United States District Court, Northern District of Illinois

Name of Assigned Judge or Magistrate Judge	David H. Coar	Sitting Judge if Other than Assigned Judge	
CASE NUMBER	04 C 3944	**DATE**	9/10/2007
CASE TITLE	RRK Holding Company vs. Sears, Roebuck and Co.		

DOCKET ENTRY TEXT

For the reasons stated below, Plaintiff's Motion In Limine to Exclude Sears' Damage Expert's Reasonable Royalty Opinion [204] is DENIED; Plaintiff's Motion In Limine to Exclude All Evidence and Any Reference to the Amount of Compensation Robert Kopras Received When He Sold Rotozip's Assets to Bosch Tool Company [104] is DENIED; Defendant's Motion In Limine #3 [109][110] is DENIED; and sanctions will not be imposed for the Purported Vexatious Delay Pursuant to 28 U.S.C. §1927.

■[For further details see text below.] Docketing to mail notices.

STATEMENT

Plaintiff's Motion In Limine to Exclude Sears' Damage Expert's Reasonable Royalty Opinion

Plaintiff moves to exclude Defendant's damage expert Catherine Lawton's reasonable royalty opinion on the ground that her analysis violates well established legal principles. Federal courts have held that the royalty may be based upon the supposed result of hypothetical negotiations between the plaintiff and defendant. *Rite-Hite Corp. v. Kelley Co.* , 56 F.3d 1538, 1554 (Fed. Cir. 1995). The hypothetical negotiation requires the court to envision the terms of a licensing agreement reached as the result of a supposed meeting between the patentee and the infringer at the time infringement began. *Id*. In the present case, Plaintiff takes issue with the fact that Ms. Lawton established her hypothetical negotiation in September 2001, shortly before Defendant began to sell the product. Plaintiff contends the misappropriation began in March 2000 (or the first half of 2000), and this should serve as the time of the hypothetical negotiation. What the Plaintiff is referring to as "the beginning of the misappropriation" is not entirely clear to this court from the briefing.

The real question is thus what constitutes the "beginning of the misappropriation." Defendant seems to assert that it is in September 2001. Plaintiff contends it is March 2000. Neither side has stated its reasoning or legal support for its timing contention. The timing of the misappropriation is a question of fact that must be left for the jury. This court will not bar Ms. Lawton's testimony based on the time period of the misappropriation. Plaintiff's concerns with Ms. Lawton's testimony may be addressed on cross-examination. This motion is denied.

Courtroom Deputy Initials:	JK(LC)

STATEMENT

Plaintiff's Motion In Limine to Exclude All Evidence and Any Reference to the Amount of Compensation Robert Kopras Received When He Sold Rotozip's Assets to Bosch Tool Company

Plaintiff moves to exclude the fact that, in 2003, it sold some of its assets for $17 million. The money was kept by Bob Kopras, RotoZip's founder and president. Plaintiff argues that this evidence, if admitted, would prejudice the jury as it portrays Kopras as a wealthy man, who does not need any more money. Also, Plaintiff asserts that the evidence is not relevant to whether there was trade secret misappropriation.

Defendant asserts that the evidence is directly relevant to the issue of damages sought by the Plaintiff. Evidence concerning the value Plaintiff received from the sale of its RotoZip business after the alleged misappropriation by Sears (1999-2000) is relevant to the injury Plaintiff purportedly suffered from Sears' alleged misconduct.

This court agrees with the Defendant that the evidence is relevant to the injury Plaintiff purportedly suffered from Sears' alleged misconduct. Plaintiff's motion to exclude is denied.

Motion In Limine #3: To Preclude Plaintiff From Presenting Evidence or Argument That it May Recover Damages Beyond the Period of Time That It Would Have Taken Sears To Reverse Engineer The Alleged Trade Secret

Defendant moves to preclude evidence or argument of damages beyond the period of time that it would have taken Defendant to reverse engineer the trade secret at issue. Defendant asserts that courts have limited relief to a "head start" period–the time it would take an average industry competitor to reproduce the technology through legal means, such as reverse engineering, once the design is no longer confidential. *Schulenburg v. Signatrol*, Inc., 212 N.E.2d 865, 870 (Ill. 1965); *ILG Industries, Inc. v. Scott*, 273 N.E.2d 393, 396 (Ill. 1971); *Brunswick Corp. v. Outboard Marine Corp*., 404 N.E.2d 205, 207 (Ill. 1980). Defendants argue that evidence of damages should be limited to the 18-24 months "head start" period based on estimates given during depositions.

As an initial matter, the cases cited above have only been applied to injunctive relief remedies, and have not been used for accessing monetary damages, as in the present case. Damages calculations may take into account evidence outside the "head start" period. This evidence would be relevant and admissible. The cases cited by the Defendant address limiting relief to the "head start" period, and do not preclude evidence from outside that period to be introduced. Further, the length of the "head start" period is disputed, making any conclusion as to the time frame of the period premature at this time. For all these reasons, Defendant's motion to preclude evidence or argument of damages beyond the "head start" period is denied. A jury instruction detailing how damages should be calculated vis-a-vis a "head start" period more appropriately addresses this issue.

Rule to Show Cause Why Sears Should Not Be Sanctioned for Purported Vexatious Delay Pursuant to 28 U.S.C. §1927

28 U.S.C. §1927 provides in relevant part: any attorney or other person admitted to conduct cases in any court of the United States or any territory thereof who so multiplies the proceedings in any case "unreasonably and vexatiously" *may* be required by the court to satisfy personally the excess costs, expenses, and attorney's fees reasonably incurred because of such conduct. *Koffski v. North Barrington*, 988 F.2d 41 (7th Cir. 1993); *Ross v. City of Waukegan*, 5 F.3d 1084, 1089 (7th Cir. 1993). Before sanctions are imposed, "bad faith" must be demonstrated. *McCandless v. Great Atlantic & Pacific Tea Co.*, 697 F.2d 198 (7th Cir. 1983).

In this case, Defendant seeks to include documents produced in March 2007, two years after discovery closed. The documents were dated 1999. Sears claims that, after its change in counsel, it ran a different internet search in 2007, and found the documents, which it previously did not know existed. When asked why they did

not find it earlier, before discovery closed, Sears' responded that, although careful searches were done previously, there was a change in counsel and the new firm employed a different search technique that produced the documents.

Given that the information is favorable to the Defendant, and there was a change of counsel, it seems that the delay was not done out of "bad faith," but rather negligence and recklessness. Sanctions will not be imposed.