

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
TEXAS, MARSHALL DIVISION

**Phenix Longhorn LLC v. AU Optronics Corporation, Hisense
Electronica Mexico, S.A. de C.V., Hisense USA Corporation, Hisense
Visual Technology Co., Ltd., and Does 1–10**

Phenix Longhorn · No. 2:23-CV-00477-RWS-RSP · Decided December 15, 2025

SUMMARY

The court addresses Phenix Longhorn LLC’s motion for sanctions concerning AUO’s late-disclosed counterclaims and affirmative defense. The court denies striking the Fifth, Sixth, and Seventh Counterclaims but orders them severed into a separate civil action and stayed, while striking the Thirteenth Affirmative Defense for inequitable conduct.

CASE DETAILS

COURT	United States District Court for the Eastern District of Texas, Marshall Division
WRITING FOR THE COURT	Roy S. Payne
JURISDICTION	United States District Court for the Eastern District of Texas, Marshall Division
DECIDED	December 15, 2025
DOCKET	2:23-CV-00477-RWS-RSP
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff/Counterclaim Defendant Phenix Longhorn LLC moved under Federal Rules of Civil Procedure 37 and 16 to strike AUO's Eighth Supplemental Initial Disclosures, Fifth, Sixth, and Seventh Counterclaims, and additional parties joined in the counterclaims. The court denied the motion as to the counterclaims and additional parties, severed and stayed the counterclaims, and granted the motion as to Defendants' Thirteenth Affirmative Defense for Inequitable Conduct.
PRECEDENTIAL VALUE	unpublished

TOPICS

- sanctions
- pleadings
- affirmative defenses
- patent infringement
- civil procedure

PRACTICE AREAS

civil procedure

patent litigation

discovery sanctions

commercial litigation

QUESTIONS PRESENTED

1. Whether Defendants' untimely Fifth, Sixth, and Seventh Counterclaims and joinder of two additional parties should be stricken under Federal Rules of Civil Procedure 37 and 16.
2. Whether the counterclaims should be treated as compulsory or permissive counterclaims under Federal Rule of Civil Procedure 13.
3. Whether severance and a stay, rather than striking the counterclaims, was an appropriate remedy.
4. Whether Defendants' Thirteenth Affirmative Defense for Inequitable Conduct should be stricken.

HOLDINGS

1. The counterclaims and additional-party joinder were untimely because they were filed after the applicable scheduling deadlines and without leave of court, but striking them was not required; severance and a stay were the appropriate remedy.
2. The Fifth, Sixth, and Seventh Counterclaims were permissive rather than compulsory because they did not arise from the same transaction or occurrence as Phenix Longhorn's patent-infringement claims.
3. The court granted the motion and struck Defendants' Thirteenth Affirmative Defense for Inequitable Conduct.

KEY QUOTATIONS

“A permissive counterclaim that would “unduly complicate the case” may be disallowed.” (Memorandum Order at 3)

“Accordingly, it is hereby ORDERED that the Fifth, Sixth, and Seventh Counterclaims are SEVERED into a separate civil action and stayed until after trial on the patent infringement claims and the First through Fourth Counterclaims.” (Memorandum Order at 4)

FACTUAL BACKGROUND

The defendants disclosed their Fifth, Sixth, and Seventh Counterclaims and joined two additional parties on October 2, 2025, after the October 4, 2024 deadline for joining parties, after the October 18, 2024 deadline for disclosing legal theories, and after the September 30, 2025 close of fact discovery. The counterclaims were RICO claims unrelated to the patent-infringement claims and were filed without leave of court. Phenix Longhorn also challenged Defendants' Thirteenth Affirmative Defense for Inequitable Conduct.

PROCEDURAL HISTORY

Defendants filed the Fifth, Sixth, and Seventh Counterclaims and joined two additional parties on October 2, 2025, after the deadlines for joining parties, disclosing legal theories, and completing fact discovery, and without leave of court. Phenix Longhorn sought sanctions and striking of the counterclaims and disclosures. After

briefing and a November 24, 2025 hearing, the district court entered this memorandum order, severing and staying the counterclaims while striking the Thirteenth Affirmative Defense.

DISPOSITION

other

CASES CITED

- CQ, Inc. v. TXU Mining Co., 565 F.3d 268, 280 (5th Cir. 2009)
- Primrose Operating Co. v. National American Insurance Co., 382 F.3d 546, 563–64 (5th Cir. 2004)
- Hawthorne Land Co. v. Occidental Chemical Corp., 431 F.3d 221, 227–28 (5th Cir. 2005)
- S&W Enterprises, LLC v. SouthTrust Bank of Alabama, NA, 315 F.3d 533, 536 (5th Cir. 2003)

OPINION

Phenix Longhorn LLC v. AU Optronics Corporation, Hisense Electronica Mexico, S.A. de C.V., Hisense USA Corporation, Hisense Visual Technology Co., Ltd., and Does 1–10
PER CURIAM.

IN THE UNITED STATES DISTRICT COURT

FOR THE EASTERN DISTRICT OF TEXAS

MARSHALL DIVISION

PHENIX LONGHORN LLC, §

§ Plaintiff, § v. §

AU OPTRONICS CORPORATION, §

HISENSE ELECTRONICA MEXICO, § CASE NO. 2:23-CV-00477-RWS-RSP

S.A. DE C.V., HISENSE USA §

CORPORATION, HISENSE VISUAL §

TECHNOLOGY CO., LTD., and §

DOES 1–10, §

§ Defendants. §

MEMORANDUM ORDER

Before the Court is Plaintiff/Counterclaim Defendant Phenix Longhorn LLC’s Motion for Sanctions Under Fed. R. Civ. P. 37 and 16. Dkt. No. 225. The Motion is fully briefed, see Dkt. Nos. 238, 263, 286, and the Court held a hearing on November 24, 2025, see Dkt. No. 288. In the Motion, Plaintiff seeks to strike, pursuant to Federal Rules of Civil Procedure 37 and 16, AUO’s Eighth Supplemental Initial Disclosures, as well as AUO’s Fifth, Sixth, and Seventh Counterclaims because they did not disclose these counterclaims until September 30, 2025, “just hours before the close of fact discovery,” despite allegedly having all the information “for months.” Dkt. No. 225 at 1. If a party fails to make disclosures as required under Rule 26(a), or under a Discovery Order pursuant to Rule 26(f), the Court may issue a sanction “unless the failure

was substantially justified or is harmless.” Fed. R. Civ. P. 37(c)(1). The sanctions available to the Court include precluding the party from using the withheld information or witness, ordering the payment of reasonable expenses and attorneys’ fees, informing the jury of the party’s failure, or imposing “other appropriate sanctions, including any of the orders listed in Rule 37(b)(2)(A)(i)—(vi).” Fed. R. Civ. P. 37(c)(1)(A)–(C). Those orders include “striking pleadings in whole or in part.” Fed. R. Civ. P. 37(b)(2)(A)(iii). To determine whether a failure to disclose was substantially justified or harmless, the Court must consider four factors: (1) the importance of the matter that was not disclosed; (2) the prejudice to the opposing party; (3) the possibility of curing such prejudice with a continuance; and (4) the explanation for the party’s failure to disclose. See *CQ, Inc. v. TXU Mining Co.*, 565 F.3d 268, 280 (5th Cir. 2009); *Primrose Op. Co. v. Nat’l Am. Ins. Co.*, 382 F.3d 546, 563–64 (5th Cir. 2004). Additionally, under Rule 16(b), joinder of a party after the joinder deadline requires a showing of good cause. Fed. R. Civ. P. 16(b); *Hawthorne Land Co. v. Occidental Chem. Corp.*, 431 F.3d 221, 227–28 (5th Cir. 2005). Courts generally consider the following factors in evaluating good cause: (1) the explanation for the party’s failure to meet the deadline; (2) the importance of what the Court is considering excluding; (3) the potential prejudice if the Court allows the thing it is considering excluding; and (4) the availability of a continuance to cure such prejudice. See *S&W Enters., LLC v. SouthTrust Bank of Ala., NA*, 315 F.3d 533, 536 (5th Cir. 2003). Similarly, under Rule 16(f), a court “may issue any just orders, including those authorized by Rule 37(b)(2)(A)(ii)–(vii), if a party . . . fails to obey a scheduling or other pretrial order.” Fed. R. Civ. P. 16(f)(1)(C). The Discovery Order, read in view of the Docket Control Order, required AUO to disclose its legal theories by October 18, 2024. Dkt. No. 66 ¶ 1(c) (requiring the parties to disclosure, inter alia, legal theories); Dkt. No. 67 at 5 (requiring the Parties to comply with paragraphs 1 and 3 of the Discovery Order by October 18, 2024). The deadline to complete fact discovery, in fact, was September 30, 2025. Dkt. No. 132 at 3. Preceding it was the deadline to join additional parties, which passed on October 4, 2024. Dkt. No. 67 at 5. Defendants filed these counterclaims and joined two additional parties on October 2, 2025. See Dkt. No. 203 ¶¶ 1–127. This was after the deadlines to join additional parties and after the close of fact discovery, making the counterclaims untimely. And they were filed without leave of Court. A counterclaim is compulsory if, inter alia, it “arises out of the transaction or occurrence that is the subject matter of the opposing party’s claim[.]” Fed. R. Civ. P. 13(a)(1)(A). A counterclaim that is not compulsory is, by definition, permissive. Fed. R. Civ. P. 13(b). A permissive counterclaim that would “unduly complicate the case” may be disallowed. Charles Alan Wright, Arthur R. Miller & Mary Kay Kane, *Fed. Practice & Procedure* § 1410 (2d ed. 1990) (“Although 13(b) encourages a party to advance all of his counterclaims in the responsive pleading, the court has discretion to refuse to entertain any counterclaim, when allowing it would unduly complicate the litigation”). Here, the counterclaims are not compulsory because they do not arise from the same transaction or occurrence as the patent infringement claims. They are instead RICO claims that will have to survive Rules 12 and 56 before they can be put to a jury. That said, having considered the striking

factors, the Court finds that severing the claims—in lieu of striking—would allow the counterclaims to be urged, but would keep them from interfering with the prompt adjudication of the patent infringement claim. Severing also moots the difficult Protective Order exception issues raised by the Parties during briefing, see Dkt. No. 286 at 4, and during the hearing, see Dkt. No. 309 at 25:12–24. It also prevents distraction from the final pretrial issues. Therefore, the Court DENIES the Motion to the extent that it seeks to strike the counterclaims and additional parties. Additionally, for the reasons orally assigned during the hearing, Dkt. No. 309 at 41:12–42:10, the Court finds that the Motion should be GRANTED as to Defendants’ Thirteenth Affirmative Defense for Inequitable Conduct, Dkt. No. 203, AUO’s Affirmative And/Or Additional Defenses ¶¶ 16–38. Accordingly, it is hereby ORDERED that the Fifth, Sixth, and Seventh Counterclaims are SEVERED into a separate civil action and stayed until after trial on the patent infringement claims and the First through Fourth Counterclaims. It is FURTHER ORDERED that Defendant’s Thirteenth Affirmative Defense is stricken. The Clerk of Court is directed to open a new civil action bearing the same caption, parties (including the two newly named Counterclaim Defendants) and counsel, and place this Order and the Counterclaim (Dkt. No. 203) as the first filings in that action. The new action is hereby STAYED pending further order. SIGNED this 14th day of December, 2025.

ROY S. PAYNE

UNITED STATES MAGISTRATE JUDGE

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