

EXHIBIT 2

LEXSEE



Caution

As of: Sep 16, 2010

OLE K. NILSSEN, Plaintiff, v. MOTOROLA, INC., et al., Defendants.

No. 93 C 6333

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF
ILLINOIS, EASTERN DIVISION**

1998 U.S. Dist. LEXIS 12882

August 12, 1998, Decided

August 14, 1998, Docketed

DISPOSITION: [*1] All of Nilssen's motions in limine denied, while all save one of Motorola's granted except to its Motion 11 as to the Frenzel letter, on which this Court reserved judgment.

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff product developer executed a non-disclosure agreement with defendant corporation, and pursuant to that agreement, the product developer provided confidential information to the corporation. The product developer later filed suit against the corporation for misappropriation of trade secrets. Both the product developer and the corporation filed motions in limine.

OVERVIEW: The product developer's motions in limine sought, inter alia, exclusion of evidence or argument that the corporation's key employees lacked access to his trade secrets. The corporation filed several motions in limine, one of which sought to bar references to statements attributable to two of the corporation's employees. The court held (1) the product developer's motion to exclude evidence regarding key employees' access to his trade secrets was a wholly unwarranted effort to substitute an irrebutable presumption for what was instead only a permissible inference that the

factfinder might have drawn from the evidence, and (2) even if the statements attributed to the two employees in question were viewed as relevant and admissible under [Fed. R. Evid. 401](#), their probative value would have been substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury.

OUTCOME: The court denied all of the product developer's motions in limine. However, the court granted all but one of the corporation's motions in limine. The court reserved judgment on the corporation's remaining motion.

CORE TERMS: trade secrets, patent, ballast, technology, limine, misappropriation, confidential, electronic, reexamination, disclosure, summary judgment, expert testimony, presentation, royalty, lighting, lawsuit, exclude evidence, royalty rate, negotiation, hypothetical, unjust enrichment, purported, pretrial, confirm, addenda, intend, owed, duty of confidentiality, reduced to writing, jury instructions

LexisNexis(R) Headnotes

Contracts Law > Defenses > Ambiguity & Mistake > General Overview

Contracts Law > Formation > Ambiguity & Mistake > General Overview

[HN1]The litigants' differing views as to the meaning of contractual language do not of themselves demonstrate the ambiguity of that language.

***Contracts Law > Formation > Meeting of Minds
Contracts Law > Formation > Offers > General Overview***

[HN2]An enforceable contract must include a meeting of the minds or mutual assent as to the terms of the contract.

Torts > Business Torts > Unfair Business Practices > General Overview

Trade Secrets Law > Civil Actions > Remedies > Damages > General Overview

[HN3]See [765 Ill. Comp. Stat. 1065/4\(a\)](#).

Trade Secrets Law > Civil Actions > Remedies > Damages > Royalties

Trade Secrets Law > Civil Actions > Remedies > Damages > Unjust Enrichment

Trade Secrets Law > Misappropriation Actions > General Overview

[HN4]The proper test for awarding damages for misappropriation of trade secrets is a reasonable royalty where any evidence as to claimed lost profits or unjust enrichment is too imprecise and speculative to support an award in those terms.

Evidence > Privileges > Trade Secrets > General Overview

Trade Secrets Law > Factors > Ready Availability

Trade Secrets Law > Protected Information > Combinations & Compilations

[HN5]A trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, but the unified process, design and operation of which, in unique combination, affords a competitive advantage and is a protectable secrets.

COUNSEL: For OLE K NILSSEN, plaintiff: George S. Bosy, Harry J. Roper, Raymond N. Nimrod, John E. Titus, Frank Joseph Nuzzi, Roper & Quigg, Chicago, IL.

For MOTOROLA INC, MOTOROLA LIGHTING, INC., defendants: Michael B. Allen, Laff, Whitesel, Conte & Saret, James M. Amend, Brian Douglas Sieve, S Jonathan

Silverman, Paul Frederick Brown, Michael Anthony Parks, Douglas R. Cole, Jennifer Anderson Van Kirk, Geoffrey J. Moul, Kirkland & Ellis, Chicago, IL.

JUDGES: Milton I. Shadur, Senior United States District Judge.

OPINION BY: Milton I. Shadur

OPINION

MEMORANDUM OPINION AND ORDER

This long-in-the-tooth action between Ole Nilssen ("Nilssen") and defendants Motorola, Inc. and its subsidiary Motorola Lighting, Inc. ("Lighting")(the two defendants are collectively referred to as "Motorola," treated as a singular noun to avoid awkwardness)--the third oldest case on this Court's calendar ¹--has been stretched almost beyond belief by the litigants' successful efforts to deforest a substantial part of our nation's [*2] timber resources by the papers that they have filed in a host of areas. Most recently, with the case at long last having reached the final pretrial order ("FPTO") stage after this Court rejected each side's efforts to obtain total victory via summary judgment, ² the litigants then favored (?) this Court with packages of motions in limine that, when the parties' memoranda were placed in a single stack, formed a pile substantially over a foot high.

1 Both of the even more ancient actions are also intellectual property disputes, each of which has followed a tortuous path having many of the same paper-intensive and time-consuming characteristics as this case. In the oldest case, this Court reached its dispositive conclusion as to the patent infringement claims some time ago, and the only remaining matter--the bench trial as to recoverable damages--has been tried recently, with this Court now awaiting the litigants' respective proposed findings of fact and conclusions of law. In the next oldest case, this Court has just completed and issued its most recent extensive written opinion, and it has met with counsel today to discuss what remains to bring the complex trademark-trade dress and patent disputes to trial.

[*3]

2 See the April 25, 1997 "Opinion I," reported at [963 F. Supp. 664](#), and the August 22, 1997

"Opinion II," found at [1997 U.S. Dist. LEXIS 12899](#). Citations to Opinion I will list only the page number but not the F. Supp. volume number, while citations to Opinion II will simply list the * page number. Some terms defined in the two Opinions will also be employed here without redefinition.

Both the press of other matters and, it must be confessed, the unpleasant prospect of wading through highly combative sets of materials for a third time,³ prevented the motions from being addressed as promptly as this Court would have preferred. But after last week's generation of two lengthy opinions in other intellectual property cases, this Court has undertaken the task of scaling the peak of the mountain of accumulated papers. On examination, what had presented such a formidable appearance turned out in large part, with full apologies to the Bard of Avon, to be "full of sound and fury, signifying nothing."⁴ Nonetheless, as will be seen, bulk tends to generate bulk, so that this [*4] opinion too has caused a tree to be felled.

3 It is surprising that counsel so often seem to be blissfully unaware of the fact that they are able to approach litigation on a team basis, marshaling their troops of lawyers and paralegals to concentrate on their one lawsuit, while by contrast the decisional responsibility funnels down to a single individual--the trial judge--whose calendar comprises cases numbering in the hundreds. And that disparity is enhanced when it comes to post-FPTO motions in limine, because most frequently those must be dealt with by the judge alone, without assistance from his or her able law clerks. At that point only the judge has full familiarity with the case, and the issues are unlikely to present the same kind of discrete questions of pure law as (say) the summary judgment motions that are more suitable for law clerk assistance.

4 William Shakespeare, *Macbeth* act 5, sc. 5, lines 27-28.

Before this opinion turns to the parties' lengthy written submissions, mention should [*5] be made of three motions that were referred to in the FPTO but have not been briefed, instead being made the subject of an exchange of letters (one dated January 16, 1998 from Motorola's counsel, and the other a February 9, 1998

response from Nilssen's counsel)⁵:

1. Motorola's Motion 2 asks to preclude any argument that Motorola owed Nilssen a duty of confidentiality beyond the terms of the 1987 and 1988 Agreements.

2. Motorola's Motion 3 seeks to preclude any reference to any information that Nilssen allegedly disclosed orally to Motorola, unless that information was later reduced to writing and stamped "Confidential" as required by the 1987 Agreement.

3. Motorola's Motion 5 seeks to preclude any evidence or argument that Nilssen is entitled to damages because he "educated" Motorola as to the electronic ballast industry as a result of his presentations regarding industry fundamentals.

Motorola says that those motions are controlled by the rulings in Opinions I and II, while Nilssen responds with arguments that smack of efforts to avoid--to take an end run around--those rulings.

5 Both letters are attached to this opinion.

[*6] From the outset this action was plagued in material part by the amorphousness of Nilssen's claims, especially his counsel's attempt to paint the notion of trade secrets with an impermissibly broad brush. What Nilssen will not be permitted to do at trial is to use concepts of "res gestae" or "background" as a backdoor vehicle for reintroducing the overly broad claims that this Court has curbed by its earlier rulings in Opinions I and II. Nor is this Court persuaded by Nilssen's repeated argument that appropriate jury instructions can protect against the mischief that his blunderbuss approach would create.

In short, this Court grants those three Motorola motions. If prior to or at the time of actual trial Nilssen is of the view that some limited and more narrowly focused background evidence is required to set the stage for independently admissible evidence regarding his claim as narrowed by this Court's Opinions, that subject will have to be fronted in advance of the actual questioning of witnesses, to avoid any tainting of the evidentiary

presentation before the factfinding jury.

Because Nilssen is plaintiff in this action, this Court would ordinarily have begun the substantive [*7] discussion here by first addressing his motions in limine rather than those three Motorola motions. In this instance, though, a partial reversal of sequence seemed appropriate because the Nilssen mindset just described here in ruling on those motions unfortunately marks a good deal of the current presentations by Nilssen's counsel, both in support of his motions and in opposition to Motorola's. With that having been said, this opinion now returns to the usual sequence by dealing with Nilssen's own motions.

All five of Nilssen's motions in limine must be denied, either on the merits or (in one respect) on mootness grounds. Little discussion is called for as to any of the five.

Nilssen Motion 1 seeks to preclude evidence or argument that Motorola's commercial electronic ballast launch designs did not use all four circuit elements that Nilssen now asserts are his technical trade secrets (Opinion I at 673, 683). That motion is denied for the reasons (which will not be repeated here) that have been amply and well stated in Motorola's responsive memorandum. Although the following thumbnail description should therefore not be mistaken as the total basis for this Court's ruling, here as [*8] elsewhere Nilssen has sought to misportray a subject as presenting a question of law, rather than as posing questions of fact that must be resolved by the jury.

Nilssen's Motion 2 seeks "to exclude evidence or argument that Motorola's key employees lacked access to Nilssen's trade secrets." That too is denied as a wholly unwarranted effort to substitute an irrebuttable presumption for what is instead only a permissible inference that the factfinder might draw from the evidence. Some partial notion of Nilssen's flawed approach may be derived from this short quotation from his Mem. 4 in support of the motion:

In sum, the undisputed facts prove that Motorola deliberately placed employees having knowledge of Nilssen's trade secrets in a position that would facilitate their misappropriation. The result of this deliberate action is clear under Illinois law: a fact finder may, as a matter of law,

find a misappropriation of the trade secrets in issue.

To put it bluntly, that mischaracterizes both the evidence and the law, though Nilssen's counsel may perhaps wish to advance such a contention (except for the "as a matter of law") in his closing argument to the jury.

Nilssen's [*9] Motion 3 asks "to exclude evidence that Motorola had any good faith legal defense for avoiding exemplary damages." To the extent that motion focuses solely on a possible reliance-on-advice-of-counsel defense, it is denied as moot, for Motorola's response confirms that it does not intend to assert such a defense. But Motorola's response also correctly identifies the impermissibility of the further indications by Nilssen that at trial his counsel intends:

1. to propose a jury instruction that the jury can draw the inference, from Motorola's failure to produce a legal opinion during discovery, that Motorola had received such an opinion that was unfavorable to its position and
2. to ask Motorola's witnesses about whether they sought such a legal opinion.

Neither of those is at all appropriate, and to that extent Motion 3 is rejected outright.

Nilssen Motion 4 seeks "to exclude evidence or argument that Motorola used any of Stevens' electronic ballast designs." That motion mischaracterizes both the evidence and Motorola's position in that respect. As Motorola's response correctly points out, the question of whether and to what extent Motorola did use so-called "Super Ballast" [*10] design originated by Carlisle ("Steve") Stevens ("Stevens") (a subject dealt with at some length in Opinion I at 671, 682-83) poses disputed factual issues for jury resolution. And as for Nilssen's other asserted ground for the motion, here (as in a few other instances) his counsel attempts to turn a late-disclosure item into a purported justification for the harsh sanction of evidence preclusion.⁶ That too is unpersuasive.

⁶ In this instance a late-discovered file was turned over to Nilssen voluntarily--something that is entirely at odds with any notion of an effort by Motorola to hide the ball. This Court disfavors

such efforts by any litigant to take advantage of the other side's omissions that are so obviously not occasioned by bad faith or obstructionist motivations.

Finally on Nilssen's side, his Motion 5 is labeled as one "to exclude evidence that Motorola 'could have' properly obtained Nilssen's trade secrets." This time the motion's major vice is that it seriously casts a false light (not for the [*11] first time, it will be noted) on Motorola's position. Motorola's response explains the entirely permissible efforts that it anticipates making in an effort to demonstrate (1) that Nilssen's alleged trade secrets were publicly available and (2) that Motorola did in fact obtain and use such publicly-available information, negating any claimed misappropriation of information derived from Nilssen. This Court does not of course make or even suggest any findings in that respect--those things are for the jury to resolve--but it denies Nilssen's inappropriately-framed motion.

Thus all of Nilssen's motions in limine have proved to be totally unsuccessful. As the ensuing discussion reflects, he fares (or may potentially fare) a bit better on one of Motorola's remaining motions in limine, ⁷ although for the most part he is a loser there as well.

⁷ In addition to the three motions in limine already discussed (Motorola Motions 2, 3 and 5), it has withdrawn its Motions 7 through 9. What follows in this opinion therefore speaks to Motorola's other seven motions.

[*12] Motorola Motion 1 seeks to bar Nilssen's proposed use of certain documents that Nilssen sent to Motorola after the parties had executed the 1987 Agreement--for example, a September 2, 1987 multipage document that both set out some information relating to electronic ballasts and also purported to set different conditions on disclosure from those contained in the 1987 Agreement, including terms stated in an attached document dated May 28, 1986 captioned "ADDENDUM TO DISCLOSURE." Then again on October 13, 1987 Nilssen sent Motorola another disclosure (this one dated September 15, 1986) that contained some of the same attempted gloss on the notion of confidentiality but omitted the May 1986 document. Nilssen responds by identifying that May 1986 document (which he terms the "Nilssen Addendum") as the "key document" that is "plainly relevant here and admissible" (Mem. 1), on the theory that the document can somehow aid in resolving a

claimed ambiguity in the term "evaluation purposes" used in the 1987 Agreement. ⁸

⁸ Nilssen does not speak at all to the other documents targeted by Motorola's Motion 1. Whether on the basis of an absence of opposition by Nilssen to Motorola's motion, or because the same principles discussed in the text apply to those documents as well, or both, the motion is also granted to exclude those documents.

[*13] As is too often the case with Nilssen's submissions, his counsel overstates this Court's prior rulings: Opinion I at 682 n.20 had left for future consideration the question of Nilssen's September 23, 1988 transmittal of the same document (the Nilssen Addendum), while Opinion II at *24 stated that factual issues as to any claimed violation by Motorola would exist "whatever meaning might be ascribed to the term 'evaluation purposes.'" But that treatment was clearly not the same as a holding by this Court that "evaluation purposes" is an ambiguous term--on the contrary, the locution in Opinion II simply reflected that it was unnecessary to explore that term's meaning in order to find factual issues that would defeat summary judgment with "the record taken in a light most favorable to Nilssen" (id. at *26). This Court finds no ambiguity in the term "evaluation purposes" that is beyond the ken of a factfinding jury.

Suppose however that Nilssen were right in characterizing "evaluation purposes" as ambiguous. That does not mean that his unilateral effort to redefine the concept is rendered admissible. When Nilssen first transmitted the Nilssen Addendum to Motorola together [*14] with the other revisionist documents relating to disclosure, Bob Elliott ("Elliott") of Motorola immediately rejected the papers by sending a copy back with the handwritten legend "Rec'd under Sept. 4 Agreement for NonDisclosure," and the selfsame immediate rejection by Elliott also followed Nilssen's October 13, 1987 transmittal. ⁹ Then, as Motorola's Mem. 5 goes on to say:

Nilssen never mentioned his addenda again, or took issue with Motorola's rejections. He continued to disclose information to Motorola pursuant to the terms of the 1987 Agreement. In fact, when Nilssen subsequently provided

information to Motorola, he acknowledged that Motorola had rejected the addenda. On both November 4, 1987 and November 27, 1987, Nilssen crossed out his own addenda, initialed his acknowledgment of their deletion and then sent Motorola his written disclosures. (PX 224, attached at Tab 8 and JX 2003, attached at Tab 9) Thereafter, Nilssen never again attached any of the three addenda to the allegedly confidential documents that he sent to Motorola pursuant to the 1987 Agreement. (See, e.g., PX 78, attached at Tab 10; JX 2042, attached at Tab 11; and JX 2070, attached at Tab 12)

[*15]

9 Nilssen's attempted argument that Elliott crossed out only the first page of each transmittal, adding his handwritten notation at the foot of that page, is--to be blunt--entirely bogus. That first page was the only one where Nilssen called for Motorola's signature to reflect its acknowledgment of the disclosure and acceptance of its terms, and that page was the one that Elliott rejected each time by putting both the disclaimer legend and his signature and date in the very space where Nilssen had called for the recipient to sign.

Nothing then supports any claimed reference to the challenged documents as evidencing the parties' understanding of "evaluation purposes"--if anything, Motorola's rejection would go to prove that the documents were not such evidence of its understanding. In that regard it is worth observing that [HN1]litigants' differing views as to the meaning of contractual language do not of themselves demonstrate the ambiguity of that language ([FDIC v. W.R. Grace & Co., 877 F.2d 614, 621-22 \(7th Cir. 1989\)](#) [*16] (applying Illinois law); [Forest Preserve Dist. v. Brookwood Land Venture, 229 Ill. App. 3d 978, 982, 595 N.E.2d 136, 140 \(2d Dist. 1992\)](#)). But if Nilssen were right in urging that the "evaluation purposes" term is ambiguous, he might have urged himself right out of court.

Why is that so? Because classic contract law analysis would then call for application of the doctrine succinctly put in such cases as [Academy Chicago Publishers v.](#)

[Cheever, 144 Ill. 2d 24, 30, 578 N.E.2d 981, 984, 161 Ill. Dec. 335 \(1991\)](#)("An [HN2]enforceable contract must include a meeting of the minds or mutual assent as to the terms of the contract"), with the inexorable consequence that the nondisclosure undertaking by Motorola (the limitation confining use of Nilssen's disclosures to "evaluation purposes") "is not a valid and enforceable contract" (id.). And that being so, Nilssen's delivery of information to Motorola would be legally unconstrained, thus destroying its "trade secret" status. So if that notion of ambiguity were indeed Nilssen's position, he could not of course sue to claim that Motorola had violated his trade secret rights by its breach of an invalid and [*17] unenforceable undertaking--and this case would be at an end even before it got to trial.

Motorola has not advanced that position, for its contention is that the 1987 and 1988 Agreements are unambiguous. If however that really represents Nilssen's view, his counsel ought to let Motorola and this Court know about it promptly so that everyone can go on to other (if not better) things. In the meantime, however, Motorola Motion 1 is granted.

Motorola Motion 4 seeks to bar reference to asserted statements that Nilssen ascribes to two Motorola people:

1. Nilssen testified that Phil Gunderson ("Gunderson") had told him that Motorola wouldn't go into the electronic ballast business without Nilssen (Nilssen Dep. 284), a statement that Nilssen times as having been made probably toward the latter part of 1987 (after the 1987 Agreement had been signed) (id. 285).¹⁰

2. Nilssen also testified as to asserted representations by Gunderson and Elliott that Motorola "preferred a partnership-like arrangement" with Nilssen (Nilssen Dep. 316-18). On that score Nilssen disclaims any attempt on his part, by introducing that evidence, to create a de facto reinstatement of his original contentions--which [*18] were withdrawn by Nilssen's former counsel after this Court had rejected any contractual liability on Motorola's part in those respects.

Instead, Nilssen's current argument for the admissibility

of those purported Motorola statements is that they are relevant to the issue of the value of Nilssen's information conveyed to Motorola.

10 Once more Nilssen has misrepresented Motorola's version of the same event, apparently heedless of the effect that such repeated overstatements are likely to have on a judge who must review counsel's submissions for "evaluation purposes" (does the term sound familiar?). Nilssen Mem.1 in opposition to Motorola's motion says that Motorola's in-house counsel John Moore, in a December 14, 1988 letter, "freely admitted that Gunderson had told Nilssen that 'Motorola would not go into the business without him.'" But what Moore actually wrote (in the letter attached as an exhibit to Nilssen's memorandum) was this (emphasis added):

It is true that Phil Gunderson told you, several months ago, that he did not expect Motorola to go into the electronic ballast business without you.

Even apart from Moore's follow-up sentence that "Phil's statement was based on his assumption that it would be possible to make a reasonable deal with you," Motorola's version referring only to Gunderson's expectation would not at all support Nilssen's extreme position that Gunderson meant "that Motorola could never enter into the business without you [Nilssen] no matter what your demands were" (Nilssen Dep. 291), so that if Nilssen were even to demand \$ 100 million, it would necessarily follow that "Motorola was obligated to either give you a hundred million dollars or not go into the business" (id.). As Nilssen would have it (id. 292):

If I had said stop it, they had nothing to do but to stop it. I had that authority of the project.

* * *

They have to either reach agreement with me or go out. Simply. No question.

Whatever may be said as to the believability of

that position, it is clearly a distortion to label the position as shared by Motorola.

[*19] That sleight of hand won't work. Even apart from any claimed impact that Nilssen's account of the asserted Gunderson and Elliott statements might have had on the construction of the 1987 Agreement between the parties, it cannot be gainsaid that the parties reconfirmed by their entry into the 1988 Agreement the notion that Nilssen's transmittal of information to Motorola was for its "evaluation purposes" as to what if anything it wished to do in the electronic ballast business. Motorola Mem. 8 is entirely correct in asserting:

This [sic] issues in this case are straightforward--did Nilssen have a protectible trade secret and did Motorola misappropriate any such trade secret by using the information for something other than "evaluation purposes."

And to that end, what Motorola's preferences might have been if it were able to strike a deal with Nilssen, even if that evidence were viewed as relevant and hence admissible under [Fed. R. Evid. \("Rule"\) 401](#), would pose a situation in which any probative value would be "substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury" (Rule 403), or all three of those things. Importantly, [*20] the discussions and the possibilities to which Nilssen testified had to do with a total linkage between the parties--a linkage that would have embraced all of Nilssen's technology, including his patents--while the claim now at issue is limited to some specified items of claimed trade secrets. ¹¹ Accordingly, Motorola's Motion 4 is granted as well.

11 Later aspects of this opinion will address some related issues as to the perils of setting a rudderless jury afloat on an uncharted sea of assessing damages, if it were to be presented with contentions based on a dramatically different putative transaction that the parties never entered into.

What has just been discussed bears a close relationship to Motorola's Motion 6, which seeks "to preclude Nilssen from arguing at trial that Motorola valued the alleged trade secrets at issue in this case at \$ 50 million." In that respect there is a dispute between the

parties as to (1) whether that number represented Nilssen's view as stated in his March 14, 1983 letter to [*21] Gunderson (Jt. Ex. 2005, at M-57272) and then relayed by Gunderson to other Motorola people--which is Motorola's version--or (2) whether that number represented Gunderson's own evaluation as included in a written report that he prepared for Motorola's senior executives -- which is Nilssen's version. But there is no need to resolve that difference of views, for the evidence must be excluded in all events.

There are two closely linked reasons why it would be improper for Nilssen to be permitted to float the \$ 50 million figure before the jury, even on the premise that his version of events would be accepted for that purpose. Those reasons will be discussed in turn.

To begin with, it was not until the parties and this Court were some years into this litigation that Nilssen finally limited his amorphous and global "trade secrets" rubric to a discrete smaller universe. By contrast, in the Gunderson document (a multipage visual presentation captioned "Electronic Ballast For Fluorescent Lamps," P. Ex. 314) that used the \$ 50 million figure now at issue,¹² the presentation card included in that representation that read "Electronic Ballast Technical Analysis--Key Elements of Nilssen Technology" [*22] listed these items:

- 1) Ground Fault Interruption
- 2) Internal Overload Protection
- 3) Open Load Protection
- 4) "Valley-Filling" Filter
- 5) Frequency Shifted Cathode Heating

¹² This sentence appears in that presentation as part of page M-1147, captioned "Nilssen Technology Licensing Costs":

The estimated value of the Nilssen technology in the next ten years has a net present value of approximately \$ 50 million.

That same number appears as part of the presentation that was made to Motorola people on April 18, 1988 (Jt. Ex. 2027), where page M-20830, headed "Nilssen Technology Licensing Fee," contained this sentence:

The estimated "value" of the Nilssen technology has a net present value of approximately \$ 50 million.

It is really irrelevant whether (as Motorola contends) those five components comprised the "key elements" of Nilssen's technology according to Nilssen, or whether instead that represented Motorola's own characterization. What is critical is that in any event [*23] those five elements did not include the 57 categories of non-technical information that are currently at issue, nor did they include the four technical elements that Nilssen's technical expert Dr. John Clegg has identified as Nilssen's protectible trade secrets. Hence even if Motorola itself (rather than Nilssen, as Motorola contends) had valued Nilssen's entire technology at \$ 50 million, Motorola unquestionably did not place that value, or any identifiable portion of that value, on the trade secrets that are at issue in this litigation. It would thus create a gross potential for unfair prejudice and jury confusion if the \$ 50 million figure were to be placed before the jury in any guise. So even if the \$ 50 million overall evaluation were somehow able to pass muster for admissibility under [Rule 401](#) (a highly doubtful proposition at best), Rule 403 would still require its exclusion.

Relatedly, another document on which Nilssen places heavy reliance, the 54-page Bill Alling ("Alling") "Ballast Report" that was written to reflect his conclusions and recommendations that Motorola should seek an exclusive tie-up of the "Nilssen technology," with Nilssen being retained to assist in [*24] product development, characterized the term "Nilssen technology" as synonymous with Nilssen's patents (page M-95044). And Nilssen himself, in pitching for a royalty arrangement, employed the generic concept of licensing in an obvious way that encompassed the patents that he held (as stated later in this opinion, he had more than 100 patents either issued or pending).

Nilssen Mem. 3 attempts to downplay that factor by pointing to a phrase on the same page of Alling's report

that recommends that Motorola "go forward on the basis of getting the best product market in the shortest time frame using the Nilssen technology and know-how and to be not overly concerned at this point in time with trying to lock up a technology with patents." But again that mischaracterizes the real thrust of what Alling said (see the photocopy of page M-95044 attached to this opinion), which was (1) "that the Nilssen technology (Patents) contains some very clever and novel concepts which may be useful in developing a commercially viable ballast" and (2) that although Motorola might ultimately be successful in attacking the validity of one of the key patents, it would make more sense to get into the market quickly [*25] by striking a deal with Nilssen--a variant on the "if you can't lick 'em, join 'em" approach. What is most critical for present purposes is that it would be a total distortion to equate the term "Nilssen technology" (to which the \$ 50 million figure was consistently ascribed) ¹³ with Nilssen's present limited universe of "trade secrets." And again that militates totally against permitting the \$ 50 million number (which would be patently misleading in the current context) to get before the jury.

13 If there were any doubt as to the far broader scope of what was encompassed within the rights to which the \$ 50 million figure was attached, they would be definitively dispelled by a document on which Nilssen lays heavy stress in his memorandum on the later-referred-to motion in limine regarding the testimony of Dr. Horace DePodwin ("DePodwin"). Gunderson prepared some handwritten notes regarding his November 10, 1988 meeting with then Motorola President Robert Galvan ("Galvan"), in which notes Gunderson reported Galvan's views that then favored an attempt to make a deal with Nilssen. Here is how Gunderson described the proposed deal that would result in the payment of a royalty to Nilssen (page M-48630):

The Motorola license would be for exclusive use of Nilssen's technology portfolio in the area of ballasts for fluorescent lights including issued patents, pending applications, trade secrets and know-how.

Nothing in the entire record brought to this

Court's attention assigns either absolute or comparative values to the several components referred to there, let alone to Nilssen's first-time identification of the "trade secrets" concept late in this litigation. In the absence of any predicate for translating the \$ 50 million overall number into an aliquot share for the only-recently-defined "trade secrets," Nilssen is totally unpersuasive in urging that the figure should be placed before the jury to negate any notion that the trade secrets were without value. To that end Nilssen has obtained and plans to proffer DePodwin's expert testimony, and the dangers that would be inherent in introducing an unanchored number that would invite sheer speculation on the jury's part are too obvious to be compelled to repeat.

[*26] For any and all of the several reasons discussed here, Motorola Motion 6 is well taken. It too is granted.

Motorola Motion 10 seeks to exclude evidence of the reexamination of Nilssen's [United States Patent No. 4,677,345 \(" '345 Patent"\)](#) by the Patent Office. As for the ['345 Patent](#) itself, Motorola has brought it into the case on the premise that the patent disclosed to the public, on its June 30, 1987 issue date, three of the four features that Nilssen now asserts as his "technical" trade secrets in this case. But Motorola urges that although the ['345 Patent](#) is relevant for that purpose, it is not relevant--and is indeed a source of potential confusion and prejudice--that the Patent Office later reexamined the validity of the ['345 Patent's](#) claims at Motorola's instance and, having done so, issued Nilssen a reexamination certificate.

Here is the Nilssen Mem. 1-2 summary statement in opposition to the Motorola motion:

On the contrary, the '345 reexamination proceeding is highly relevant to two issues here. First, the reexamination proceeding is relevant in that it tends to show that Motorola placed little or no value on Nilssen's patents and, therefore, that Motorola's [*27] \$ 50 million valuation of Nilssen's technology was based on Nilssen's trade secrets. Secondly, the reexamination proceeding, initiated by Motorola at a time when Motorola was supposedly negotiating with Nilssen in

good faith to acquire his technology, is also relevant in that it tends to show that Motorola was not acting in good faith while it was negotiating with Nilssen.¹⁴

At the risk of repetition of what has been said in other respects earlier in this opinion, neither of those grounds is persuasive either.

14 [Footnote by this Court] Motorola R. Mem. 1 characterizes Nilssen as having "abandoned the argument made in his earlier summary judgment filings that Motorola tried to invalidate his ['345 Patent](#) in the reexamination, but failed." Whether or not such is the case, Nilssen's current arguments are limited to those just quoted in the text.

As to the first of those contentions, this Court has already rejected Nilssen's effort to attach and limit the \$ 50 million figure to the trade secrets now [*28] in suit. But even beyond that, Motorola is right in characterizing as spurious the notion advanced by Nilssen that an attempted reexamination of a single Nilssen patent--one of more than 100 issued and pending patents that Nilssen himself referred to in a December 4, 1987 memorandum that he transmitted to Motorola (Jt. Ex. 2004)--somehow evidences Motorola's having placed "little or no value on Nilssen's patents," consequently causing the \$ 50 million price tag to be assigned to Nilssen's trade secrets. That notion is untenable even if "trade secrets" were used in some generic sense, let alone in the more narrow universe that Nilssen finally adopted after several years of this lawsuit.

As for Nilssen's second contention, it is equally without merit for more than one reason. For one thing, it is difficult to understand how a statutorily-conferred right to request reexamination can constitute "improper means" (the pejorative label that Nilssen Mem. 5 seeks to attach to the claimed misappropriation of his trade secrets). For another, reexamination is a vehicle by which a patent's claims are considered, and there is no question that none of the alleged trade secrets at issue in this [*29] lawsuit were or are claimed in the ['345 Patent](#). And finally and conclusively, there is no way in which a reexamination petition that was filed in December 1989--more than a year after the Nilssen-Motorola negotiations had been terminated by a letter from president Galvan to Nilssen--can conceivably be said to evidence a lack of

good faith while Motorola was engaged in those earlier negotiations.

Any effort to bring the patent reexamination before the jury would be so tangential as to be highly questionable for admissibility under [Rule 401](#). And given what has been said here, any such highly attenuated probative force would be overwhelmed by Rule 403 considerations in any event. This Motorola motion is granted as well.

Motorola Motion 11 asks to preclude all evidence or reference to a June 2, 1995 letter written by E. Renee Frenzel ("Frenzel," who was then a legal assistant at Motorola's law firm of Kirkland & Ellis) to Nilssen's former counsel Joseph Greer, in which Motorola says that Frenzel mistakenly identified some documents that were then being produced by Motorola as having come from the archive files of former Motorola Vice President Levy Katzir ("Katzir"). Both Motorola and [*30] Nilssen confirm that Nilssen intends to rely on the Frenzel letter (a copy of which is attached to this opinion) as establishing that certain Nilssen documents (which Nilssen characterizes as "key Nilssen confidential documents") were found in Katzir's files, thus tending to support Nilssen's argument that Motorola made use of Nilssen's trade secrets. Indeed, Opinion I at 683 included this statement:

Motorola admits that Katzir was centrally involved in the design of Lighting's ballast, and discovery has uncovered several of Nilssen's confidential disclosures in Katzir's files.

As that last quotation indicates, Motorola has not previously filed anything to challenge the accuracy of Frenzel's listing in that respect. Instead Motorola says that after the issuance of Opinion I it conducted an extensive investigation that was first triggered by Nilssen's reliance on that letter and this Court's reference to it in Opinion I. According to Motorola R. Mem. 6:

It proved a difficult process to retrace the steps which led to the Frenzel letter and the error in it. This process was even more difficult after Ms. Frenzel left Kirkland's employ. By the time the investigation [*31] was complete,

summary judgment as to Nilssen's trade secret claim had already been denied. Because the Frenzel letter was not the only basis for the Court's ruling, it appeared unlikely that pointing out the error to the Court would result in a change of its decision on the summary judgment motion. When the Frenzel letter appeared on Nilssen's proposed trial exhibit list, Motorola objected and listed this motion in limine in the event that Nilssen persisted in his intent to use the erroneous letter. After Motorola's counsel explained the error to Nilssen's counsel in January 1998, and Nilssen nevertheless persisted in his attempts to use Frenzel's letter, Motorola filed this motion.

Motorola's motion is supported by a battery of affidavits--by Frenzel herself, by Katzir's administrative assistant who maintained his files (and who in that capacity delivered the files to Frenzel for her review and collation, who then received the files back from Frenzel, and who has maintained control over them since that time) and from Katzir himself. Those affidavits, if they are credited, confirm what Motorola is now asserting: that the documents actually came from sources other than Katzir's [*32] files.

In response Nilssen attacks those affidavits as "conclusory and vague," as "illogical, not credible, riddled with unexplained gaps, and, in the case of Mr. Katzir, contrary to sworn deposition testimony" and as presenting an "incredible story." Nilssen's other challenge, which is based on the asserted untimeliness of the current motion, in part raises a red herring (contrary to what Nilssen argues, Motorola is not advancing the motion as part of a claim that it returned all of Nilssen's documents), but in principal part Nilssen complains that Motorola's delay is "inexcusable," that the time involved in the investigation is "unexplained" and that Motorola did not raise the issue in spite of having had multiple opportunities to do so.

All of those objections are extraordinarily troublesome, where the goal of both sides ought to be for this lawsuit to go forward as a matter of seeking the truth. Suppose for a moment that Motorola is right and that Katzir never did have those confidential documents

(though this Court makes no findings on that score at this time, it should be said that this Court does not find the same flaws in the supporting affidavits that Nilssen's memorandum [*33] scornfully ascribes to them). Does Nilssen really say that he should still be put into a position where he might recover millions of dollars on the false premise that Katzir's knowledge of Nilssen's trade secrets demonstrated Motorola's misappropriation of those trade secrets? If so, that would be truly appalling.

No, if Motorola is right, the jury that is being asked to decide the case should not be misinformed as to the documents in question having been located in Katzir's files. And on the other hand, if Motorola is wrong about those documents, its motion should be denied, with the jury being able to consider Katzir's access to the documents as part of the total mix.

As said a bit earlier, it appears that the affidavits tendered in support of the motion have surface plausibility as well as credibility, but this Court has not so ruled and maintains an open mind. If Nilssen and his counsel wish to have an evidentiary hearing on the subject, this Court is prepared to do so expeditiously. Even though the case should be ready for trial in all other respects upon issuance of this opinion, this matter is too important to let any further brief delay in the conduct of the trial stand in [*34] the way of resolution of the issue. For the present, Motorola Motion 11 is taken under advisement pending further word from the parties.

Motorola Motion 12 asks to preclude any argument, evidence or testimony regarding a 1984 case brought in a California state court by Motorola witnesses Alling and Stevens against Universal Manufacturing Corp. (the "Universal litigation"). With neither Nilssen nor Motorola having been a party to that litigation, with Nilssen's technology not having been at issue there, and with no other direct linkage between the Universal litigation and this action, Motorola asks on what theory it may be shoehorned into the trial here.

Some hint as to Nilssen's motivation may stem from the huge jury verdicts that were awarded in that other litigation (which claimed fraud and breach of contract, rather than misappropriation of trade secrets, and which did not concern the value of Nilssen's technology). But for the most part Nilssen's problem is that there is no conceivable justification for permitting to be introduced into evidence in this lawsuit the two California appellate court decisions, the damages study conducted for the

plaintiffs in that lawsuit and a portion [*35] of Stevens' trial testimony in that action (all of which Nilssen has listed as trial exhibits). All of Nilssen's arguments to the contrary really distort the matter, deflecting attention from the only legitimate basis for introduction of any aspect of the Universal litigation.

To be sure, if and to the extent that earlier sworn statements by either or both of Alling and Stevens in that case were to be inconsistent with testimony that they will be offering in this action, the ordinary evidentiary rules regarding impeachment by such prior statements will apply. But to avoid juror confusion, no substantive reference to the earlier litigation will be permitted in that respect--instead any cross-examination that seeks to use the prior testimony by way of impeachment will simply inquire of the witness whether he gave certain prior testimony under oath, including the date of that testimony. Subject only to that possible limitation (which properly understood is not really a limitation on the motion as such), this motion by Motorola is granted as well.

Finally, Motorola Motion 13 seeks to bar some aspects of the damages testimony anticipated to be proffered by Nilssen's expert witness DePodwin. [*36] Because that motion obviously deals with a particularly critical aspect of Nilssen's claim--the quantification of his recovery if he persuades the jury as to Motorola's liability--it merits special attention.

As chance would have it, this Court's most recent assignment as a member of the Advisory Committee on Evidence Rules, appointed by the Chief Justice, has been to chair a special subcommittee that earlier this year drafted a set of proposed revisions to Rules 701 through 703, together with totally new Advisory Committee Notes to those Rules, in response to [Daubert v. Merrell Dow Pharmaceuticals, Inc.](#), 509 U.S. 579, 125 L. Ed. 2d 469, 113 S. Ct. 2786 (1993) and the many cases that have applied Daubert since then. In that capacity this Court worked closely with the Advisory Committee's outstanding reporter, Fordham Law School Professor Daniel Capra,¹⁵ in drafting the proposed Rules and Notes. That subcommittee's work product was approved by the Advisory Committee at its April 1998 meeting and has since then been approved by the Standing Committee on Rules of Practice and Procedure, so that it has now been officially published to provide an opportunity for [*37] public comment (we are now in the midst of the

time period for such comment).

15 Professor Capra is also the co-author with Professors Stephen Saltzburg and Michael Martin of what this Court views as the best work on federal evidence extant today, the multivolume Federal Rules of Evidence Manual (7th ed. 1998).

For present purposes what is most critical, as the proposed Advisory Committee Notes reflect (with material reliance on law from the Seventh Circuit), is that the trial court's "gatekeeping" function that set out in Daubert with particular reference to "scientific" evidence also applies with full force as to all expert testimony, even though many of the specific Daubert factors cannot readily be applied outside of the hard sciences. As the Advisory Committee Note on Rule 702 has said of the proposed amendment to that Rule (which is intended to explicate rather than to change the law as exemplified by the principles announced in Daubert):

The amendment does not distinguish between [*38] scientific and other forms of expert testimony. The trial court's gatekeeper function applies to testimony by any expert. While the relevant factors for determining reliability will vary from expertise to expertise, the amendment rejects the premise that an expert's testimony should be treated more permissibly simply because it is outside the realm of science. Put in a positive sense, an opinion from an expert who is not a scientist should receive the same degree of scrutiny for reliability as an opinion from an expert who purports to be a scientist. See [Watkins v. Telsmith, Inc.](#), 121 F.3d 984, 991 (5th Cir. 1997) ("It seems exactly backwards that experts who purport to rely on general engineering principles and practical experience might escape screening by the district court simply by stating that their conclusions were not reached by any particular method or technique."). Some expert testimony will be more objectively verifiable, and subject to the expectations of falsifiability, peer review, and publication. Other types of expert testimony will not rely on anything like a scientific method, and so

will have to be evaluated by reference to other standard principles [*39] attendant to the particular area of expertise. The trial judge in all cases of expert testimony must find that it is properly grounded, well-reasoned, and not speculative before it can be admitted. If there is a well-accepted body of learning and experience in the field, then the expert's testimony must be grounded in that learning and experience to be reliable, and the expert must explain how her conclusion is so grounded.

That approach, which our Court of Appeals has employed in applying Daubert to non-scientific "expert" testimony in [Target Market Publ'g, Inc. v. Advo, Inc., 136 F.3d 1139, 1142-45 \(7th Cir. 1998\)](#) and [Minasian v. Standard Chartered Bank, PLC, 109 F.3d 1212, 1216-17 \(7th Cir. 1997\)](#), and which this Court has also applied in other cases in the past, will be followed here as well.

What Motorola complains of is that DePodwin has opined that if Motorola did make improper use of Nilssen's trade secrets, that would entitle Nilssen to recover not only a "reasonable royalty for his technology" but also "a partner's share in the business"--the latter amounting to 25% of the equity in Lighting as calculated on the basis of 1988 [*40] projections. That latter "equity" component is said by DePodwin to be recoverable on the theory that Nilssen provided Motorola a "workable business concept" concerning electronic ballasts.

Because the current motion does not address DePodwin's opinion as to a reasonable royalty entitlement as a legal matter, this opinion will accept that as a permissible type of recovery. This Court will therefore evaluate the "equity" notion independently (though it might also be subject to question as an adjunct--an addition--to a potential award of reasonable royalties).

Though this is not itself fatal to DePodwin's approach, it is worth noting that he has never before been asked to review a trade secret statutory claim and to formulate damage opinions in those terms.¹⁶ It is also worth observing that DePodwin's original report evaluated Nilssen's then undefined, undifferentiated and amorphous notion of "trade secrets in the form of

non-technical information," placing a value tag of \$ 24 to \$ 31 million on that unsatisfactorily-defined (or undefined) package. Yet after this Court's Opinion I had forced Nilssen to provide a far more specific and focused identification of 10 specific Nilssen documents [*41] as the claimed trade secrets, DePodwin still came up with the identical damages figure.¹⁷

16 As set out a bit later, either that lack of prior experience or a basic lack of understanding has led DePodwin to apply an impermissibly flawed analysis in at least one respect.

17 What has just been said seemingly does not raise only an issue of credibility to be evaluated by the jury--it would also appear to cast a cloud on DePodwin's methodology.

But to turn to the substance of DePodwin's "equity" theory, that theory as he has expressed it is inconsistent with this Court's earlier holding (Opinion I at 674) that Nilssen's supposed provision of a "workable business concept" to Motorola (DePodwin Dep. 76) cannot serve as the foundation for a claim under the Illinois Trade Secrets Act. Moreover, that statute itself defines the recoverable damages for a statutory violation (a "misappropriation") in these terms [HN3]([765 ILCS 1065/4\(a\)](#)):

Damages can include both the actual loss caused by misappropriation and [*42] the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. If neither damages nor unjust enrichment caused by the misappropriation are proved by a preponderance of the evidence, the court may award damages caused by misappropriation measured in terms of a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

DePodwin does not speak in terms of either "actual loss" or "unjust enrichment."¹⁸ And nothing in the statute or in any prior case law supports DePodwin's newly-forged "equity-share" notion, even apart from the several ways in which his attempt to formulate a calculation in that regard is chock-full of methodological flaws.

18 If Nilssen were to contend that DePodwin's

general loss-of-opportunity discussion (his Supp. Report Part VII) should be equated to either or both of those concepts, his total evaluation would fly in the face of the unambiguous statutory directive that a reasonable royalty may be awarded only if the other types of damages have not been proved.

[*43] Suppose however that none of those defects existed--that DePodwin's "equity" approach were otherwise supportable. It would still be necessary to grant Motorola's motion. DePodwin has impermissibly used a hypothetical calculation as of a date when Lighting was not even in existence as the springboard for his evaluation (he used a pro forma business prediction that turned out to differ dramatically from Lighting's actual experience). Because Nilssen's counsel purport to find justification for that approach in the caselaw (citing [Unisplay S.A. v. American Elec. Sign Co.](#), 69 F.3d 512, 518 (Fed. Cir. 1995), [State Indus., Inc. v. Mor-Flo Indus., Inc.](#), 883 F.2d 1573, 1580-81 (Fed. Cir. 1989) and [Hanson v. Alpine Valley Ski Area](#), 718 F.2d 1075, 1081 (Fed. Cir. 1983)), and because that reliance is so misguided and is fatal to this vital component of DePodwin's calculations, it is important to pursue the analysis in some detail.

What the cases cited by Nilssen stand for (and hold) is the obviously valid principle that whenever a hypothetical arms-length negotiation forms the predicate for (say) a presumed license transaction between a [*44] patentee and an infringer (thus establishing the basis for calculating a damage award), that hypothetical negotiation must be looked at in light of the facts then known (at the time the putative license would have been entered into). Just so, as well, if the hypothetical negotiation were for a piece of the action in equity terms: If each of two parties were to bring different elements to a venture, their respective shares would be negotiated in terms of what was then known, not determined on the basis of what could have been learned only at a later date.

But that would go only to the establishment of the respective equity shares, just as the circumstances known at the time of the hypothetical license negotiation would go to the establishment of one percentage of sales rather than another as a reasonable royalty rate. When it comes to converting that percentage into an actual damages award, however, the reasonable royalty rate is of course applied to the actual sales or use of the infringing

product, not to what might have been projected when the hypothetical negotiations were taking place. In other words, the variable (the rate of payment) is a function of the parties' [*45] reasonable beliefs when they were negotiating the deal--but then that rate, once arrived at, is applied to the actual experience in determining the aggrieved party's actual damages.

Indeed, both DePodwin and Nilssen's counsel should unquestionably have known better. Nilssen's own cited case [Unisplay](#), 69 F.3d at 518 upheld the rejection of the testimony of another "expert" who had applied a hypothetically derived royalty rate to projected (rather than actual) sales. And the court, [id.](#) at 519 went on to determine, as an aid to remittitur, that the "maximum recovery rule" (the highest amount of damages that the jury could properly have awarded based on the relevant evidence) would allow for an award based on an arguable reasonable royalty rate times actual (not anticipated) sales. Similarly, [State Indus.](#), 883 F.2d at 1580-81 upheld a jury award based on a reasonable royalty rate applied to actual net sales.¹⁹ And just so, even if DePodwin were arguably right in saying that the parties' 1988 beliefs in the future of the industry, coupled with what each brought to the table, called for a 25% equity share to be given [*46] to Nilssen, the proper damage calculation would have to be in terms of what then actually transpired, and not in terms of what the prognostications (whether they later proved to have been unduly pessimistic or unduly optimistic) may have been when the parties were hypothetically going into the venture together.

19 Nilssen's third-cited Hanson case applied the identical concept of actual experience in a different context. There the infringer ski resort saved money in its snowmaking operation through the use of an infringing snowmaking machine, and the court upheld an award of damages based on cost savings--a reasonable royalty rate times what the factfinding magistrate found to be the actual number of hours that such machines were used during the average ski season.

Whatever DePodwin's asserted area of expertise may encompass, then, it is surely not that of a logician or a student of the established principles governing such awards. Even if it were somehow valid to consider Nilssen as entitled to [*47] a 25% equity in the company,

²⁰ it was wholly irrational for DePodwin to use a pie-in-the-sky projection rather than calculating what revenues that 25% interest would have turned out to generate in real-world terms.

20 That premise is assumed only for the sake of argument. But in fact the 25% share appears to represent a number plucked out of the air. And quite apart from that possible problem, the whole partnership notion has previously been rejected by this Court and cannot fairly be reintroduced into the lawsuit via indirection.

It must be concluded that the just-discussed fatal flaw in DePodwin's damages opinion independently--with or without reference to the other matters discussed earlier--calls for the exclusion of the "equity" component of that opinion. And as the ensuing discussion also confirms, no attempted salvage efforts can succeed either.

Fully 2-1/2 inches of thickness (including the bulky exhibits to Nilssen's 20-page memorandum), out of the total bulk of paper referred to at the outset of [*48] this opinion, has been devoted to Nilssen's opposition to this Motorola Motion 12. But quantity will not serve either as a substitute or as a proxy for quality. It is quite true, as Nilssen urges, that Opinion II at *10-*21 rejected Motorola's effort to obtain summary judgment on the issue of "value" by looking at various aspects of the revised DePodwin report. But that represented a really different kind of surface examination, from a pro-Nilssen perspective, of a number of elements of that report that bear on the establishment of some "economic value" of the trade secrets as such--a question as to which there are clearly genuine issues of material fact. Nothing said in Opinion II was uttered on the basis of the kind of focus required to resolve the present issue as to the arguable amount of value. It requires a impermissible quantum leap to move from the premise that a legitimate opinion may be provided to the jury that the trade secrets allegedly misappropriated by Motorola had some "value" (or even "great value," whatever that may mean in dollar terms) to the unacceptable notion that Nilssen as the injured party was entitled to the claimed equity position in the entire [*49] business.

Only two further references to caselaw authority need be added. For one thing, a district court decision on which Nilssen has placed heavy reliance in purported support of DePodwin's (and hence Nilssen's) damages

theory is no authority at all--it was actually vacated by our Court of Appeals, with pungent criticism that is equally applicable to what is at issue here ([Schiller & Schmidt, Inc. v. Nordisco Corp.](#), 969 F.2d 410, 415-16 (7th Cir. 1992)(citations omitted)):

For years we have been saying, without much visible effect, that people who want damages have to prove them, using methodologies that need not be intellectually sophisticated but must not insult the intelligence. Post hoc ergo propter hoc will not do; nor the enduing of simplistic extrapolation and childish arithmetic with the appearance of authority by hiring a professor to mouth damages theories that make a joke of the concept of expert knowledge. The expert should have tried to separate the damages that resulted from the lawful entry of a powerful competitor-- Nordisco--from the damages that resulted from particular forms of misconduct allegedly committed by that competitor, [*50] of which the theft of the mailing list, however morally reprehensible, was the slightest. No such effort was made. ²¹

21 [Footnote by this Court] In an extraordinary demonstration of irony, Nilssen Mem. 8 cites [Mid-State Fertilizer Co. v. Exchange Nat'l Bank](#), 877 F.2d 1333, 1339 (7th Cir. 1989) to criticize Motorola's expert for having used what Nilssen's counsel calls "hindsight reconstruction"--the use of actual experience, rather than projections that proved to have been unsound, to calculate damages based on a reasonable royalty rate. Quite apart from the already-demonstrated fact that such criticism is just dead-bang wrong, [Mid-State Fertilizer, id. at 1339-40](#) is really noteworthy for its pointed trashing of a purported "expert" who "offered the court his CV rather than his economic skills" ([id. at 1340](#)). Both Schiller & Schmidt and Mid-State Fertilizer antedated Daubert, but each exemplified the kind of gatekeeper function that Daubert has committed to the district courts, and that this Court has exercised to DePodwin's (and hence Nilssen's)

richly-deserved detriment here.

[*51] In addition (and persuasively), the Second Circuit has twice dealt with a claim of misappropriation of trade secrets much akin to Nilssen's claim here: [Vermont Microsystems, Inc. v. Autodesk, Inc.](#), 88 F.3d 142 (2d Cir. 1996) ("Vermont Microsystems I") and [138 F.3d 449 \(2d Cir. 1998\)](#) ("Vermont Microsystems II"). Both decisions confirm that [HN4]the proper test for awarding damages for such a tort is a "reasonable royalty" ([Vermont Microsystems I at 151-52](#), Vermont Microsystems II at 450) where any evidence as to claimed lost profits or unjust enrichment was too imprecise and speculative to support an award in those terms. That of course applies a fortiori in the absence of proof of such lost profits and unjust enrichment. And [Vermont Microsystems I at 152](#) also rejected an award that was based on what the injured party "would have charged" (which really mirrors what DePodwin has sought to draw upon to justify his "equity" concept) and that was additionally based on more than the trade secret at issue (something that Nilssen similarly seeks here via his attempt to get the \$ 50 million figure into evidence). It is worth reading the Second [*52] Circuit's treatment of the subject to observe the several striking similarities between that litigation and this one.

In summary, Motorola's attack on the "equity" aspect of the DePodwin opinion is sound in a number of respects. Here too its motion is granted.

Conclusion

Whether or not these results disclose anything about the ultimate validity of Nilssen's claim (a subject that this Court does not address), the fact remains that he has batted close to .000 on the multiple motions in limine that have been advanced by each side. All of his motions have been denied, while all save one of Motorola's have been granted--and the sole exception to that is its Motion 11 as to the Frenzel letter, on which this Court has reserved judgment and expects a response from the parties to see about the conduct of an evidentiary hearing. Both for that purpose and to discuss briefly the plans for and the hoped-for timing of the ensuing trial, a status hearing is set for 9 a.m. August 31, 1998.

Milton I. Shadur

Senior United States District Judge

Date: August 12, 1998

ATTACHMENT I

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January 16, 1998

VIA MESSENGER

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Re: *Nilssen v. Motorola, Inc., et al.*

Case No. 93 C 6333 - RECEIVED JAN 19 1998

Dear Judge Shadur:

In accordance with your instructions at the Final Pretrial Conference, Motorola is today filing memoranda in support of the following motions *in limine*, which were identified on the Final Pretrial Order ("PTO"):

. motion to preclude admission of Nilssen's "Addenda to Disclosure" (identified as Motorola's motion No. 1 in the PTO).

. motion to exclude references to alleged statements by Motorola employees Phil Gunderson and Robert Elliott to the effect that Motorola would not enter the business without Nilssen or that Motorola "preferred a partnership-like arrangement" with Nilssen (PTO motion No. 4).

. motion to exclude evidence that Motorola supposedly valued Nilssen's technology at \$ 50 million (PTO motion No. 6).

. motion to exclude evidence of the United States Patent and Trademark Office's [*54] reexamination of [U.S. Patent No. 4,677,345](#) (PTO motion No. 10).

. motion to preclude evidence pertaining to a June 2, 1995 letter written by Renee Frenzel (PTO motion No. 11).

. motion to preclude evidence pertaining to the *Universal* lawsuit (PTO motion No. 12).

. motion to preclude Nilssen's expert Horace DePodwin from opining that Nilssen is entitled to damages in the form of an "equity" share in Motorola Lighting, Inc. (PTO motion No. 13).

Because the Court indicated at the Pretrial Conference that it would treat the listing of the motions in the PTO as the motions themselves, Motorola has not filed separate motions.

At the Pretrial Conference, the Court requested that the parties identify those motions that the parties contend have already been resolved by this Court's prior rulings, and thus need not be briefed. Motorola contends that the following motions it identified in the PTO have been resolved by this Court's prior rulings:

. Motorola motion No. 2 (to preclude argument that Motorola owned Nilssen a duty of confidentiality beyond the terms of the 1987 and 1988 Agreements) and motion No. 3 (to preclude reference to any information that [*55] Nilssen allegedly

disclosed orally to Motorola, unless that information was subsequently reduced to writing and stamped "confidential," as required by the 1987 Agreement) are controlled entirely by this Court's previous Orders ruling on the summary judgment motions. This Court has already ruled that "the terms of the 1987 and 1988 Agreements preclude a finding of any implied duty of confidentiality." ([963 F. Supp. at 680](#)) Similarly, this Court ruled that "the 1987 Agreement established the exclusive mechanism by which Nilssen might establish his disclosures as confidential: He had to memorialize and transmit them in writing and mark them 'confidential' or 'proprietary'." (*Id.*) Accordingly, this Court should issue an order precluding Nilssen from offering any evidence or argument that Motorola owed any duty of confidentiality outside the terms of the 1987 and 1988 Agreements, and any evidence or argument that Motorola owed Nilssen any duty for information not reduced to writing and stamped confidential.

. Motorola motion No. 5 (to preclude any evidence or argument that Nilssen is entitled to damages because he "educated" Motorola) is also resolved by this Court's [*56] previous rulings on the summary judgment motions. This Court has ruled that Nilssen cannot recover from Motorola for making it "'smarter' about the electronic ballast industry as a result of [his] presentations regarding industry fundamentals. . . ." ([963 F. Supp. at 674](#)). Accordingly, this Court should issue an Order precluding Nilssen from offering any evidence or arguing that he can recover for making Motorola smarter about the electronic ballast industry through generalized confidential business information relating to the industry.

Finally, Motorola is withdrawing motion Nos. 7 - 9. Accordingly, Motorola is not filing any memoranda in support of those motions.

If this Court has any questions regarding Motorola's motions *in limine*, please contact me.

Very truly yours,

Brian D. Sieve

cc: George S. Bosy (w/encl.)

ATTACHMENT II

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Of Counsel

February 9, 1998

VIA HAND DELIVERY

The Honorable Milton I. Shadur

Senior United States District Judge

Dirksen Federal Building

219 South Dearborn

23rd Floor

Chicago, Illinois 60604

Re: Nilssen v. Motorola, C.A. No. 93 C 6333

Dear Judge Shadur:

Enclosed are courtesy copies of Nilssen's response to Motorola's seven motions *in limine*, filed January 16, 1998.

In its letter to you of January 16, 1998, Motorola asked that its motion No. 2 and motion No. 5, which were not briefed by Motorola, be granted. Nilssen objects to the grant of those motions.

. Motorola's motion No. 2 asks this Court to enter [*58] an order precluding any evidence or argument that Motorola owed Nilssen any duty of confidentiality outside the terms of the 1987-88 agreements, and any evidence or argument that Motorola owed Nilssen any duty for information not reduced to writing and stamped confidential. This request is excessively broad, confusing,

and unjustified. At trial, Nilssen intends to thoroughly cover the pertinent events bearing on the contacts between Motorola and Nilssen as relevant to the res gestae between the parties. [United States v. Jerez](#), 108 F.3d 684, 695 (7th Cir. 1997); [Drake v. Clark](#), 14 F.3d 351, 357 (7th Cir. 1994); [Martinez v. McCaughtry](#), 951 F.2d 130, 132 n.2 (7th Cir. 1991). See also [Spillers v. Tri-State Glass Lined Storage, Inc.](#), 325 F.2d 322, 325 (7th Cir. 1963). In the absence of this presentation, the jury could easily become confused by not understanding the context of the dealings between the parties. Moreover, as shown in Nilssen's response to Motorola's motion to preclude Nilssen's Addendum to Disclosure, and in Nilssen's response to Motorola's attempt to exclude statements by Motorola's employees that Motorola [*59] desired a "partnership-like" arrangement with Nilssen, these facts are relevant to the interpretation of the term "evaluation purposes" as that term is used in 1987 agreement, and also to the issue as to whether Nilssen is entitled to exemplary damages under the Act. Certainly, the issue as to whether Motorola is guilty of willful misappropriation of Nilssen's trade secrets is a fact issue that will require the jury to evaluate Motorola's behavior and intent in all aspects of its dealings with Nilssen. [Telex Corp. v. IBM](#), 510 F.2d 894, 933 (10th Cir. 1975). Willful misappropriation of trade secrets occurs where all of the facts taken together show that the trade secrets were acquired or used in the absence of good faith. [McCormack & Dodge Corp. v. ABC Mat. Sys.](#), 222 U.S.P.Q. (BNA) 432, 445 (Wash. Super. Ct. 1983). For example, willfulness has been found where the defendant abused the confidence of the trade secret holder in a manner indicating "connivance, misrepresentation of intent and underhanded dealing," [Tri-Tron Int'l v. Velto](#), 525 F.2d 432, 437-38 (9th Cir. 1975), or where the defendant's acts "were committed with the knowledge [*60] that they were unlawful..." [Sperry Rand Corp. v. A-T-O, Inc.](#), 447 F.2d 1387, 1394 (4th Cir. 1971). Motorola's apparent attempt to exclude all of the pertinent events surrounding Nilssen's contacts with Motorola should be denied. Certainly, any legitimate concern of Motorola can be effectively covered by an appropriate jury instruction.

. Motorola's motion No. 5 asks this Court to enter an order precluding Nilssen from offering any evidence that Nilssen disclosed "confidential business information" to Motorola. This request is entirely baseless and is not at all supported by this Court's two decisions on the summary judgment motions. As this Court held, one

issue for the jury to decide is whether Nilssen's confidential information had "value" under the Act. Nilssen intends here to show that his package of trade secrets had value in that they were not readily discernable from public information. This Court specifically held that:

Decisions such as [Roton Barrier, Inc. v. Stanley Works](#), 79 F.3d 1112, 1117-18 (Fed.Cir. 1996) (applying the Illinois Act) provide generally that a "trade secret" under that statute may include a compilation of confidential [*61] business and financial information.

[Nilssen v. Motorola, Inc.](#), 963 F. Supp. 664, 673 (N.D.Ill. 1997). This Court also held, quoting from [Syntex Ophthalmics, Inc. v. Tsuetaki](#), 701 F.2d 677, 684 (7th Cir. 1993) (itself quoting from [Imperial Chem. Indus., Ltd. v. National Distillers & Chem. Corp.](#), 342 F.2d 737, 742 (2d Cir. 1965)):

[HN5][A] trade secret can exist in a combination of characteristics and components, each of which, by itself, is in the public domain, but the unified process, design and operation of which, in unique combination, affords a competitive advantage and is a protectable secrets.

[Nilssen v. Motorola, Inc.](#), 1997 U.S. Dist. LEXIS 12899, at *21 (N.D.Ill. Aug. 22, 1997) ("Opinion 2"). Plainly, Motorola's motion *in limine* is a baseless and improper attempt to usurp the function of the jury. If Motorola believes that Nilssen's trade secrets are not protectable by the Act, it is free to offer any evidence it can muster on that issue. Certainly, a motion *in limine* is not appropriate for resolution of disputed issues of fact prior to trial. [Orr v. Indiana Harbor Belt R.R.](#), 1997 U.S. Dist. LEXIS 13792, [*62] at *4 (N.D.Ill. Sept. 9, 1997). Finally, as this Court has already held, any legitimate concern by Motorola can be covered by an appropriate jury instruction. (Opinion 2 at *22).

If this Court has any questions concerning Nilssen's filings, please contact me.

Very truly yours,

ROPER & QUIGG

By: George S. Bosy

GSB/rlu

Enclosure

cc: Brian D. Sieve (via hand delivery)

Harry J. Roper

ATTACHMENT III

SOLID STATE BALLAST REPORT

EXECUTIVE SUMMARY

The ballast was tested to assure conformance with industry standards and practices to determine if it would be an acceptable product for the commercial and industrial lighting market. The Nilssen ballast meets or can be made to meet all known standards and is one of the most efficient ballasts tested to date. The particular ballast tested was a technology demonstrator and not a finished unit. While considerable engineering and design work needs to be done, we believe that the basic technical concepts demonstrated can be validated in a reliable product and mass produced at very competitive prices.

The ballast uses a series resonant circuit as opposed to a parallel resonant technique. It is our opinion that in order [*63] to capture a large share of the ballast market the ballast must be constructed using a series resonant circuit because the product will be more efficient, lower in cost, more reliable and can be dimmed. Dimming is a key feature and is one of the ways the company can distinguish their product from the others in the marketplace.

While our patent analysis is not complete just yet, a preliminary analysis indicates that the Nilssen technology (Patents) contains some very clever and novel concepts which may be useful in developing a commercially viable ballast. One particular patent (4,677,345) seems very strong in terms of claiming the right to build a dimming ballast using any resonant circuit techniques. While we cannot give an opinion as to whether or not a particular patent will stand up to a challenge, our opinion is that this particular patent would not survive a challenge. Of course the patent may in fact survive a challenge in which case a royalty would be due anyway. We recommend that the Company go forward on the basis of getting the best product to market in the shortest time frame using the

Nilssen technology and know how and to be not overly concerned at this point in [*64] time with trying to lock up a technology with patents. Patent evaluations should be performed at this point in time with the intent of looking for those patents which Motorola might infringe on. A recent computer search of U.S.A. Patents on a search field of "Electronic or Solid State Ballast" revealed 263 patents. Out of that 263 entries we have determined that 110 patents ought to be looked at further in evaluating the situation. The Company's patent counsel has identified additional patents on ballastry which should be evaluated also. Because of the magnitude of the task it is recommended that a team be assembled to conduct a thorough analysis of the patents.

Manufacturing the ballast should not be attempted without a major design effort to simplify the circuit, reduce costs, and increase its potential reliability. We believe that the ballast can be cost reduced to the point where it can be manufactured at the same price or within an acceptable premium range as the efficient core and coil ballast.

ATTACHMENT IV

KIRKLAND & ELLIS

PARTNERSHIPS INCLUDING PROFESSIONAL
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June 2, 1995

VIA MESSENGER

Joseph A. Grear

The Law Offices of Rolf Stadheim, LTD.

Wrigley Building Tower

400 North Michigan Avenue

Chicago, Illinois 60611-4102

Re: Nilssen v. Motorola

Dear Mr. Gear:

Enclosed are documents bearing bates nos. M57729-M62343 being produced by Motorola. For your information, I have broken down the production by source:

Phil Gundersen - M57844-M57864,
M57923-M57960, M58033-M58081,
M62319-M62343, and M58172-M58425.

Jim Pristelski - M57729-M57843.

Levi Katzir - M57865-M5702,
M58454-M62318, and M58152-M58171.

Ray Wood - M57903-M57922,
M57961-M58032, and M58082-M58151.

Very truly yours,

E. Renee Frenzel

Legal Assistant

cc: Brian Sieve (w/o encl.)

Michael Allen (w/o encl.)