

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

U.S. WATER SERVICES, INC. and
ROY JOHNSON,

Plaintiffs,

v.

OPINION & ORDER

13-cv-864-jdp

NOVOZYMES A/S and NOVOZYMES
NORTH AMERICA, INC.,

Defendants.

In this patent infringement case, defendants Novozymes A/S and Novozymes North America, Inc. have moved to amend their answer to add yet another affirmative defense.¹ A first motion to amend, which the court granted, added the defense of inequitable conduct. Now Novozymes proposes to add the defense of collateral estoppel. Both affirmative defenses flow from the same nucleus of facts, which relates to another federal case in which U.S. Water made statements bearing on the scope of the patents-in-suit.

The court is not convinced that Novozymes had good reasons for failing to include this latest affirmative defense in its initial pleadings, or at the very least, in its earlier motion to amend. Nevertheless, U.S. Water will not face undue prejudice as a result of the amendment because the core issues are largely already before the court. U.S. Water has time to prepare a response to the collateral estoppel assertion, and to present the response on summary judgment if it chooses. The court will grant the motion to amend.

¹ For efficiency, the court will refer to plaintiffs as “U.S. Water,” and to defendants as “Novozymes.”

BACKGROUND

The patents at issue in this case relate to the use of an enzyme, “phytase,” to reduce phytic acid deposit formations during ethanol production. U.S. Water holds two patents that teach a particular method of using phytase, the ’137 patent and the ’399 patent. U.S. Water alleges that Novozymes has infringed both patents by selling phytase enzymes and encouraging its customers to use its products in ways that infringe U.S. Water’s patents.

U.S. Water filed a complaint in this court on December 17, 2013. After receiving an extension on its deadline to file responsive pleadings, and after bringing unsuccessful motions to transfer and to dismiss, Novozymes filed its answer on June 25, 2014. Dkt. 78. On November 10, 2014, Novozymes filed an unopposed motion to amend its answer to allege the affirmative defense of inequitable conduct. Dkt. 91. The alleged inequitable conduct arose in substantial part from a case in the United States District Court for the District of Minnesota, in which U.S. Water was also a plaintiff: *U.S. Water Services, Inc. v. ChemTreat, Inc.*, No. 11-cv-895 (D. Minn. filed Mar. 12, 2011) (“*ChemTreat*”). The court granted Novozymes’s motion to amend. Dkt. 98.

Eleven days after the court granted leave to amend, Novozymes filed a second motion to amend, this time seeking to add the affirmative defense of collateral estoppel. Dkt. 103. Novozymes bases its new defense on U.S. Water’s actions and statements in *ChemTreat*. Novozymes contends that the Minnesota District Court made findings with regard to the scope of a U.S. Water patent that is the parent of both the ’137 and ’399 patents, and that those findings have preclusive effect in this case. Novozymes explains that it did not have access to the non-public litigation documents from *ChemTreat* until recently, when U.S. Water produced them as part of discovery in this case. Novozymes further suggests that these documents were necessary to determine “the full extent of U.S. Water’s contentions before the Minnesota

district court [and whether] the legal implications of the court's rulings on those contentions are clear and give rise to the defense of collateral estoppel." Dkt. 104, at 15.

U.S. Water did not oppose Novozymes's first motion to amend, but it opposes this one. In short, U.S. Water argues that there is no reason why Novozymes needed to delay as long as it did in adding this latest affirmative defense because the summary judgment opinion on which Novozymes relies was available to it long ago as a public document. U.S. Water also contends that allowing additional affirmative defenses at this point would be unfairly prejudicial because the dispositive motion deadline is six weeks away and because U.S. Water conducted discovery, retained an infringement expert, and prepared its summary judgment motion all based on the defenses and counterclaims that Novozymes asserted at the beginning of this case.

Novozymes seeks leave to file a reply because U.S. Water had not expressed its position or articulated a basis for opposing the amendment before Novozymes filed its motion. Dkt. 126. The motion is granted and the reply is accepted.

ANALYSIS

Although this is a patent case, "a motion to amend is a procedural question not unique to patent law and thus is reviewed under the law of the regional circuit." *Net MoneyIN, Inc. v. VeriSign, Inc.*, 545 F.3d 1359, 1365 (Fed. Cir. 2008). The Seventh Circuit, quoting Federal Rule of Civil Procedure 15, holds that "if a party is not entitled to amend a pleading as a matter of course, it may amend with the opposing party's written consent or the court's leave. The court should freely give leave when justice so requires." *Soltys v. Costello*, 520 F.3d 737, 743 (7th Cir. 2008) (internal citations and quotation marks omitted). The bar that Novozymes must clear would not be a high one early in the case. Of course, even though Rule 15 "reflects a liberal attitude towards the amendment of pleadings, courts in their sound discretion may deny a

proposed amendment if the moving party has unduly delayed in filing the motion, if the opposing party would suffer undue prejudice, or if the pleading is futile.” *Id.* Novozymes has certainly waited a long time to introduce the affirmative defense of collateral estoppel.

U.S. Water contends that the court must apply the more stringent, “good cause” standard because Novozymes effectively seeks to modify the scheduling order in this case by changing the deadline for amendments to the pleadings. *See* Fed. R. Civ. P. 16(b)(4) (“A schedule may be modified only for good cause and with the judge’s consent.”). But U.S. Water overlooks the fact that the scheduling order does not actually set any pleading amendment deadline, and instead states that amendments will only be allowed with leave of the court. Dkt. 37, at 2. Therefore, there is nothing in the scheduling order to modify and Rule 16 is inapplicable. Rule 15 contains the proper standard with which to evaluate Novozymes’s motion.

But even if the scheduling order had set a date for amendments to pleadings without leave of court, the court would still generally apply Rule 15 to motions to amend the pleadings. Two further provisos, however. First, sometimes an amendment to a pleading will necessitate other adjustments to the scheduling order, and in such a case, Rule 16 might come into play. *Wicke v. L & C Insulation, Inc.*, No. 12-cv-638, 2013 WL 5570323 (W.D. Wis. Oct. 9, 2013), cited by U.S. Water, provides an example. In that case, a proposed amendment to a pleading would have required adjustments to the deadlines for certifying an FLSA collective action, and in that case the court applied the Rule 16 “good cause” standard. Second proviso: as the case progresses and the parties approach deadlines for expert disclosures and summary judgment, the “when justice so requires” standard under Rule 15 will tend to converge with the “good cause” standard under Rule 16. In this case, the court will apply Rule 15 insofar as it will focus on the alleged prejudice to U.S. Water, rather than scrutinize the purported reasons for Novozymes’s delay.

Turning to Novozymes's motion to amend, it is not clear why the company was unable to assert this defense earlier. "Delay on its own is usually not reason enough for a court to deny a motion to amend. . . . But the longer the delay, the greater the presumption against granting leave to amend." *Soltys*, 520 F.3d at 743. At the latest, Novozymes was aware of *ChemTreat* by February 2014, when the parties identified the case in the Pretrial Conference Report that they submitted to the court. Dkt. 24, at 6. Moreover, the summary judgment opinion on which Novozymes relies is a public document, issued on January 16, 2013, and Novozymes did not need to wait until completing discovery to review the opinion.² Novozymes discussed *ChemTreat*, and the summary judgment opinion in question, as part of its first motion to amend its pleadings. Yet Novozymes offers no explanation for why it failed to include its collateral estoppel defense in that motion.

The court will nevertheless grant Novozymes's motion to amend because U.S. Water will not suffer undue prejudice. U.S. Water contends that it has approached this entire case with the understanding that Novozymes would assert the defenses contained in its initial pleadings. U.S. Water also asserts, somewhat conclusorily, that it "will be forced to revisit its own claims and defenses in light of Novozymes'[s] belated claims." Dkt. 123, at 7. Finally, U.S. Water reminds the court that the dispositive motion deadline is six weeks away and that allowing Novozymes's amendment would require U.S. Water to scramble to address this new affirmative defense in its motion for summary judgment.

U.S. Water's points are taken, but its arguments are not persuasive for two reasons. First, U.S. Water was the plaintiff in *ChemTreat*, and cannot genuinely claim to be surprised that a

² To the extent that Novozymes needed the non-public litigation materials to evaluate possible collateral estoppel (a dubious proposition anyway), U.S. Water produced those documents on September 26, 2014.

subsequent defendant plans to use the case to pin down U.S. Water's infringement position. Even a cursory comparison of the patents at issue in *ChemTreat* and in this case suggests that they are similar enough to support a plausible argument for collateral estoppel. Second, in opposing Novozymes's motion to amend, U.S. Water demonstrates that it has already developed a theory with which to respond to this affirmative defense. In a footnote, U.S. Water summarizes the argument it would make in moving for summary judgment on the issue of preclusion. Dkt. 123, at 3 n.1. The legal principles of collateral estoppel are not overly complicated, and six weeks is ample time to mold U.S. Water's existing theory to fit those principles. U.S. Water does not contend that it must undertake additional discovery to respond to Novozymes's new defense; indeed, the doctrine of collateral estoppel requires the court to resolve questions purely of law and not of fact. *Matrix IV, Inc. v. Am. Nat. Bank & Trust Co. of Chi.*, 649 F.3d 539, 547 (7th Cir. 2011); *see also In re Davis*, 638 F.3d 549, 553 (7th Cir. 2011) ("Whether the issue of intent was litigated and resolved in the state court action, as required for application of collateral estoppel, is [a] question of law.").

The court does not fault U.S. Water for opposing Novozymes's motion. But under the circumstances of this case, U.S. Water will not be unduly prejudiced by the amendment, which pertains to issues that are largely already before the court. This will be the second time that Novozymes has tweaked its position in this case; subsequent efforts to do so will require a very persuasive showing.

ORDER

IT IS ORDERED that:

1. Defendants Novozymes A/S and Novozymes North America, Inc.'s motion for leave to file a reply, Dkt. 126, is GRANTED.

2. Defendants' motion to amend their answer, Dkt. 103, is GRANTED.
3. Defendants should now file their second amended answer as a separate docket entry.

Entered this 11th day of December, 2014.

BY THE COURT:

/s/

JAMES D. PETERSON
District Judge