

In the
Supreme Court of Illinois

MAGNETEK, INC.,
a Delaware Corporation,

Plaintiff-Respondent,

v.

KIRKLAND & ELLIS LLP,
an Illinois Limited Liability Partnership,

Defendant-Petitioner.

On Petition for Leave to Appeal from the Appellate Court of Illinois,
First Judicial District, No. 1-10-1067.
There Heard on Appeal from the Circuit Court of Cook County, Illinois,
County Department, Law Division, No. 08 L 008970.
The Honorable **Charles R. Winkler**, Judge Presiding.

***AMICUS CURIAE* BRIEF OF INTELLECTUAL PROPERTY
LAW ASSOCIATION OF CHICAGO IN SUPPORT OF
DEFENDANT-PETITIONER KIRKLAND & ELLIS LLP**

TABLE OF CONTENTS

| | Page |
|---|-------------|
| PRAYER FOR LEAVE TO APPEAL..... | 1 |
| TIMING OF THE PETITION..... | 4 |
| STATEMENT OF THE POINTS RELIED UPON FOR REVIEW..... | 4 |
| STATEMENT OF THE FACTS..... | 6 |
| ARGUMENT | 11 |
| 1. SUBJECT MATTER JURISDICTION OVER PATENT MALPRACTICE CASES PRESENTS A SUBSTANTIAL ISSUE OF COMITY BETWEEN THE STATE AND FEDERAL COURTS THAT THIS COURT SHOULD ADDRESS..... | 11 |
| 2. THE APPELLATE COURT’S DECISION RISKS IMPOSING INCONSISTENT OBLIGATIONS UPON PATENT PRACTITIONERS..... | 15 |
| 3. THE DOCTRINE OF RETROACTIVE, OFFENSIVE COLLATERAL ESTOPPEL RISKS VIOLATIONS OF DUE PROCESS AND SHOULD NOT BE PERMITTED TO STAND AS ILLINOIS LAW..... | 18 |
| CONCLUSION | 20 |

TABLE OF AUTHORITIES

Page(s)

Cases

Air Measurement Tech., Inc. v. Akin Jump Strauss Hauer & Feld, LLP,
504 F.3d 1262 (Fed. Cir. 2007)..... 2, 13

Allen Archery, Inc. v. Browning Mfg. Co.,
819 F.2d 1087 (Fed.Cir. 1987)..... 19

Bilski v. Kappos,
129 S.Ct. 2735 (2010) 3

Blonder-Tongue Labs, Inc. v. University of Ill. Found.,
402 U.S. 313 (1971) 6, 19

Capri Jewelry Inc. v. Hattie Carnegie Jewelry Enters, Ltd.,
539 F.2d 846 (2nd Cir. 1976) 17

Christianson v. Colt Ind. Operating Corp.,
486 U.S. 800 (1988) 12

eBay Inc. v. Mercexchange, L.L.C.,
547 U.S. 388 (2006) 3

Exergen Corp. v. Wal Mart Stores, Inc.,
575 F.3d 1312 (Fed.Cir. 2009)..... 3

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.,
535 U.S. 722 (2002) 3

Global-Tech Appliances, Inc. v. SEB SA,
563 U.S. __ (2010) 3

Grable & Sons Metal Prod., Inc. v. Darue Metal Prod. & Mfg.,
545 U.S. 308 (2005) 12, 13

Herzog v Lexington Twp.,
167 Ill. 2d 288, 295, 657 N.E.2d 926, 929-39 (1995)..... 19

In re Ettinger,
128 Ill.2d 351, 538 N.E.2d 1152 (1989) 12

In re Seagate Tech.,
497 F.3d 1360 (Fed. Cir. 2007)(*en banc*)..... 3, 17

TABLE OF AUTHORITIES

| | Page(s) |
|---|-------------------|
| <i>KSR Int’l. Co. v. Teleflex Inc.</i> , 550 U.S. 398 (2007) | 3 |
| <i>Laboratory Corp. of Am. Holdings v. Metabolite Labs, Inc.</i> , 599 F.3d 1277 (Fed. Cir. 2010) | 6 |
| <i>Markman v. Westview Instruments, Inc.</i> , 517 U.S. 370 (1996) | 3 |
| <i>MedImmune, Inc. v. Genentech, Inc.</i> , 549 US 118 (2007) | 3 |
| <i>Merrell Dow Pharm. Inc. v. Thompson</i> , 278 U.S. 804, 810, 814, n.12 | 12 |
| <i>NewTek Mfg., Inc. v. Beehner</i> , 270 Neb. 264, 702 N.W.2d 336 (2005) | 14, 15 |
| <i>Pfaff v. Wells Elecs.</i> , 525 U.S. 55 (1998) | 3 |
| <i>Premier Networks, Inc. v. Stadheim & Greer, Ltd.</i> , 395 Ill. App. 3d 629, 918 N.E.2d 1117 (2009), <i>appeal denied</i> , 236 Ill. 2d 545 (2010) | 7, 13, 14, 15, 17 |
| <i>Quanta Computer, Inc. v. LG Elecs., Inc.</i> , 553 U.S. 617 (2008) | 3 |
| <i>Sperry v. Florida</i> , 373 U.S. 379 (1963) | 11 |
| <i>Therasense, Inc. v. Becton, Dickinson & Co.</i> , 2011 WL 2028255 (Fed.Cir. 2011)(en banc) | 3, 17 |
| <i>Warner-Jenkinson Co. v. Hilton Davis Chem. Co.</i> , 520 U.S. 17 (1997) | 3 |
| Statutes | |
| 28 U.S.C. § 1295 | 5 |
| 28 U.S.C. § 1338 | 4, 12, 15 |

TABLE OF AUTHORITIES

| | Page(s) |
|---|----------------|
| 35 U.S.C. § 102 | 2 |
| 35 U.S.C. § 154 | 19 |
| 35 U.S.C. § 2 | 11 |
| 35 U.S.C. § 284 | 7, 17 |
| 35 U.S.C. § 285 | 7, 17 |
| 35 U.S.C. § 286 | 19 |
| Other Authorities | |
| A. Samuel Oddi, <i>Patent Attorney Malpractice: An Oxymoron No More</i> , 2004 J.L. TECH. & POL'Y 1, 2-4..... | 1 |
| Randall R. Rader, <i>Always at the Margin: Inequitable Conduct in Flux</i> , 59 Am.U.L.Rev. 777, 779 (2010) | 17 |
| U.S. CONST. art. I, § 8 | 4 |
| Rules | |
| Supreme Court Rule 315(a)..... | 1 |
| Supreme Court Rule 345 | 1 |

PRAYER FOR LEAVE TO APPEAL

The Intellectual Property Law Association of Chicago (“IPLAC”), as *amicus curiae*, files this brief in support of the petition of Kirkland & Ellis LLP for leave to appeal the judgment of the Appellate Court for the State of Illinois, First District, in *Magnetek, Inc. v. Kirkland & Ellis LLP*, 2011 Ill. App. (1st), 101067. That judgment reversed the judgment of the Circuit Court of Cook County Illinois, which dismissed this patent law malpractice case for lack of subject matter jurisdiction. This brief is filed pursuant to Supreme Court Rule 345 and accompanies the Motion of the Intellectual Property Law Association of Chicago for Leave to File *Instantly* a Brief as *Amicus Curiae* in Support of the Petition of Kirkland & Ellis LLP for Leave to Appeal, a petition brought pursuant to Supreme Court Rule 315(a).

IPLAC is an association whose members include about 1,000 attorneys and patent agents who practice substantially in the area of intellectual property law and law professors and others interested in intellectual property. It was founded in 1884, and its purposes include making “more definite, uniform and convenient the rules of practice in the courts” in relation to the patent law. IPLAC sought leave to file this brief because the Appellate Court’s holding undercuts these goals and exposes its members who practice patent law and conduct patent litigation exclusively in the United States courts to the prospect of inconsistent obligations and uncertain exposure.

This case presents an important issue of federal and state comity with a direct impact on IPLAC members. Actions claiming malpractice in handling patent law matters have been filed with increasing frequency in recent years. A. Samuel Oddi, *Patent Attorney Malpractice: An Oxymoron No More*, 2004 J.L. TECH. & POL’Y 1, 2-4, *available*

at <http://www.jltp.uiuc.edu/archives/oddi.pdf>. Applying legal standards set by the United States Supreme Court, the federal appellate court with exclusive jurisdiction over patent appeals, namely, the United States Court of Appeals for the Federal Circuit, has held that legal malpractice actions brought under state law are within the exclusive jurisdiction of the federal courts where the malpractice claim raises a substantial question of patent law. “There is a strong federal interest in the adjudication of patent infringement claims in federal court.” *Air Measurement Tech., Inc. v. Akin Jump Strauss Hauer & Feld, LLP*, 504 F.3d 1262, 1272 (Fed. Cir. 2007).

Determining patent issues in the state courts risks imposing conflicting and inconsistent obligations on patent counsel. By holding that the state court could hear this case, the Appellate Court in effect held that the Illinois courts can decide (i) whether patent lawyers committed malpractice by recommending a settlement agreement and ADR process in a patent infringement case; (ii) whether the prior art searches (*i.e.*, searches for pre-existing patents, publications, sales, public uses, etc., *see* 35 U.S.C. § 102), fact investigations and discovery conducted, involving a myriad of patent issues concerning potentially as many as 17 patents owned by the inventor, Ole Nilssen (“Nilssen”), met the standards expected of patent litigators; and (iii) whether the patent litigators were negligent by accepting the recommendation of the arbitrator to waive assertion of an inequitable conduct defense in exchange for a waiver by the patent holder of a willful infringement claim that could have multiplied damages and shifted attorney’s fees. The judgments involve weighing of complex and intertwined patent law issues.

Yet, in all this, the Appellate Court did not recognize a single substantial issue of patent law that conferred exclusive federal jurisdiction.

Because patent litigation is a matter exclusively within the federal courts, lawyers have a strong interest in having malpractice actions involving issues of patent law determined in those courts. This assures that the substantive patent law issues that must be resolved in determining whether legal malpractice has occurred will be determined in proceedings before courts with responsibility over patent law cases, and that any appeals lie to the Federal Circuit Court of Appeals, which has the final word on substantive patent law save for the United States Supreme Court. Having patent litigation malpractice cases determined in the federal courts thus offers the prospect of uniform and consistent standards governing the conduct of IPLAC's members who practice patent litigation.

The Appellate Court's unprecedented and erroneous retroactive collateral estoppel theory presents an especial concern to IPLAC's members who are patent litigators. It is common for the same patent to be asserted against multiple parties over the course of many years. Yet patent law is continuously, often rapidly, evolving.¹ Reasonable judgments at one time may be viewed differently later when the state of the law has changed. Patent lawyers creatively pursue arguments to extend, modify or reverse

¹ The following cases represent some of the recent, continuous evolution of the patent law. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996)(changing patent claim interpretation); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997)(changing doctrine of equivalents); *Pfaff v. Wells Elecs.*, 525 U.S. 55 (1998) (changing on sale); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002)(changing prosecution history estoppel); *eBay Inc. v. Mercexchange, L.L.C.*, 547 U.S. 388 (2006)(changing injunction proof); *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007)(changing license/defense); *KSR Int'l. Co. v. Teleflex Inc.*, 550 U.S. 398 (2007)(changing obviousness); *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008)(patent exhaustion); *Bilski v. Kappos*, 129 S.Ct. 2735 (2010)(changing subject matter of patenting); *Global-Tech Appliances, Inc. v. SEB SA*, 563 U.S. __ (2010); *In re Seagate Tech.*, 497 F.3d 1360 (Fed. Cir. 2007)(*en banc*)(changing willfulness); *Exergen Corp. v. Wal Mart Stores, Inc.*, 575 F.3d 1312 (Fed.Cir. 2009)(changing pleading inequitable conduct); *Therasense, Inc. v. Becton, Dickinson & Co.*, 2011 WL 2028255 (Fed.Cir. 2011)(*en banc*)(changing standards for inequitable conduct).

existing law or to establish new law. In this case, the Appellate Court has used the *later* success of the patent attorneys in pursuing a context-specific theory of inequitable conduct in one case as *conclusive* of whether that theory could have succeeded in another context at an earlier time with another defendant. Left to stand, this result will have a chilling effect on lawyers developing new and creative arguments that advance the beneficial evolution of the patent law.

For these reasons, IPLAC prays that leave to appeal be granted.

TIMING OF THE PETITION

Judgment by the Appellate Court was entered on June 30, 2011. A petition for rehearing was filed on July 21, 2011 and an order denying that petition was entered by the Appellate Court on July 28, 2011.

STATEMENT OF THE POINTS RELIED UPON FOR REVIEW

1. This case is of importance because it involves federal and state comity, specifically, the allocation, between the courts of this State and the courts of the United States, of subject matter jurisdiction over disputes involving United States patent law. The United States has a clear and substantial interest in providing a federal forum over the dispute in this appeal. The United States Constitution empowered Congress “to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. CONST. art. I, § 8. Pursuant to this power, Congress granted the United States district courts “original jurisdiction of any civil action arising under any Act of Congress relating to patents” and further provided: “Such jurisdiction shall be exclusive of the courts of the states.” 28 U.S.C. § 1338. To further promote uniformity in the application of the patent laws, Congress took the unusual step of creating an appellate court, the

Federal Circuit Court of Appeals, to hear all appeals involving patent law disputes. See 28 U.S.C. § 1295; see also <http://www.federalcircuithistoricalsociety.org/historyofcourt.html>. The judgment of the Appellate Court places courts of this State in the position of determining issues relegated solely to the federal courts.

2. The Appellate Court’s ruling risks imposing inconsistent and conflicting obligations on Illinois attorneys practicing exclusively in the federal courts. This risk is exemplified by the failure of the Appellate Court to even recognize a myriad of substantive patent law issues implicated in this case and its singular focus on the question of proximate cause as the basis for exclusive federal jurisdiction. A12² ¶45. Magnetek alleges that Kirkland committed malpractice in defending a patent infringement suit, *Nilssen v. Magnetek, Inc.*, No. 98-C-2229 (N.D. Ill.) (the “Patent Litigation”).³ In the Patent Litigation, Nilssen alleged Magnetek infringed seven patents. The determination of negligence, *i.e.*, whether Kirkland’s judgments and recommendations failed to meet the reasonable standard of care of a patent lawyer under the facts and circumstances of the underlying case, involves subtle and complex weighing of substantive patent law issues. The judgments and recommendations at issue include, among many others, the decision to settle infringement claims under six of those patents in exchange for agreeing to arbitrate one, the determination of how to cost-effectively allocate and direct resources to the investigation and discovery of the facts, and the wisdom, in light of then-existing law, of waiving an inequitable conduct defense in exchange for the plaintiff waiving a claim of willful infringement, a claim which could allow recovery of treble damages and

² “A__” in this brief refers to the Appendix to Petition for Leave to Appeal of Defendant-Appellant Kirkland & Ellis LLP filed in this matter unless otherwise noted.

³ IPLAC expresses no view regarding the merits of Magnetek’s malpractice claim.

attorney's fees. The Circuit Court recognized that this determination of negligence involved fundamental patent law questions and propositions that must be assessed in context, a point not addressed by the Appellate Court.

3. The Appellate Court ruling permits courts to disregard changes in the state of the law and differing contexts when assessing damage caused by alleged malpractice, exposing attorneys to unforeseeable liability. Without the benefit of prior briefing by the parties, the Appellate Court adopted a novel theory of retroactive offensive collateral estoppel pursuant to which a *later* case, not involving the parties in this litigation, could conclusively establish how a disputed issue would have been resolved in an *earlier* case. The Appellate Court misapprehended federal collateral estoppel law, which precludes *the same party* who has previously fully and fairly litigated an issue from later re-litigating that issue. *See Blonder-Tongue Labs, Inc. v. University of Ill. Found.*, 402 U.S. 313 (1971). *Laboratory Corp. of Am. Holdings v. Metabolite Labs, Inc.*, 599 F.3d 1277 (Fed. Cir. 2010), is not to the contrary, but recognized that where the same party has already had the issue determined against it, the issue is no longer in dispute. No law supports the Appellate Court's retroactive application, nor application where the same party was not involved.

STATEMENT OF THE FACTS

This action began in 2008 by Plaintiff Magnetek, Inc. filing a one count complaint for breach of professional liability in the Circuit Court of Cook County, Illinois, against Defendant Kirkland & Ellis LLP ("Kirkland"), Case No. 2008 L 08970. Kirkland had represented Magnetek in the Patent Litigation in which Nilssen alleged that Magnetek had infringed seven of his patents. A2-3 ¶4.

Prior to trial, the parties reached a settlement whereby Nilssen dismissed the Patent Litigation. As part of the settlement, Nilssen and Magnetek agreed to arbitrate claims under one of the seven asserted patents, U.S. Patent No. 5,432,409 (the “‘409 patent”). *Nilssen v. Magnetek, Inc.*, 2008 WL 1774984, at *1 (N.D. Ill. April 16, 2008). During the arbitration, and at the arbitrator’s suggestion, Nilssen agreed not to pursue any claim for willful infringement and, in exchange, Magnetek agreed not to pursue any claim for inequitable conduct. *Id.* at *5. A finding that Magnetek had willfully infringed would have allowed the arbitrator to award up to three times Nilssen’s damages plus his attorney’s fees under 35 U.S.C. §§ 284 and 285.

On April 29, 2005, the arbitrator ruled in favor of Nilssen and awarded in excess of \$23,000,000 against Magnetek. A20 ¶ 11. That award was confirmed by the United States District Court for the Northern District of Illinois on April 16, 2008 in *Nilssen v. Magnetek, Inc.*, 2008 WL 1774984 (N.D. Ill. April 16, 2008). The confirmation decision was incorporated by reference in the complaint in the instant action. A21 ¶ 14.

The complaint (A22 ¶ 17) alleges: “Kirkland, by and through its representation of Magnetek as counsel of record in the *Nilssen* litigation and arbitration, deviated from the applicable standard of care which counsel owed to its client in the subject Patent Litigation by failing to investigate and discover the prior art and misconduct which had not been disclosed by Nilssen and entering into a settlement agreement which precluded any further discovery or investigation prior to an arbitration.” Following the decision of the Appellate Court of Illinois in *Premier Networks, Inc. v. Stadheim & Greer, Ltd.*, 395 Ill. App. 3d 629, 918 N.E.2d 1117 (2009), *appeal denied*, 236 Ill. 2d 545 (2010), Kirkland filed a motion to dismiss for lack of subject matter jurisdiction.

On April 5, 2010, the Circuit Court heard argument on Kirkland's motion. During the course of those proceedings, the Court focused on how the standard of care for the patent litigator could possibly be decided without addressing disputed substantive issues of patent law.

“THE COURT: During the course of your case in chief, will you be calling upon a retained expert to establish the standard of care?

MR. WASHTON [Magnetek's counsel]: Yes.

THE COURT: In doing that, the standard of care would be that of a patent lawyer under the facts as I understand them to be, as the jury would be informed prior to that witness taking the stand, that a patent lawyer confronted with this situation would act in this way?

MR. WASHTON: Your Honor, that is consistent with what I was just saying. That is –

THE COURT: Then the next question I have is, to fundamentally back that up, doesn't that witness have to discuss what patent law is?

* * *

Let me follow my thought out here. Must he not draw upon what our [sic-are] basic principles involved that do concern patent law, not decision making so much, but the fundamentals of going forward and representing your client under these facts and circumstances, call for this kind of conduct. Don't you have to play into that opinion some fundamental law questions or law propositions that the trier of fact would consider?

MR. WASHTON: I think the answer is yes Your Honor ...”

A32-A33.

At the conclusion of that hearing, the Circuit Court decided that it did not have subject matter jurisdiction over Magnetek's legal malpractice claim because there would be substantive issues of patent law developed during the trial.

“THE COURT: ... It appears to me that there will be substantive issues, patent law presented by both sides, ...

There is a great deal of overlapping patent law playing out into this case. I don’t think the ultimate issue is this jury is going to decide what patent law is because that has been established.

But the fundamentals of the case, as I understand it, will involve some very complicated issues, quite frankly, the state courts have not been called upon to resolve. *And we have already talked about it.* I think the Constitution says that the Federal Courts should concern themselves with cases involving the application of patent law. I think it is of substance here.”

A35a⁴ (emphasis added).

Magnetek appealed. The Appellate Court’s decision focused solely on the proximate cause element of the malpractice case.⁵ It determined that to prove the proximate cause, Magnetek had to demonstrate that but for Kirkland’s alleged negligence, it would have succeeded in the underlying lawsuit, which requires that Magnetek litigate a “case within a case.” A12 ¶45. The court concluded “based on the allegations of Magnetek’s well pleaded complaint, success in the underlying lawsuit means that Magnetek must establish that the ‘409 patent would have been rendered unenforceable.” A12-13 ¶46.

The Appellate Court noted that Nilssen had sued another company, Osram Sylvania, in the same jurisdiction, *Nilssen v. Osram Sylvania, Inc.*, 440 F.2d 884 (N.D.

⁴ This page is attached as an appendix at the end of this brief with a page number corresponding to where it properly would fall within Kirkland’s Appendix.

⁵ Without citation, the Court states that the parties agreed that it was through this element of proximate cause that the specter of federal jurisdiction was raised. A12 ¶45. However, because subject matter jurisdiction can be raised at any time, and is not subject to waiver by a party, this agreement, if it existed, cannot warrant ignoring other substantive patent law issues clearly raised by the question of whether Kirkland breached the duty of care.

III. 2006) (“*Osram I*”). *Osram I* involved alleged infringement of eleven patents. The ‘409 patent was the only patent asserted both in the *Osram I* case and in the Patent Litigation. Kirkland had also represented Osram Sylvania in that case. After a six day bench trial on the allegations of inequitable conduct, with over 400 exhibits and testimony from seven witnesses, including four expert witnesses and Nilssen, the district court found inequitable conduct that rendered the patents, including the ‘409 patent, unenforceable. A3 ¶¶9-10.

“With respect to the ‘409 patent, the court specifically found that Nilssen (1) intentionally claimed and paid fees as a small entity despite entering into a licensing agreement that disqualified him from doing so (*Osram I*, 440 F.Supp.2d at 903-04); (2) intentionally claimed incorrect filing dates during prosecution of the ‘409 patent in an effort to avoid disclosing certain ‘prior art’ and to obtain patent claims to which he otherwise would not be entitled (*Osram I*, 440 F.Supp.2d at 908); and (3) intentionally failed to disclose relevant litigation that was pending at the time of the ‘409 patent application was pending (*Osram I*, 440 F.Supp.2d at 909-10).”

A4 ¶10. In *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223 (Fed. Cir. 2007) (“*Osram II*”), the Federal Circuit, reviewing the decision of *Osram I* under a deferential abuse of discretion standard, affirmed the district court’s determination of inequitable conduct.

The Appellate Court apparently viewed *Osram* as having conclusively resolved whether the ‘409 patent should have been found unenforceable in the Patent Litigation. Seeing no disputed federal patent issue and therefore no substantial issue of federal patent law remaining to confer federal jurisdiction, it reversed and held that the Circuit Court has subject matter jurisdiction over Magnetek’s malpractice claim. A17 ¶64. It never addressed the concerns of the circuit court, evidenced by the hearing transcript, over how the standard of care could be resolved without addressing substantive issues of patent law

presented by both sides. It simply noted: “Magnetek still must establish through expert testimony that Kirkland breached the applicable standard of care and prove that it suffered damages as a result of the breach.” A17 ¶63.

ARGUMENT

1. **Subject matter jurisdiction over patent malpractice cases presents a substantial issue of comity between the State and Federal Courts that this Court should address.**

This case involves how the Illinois courts must balance fundamental interests of the United States and of the State of Illinois implicated in increasingly frequent litigation involving allegations of patent law malpractice. The interest of the United States over patent law is apparent and unquestioned. It is reflected in Article I, Section 8 of the U.S. Constitution and in the acts of Congress conferring upon the federal courts subject matter jurisdiction to the exclusion of the states. The interests of the State in governing the conduct of the attorneys who practice within the State and in protecting citizens from professional malpractice is also apparent and unquestioned. Surely this case presents issues worthy of this Court’s consideration.

The strong federal interest in patent law is well established. Congress promptly exercised its constitutional authority under U.S. CONST. Art. 1, § 8 by adopting the first patent laws in 1790. Today, patents are granted by a federal agency, the United States Patent and Trademark Office (“PTO”). Attorneys appearing before the PTO must meet special requirements and pass a separate examination for admission. 35 U.S.C. § 2(b)(2)(D). This area of the practice of law is so specialized that states may not confine the practice of patent law to lawyers. *Sperry v. Florida*, 373 U.S. 379 (1963). Congress has further exercised its power by granting to the United States district courts “original

jurisdiction of any civil action arising out of any Act of Congress relating to patents,” specifically providing that such jurisdiction “shall be exclusive of the courts of the states.” 28 U.S.C. § 1338.

Of course, the state interests in this matter are also apparent. Magnetek’s complaint in this case presents a state law claim for legal malpractice. The State’s interest in the conduct of attorneys practicing within the state is evidenced by the original and exclusive jurisdiction that this Court exercises to regulate the admission and discipline of lawyers in Illinois. *In re Ettinger*, 128 Ill.2d 351, 538 N.E.2d 1152 (1989). Such regulation and discipline helps ensure the integrity and reputation of the Illinois courts. In this case, that interest intersects with the interests of the federal government because the alleged malpractice occurred during the conduct of a patent case before a federal court regarding rights granted by a federal agency.

The United States Supreme Court has emphasized that the determination of federal jurisdiction over a claim arising under state law requires “sensitive judgments about congressional intent, judicial power, and the federal system,” and requires “careful judgment” about the “nature of the federal interest at stake.” *Grable & Sons Metal Prod., Inc. v. Darue Metal Prod. & Mfg.*, 545 U.S. 308, 317 (2005) (quoting *Merrell Dow Pharm. Inc. v. Thompson*, 278 U.S. 804, 810, 814, n.12.) “Arising under” jurisdiction in the federal courts exists in cases in which “a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pled claims.” *Christianson v. Colt Ind. Operating Corp.*, 486 U.S. 800, 809 (1988). Accordingly, federal subject matter

jurisdiction will lie over state-law claims that implicate significant federal issues. “The doctrine captures the commonsense notion that a federal court ought to be able to hear claims recognized under state law that nonetheless turn on substantial questions of federal law, and thus justify resort to the experience, solicitude, and hope of uniformity that a federal forum offers on federal issues.” *Grable*, 545 U.S. at 312. The claim at issue in *Grable* was a quiet title action brought in state court against a buyer who bought property the Internal Revenue Service had seized from Grable to satisfy a federal tax lien. Grable alleged the property was seized without proper notice. The Supreme Court held that federal jurisdiction over the claim existed, noting that the federal government “has a direct interest in the availability of a federal forum to vindicate its own administrative action.” *Id.* at 315.

Applying this guidance from the U.S. Supreme Court, the Court of Appeals for the Federal Circuit has held in a number of cases that legal malpractice actions involve substantial disputed issues of patent law and are subject to exclusive federal jurisdiction. *E.g.*, *Air Measurement Tech.*, 504 F.3d at 1269 (“[W]e would consider it illogical for the [federal court] to have jurisdiction ... to hear the underlying infringement suit and for us then to determine that the same court does not have jurisdiction ... to hear the same substantial patent question in the ‘case within a case’ context of a state malpractice claim.”).

Following such precedent, in *Premier Networks*, 395 Ill. App. 3d 629, the Appellate Court concluded that the patent malpractice action at issue was exclusively a matter for federal jurisdiction. There, as in this case, the Court focused on the proximate cause prong of the legal malpractice claim, and the need to prove a “case within a case.”

That is, the plaintiff must establish that but for the legal malpractice, the plaintiff would have won the underlying lawsuit. *Premier Networks* held that because resolution of the underlying case involved a substantial resolution of patent law issues, the matter was one of exclusively federal court jurisdiction.

In the instant case, the Appellate Court similarly focused upon the need to prove a “case within a case” in establishing proximate cause. Nonetheless, it balanced the state and federal interests differently to hold that the malpractice action did not require resolution of disputed issues of patent law. The Court reached this result because (1) unlike the Circuit Court, the Appellate Court failed to recognize a myriad of substantial and disputed patent law issues that must be resolved to determine whether Kirkland was negligent, and (2) the Appellate Court introduced into Illinois jurisprudence a new theory of retroactive, offensive collateral estoppel, effectively holding that the later *Osram* ruling relieves Magnetek of having to establish, as part of its “case within a case,” that inequitable conduct would likely have been found in the earlier Patent Litigation but for Kirkland’s alleged negligence.

The Appellate Court erred in balancing the state and federal interests. It failed to heed the lesson of a similar holding by the Nebraska Supreme Court as taught in *Premier Network*. In *NewTek Mfg., Inc. v. Beehner*, 270 Neb. 264, 702 N.W.2d 336 (2005), the trial court adjudicated a patent malpractice matter, finding the patent matters involved were only incidental. The *Premier Networks* court found the Nebraska trial court ruling not persuasive:

We note that, later on appeal to the Nebraska Supreme Court, the court in its opinion found that it necessarily had to discuss and analyze in detail the nuances of patent law in order to decide whether legal malpractice had been

committed. In other words, the Nebraska Supreme Court's analysis clearly went to the very heart of patent law and therefore was, as defendant in that case argued, clearly within the scope of 28 U.S.C. § 1338's jurisdiction.

Premier Networks, 395 Ill. App. 3d at 636. While purporting to follow *Premier Networks*, the Appellate Court in this case failed to learn from *Premier Networks*' discussion of the Nebraska case--that patent law issues reside at the heart of the malpractice claim. By focusing solely on the proximate cause element of the malpractice claim, the Appellate Court's decision provides confusing guidance and fails to balance properly federal and State interests in these actions.

The conflicting guidance on this issue now embodied in Illinois case law and affecting a matter of such consequence as relations between the federal and State government merits review by this Court.

2. The Appellate Court's decision risks imposing inconsistent obligations upon patent practitioners.

The *NewTek* case from Nebraska, highlighted in the *Premier Networks* decision, exemplifies the potential consequence to patent litigators of having their conduct in patent litigation assessed by courts other than those that have jurisdiction exclusively over such cases.

In the Patent Litigation, Nilssen alleged Magnetek infringed seven patents. Magnetek's Complaint (A22 ¶ 17), alleged that Kirkland deviated from the applicable standard of care which counsel owed to their client in the Patent Litigation by (i) failing to investigate and discover the prior art and the misconduct of Nilssen, and (ii) by advising Magnetek to enter into a settlement agreement to arbitrate the '409 patent infringement claim and that precluded any further discovery or investigation prior to arbitration in exchange for Nilssen agreeing to dismiss his infringement claims with

respect to his other patents.

How can any court adjudicate the reasonableness of Kirkland's recommendation to settle without determining the strength of the six patent infringement claims that were dismissed and foreclosed from appellate review as a result of the settlement? Magnetek benefited by the dismissal of those six infringement claims. As noted, those patents covered sales beyond the sales covered by the claimed infringement of the '409 patent. A19-20 ¶ 9 ('409 Patent covered "a majority" of the infringing sales). It is apparent on the face of the complaint, therefore, that the settlement allowed Magnetek to cut its exposure to loss, an important consideration when recommending a course of action.

Whether Kirkland should have pursued additional investigation and discovery of the prior art and alleged misconduct will also require careful judgments about the risks and prospects in view of the facts then known and the state of the patent law at that time. Reviewing this determination will require assessments of what prior art searches had been performed, the strategy behind them, what investigations had been conducted and what was uncovered, and of whether it was reasonable to expect that spending additional time and money would yield additional helpful information. The decision in this case will involve establishing standards for when and how prior art searches and reviews of PTO patent file materials should be conducted in patent litigation by patent lawyers.

Magnetek also alleges negligence in accepting the arbitrator's recommendation to trade off the inequitable conduct defense in exchange for Nilssen waiving his right to prove willful infringement. This too will require resolution of patent law issues. This bargain, again, was an exchange that reduced Magnetek's downside risk of loss. A finding by the arbitrator that Magnetek had willfully infringed would have authorized an

award against Magnetek of up to three times the amount of damages proven plus an award of Nilssen's attorney's fees. 35 U.S.C §§ 284-285. The bargain eliminated that exposure. Assessment of the risk of a willfulness finding requires assessment of a substantial patent law issue. *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed.Cir. 2007)(changing the patent law of willfulness). While success on the inequitable conduct defense would have resulted in the '409 patent being deemed unenforceable, *see Therasense, Inc. v. Becton, Dickinson & Co.*, 2011 WL 2028255 (Fed. Cir. 2011)(en banc) (changing the patent law of inequitable conduct), assessment of the likelihood of succeeding on the defense is again a judgment on a substantial patent law issue that would require a sensitive weighing of the strength or weakness of the patent law defense. On the side of weakness, indeed, no less than Federal Circuit Chief Judge Rader criticized the result in the *Osram I* case specifically as a regrettable departure from precedent. Randall R. Rader, *Always at the Margin: Inequitable Conduct in Flux*, 59 Am.U.L.Rev. 777, 779 (2010)("These cases hardly involve the gross misconduct and deceit that characterized the original Supreme Court cases.") Another consideration is that the arbitrator had discretion to determine whether the facts presented merited rendering the patent unenforceable, an important consideration in view of the arbitrator's recommendation that the defense not be pursued. *Osram II*, 504 F.3d 1223 (Fed. Cir. 2007) (reviewed for abuse of discretion). The Court in *Premier Networks* characterized these types of questions as "arcane questions in patent law." *Premier Networks*, 395 Ill. App. 3d at 635. Indeed they are. *See generally, Capri Jewelry Inc. v. Hattie Carnegie Jewelry Enters, Ltd.*, 539 F.2d 846 (2nd Cir. 1976)("A court is fortunate to have a member who can understand and speak the arcane language of patent litigation as readily as

ordinary English and can act, soundly and decisively, from a background of knowledge of patent law which most of us must tediously acquire, or reacquire, for each case.”)

Reviewing such judgment calls would be difficult enough for a court with experience in the patent law. Foisting such decisions upon a state court that is assuredly unfamiliar with such arcane law invites error and the imposition of inconsistent obligations on the attorneys whose conduct is reviewed. In view of the clear congressional desire for uniformity in this area of the law, this Court should provide proper guidance for the courts of Illinois.

3. The doctrine of retroactive, offensive collateral estoppel risks violations of due process and should not be permitted to stand as Illinois law.

The Appellate Court ruled that the decision in the *Osram II* litigation finally resolved the issue of whether Nilssen had committed inequitable conduct that renders the ‘409 patent unenforceable. That statement is true, and application of collateral estoppel to bind *Nilssen* to that ruling if he is a party in future litigation would unquestionably be correct. But Nilssen is not in this case.

What the Appellate Court has held here is that because Kirkland was able successfully to pursue an inequitable defense claim against Nilssen on behalf of its client in *Osram*, it is collaterally estopped from disputing that Magnetek would have likely succeeded on its inequitable conduct claim against Nilssen in its earlier litigation and in a different context. Not only does this application turn collateral estoppel on its head, but it muddles the issues. No court has decided the question of whether Kirkland, in the context of the Patent Litigation, would likely have been able to prove inequitable conduct by Nilssen. *Osram* certainly did not. Nor has Kirkland ever had any opportunity, much less a full and fair opportunity, to argue that issue, as required by due process. *Blonder-*

Tongue Labs., Inc. v. University of Ill. Found, 402 U.S. 313, 333 (1971).

This retroactive offensive use of collateral estoppel against a non-party in the prior litigation conflicts with the precedent of this Court. *See, Herzog v Lexington Twp.*, 167 Ill. 2d 288, 295, 657 N.E.2d 926, 929-39 (1995) (requiring identical issue to have been decided and that person bound have been a party or in privity).

That conflict alone presents a reason for this court to grant leave to appeal.

In this context, however, the holding presents an especial threat to the orderly administration of the law. It is no accident that the leading U.S. Supreme Court case on equitable estoppel arose in a patent case. Patents commonly have repeat assertions against different parties over their life. Patents are generally effective for a period of twenty years from the date of their filing, 35 U.S.C. § 154(a)(2), and damages for patent infringement can be sought for an additional six years thereafter in view of the six year statute of limitations under 35 U.S.C. § 286. The same defense of invalidity or unenforceability may be pursued each time a patent is asserted. A defendant in later litigation is not foreclosed from asserting the same defense simply because the plaintiff successfully overcame that defense in an earlier case (though the ruling may have persuasive value). *See Allen Archery, Inc. v. Browning Mfg. Co.*, 819 F.2d 1087, 1091 (Fed.Cir. 1987). However, if the patent is held invalid or unenforceable, that ruling collaterally estops the patent owner in later litigation from asserting the patent. *Blonder-Tongue*, 402 U.S. at 350. The issue is, therefore, of particular importance in cases involving patent law.

The ruling of the Appellate Court in this case creates perverse incentives should the same attorney choose to represent a later defendant in defending against the same

patent as was asserted previously against another client (also a common scenario). The incentive should be for the attorney to vigorously assert the defense in both cases. But if the attorney does not successfully assert the defense in the earlier litigation, now a successful assertion of that defense against the same patent on behalf of a subsequent client can establish *conclusively* an element of a malpractice claim against that attorney. Neither law nor logic supports that rule, and this Court should not allow a decision that creates such incentives to stand.

CONCLUSION

Ample reasons warrant this Court in granting leave to appeal.

The Intellectual Property Law Association
of Chicago

By: 

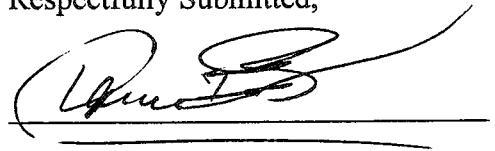
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Supreme Court Rule 341(c) Certificate of Compliance

Pursuant to Supreme Court Rule 341(c), I certify that this brief conforms to the requirements of Rules 341(a) and (b). The length of this brief, excluding the pages containing the Rule 341(d) cover, the Rule 341(h)(1) statement of points and authorities, the Rule 341(c) certificate of compliance, the certificate of service, and those matters to be appended to the brief under Rule 342(a), is 20 pages.

Respectfully Submitted,

A handwritten signature in black ink, appearing to be "R. B. [unclear]", is written over a horizontal line. The signature is stylized and cursive.

APPENDIX

**TABLE OF CONTENTS FOR ADDITIONAL APPENDIX MATERIAL
ATTACHED TO BRIEF OF THE INTELLECTUAL PROPERTY LAW
ASSOCIATION OF CHICAGO AS *AMICUS CURIAE* IN SUPPORT OF
PETITION FOR LEAVE TO APPEAL OF KIRKLAND & ELLIS LLP**

Page 47 of Transcript of Hearing (Circuit Court), April 5, 2010.A35a

1 how it will develop during the course of a trial.

2 It appears to me that there will be
3 substantive issues, patent law presented by both
4 sides, whether Kirkland says well, or whether your
5 client says, look, I know where I'm going with
6 this, I know what I have to do. I know both of you
7 are putting your own spin on it and saying look, on
8 Kirkland's end it's very limited, on yours it's
9 very broad. It's somewhere in between as far as
10 I'm concerned.

11 There is a great deal of overlapping
12 patent law playing out into this case. I don't
13 think the ultimate issue is this jury is going to
14 decide what patent law is because that's been
15 established.

16 But the fundamentals of the case, as I
17 understand it, will involve some very complicated
18 issues that, quite frankly, the state courts have
19 not been called upon to resolve. And we have
20 already talked about it. I think the Constitution
21 says that the Federal Courts should concern
22 themselves with cases involving the application of
23 patent law. I think it is of substance here. I
24 don't think it's the only issue. But to say that