive motions. The court allowed Nichia's Motion to File Amended Answer and Counterclaim (DE # 139), and the Amended Answer (DE # 140) was filed September 21, 2001. The Amended Answer added Cree Lighting, Inc. as a third party defendant, and pled several new counterclaims.

On May 8, 2001, Cree filed a Motion to Compel (DE #93) Nichia to properly plead and disclose the trade secrets Nichia alleged had been misappropriated, and Nichia responded in opposition thereto (DE # 100) on May 22, 2001.¹⁰ Before that motion was ruled on, Cree and NCSU, joined by Dr. Nakamura (DE # 132), filed a Motion for Protective Order (DE #121) seeking to stay trade secret-related discovery until Nichia had made a proper disclosure, in response to Interrogatory 12, of the trade secrets it alleged the counterclaim defendants had misappropriated.

During a status conference and hearing before the undersigned conducted on October 9, 2001 to address the discovery motions, the court was forced into the scope-of-

⁹ An order allowing that motion in part and denying it in part was filed on August 8, 2002. See DE #342.

¹⁰ Nichia amended that response by a Notice of Errata (DE# 105) filed June 4, 2001.

trade-secrets-disclosure melee. The hearing was memorialized by Order of October 11, 2001 (DE # 143). The October 9th Transcript, filed October 17, 2001, reflects the court's struggle to resolve the parties' competing contentions regarding the necessary scope of a proper disclosure of Nichia's alleged misappropriated trade secrets. In an effort to force Nichia to reveal that information in a manner that would be concise and comprehensible, not only to the parties and their experts, but also to the court and to the laypersons who ultimately would be required to make substantive decisions about those disclosures, the court ordered Nichia to define its alleged trade secrets in the form of proposed jury instructions, on or before December 31, 2001. The court informed Nichia that its disclosures would be binding, subject to expansion should information obtained during subsequent discovery so require. See October 9th Transcript at pp. 41, 66.

The court stayed trade secret discovery pending Nichia's disclosure by December 31st, ordering that "no later than January 15, 2002, the parties immediately shall go forward with discovery as to those 'trade secrets,' as defined." Order of October 11, 2001 (DE #143). By so ordering, the court implicitly allowed, at least in part, the third-party defendants' Motion to Compel (DE #93) and Motion for Protective Order (DE #121).¹¹

Choice-of-Laws Debate

The parties began arguing early on that a decision on the choice of applicable law would be necessary before addressing any other aspect of the case. Of the ten remaining counterclaims, only the two Unfair Competition claims are statutory – those claims purportedly arise under N.C. GEN. STAT. § 75-1.1. The remainder of the counterclaims

¹¹ The Clerk of Court is DIRECTED to link DE ## 93 and 121 with DE # 143 on the docket sheet of this case.

appear to be grounded in common law. The one thing the parties agree upon is that North Carolina choice-of-laws law controls in deciding what substantive law will apply to Nichia's counterclaims. Cree contends that North Carolina's conflict-of-laws analysis would result in application of California law, while Nichia argues that North Carolina would apply North Carolina law.

The gravamen of Nichia's remaining counterclaims is Dr. Nakamura's alleged misappropriation of Nichia's trade secrets and Cree's complicity in that conduct. All of the subject counterclaims arise from the premise that Dr. Nakamura breached his non-disclosure agreement with Nichia by allegedly misappropriating Nichia's trade secrets. Because the misappropriation of trade secrets allegations are utterly fundamental to Nichia's counterclaims theory, one would expect that the trade secrets counterclaims would have been pled with great care after much thought.

Although both North Carolina and California have codified, in some form, the Uniform Trade Secrets Act (hereinafter "UTSA"), Nichia brought the two misappropriation of trade secrets counterclaims under neither N.C. GEN. STAT. §§ 66-152 through -175, nor CAL. CIVIL CODE §§ 3426-3426.11. That is, Nichia did not stake itself out by pleading its most fundamental counterclaim on either North Carolina's or California's detailed codification of trade secrets law.

California's statutory scheme effectively "preempts" a civil common law claim based on allegations of misappropriation of trade secrets. *Cf.* CAL. CIVIL CODE § 3426.7(a), (b) (UTSA does not supersede any *statute* relating to trade secrets nor affect civil [tort] remedies *not* based on misappropriation of trade secrets). *See Duncan v. Stuetzle*, 76 F.3d 1480, 1486-87, n.9 (9th Cir. 1996) (although complaint specified neither

whether trade secret misappropriation claims were based on state or federal law, nor statutory or common law, California courts would liberally construe allegations and attempt to determine if factual allegations were sufficient to state UTSA claim, and California law does not require plaintiff to cite the UTSA in order to state a claim under that statute). If California law applies, California courts would treat the trade secrets claims as having been brought pursuant to that state's codification of the UTSA, which adopted the common law definition of trade secrets and abandoned the broad approach of the Restatement of Torts.¹² See *Vacco Industries, Inc. v. Van Den Berg*, 6 Cal. Rptr. 2d 602, 611 (Cal. Ct. App. 1992).

North Carolina's version of the UTSA (the North Carolina Trade Secrets Protection Act, "UTSPA") does not contain the "preemption" rule, but it, like the California version, adopts the common law, rather than the Restatement, approach to misappropriation of trade secrets analysis.¹³ Therefore, whether California or North

¹² Some courts still apply the Restatement's analysis. For instance, "New York generally looks to section 757 of the first Restatement of Torts for its definition of a trade secret. . . . Under this definition, a trade secret is 'any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.'" Restatement of Torts § 757 cmt. b, at 5 (1939). ' *Softel, Inc. v. Dragon Medical and Scientific Communications, Inc.*, 118 F.3d 955, 968 (2d Cir. 1997) (citations omitted), *cert. denied*, 523 U.S. 1020 (1998).

¹³ North Carolina's version of the UTSA is unique, however in that its definition of misappropriation does not include the element of improper motive. See David P. Hathaway, *Is the North Carolina Trade Secrets Protection Act Itself a Secret, and Is the Act Worth Protecting?*, 77 N.C.L. REV. 2149, 2155 (1999). That difference is irrelevant to the instant inquiry, although it is one more factor that would motivate Nichia to urge application of North Carolina, rather than California, law.

Carolina law governs, either state's version of the UTSA would apply a common law approach to the proof of the misappropriation of trade secrets counterclaims.

The reason these parties cannot agree which of the states' laws apply is that other aspects of California law critically favor Cree's position and undermine Nichia's. First, as discussed above, CAL. CIV. CODE § 2019(d) requires a trade secret owner to make a detailed disclosure of the trade secrets that allegedly form the basis for its claim before it may engage in discovery. In *Computer Economics*, 50 F. Supp. 2d at 992, the district court observed that a trade secrets plaintiff's choice of forum likely would be influenced by whether or not § 2019(d) would apply in a diversity case.

A plaintiff with a weak trade secret claim would have ample reason to choose federal court if it offered a chance to circumvent the requirements of [§ 2019(d)]. Non-application of [§ 2019(d)] would entitle a plaintiff to virtually unlimited discovery, enhancing its settlement leverage and allowing it to conform misappropriation claims to the evidence produced by the defendant in discovery. This would inequitably deprive defendants of the protections of [§ 2019(d)] and attract to federal court the unsupported trade secret lawsuits the statute was enacted to deter. *Cf. State of Wisconsin Investment Bd.*, 761 F.Supp. at 1580 ("Though the potential class of plaintiffs which would be tempted to forum shop ... is likely small, ... it is precisely that class of plaintiffs which the statute seeks to keep at bay.").

Id.

Second, relying on the theory of "inevitable disclosure," which theory is recognized by North Carolina trade secrets law, Nichia would impose liability on Cree and Dr. Nakamura upon proof that Dr. Nakamura was exposed to, and may have known, over 1600 "pieces of trade secrets and confidential information" during his tenure with Nichia, and that the circumstances of his departure from that employment and his association with Cree Lighting tend to suggest that he *must have* revealed some or all of these secrets

to Cree Lighting and Cree. See October 9th Transcript at 34. However, California trade secrets law does not recognize this “inevitable disclosure” alternative substantive theory of Nichia’s trade secrets claim. *Whyte v. Schlage Lock Co.*, 125 Cal. Rptr. 2d 277 (Cal. Ct. App. 2002); see also David Lincicum, *Inevitable Conflict? California’s Policy of Worker Mobility and the Doctrine of “Inevitable Disclosure,”* 75 S. CA. L. REV. 1257 (2002).

If California law applies, then, Nichia may not rely on the inevitable disclosure theory but, rather, must disclose early in the litigation with reasonable specificity those of its trade secrets that it contends Cree and Dr. Nakamura misappropriated; production of a list of the trade secrets it owns and to which it believes Dr. Nakamura was exposed simply will not satisfy Nichia’s burden. “If plaintiff fails to identify the trade secrets allegedly misappropriated, the defendants will thus ‘have been deprived of an adequate opportunity to prepare their defense.’ And the Court cannot frame an enforceable order prohibiting further use or disclosure of the secret.” Cundiff, 574 PLI/PAT, at 559 (footnotes omitted).

Cree suggests that because of the extremely sensitive nature of the information at issue (whatever it is), the more prudent course – as between North Carolina’s discovery requirements and those of California – would be to follow California’s more restrictive procedure and to require Nichia to make specific disclosure, à la § 2019(d), before permitting trade secrets discovery, rather than allowing Nichia to demand full-tilt discovery from Cree and Dr. Nakamura on the assumption that (North Carolina’s) inevitable disclosure theory of trade secret misappropriation liability will be available to Nichia. See October 9th Transcript at 34-35.

The transcript of the October 9th hearing before the undersigned reveals how Nichia's counsel attempted to engage in what he himself labeled (in another context) "a game that the California attorneys play." October 9th Transcript at p. 39.

THE COURT: Well, [the counterclaim defendants] have asked you to identify your trade secrets that have been misappropriated. Have you done that?

MR. MORRISSEAU: Yes, Your Honor. . . . The interrogatory says, please identify the trade secrets and confidential information which is the subject of your counterclaim. We identified a list of over 1600 pieces of trade secrets and confidential information, which was all that we knew at that time that *Professor Nakamura had had exposure to*. . . . We have fully disclosed what we believe are the trade secrets that Professor *Nakamura knew*. . . . [I]f we were required to identify any more information, I'm not sure how we could, some of these – some of these trade secret explanations run for almost a page of detailed processing of ten, 15, 20 steps[. N]o matter what we do, they're always going to say, that's not enough.

Id. at 37, 38-39 (emphasis added to demonstrate Nichia's reliance on inevitable discovery theory). Cree's counsel complained that Nichia's "disclosure" of over 1600 "trade secrets" was "not a 2019(d) disclosure, it's admittedly not limited to what was misappropriated. It is what he [Nakamura] had access to" *Id.* at 40.

During the same exchange, Nichia's counsel suggested that the court "look at the policy behind this California law. The policy behind the California law was that California thought it was unfair for a plaintiff to come into court without any proof of trade secrets, allege the defendant was misappropriating trade secrets, then given [sic] to the defendants documents and they create a trade secret case out of that, saying, Ah, the defendant is using this." *Id.* at 38. Commentator Cundiff described the same ploy as follows:

Some trade secrets owners, faced with the need to identify trade secrets, frankly panic. Some arrive at Court with wheelbarrows full of documents saying “all of this information is confidential, and defendant had access to all of it.” While this approach can help create useful atmospherics – “if he knew all this information he’s likely to use some of it” – courts reject the approach of “there must be a secret in here somewhere and you figure out what it is.” They demand that the plaintiff state with precision what is at issue.

Cundiff, 574 PLI/PAT. at 561 (citing *qad, Inc. v. ALN Assoc.*, No. 88-2246, 1990 WL 93362, at *3 (N.D. Ill. June 20, 1990) (rejecting as insufficient identification the “blunderbuss statement that ‘Everything you got from us was a trade secret.’ ”)).

The very fine distinctions among a trade secrets plaintiff’s identification of *what* trade secrets it owns, *which* of those trade secrets it claims a defendant misappropriated, and *that* the defendant misappropriated them are especially vulnerable to obfuscation – intentional or not. The California patent lawyers’ “game” takes full advantage of that vulnerability by attempting to satisfy its client’s 2019(d)-type “disclosure” requirement by vaguely revealing the “what,” harping on the “that,” and carefully avoiding the “which.” Nichia’s lawyer’s representation to the undersigned, cited above, during the October 9th hearing *itself* is a “poster child” for “The Game That California Lawyers Play.” The maneuver also confirms Cree’s contention that Nichia’s counterclaims depend upon the availability of the “inevitable disclosure” doctrine of trade secret misappropriation.

The Court's Solution –
Proposed Jury Instructions

During the parties' attempts to persuade the court that specific, detailed disclosure of trade secrets was or was not required under the facts, law, and circumstances of this case, the court injected:

THE COURT: Let me interrupt you just a minute. Sometimes, I think that the best thing a lawyer could possibly do to understand his own case is to prepare his request for jury instructions when he filed his complaint. . . . You're going to have a misappropriation of trade secrets that you're claiming, you can just tell me what issues you want submitted to the jury . . . Now, won't that identify it for you?

* * * * *

THE COURT . . . You've got to identify now, today, by the end of the six weeks from now, I'll give you time, what issues you want submitted to the jury [vis-à-vis] trade secrets. Now, that surely will identify and bind both parties on what those issues are. Would that be fair?

MR. COX [For Cree]: I think that'd be fair, Your Honor.

MR. MORRISEAU [For Nichia]: Your Honor, I believe that would be fair. I believe that it would.

THE COURT: Well, I'll tell you what let's do [sic]. That's the best way I know to do it, because that will define it right now, and it's going to be binding.

* * * * *

I think [Cree and Dr. Nakamura have] got a legitimate request there and I understand you've given them a lot of background, but . . . I mean sooner or later, all those claims, all those 1608 documents [sic], all the claims have got to be boiled down to something that a jury's going to say, they violated this trade secret or no, they didn't. Right?

MR. MORRISEAU: Yes, Your Honor.

Id. at 40-42. Upon further questioning by the court, counsel for Cree indicated he believed the court's plan would "solve the objectives of the California statute" so long as the subsequent discovery was limited to the purported trade secrets as disclosed and defined by Nichia's proposed jury instructions. *See id.* at 42.

The ensuing discussion among the court and counsel pertained to the level of particularity with which Nichia's proposed jury instructions must disclose the alleged misappropriated trade secrets. Responding to Nichia's counsel's request for guidance as to the degree of specificity expected of its client, and lacking any familiarity whatsoever with the technical subject matter, the court responded, "I'm going to look at your guidance" in defining the appropriate level of particularity, such that the counterclaim defendants would understand what they were defending against, and ultimately the jury would be fully instructed as to what it must decide. *See id.* at 44-45. Counsel for Cree explained, "[A] trade secret cannot be public. And if we get the description of trade secrets and it's at a level of generality that we go and find the corresponding disclosure in the public domain, we want to be able to bring a summary judgment motion. . . . [W]e need to avoid [Nichia's] continuing refinement down. . . ." *Id.* at 45.

Reviewing the October 9th transcript now, a year later and a year wiser, the court perceives Cree's, effort plainly reflected therein, to persuade the court to require a California-level disclosure of Nichia, and Nichia's effort to persuade the court agree on record that a more general disclosure would suffice. It is equally clear from the transcript

that the court intended for Nichia to disclose to the counterclaim defendants before commencing trade secret discovery and with reasonable particularity as contemplated by § 2019(d), each trade secret that is the subject of Nichia's trade secret counterclaims. *See also* July 1st Transcript at pp. 53-75.

Section 2019(d) does not require a plaintiff to disclose all of its trade secrets. Nor does it require that the plaintiff disclose the evidence proving how trade secrets were misappropriated. It quite plainly requires that the plaintiff – here, Nichia – describe with reasonable specificity the trade secrets it contends the defendant – here, the counterclaim defendants – actually misappropriated. Nichia's counsel's argument to this court during the October 9th hearing was that all it had to do was present a list of trade secrets to which Dr. Nakamura had been exposed during his 20 years with Nichia, and thereby “put a stake in the sand” beyond which Nichia could not go even after discovery.

MR. MORRISEAU: [Cree's counsel] went from defining to [sic] trade secrets to requiring us without discovery to tell you what was actually misappropriated. That's his term, actual misappropriation. The California Procedure law they're referring to doesn't have anything at all to do with actual misappropriation. And as I understand it, what it does, it makes the trade secret a stake in the sand. Here are my trade secrets. And then they can and [sic] go and see what the other trade secrets – see what the defendant is doing. And they're limited to the trade secrets that they put the stake in the sand in. That's what we've done with our 1600 trade secrets. We've listed those, and we've defined them specifically in thousands of pages of documents.

October 9th Transcript p. 60.

The court attempted to clarify in its follow-up to Nichia's argument that it did not agree with such a general approach to pre-discovery disclosure:

THE COURT: Well, you've got – Mr. Morriseau, I think you've defined what the 1600 pages [sic], but I don't know that that's defining in a fashion that is capable – that is a proper scope for litigation.

* * * * *

If you [Nichia] identify your trade secrets, identify them, and I don't know whether they would agree that you identified them or not, but I think their position is you've just thrown them up on the wall and expect them to pick out what they think they [the trade secrets] are. But you – that's the reason I go back to the jury instructions.

Id. at pp. 60, 63.

The trade-secret-disclosure-specificity exchange between the court and counsel is recorded in over 30 pages of transcript, *see* October 9th Transcript at pp. 37-68, the unmistakable gravamen of which is that, without actually reaching the choice-of-law issue, the court concluded Nichia must disclose, as specifically as would be required under § 2019(d), those of its trade secrets referred to in its counterclaims that it contends Dr. Nakamura and Cree actually misappropriated. Such an approach protects the parties from having to disclose – either in pleadings or in discovery – more of their proprietary information than necessary to support their positions in the litigation. By requiring Nichia to comply with the disclosure requirement in the form of proposed jury instructions, the court intended to force Nichia to make its disclosure in language Nichia ultimately would have to use to prove its trade secrets claims. The plan incorporated the incidental benefit of having jury instructions already roughed-out for guidance during the litigation.

On November 9, 2001, the court, after soliciting and receiving nominations from counsel, appointed two technical advisors. *See* DE #151, as amended by DE #346. From that point forward, the court has shared with the technical advisors copies of the parties' pleadings, motions, memoranda and exhibits supporting certain of the matters upon which the court was required to rule, and independently has consulted with the technical advisors for assistance in understanding the complex and esoteric terms and concepts involved in this litigation.

On January 2, 2002, Nichia filed, under seal, its Proposed Jury Instructions (DE #162), pursuant to the court's order of October 11th. The court forwarded a copy of the Proposed Instructions to the technical advisors. While the court was considering the adequacy of Nichia's Proposed Jury Instructions, on March 12, 2002, Cree filed an Objection to Nichia's Submission of Documents Outside the Record to Court's Technical Advisors (DE #230). Cree contended Nichia unilaterally had forwarded documents, not of record, to the court's technical advisors in supplement to the Proposed Jury Instructions. The court sustained that objection by order of March 19, 2002 (DE #233), directed its technical advisors to destroy the contents of the box of supplemental documents, and "to consider only documents of record" in their analysis of whether Nichia had sufficiently disclosed its alleged trade secrets. *See id.*

On January 15, 2002, Cree moved for summary judgment on Nichia's "trade secret counterclaims" (DE # 177), which motion is the subject of this portion of the instant order. On the same date, Cree moved to maintain the stay entered during the October, 2001 hearing, of trade secrets discovery. Dr. Nakamura joined Cree's motion by Notice filed February 12, 2002 (DE # 206).

During the late winter/early spring of 2002, the parties exchanged heated motions seeking to strike documents, motions to preclude evidence, declarations of counsel, motions for emergency hearings, and so forth, and it was during this time that allegations of professional misconduct were leveled by counsel for Nichia against counsel for Cree. The parties began filing nearly every document under seal, supposedly pursuant to the Protective Order (DE #70) entered March 14, 2001. The court's response to counsel's conduct is well-documented in the transcripts of the hearings conducted during 2002 and in the court's orders. On March 1, 2002, the court conducted a hearing, primarily to address Nichia's Motion to Strike and to Preclude Evidence (DE # 165). During that hearing and in light of the serious accusations Nichia's counsel had directed against Cree's counsel in a document filed with this court, the undersigned advised counsel for Nichia that it expected them to follow up their accusations of professional misconduct with a formal complaint to the appropriate Bar Associations. *See* Transcript of Hearing, filed March 4, 2002; *see also* Order of March 25, 2002 (DE #240).

The court also ruled from the bench on several other pending motions, which rulings were memorialized in DE #240. Among those rulings was the court's order allowing Cree Lighting's Motion to Transfer Nichia's counterclaims against it to the Central District of California. The court further ordered:

In light of the court's transfer of Nichia's trade secrets claims against Cree Lighting, counsel for Nichia, Cree and Nakamura are DIRECTED to show cause in writing, if any there be, within twenty (20) days why the court should not now transfer all Nichia's trade secrets claims to the Central District of California, where they "might have been brought."

Order of March 25, 2002 (DE #240) at 5. Cree and Nichia filed their Responses to this Order to Show Cause on April 15, 2002 (DE ##248 and 249, respectively).

On April 5, 2002, Nichia filed a Motion to Reconsider (DE #242) requesting that the court permit the technical advisors to use the stricken supplemental documents in conjunction with their assessment of whether Nichia's trade secrets disclosure was adequate. Although the document itself should be read in its entirety for a full appreciation of Nichia's argument, Nichia's Motion for Reconsideration represented that "Nichia believes that the documents filed with the summary judgment briefing alone *are* sufficient to disclose its trade secrets and is not suggesting that the advisors would have to read all of those documents to determine that Nichia has in fact sufficiently identified those trade secrets." DE #242 at p. 4 (emphasis added). Furthermore, Nichia never acknowledged that unilaterally submitting documents outside the record to the court's technical advisors is, in and of itself, improper to say the least.

On July 1, 2002, the court commenced the previously scheduled hearings on the *Markman* issues arising from the patent infringement aspects of this litigation. Before reaching the *Markman* evidence, however, the court addressed a number of collateral matters that had arisen in the course of the litigation. The transcript of the July 1st hearing, filed July 9, 2002, speaks for itself. During that hearing, the court ruled from the bench on a number of pending motions, and as noted above, this order memorializes those rulings.

Dismissal of the Trade Secrets Counterclaims

Among those rulings was the order ALLOWING the counterclaim defendants' Motion for Summary Judgment as to all of Nichia's trade secret counterclaims on grounds that, notwithstanding numerous opportunities to do so, and generous attempts by the court to accommodate Nichia's complaint that the subject matter is so complex and proprietary as to preclude a comprehensive and comprehensible statement of the purported misappropriated trade secrets, Nichia failed to disclose and describe with sufficient specificity and particularity those trade secrets, so as to permit the counterclaim defendants to prepare a defense thereto. In reaching that conclusion, the court considered all Nichia's manifestations (*of record*) of the alleged trade secrets and consulted with its technical advisors who provided expert technical observations as to the matter.

Unlike other forms of intellectual property, such as patents or trademarks, the metes and bounds of a trade secret are not set forth in a written application or registration statement. It therefore is necessary for a party alleging misappropriation of trade secrets to provide a clear definition of exactly what is alleged to have been misappropriated. *See generally* Cundiff (collecting cases). Absent a clear definition of the purported trade secrets, the parties accused of misappropriation will "have been deprived of an adequate opportunity to prepare their defense." *Cromaglass v. Ferm*, 344 F. Supp. 924, 927 (M.D. Pa. 1972), *appeal dismissed*, 500 F.2d 1601 (3d Cir. 1974). In the words of one court,

[A] plaintiff who seeks relief for misappropriation of trade secrets must identify the trade secrets and carry the burden of showing that they exist.

Diodes, Inc. v. Franzen, 260 Cal. App.2d 244, 67 Cal. Rptr. 19, 22-24 (1968); see also *Universal Analytics Inc. v. MacNeal-Schwendler Corp.*, 707 F. Supp. 1170, 1177 (C.D. Cal.1989) (plaintiff failed to inform defendant or the court "precisely which trade secret it alleges was misappropriated"), *aff'd*, 914 F.2d 1256 (9th Cir.1990).

MAI Systems Corp. v. Peak Computer, Inc., 991 F.2d 511, 522 (9th Cir. 1993), *cert. dismissed*, 510 U.S. 1033 (1994). The need for an exact and specific identification of trade secrets early in the course of a litigation is well recognized, especially under California law. See Cundiff, 574 PLI/PAT at 560 (citing CAL. CODE CIV. PROC. § 2019(d) (West Supp. 1997)).

Accordingly, the owner of the purported trade secrets must, *at the outset*, “ “ ‘describe the subject matter of the trade secret with sufficient particularity to distinguish it from matters of general knowledge in the trade or of special knowledge of those persons . . . skilled in the trade.’ ” *Universal Analytics v. MacNeal-Schwendler Corp.*, 707 F. Supp. 1170, 1177 (N.D. Cal. 1989) (quoting *Diodes, Inc. v. Franzen*, 67 Cal. Rptr. 19 (Cal. App. 1968), *aff'd*, 914 F.2d 1256 (9th Cir. 1990)). This standard requires the trade secret owner to describe its trade secrets at the level of specificity at which it contends trade secret protection inheres. See *Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655, 660-62 (4th Cir.), *cert. denied*, 510 U.S. 965 (1993); *IMAX Corp. v. Cinema Tech, Inc.*, 152 F.3d 1161, 1164-67 (9th Cir. 1998); accord *Princess Cruises, Inc. V. Amrigon Enterprises, Inc.*, No. 01-56261, 2002 WL 31190182 (9th Cir. Oct. 2, 2002) (UP).

Nichia's counsel represented to the court that Nichia's disclosure of the alleged trade secrets, contained in the proposed jury instructions filed at the court's request on January 2, 2002, was *not* complete. July 1st Transcript p. 54. After having agreed with

the court that preparation of proposed jury instructions would be an appropriate approach to defining the trade secrets it alleges the counterclaim defendants misappropriated, Nichia attempted to supplement its trade secret disclosure by unilaterally submitting to the court's technical advisors, materials, *not of record in this case*, that Nichia felt were necessary for the technical advisors to consider in reaching a conclusion whether the jury instructions adequately disclosed the trade secrets. *See generally* Transcript of July 1st Hearing, pp. 53-79. Such conduct, in and of itself, however, manifests an acknowledgment that the proposed instructions as submitted did not, in fact, comply with the court's order for specific disclosure. However, at the October 9, 2001 hearing, Nichia's counsel represented to the court that (even without the supplemental materials) it *had* identified the trade secrets that had been misappropriated. *See supra* page 24 (quoting DE # 242, p. 4).

In support of the instant motion (DE #177), Cree and Nakamura submitted as Exhibit 15 to its Memorandum (DE #178) a sealed document entitled "Public Disclosure of Nichia's Purported Trade Secrets." The document, in the form of a table, lists on the left side of each page, a total of 89 enumerated purported "trade secrets" as Nichia described them in its proposed jury instructions (DE #162), and on the right side corresponding thereto, Cree's specific citation(s) to public documents that disclose those "trade secrets."¹⁴ The document is specific, detailed, straightforward and highly

¹⁴ In California, although it is not part of the definition of a trade secret, *see Imax Corp.*, 152 F.3d at 1168 n.10, the "assertion that a matter is readily ascertainable by proper means" – such as publication "in trade journals, reference books, or published materials" – is a defense to a claim of misappropriation. Legis. Committee comment, 12A CAL. CIV. CODE § 1326.1, p. 239 (West 1997). *Cf. Servo Corp. of America v. General Elec. Co.* 393 F.2d 551, 555 (4th Cir. 1968) (reliance on innocent sources of information

persuasive. Just as importantly, however, the document is uncontested. Nowhere has Nichia addressed, much less attempted to refute, this graphic demonstration of the utter uselessness of Nichia's proposed jury instructions in complying with the letter or spirit of the court's order.

The record in this case vividly demonstrates Nichia's steadfast refusal to disclose, with "sufficient particularity to distinguish them from matters of general knowledge in the trade or of special knowledge of those persons . . . skilled in the trade" adequate descriptions of the alleged trade secrets upon which Nichia has sued the counterclaim defendants for breach of contract, misappropriation, interference with contractual relations, statutory and common law unfair competition and unjust enrichment. Such a course of conduct, in violation of the court's orders and Nichia's obligation to engage in good faith discovery, prevents the court from ascertaining whether Nichia, as the pleading party, has stated a non-frivolous claim, and utterly frustrates the responding parties' attempts to answer the allegations and mount a defense thereto. *See Imax*, 152 F.3d at 1164-68 (persistent refusal to identify purported trade secrets with level of specificity required by court order necessitates entry of summary judgment against alleged trade secrets owner).

The court genuinely believes that Nichia was afforded more than ample opportunity to engage in the required disclosure, and that Nichia willfully failed and

involving no breach of duty is an essential element of the defense of public disclosure); *Glaxo, Inc. v. Novopharm, Ltd.*, 931 F. Supp. 1280, 1300 n.20 (E.D.N.C. 1996) (Glaxo made public some of the purportedly secret information by publishing it in a scientific article), *aff'd*, 110 F.3d 1562 (Fed. Cir. 1997).

refused to do so. At some point in the litigation, the court has the responsibility to put an end to such tactics. This court did so by its order from the bench on July 1, 2002, allowing the counterclaim defendants' Motion for Summary Judgment (DE #177) on the trade secret counterclaims. The court believes further that the record bears witness to the parties' respective positions and to the court's efforts to create a fair vehicle through which Nichia could meet its obligation to reveal the factual bases for its counterclaims. The court can do no more. See *Celotex Corp. v. Catrett*, 477 U.S. 317, 326 (1986) ("so long as the losing party was on notice that she had to come forward with all of her evidence," summary judgment can properly be entered.)

The undersigned concluded, upon full consideration of the record herein and in consultation with its technical advisors, that Nichia's purported disclosures of its allegedly misappropriated trade secrets did not, in fact or in law, comply with the level of specificity or completeness required by this court's order as contemplated by § 2019(d), and that Nichia failed to demonstrate the existence of a genuine issue of material fact as to its allegations of trade secrets misappropriation in light of Cree's and Nakamura's Public Disclosure document (Exhibit 15 to DE #178). Accordingly, the court ALLOWED Cree's and Dr. Nakamura's Motion (DE #177) to dismiss all of Nichia's counterclaims premised on the trade secret allegations. This order, therefore, memorializes the DISMISSAL as against Cree and Dr. Nakamura of counterclaims Six, Seven, Eight, Ten, Twelve, Thirteen, Fourteen, Fifteen, Sixteen, and Seventeen as set forth in Nichia's Amended Answer.

**DE ## 179, 242
243 & 312
MISCELLANEOUS MOTIONS**

Having allowed Cree's and Dr. Nakamura's motion for the dismissal of the trade secrets counterclaims, the following pending motions are rendered MOOT and therefore are DISMISSED:

DE #179: Cree's Motion for Protective Order Maintaining Stay of Trade Secret Discovery, in which Dr. Nakamura has joined (**DE # 205**);

DE #242: Nichia's Motion for Reconsideration and for Permission to Submit Documents;

DE #243: Consent Motion to Send Cree's Response;

DE # 312: Cree's Motion for Expedited Hearing, in which Dr. Nakamura has joined (**DE #322**).

**DE ##165 & 294
NICHIA'S MOTION & AMENDED MOTION
TO STRIKE & PRECLUDE EVIDENCE**

These motions implicitly were denied in open court on July 1, 2002. The predicate for the motions requires some explanation.

Nichia filed patent infringement counterclaims against Cree in its Amended Answer. See Amended Answer (**DE #140**), First¹⁵ through Fifth Counterclaims. Cree

¹⁵ The First Counterclaim is against NCSU and seeks Declaratory Judgment that Nichia has not infringed the "849" patent.

defends these infringement counterclaims by alleging that Nichia's patents are invalid because Nichia used fabricated data to obtain the patents. See Dr. Nakamura's, NCSU's and Cree's respective Nichia's Answers to Counterclaims, **DE ##148, 149, 150**, filed October 19, 2001.

Nichia's Motion (and Amended Motion) to Strike and to Preclude Evidence (**DE ##165 & 294**) are predicated on Nichia's theory that, in order to advance an "invalidity" defense to Nichia's patent infringement counterclaims, counterclaim defendants Cree and NCSU must have obtained Nichia's trade secrets from Dr. Nakamura and/or received from Dr. Nakamura information that was protected by Nichia's attorney-client privilege. Nichia, therefore, moves to strike any such evidence and to preclude Cree and NCSU from asserting an "invalidity" defense to Nichia's patent counterclaims. It is in these motions and in documents filed by Nichia in support thereof that Nichia accuses Cree's counsel of perjury and casts other thinly-veiled aspersions on their professionalism and ethics. These were the documents that caused the court to direct Nichia's counsel to follow up their accusations with formal complaints to the appropriate state bar ethics committees. It is the court's belief that Nichia's charges against Cree's counsel are so serious that, if true, the conduct may merit some form of formal sanction, and, if false, the libeled attorneys are entitled to have their reputations cleared.¹⁶

During the March 1, 2002 hearing, in order to resolve Nichia's substantive allegation the court directed counsel for Cree and Dr. Nakamura to file Dr. Nakamura's

¹⁶ On August 21, 2002, the State Bar of California reported that it had ascertained no actionable conduct by Cree's attorneys as charged by counsel for Nichia. To date, the court is not aware whether the State Bars of either North Carolina or New York have announced their conclusions.

declaration under oath stating whether, in fact, he disclosed trade secrets or protected information to agents of Cree. In his sealed declaration filed March 8, 2002 (DE #225), Dr. Nakamura unequivocally denied imparting such information to Cree or its agents, and the court accepted his sworn declaration. Nichia's theory to the contrary was supported only by its assumptions and speculation, and not by any competent evidence. Therefore, on March 22, 2002, the court DENIED Nichia's Motion and Amended to Strike & Preclude Evidence. See DE #237.

SUMMARY

For the foregoing reasons, it hereby is ORDERED that:

DE #144-2: Cree and NCSU's Motion to Strike Immaterial Allegations is DENIED as MOOT;

DE #146: Cree Lighting's Motion to Dismiss is DENIED, but its motion in the alternative to Transfer is ALLOWED for Lack of Venue.¹⁷ The Clerk of Court is DIRECTED to TRANSFER to the United States District Court for the Central District of California, Nichia's Counterclaims against Cree Lighting based on allegations of trade secret misappropriation – Counterclaims Nine, Eleven, Eighteen, Nineteen, and Twenty contained in Nichia's Amended Answer (DE # 140);

¹⁷ The court ruled on March 25, 2002 that "Cree Lighting's Motion to Dismiss Nichia's trade secrets claims against it is DENIED; however, Cree Lighting's Motion in the Alternative to Transfer those trade secrets claims to the Central District of California is ALLOWED." Order of March 25, 2002 (DE #240), at 5. The instant order clarifies that the reference in DE #240 to "trade secrets claims" was intended to refer to all five of the permissive counterclaims Nichia asserted against third-party defendant, Cree Lighting, and not just the Ninth Counterclaim, "Misappropriation of Trade Secrets by Cree Lighting," contained in Nichia's Amended Answer & Counterclaims (DE# 140, ¶¶ 66-72).

DE # 177: Cree's Motion for Summary Judgment as to Nichia's Trade Secret and Related Counterclaims, in which Dr. Nakamura has joined (DE # 206) is ALLOWED;¹⁸

DE ##165 & 294: Nichia's Motion to Strike and Preclude Evidence is DENIED;

DE #179: Cree's Motion for Protective Order Maintaining Stay of Trade Secret Discovery, in which Dr. Nakamura has joined (DE # 205) is DENIED as MOOT;

DE #242: Nichia's Motion for Reconsideration and for Permission to Submit Documents is DENIED as MOOT;

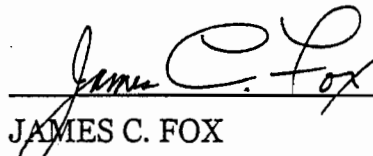
DE #243: Consent Motion to Send Cree's Response is DENIED as MOOT;

DE # 312: Cree's Motion for Expedited Hearing, in which Dr. Nakamura has joined (DE #322) is DENIED as MOOT.

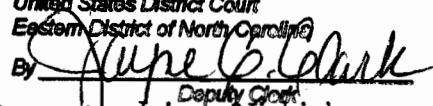
The Clerk of Court is DIRECTED to continue management of the claims remaining in this case.

SO ORDERED.

This the th 10 day of October, 2002.



JAMES C. FOX
Senior United States District Judge

I certify the foregoing to be a true and correct
copy of the original.
David W. Daniel, Clerk
United States District Court
Eastern District of North Carolina
By 
Deputy Clerk

¹⁸ This order disposes of all Nichia's non-patent counterclaims; Nichia's counterclaims relating to alleged patent infringement – Counterclaims One through Five – remain viable.