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Microchip Technology must supply probe files in fraud suit

By **Nicole Tyau**

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A U.S. magistrate judge in Santa Ana has ruled technology company Microchip Technology Inc. must turn over documents related to ongoing Department of Justice and Securities and Exchange Commission investigations into the company's operations that a plaintiffs' attorney says will expose serious securities fraud.

However, Leo P. Cunningham, a Wilson Sonsini Goodrich & Rosati partner on the defense team for Microchip, argued in court the documents supplied to the DOJ and SEC investigations were not relevant to the civil case and would cause a burden on Microchip to supply them, according to a transcript of the Jan. 29 hearing.

Magistrate Judge Autumn D. Spaeth disagreed with Cunningham, ordering the documents be handed over by Feb. 14.

The decision comes during a \$100 million fraud lawsuit filed by four former executives of Microsemi Corporation, a semiconductor provider

acquired by Microchip in May 2018. The lawsuit claims Microchip made defamatory statements about Microsemi and its executives during an earnings call following the merger. *Peterson v. Sanghi* 8:18-cv-02000-JLS-ADS (C.D. Cal., filed Nov. 8, 2018).

Jeffrey H. Reeves, the senior attorney for Costa Mesa-based Theodora Oringer PC representing Microsemi's executives, said the documents are crucial to understanding whether or not Microchip executives lied during the earnings call that is central to the defamation claim.

"We believe the evidence is going to show at trial that the defamatory statements that the defendants made on this Aug. 9 earnings call were really an effort to cover up a larger securities fraud," Reeves said. "Microchip, before it acquired Microsemi, was trending downward. It had weak financials. ... So it needed to do this merger to cover that up."

Reeves said the company was going to come in below its expected numbers, so it used Microsemi's above-average performance to boost Microchip's. Then, when future earnings

projections would have to be lowered, Reeves alleges Microchip lied about merger details and pegged Microsemi with the blame, saying Microsemi hid information about sales, inventory and other data during the merger.

"That whole story I just related presumably is also being investigated right now by the DOJ and the SEC," Reeves said. "We would like to see what they're saying about that in their communications to the company, and we'd like to see what the company is saying back. That was a primary impetus behind our motion to compel."

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Cunningham and other attorneys representing Microchip did not respond to requests for comment Wednesday.

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