IN THE SUPREME COURT OF THE UNITED STATES

ATTURO TIRE CORPORATION,

Petitioner,

v.

TOYO TIRE CORP. AND TOYO TIRE U.S.A. CORP.,

Respondents,

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Respondent Toyo, one of the world's largest tire companies, filed a complaint with the federal International Trade Commission ("ITC") against a group of tire manufacturers and distributors. Petitioner Atturo, a small competitor, was not named in Toyo's ITC case, and no Atturo tires were challenged in it. Toyo quickly settled its ITC claims, requiring that ITC respondents promise never to make or sell Atturo's best-selling tire. A Chicago federal jury awarded Atturo millions of dollars in damages on Illinois law claims for tortious interference with business expectancy, unfair competition, and unjust enrichment based on Toyo's use of the ITC proceeding—which did not involve Atturo or its tires—to keep other companies from doing business with Atturo.

Because Toyo had once asserted short-lived patent claims against other parties in the Chicago case, it appealed to the Federal Circuit. The Federal Circuit held that the jury's award was barred by Illinois' absolute litigation privilege, while admitting that there was no guiding Illinois precedent and that it had to "predict" how the Illinois Supreme Court would rule. And while an Illinois rule allows certification of open questions of Illinois law to the Illinois Supreme Court, it only permits them from the Seventh Circuit or from this Court (not from the Federal Circuit).

The question presented is: Should this Court certify to the Illinois Supreme Court whether Illinois' absolute litigation privilege bars Atturo's claims of tortious interference with business expectancy, unfair competition, and unjust enrichment, and, if the Illinois Supreme Court rules it does not, remand for proceedings consistent with the Illinois opinion?

PARTIES TO THE PROCEEDINGS

The following were parties to the proceedings in the United States Court of Appeals for the Federal Circuit:

- 1. Atturo Tire Corporation ("Atturo"), Petitioner here, was the defendant and counter-plaintiff in the U.S. District Court for the Northern District of Illinois and the appellee/cross-appellant in the Court of Appeals.
- 2. Toyo Tire Corp. and Toyo Tire U.S.A. Corp. (collectively, "Toyo"), Respondents here, were plaintiffs and counter-defendants in the District Court and appellants/cross-appellees in the Court of Appeals.
- 3. Svizz-One Corporation Ltd. was a defendant in the District Court and an appellee in the Court of Appeals. It is not a party in this Court and has no interest in the outcome of this petition.

RULE 29.6 DISCLOSURE STATEMENT

Petitioner Atturo has no parent, nor does any publicly held company own 10% or more of its stock.

RELATED PROCEEDINGS

Toyo Tire Corp. et al. v. Atturo Tire Corp. et al., No. 1:14-cv-00206, United States District Court for the Northern District of Illinois. Judgment entered May 10, 2022.

Toyo Tire Corp. v. Atturo Tire Corporation, Nos. 22-1817, 22-1892, United States Court of Appeals for the Federal Circuit. Judgment entered October 4, 2024.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Atturo Tire Corporation ("Atturo") respectfully petitions for a writ of *certiorari* to review the judgment of the United States Court of Appeals for the Federal Circuit. That ruling, made without guiding precedent from any Illinois court, extended Illinois' absolute litigation privilege to invalidate a jury verdict awarding Atturo millions of dollars in damages after Respondents Tovo Tire Corp. and Tovo Tire U.S.A. Corp. (collectively, "Toyo") used a federal administrative proceeding (to which Atturo was not a party) to require tire companies to permanently refuse to manufacture and sell Atturo's best-selling tire model, even though neither Atturo nor any of its tires was named in that proceeding. By this Petition, Atturo asks this Court to exercise authority expressly granted to it by Illinois Supreme Court rule to request the guidance from the Illinois Supreme Court that the Federal Circuit acknowledged it did not have, and that it could not ask for under that rule.

OPINIONS BELOW

The opinion of the Federal Circuit (Pet. App. 1a-40a) is also available at 2024 WL 4404358. The relevant rulings of the United States District Court for the Northern District of Illinois on the scope and application of Illinois' absolute litigation privilege (Pet. App. 41a-93a) are also available at 2022 WL 1470362 and 2021 WL 463251.

JURISDICTION

The Federal Circuit entered judgment on October 4, 2024, and denied Atturo's timely petition for rehearing on November 21, 2024. Pet. App. 1a-40a, 94a-95a. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1). The Federal Circuit had jurisdiction under 28 U.S.C. § 1295(a)(1) because of the presence, at the outset of the case, of patent claims lodged by Toyo against parties other than Atturo, which claims were dismissed with prejudice after they were settled.

RULE INVOLVED

Illinois Supreme Court Rule 20(a) provides:

Certification. When it shall appear to the Supreme Court of the United States, or to the United States Court of Appeals for the Seventh Circuit, that there are involved in any proceeding before it questions as to the law of this State, which may be determinative of the said cause, and there are no controlling precedents in the decisions of this court, such court may certify such questions of the laws of this State to this court for instructions concerning such questions of State law, which certificate this court, by written opinion, may answer.

ILL. SUP. CT. R. 20(a).

STATEMENT

In this case, the Federal Circuit, concededly without the benefit of guidance from any Illinois court, expanded Illinois' traditionally narrow absolute litigation privilege beyond what any other court applying Illinois law has ever done. In doing so, the court invalidated a jury verdict awarding Atturo millions of dollars in damages. It also protected the sort of conduct proved at trial, in which Toyo used proceedings before a federal agency to which Atturo was not a party to impose devastating economic injury on Atturo's business.

Atturo asks this Court to exercise the authority provided to this Court (but not to the Federal Circuit) by Illinois Supreme Court Rule 20(a) and ask Illinois' highest court to provide the guidance that the Federal Circuit did not have. Whether Illinois' absolute litigation privilege should extend to bar Atturo's claims oftortious interference with business expectancy. unfair competition. and uniust enrichment under Illinois law is a question the Illinois Supreme Court should have the opportunity to answer.

A. Toyo Used The ITC To Impose Permanent Trade Restraints Against Atturo

Respondent Toyo is one of the world's largest tire brands; Petitioner Atturo is an upstart competitor based in Illinois. Pet. App. 4a, 5a, 76a. In 2013, before this case was filed, Toyo, based in Japan, filed an International Trade Commission ("ITC") complaint against more than twenty respondents, including overseas tire manufacturers and domestic tire

dealers. *Id.* at 6a-7a, 76a-77a. Toyo's complaint alleged that the ITC respondents had manufactured and imported tires that supposedly infringed Toyo's design patents. *Id.* But neither Atturo nor its tires were named or discussed in Toyo's ITC complaint, and that complaint did not allege trade-dress infringement against anyone. *Id.*

Shortly after commencing the ITC action, Toyo entered into ten settlement agreements. *Id.* Even though neither Atturo, its tires, nor *any* trade dress were mentioned in Toyo's ITC complaint, Toyo's settlement agreements accused Atturo of infringing an unregistered trade dress Toyo had never previously invoked, in the ITC action or otherwise. *See id.* Those agreements permanently prohibited the settling tire manufacturers, dealers, and distributors from making or selling Atturo's most popular tire model, the Atturo Trail Blade M/T ("TBMT"). *See id.*; *see also id.* at 63a, 64a, 65a.

Specifically, each of Toyo's settlement agreements recited that "Toyo is aware of additional tires that it believes infringe other Toyo intellectual property not asserted in the ITC Action," and, for the first time, asserted Toyo's ownership of an undefined "Open Country M/T Trade Dress." See id. (The Open Country M/T, a mud-terrain tire Toyo has sold since 2003, had also not been mentioned in Toyo's ITC complaint. See id.) The settlement agreements listed "Atturo Trail Blade" as allegedly infringing Toyo's newly-asserted purported trade dress, and required the settling manufacturers and distributors to "permanently cease and desist" from "the manufacture, sale, offer for sale, distribution, and/or importation" of Atturo's TBMT tire. See id. at 7a, 63a, 64a, 65a, 77a.

After learning about the agreements, Atturo alerted Toyo that Toyo was interfering with Atturo's business. See id. at 7a-8a, 61a. Toyo continued to execute and publicly disseminate the agreements anyway. See id. at 7a-8a, 77a-78a.

B. Proceedings Below, And Toyo's Invocation Of Illinois' Absolute Litigation Privilege

This litigation was the result of Tovo's use of the ITC proceeding to impose anticompetitive consequences on Atturo. Toyo brought trade-dress infringement claims in the Northern District of Illinois, and Atturo brought state-law counterclaims based on Toyo's attempt, through its ITC settlement agreements, to put Atturo out of business. Pet. App. 2a, 8a, 76a. In its Illinois law counterclaims, Atturo alleged that Toyo's use of the ITC case (to which Atturo was not even a party) to impose permanent restrictions on others doing business with Atturo cost Atturo millions of dollars in lost sales and harmed Atturo's goodwill and reputation. Id. at 2a-3a, 76a-77a.

Following years of litigation, the District Court rejected Toyo's trade-dress claims on summary judgment. *Id.* at 2a, 13a-14a. After a five-day trial on Atturo's counterclaims, the jury unanimously found that Toyo had sought to harm Atturo's business and awarded Atturo \$10 million in compensatory damages and \$100 million in punitive damages. *Id.* at 2a-3a, 14a.

On post-trial motions, the District Court upheld Toyo's liability on Atturo's claims of tortious interference with business expectancy, unfair competition, and unjust enrichment under Illinois law, finding that those claims were not barred by Illinois' absolute litigation privilege. *Id.* at 49a-50a. In a partial reversal of a pretrial ruling (*id.* at 86a-88a), though, the District Court ruled that Illinois' absolute litigation privilege precluded Atturo's state-law defamation and statutory unfair trade practice counterclaims. *Id.* at 44a-48a. The District Court also denied Atturo's Illinois statutory injunctive relief request. *Id.* at 71a. And while the District Court upheld the award of \$10 million in compensatory damages to Atturo and agreed that punitive damages were warranted, it reduced the jury's punitive award of \$100 million to \$100,000. *Id.* at 65a-69a, 72a.

Toyo appealed to the Federal Circuit, and Atturo cross-appealed. With respect to the jury award, the Federal Circuit reversed based on Illinois' absolute litigation privilege. *Id.* at 3a-4a, 26. In doing so, the court acknowledged both that "[t]he Illinois Supreme Court has not addressed whether the absolute litigation privilege can be applied to bar" claims for tortious interference with business expectancy, unfair competition, and unjust enrichment (*id.* at 33a) and that "[t]here is no published Illinois Court of Appeals opinion applying the absolute litigation privilege to the three torts at issue here" (*id.* at 36a). The Federal

¹ The Federal Circuit had exclusive jurisdiction to hear the appeal only because Toyo's initial complaint in this case included design patents claims against other defendants (not Atturo), which were quickly settled and dismissed with prejudice early in the District Court proceedings. *Id.* at 8a.

² See also id. at 49a (District Court explaining that "[n]o Illinois court has applied the privilege to tortious interference claims," "[n]or has Toyo cited any Illinois case law applying this privilege to unfair competition or unjust enrichment").

Circuit was thus, by its own terms, left to "predict how" the Illinois Supreme Court "would decide this issue." *Id.* at 33a. Because Illinois' rule regarding certification of open questions of law (ILL. SUP. CT. R. 20(a), set forth above) only allows such requests to be made either by the Seventh Circuit or this Court, it was not possible for the Federal Circuit to ask the Illinois Supreme Court to weigh in.

The Federal Circuit's prediction was that Illinois would extend its absolute litigation privilege beyond its traditionally narrow bounds and beyond what any other court applying Illinois law has done. See Pet. App. 32a-37a. In doing so, the court immunized Toyo's misconduct in forcing permanent trade restraints against Atturo through proceedings to which Atturo was not a party and based on a trade dress Toyo does not own and Atturo does not infringe. See id. That extension also leaves Atturo without safeguards against Toyo's abuse of the privilege. See id.

REASONS FOR GRANTING THE PETITION

The Federal Circuit's decision extended Illinois' absolute litigation privilege beyond where any court (including any Illinois court) had taken it, and in doing so invalidated an award of substantial damages made by a jury that was plainly concerned with the underhanded nature of Toyo's conduct. And the court did so, by its own admission, without the benefit of guidance from any Illinois court. The Federal Circuit could not seek such guidance from the Illinois Supreme Court, but this Court can.

The legal issue underlying this Petition poses a significant question of broad importance that will dramatically impact business competition in Illinois and across the country, all based on the Federal Circuit's "prediction" of how Illinois courts would have ruled. If left uncorrected, the Federal Circuit's prediction will essentially immunize from Illinois law a company's trade restraints imposed on a competitor in proceedings to which that competitor was not a party, leaving the competitor without safeguards against the company's abuse of both legal process and the privilege.

To remedy this injustice, Atturo asks that this Court grant this Petition and certify the issue to the Illinois Supreme Court, pursuant to Illinois Supreme Court Rule 20(a).³ That rule, set forth in full at p. 2 supra, allows this Court (but not the Federal Circuit) to seek the views of the Illinois Supreme Court on a question of Illinois law "which may be determinative of" the case before it and where "there are no controlling precedents in the decisions of this court." ILL. SUP. Ct. R. 20(a). Both those conditions are fully met here; the absolute litigation privilege was the sole basis on which the Federal Circuit invalidated the jury's verdict, and in doing so the court itself acknowledged $_{
m the}$ absence of guiding Illinois precedent. The Illinois Supreme Court rule, which singles out this Court as one from which certifications may be accepted, reflects that the Illinois Supreme Court is amenable to answering questions posed by this Court. And because Illinois Supreme Court Rule 20(a) does not permit certification of questions from the Federal Circuit, this Petition presents the first opportunity for Atturo to request it.

³ This is somewhat the manner in which this Court grants petitions specifically to remand for reconsideration in light of one of its own decisions (referred to as "GVRs").

This Court has encouraged the use of certification procedures to permit state courts to address open and outcome-determinative questions of their States' laws, and has, as discussed in Section C *infra*, even invoked those procedures itself in order to avoid deciding an open question of state law without state court guidance. Certifying such a question to a State's highest court avoids the "friction" that may arise when a federal court gets state law wrong and encourages a cooperative relationship among federal and state courts. *Arizonans for Official English v. Ariz.*, 520 U.S. 43, 79 (1997).

As detailed in the following sections, this case perfectly fits the criteria federal courts (including this one) have set forth with respect to certification of state-law questions to state courts. Whether Illinois' absolute litigation privilege bars the jury's award of millions of dollars in damages to Atturo is outcomedeterminative as to that verdict and judgment, and the question is an open one under Illinois law that required the Federal Circuit, in its own words, to "predict" how the Illinois Supreme Court would rule on it. Pet. App. 33a. And the generally narrow view Illinois courts take of this privilege (as described in Section A infra) suggests that the Illinois Supreme Court will have an interest in the question. Indeed, but for a quirk of jurisdiction—the brief pendency of patent claims unrelated to Atturo very early in this case—the appeal would have been heard in the Seventh Circuit, which could have—and likely would have—asked the Illinois Supreme Court to resolve the question.

Under Illinois' rule (ILL. SUP. CT. R. 20(a)), only this Court can make that request in this case. The Federal Circuit could only "predict" what Illinois law would say (Pet. App. 33a), but the Illinois Supreme Court can decide the question authoritatively, without the need to "predict" anything. This Court should invite the Illinois Supreme Court to do so.

A. The Federal Circuit Erred When It "Predicted" That Illinois Would Extend Its TraditionallyNarrow Absolute Litigation Privilege To Atturo's Claims And Toyo's Conduct.

It is well recognized that, while Illinois courts do not hesitate to enforce the absolute litigation privilege, they also confine it within strict traditional limits. See, e.g., Doe v. Williams McCarthy, LLP, 2017 IL App (2d) 160860, ¶ 19; Kurczaba v. Pollock, 318 Ill. App. 3d 686, 704 (1st Dist. 2000). As the Illinois appellate court has explained:

The purpose of the privilege is to allow attorneys the utmost freedom in their efforts to secure justice for their clients. It further serves to facilitate the free flow of information between attorneys, clients, and the court system. Its application is limited, however, to instances where the administration of justice and public service require immunity. As an absolute privilege, the class of communications to which it applies is narrow.

Doe, 2017 IL App (2d) 160860, ¶ 19 (citations omitted; emphasis added). The scope of the privilege is "necessarily narrow" due to the "complete immunity provided." Stein v. Krislov, 2013 IL App (1st) 113806, ¶ 34. Courts applying Illinois law are thus appropriately cautious in extending or expanding it. See, e.g., Stone v. Wash. Mut. Bank, 2011 WL 3678838, at *16 (N.D. Ill. Aug. 19, 2011) (declining to

extend privilege absent Illinois Supreme Court guidance); Act II Jewelry, LLC v. Wooten, 2016 WL 4011233, at *6 (N.D. Ill. July 27, 2016) (declining to extend privilege to claim for tortious interference with prospective business expectancy).

In this case, the Federal Circuit erred by predicting that the Illinois Supreme Court would extend Illinois' absolute litigation privilege to cover Atturo's counterclaims for tortious interference with business expectancy, unfair competition, and unjust enrichment and immunize Toyo's anticompetitive conduct. See Pet. App. 32a-37a. In doing so, the court overlooked the general reluctance of Illinois courts to broaden the legal and factual context in which the privilege applies, and consequently expanded it beyond what any other court applying Illinois law has done. See id. Its approach was also inconsistent with that of the Seventh Circuit, the Court of Appeals most often called upon to apply Illinois law, which has observed that "[u]nless and until the Illinois courts address" a question of legal doctrine under Illinois law, "we refrain from extending the doctrine." *Indep.* Tr. Corp. v. Stewart Info. Servs. Corp., 665 F.3d 930, 938 (7th Cir. 2012).

Absent Illinois authority directly on point, the Federal Circuit should have declined (as courts applying Illinois law generally do) to extend the privilege beyond scenarios in which it has already been applied. See, e.g., Act II, 2016 WL 4011233, at *6; Stone, 2011 WL 3678838, at *16; Del. Motel Assocs., Inc. v. Capital Crossing Servicing Co. LLC, No. 17 C 1715, 2019 WL 1932586, at *4 (N.D. Ill. May 1, 2019) (declining to extend Illinois' absolute litigation privilege to fraud claims); Sanders v. JGWPT Holdings, Inc., No. 14 C 9188, 2016 WL

4009941, at *11 (N.D. Ill. July 26, 2016) (same); Liebich v. DelGiudice, No. 20-cv-2368, 2022 WL 874610, at *11 (N.D. Ill. Mar. 24, 2022) (for witness testimony, declining to extend Illinois' absolute litigation privilege beyond defamation actions); USA Satellite & Cable, Inc. v. Mac Naughton, No. 15 C 6331, 2017 WL 1178404, at *3 (N.D. Ill. Mar. 30 2017) (declining to extend Illinois' absolute litigation privilege to fiduciary duty and tortious interference claims); Turubchuk v. E.T. Simonds Constr. Co., No. 12-CV-594, 2017 WL 480738, at *3 (S.D. Ill. Feb. 3, 2017) (declining to extend Illinois' absolute litigation privilege to allegations of misrepresentation); Zdeb v. Baxter Int'l, Inc., 297 Ill. App. 3d 622, 629 (1st Dist. 1998) (declining to extend Illinois' absolute-litigation privilege to "claims for intentional interference with prospective economic advantage").

The Federal Circuit should have taken the same view, but it instead adopted an expansive approach. In "predicting" that the Illinois Supreme Court would extend the absolute privilege to bar Atturo's counterclaims, the Federal Circuit cited Eagle Trust Fund v. Miller, 2022 IL App (5th) 210156-U, and Geick v. Kay, 236 Ill. App. 3d 868 (2d Dist. 1992). Pet. App. 36a. The court's reliance on those decisions was mistaken. Both are highly distinguishable—and in any event, Eagle is unpublished and therefore "not precedential." ILL. SUP. Ct. R. 23(e)(1). As has been noted, the application of absolute privileges are traditionally "based upon the personal position or status of the actor." Restatement (Second) of Torts Five 25 2 B Intro (1977). In this case the Federal Circuit extended the protection of the privilege outside the actors to which it had been extended in the past, even in the cases it relied on. Eagle concerned

"attorneys' communications and conduct" (2022 IL App (5th) 210156-U, ¶ 1), while *Geick* assessed statements made by "government officials" (236 Ill. App. 3d at 875). (Emphases added).

Those situations go to the core policies animating the litigation privilege. See, e.g., Doe, 2017 IL App (2d) 160860, ¶ 19. As Eagle recognized, the privilege's "application is limited to instances where the administration of justice and public service require immunity." 2022 IL App (5th) 210156-U, ¶ 33. For an attorney, that means being "able to speak his mind fully and fearlessly when communicating with his client," and for the client to speak freely with his attorney. Popp v. O'Neil, 313 Ill. App. 3d 638, 642-43 (2d Dist. 2000). For a government official, that means being "free to exercise their duties without fear of potential civil liability." Geick, 236 Ill. App. 3d at 876.

None of those concerns was implicated by the claims the Federal Circuit held were barred herein. Atturo's counterclaims are based on "statements" made by Toyo, a private party, and its conduct with other private parties. See Pet. App. 7a, 52a-53a, 87a. Contrary to *Eagle*, the terms in Toyo's publiclydisseminated settlement agreements are what is at issue, not the communications of lawyers with clients. Statements made by one private party to another simply do not raise the same policy concerns as protecting the speech and conduct of attorneys or government officials. That is particularly so when, as here, the private party's statements and conduct go to matters that are not actually a part of the legal proceedings on which the extension of the privilege was based, that is, the ITC proceedings to which Atturo was not a party. Adding language settlement agreements permanently barring a party

from doing business with a non-party, done without notice, did not serve the "administration of justice" by advancing actual litigation interests. *Eagle*, 2022 IL App (5th) 210156-U, ¶ 33. Because the litigation privilege's "rationale" does not apply here, it was error for the Federal Circuit to predict that the Illinois Supreme Court would "extend[]" Illinois law in this manner. *See Research Sys. Corp. v. IPSOS Publicite*, 276 F.3d 914, 925 (7th Cir. 2002).

Indeed, the Federal Circuit's extension of the Illinois privilege to agreements between private parties that injure non-parties—whether made in the course of administrative proceedings or not—improperly leaves Atturo (and other companies in similar situations in the future) without safeguards against the abusive conduct deployed by Toyo. This also does not accord with Illinois law. As Illinois' appellate court has explained:

[C]ourts have found that the *privilege is not* applicable under circumstances for which there are *no safeguards against abuse* of the privilege, *i.e.*, where the authorities do not have the ability to discipline the attorney and strike from the record any statements exceeding the bounds of permissible conduct.

Stein, 2013 IL App (1st) 113806, ¶ 35 (emphases added). That is the case here, where neither the ITC nor anyone else had the obligation to police whether Toyo's conduct in making private agreements exceeded permissible bounds. See Pet. App. 52a-53a, 87a.

In sum, Illinois' absolute litigation privilege is not broadly applied to shield any party's misconduct that occurs during or shortly before litigation where, as here, it is not actually related to that litigation. Instead, it must be (and is, by Illinois courts) judiciously and narrowly applied to prevent misuse. Stein, 2013 IL App (1st) 113806, ¶ 35. Likewise, the Federal Circuit (when applying Illinois law), like other "federal courts[,] must exercise caution before recognizing novel legal theories brought under uncharted state laws." Ostrowski v. Lake Cntv., 33 F.4th 960, 967 (7th Cir. 2022). The Federal Circuit erred in holding (without the guidance of controlling precedents) that the Illinois Supreme Court would broadly extend Illinois' traditionally-narrow absolute litigation privilege to cover Atturo's counterclaims against Toyo for tortious interference with business expectancy. unfair competition, and uniust enrichment.

B. The Federal Circuit's Extension of Illinois' Absolute Litigation Privilege Warrants Further Review Because It Immunizes Anticompetitive Conduct Where There Are No Safeguards Against Abuse Of The Privilege

If the Federal Circuit's decision is left uncorrected, the extension of Illinois' absolute litigation privilege to these claims and facts will dramatically impact and harm business competition in Illinois and nationwide. The effect of the decision is to immunize a company from using unrelated litigation—in this case a federal administrative proceeding against other parties—as a vehicle to impose serious restraints on trade against a competitor not involved in that litigation, all without notice or an opportunity to be heard. As discussed above, this outcome is legally wrong and an injustice. See Stein, 2013 IL App (1st) 113806, ¶ 35 ("the privilege is not applicable under circumstances for

which there are no safeguards against abuse of the privilege"). But the Federal Circuit discounted this reality. See Pet. App. 39a.

Toyo's agreements required multiple companies in the tire industry to "permanently cease and desist" manufacture, from "the sale, offer for and/or importation" distribution, ofnon-party Atturo's most popular tire model. See id. at 7a, 63a. 64a, 65a, 77a. Yet the Federal Circuit (like the District Court) also held—in a thorough, well-reasoned decision—that Atturo's tire could not have infringed Toyo's asserted trade dress—a trade dress that was also not raised in Toyo's ITC complaint. *Id.* at 22a-26a. If this result stands, Toyo will have successfully abused the absolute litigation privilege by obtaining ten trade restraints—continuing from 2013 to this day and (by their terms) forever—against an Atturo tire based on Toyo's assertions of intellectual property rights that Toyo never made in the ITC case in which those restraints were obtained, based on intellectual property rights that were expressly rejected by both the District Court and the Federal Circuit.

Atturo could not have otherwise obtained relief via Toyo's ITC proceeding because, as is undisputed, it was not a party in the ITC action and no Atturo tire was at issue there. *Id.* at 7a, 77a. Atturo needs the assistance of this Court to right Toyo's wrong, to obtain the redress the jury wanted it to have, and to prevent other companies from engaging in similar anticompetitive conduct that allows a company to use a piece of otherwise unrelated litigation as a Trojan horse to shield blatantly predatory conduct against an unsuspecting competitor.

C. This Court Should Grant This Petition And Certify To The Illinois Supreme Court Whether Illinois' Absolute Litigation Privilege Applies To These Claims And Facts.

In Illinois Supreme Court Rule 20(a), Illinois allows its Supreme Court to accept certified questions on dispositive issues of Illinois law on which Illinois courts have not yet opined. This case is wellpositioned for such a request; the Federal Circuit bemoaned the lack of guiding Illinois precedent (Pet. App. 33a), and its ruling—its "prediction," by its own terms—invalidated an award of millions of dollars in damages to Atturo, the small competitor giant tiremaker Toyo tried to put out of business. The general importance of the issue—how broadly to extend an otherwise narrowly applied Illinois privilege to conduct between private parties—as well as the undisputed absence of guidance on the issue from Illinois courts—militate in favor of this Court accepting Illinois' invitation. The rule itself plainly indicates a willingness on the part of the Illinois Supreme Court to consider such requests from this Court.

The use of certification procedures like Illinois' has been encouraged (and employed) by this Court and other courts where, as here, an important and dispositive question of state law is unanswered by that State's courts. "State certification procedures are a very desirable means by which a federal court may ascertain an undecided point of state law." *Lehman Bros. v. Schein*, 416 U.S. 386, 394 (1974) (Rehnquist, J., concurring); see also Arizonans, 520 U.S. at 79 (explaining how "the federal tribunal risks frictiongenerating error when it endeavors to construe a

novel" or unsettled question of state law, and how certification to the state supreme court is the "more cautious approach" that helps "build a cooperative judicial federalism"); Lehman Bros., 416 U.S. at 391 ("when federal judges in [one State] attempt to predict uncertain [state] law" of another State, "they act as 'outsiders' not exposed to local law") (emphasis added)4; cf. Brockett v. Spokane Arcades, Inc., 472 U.S. 491, 510 (1985) (O'Connor, J., concurring) ("Speculation by a federal court about the meaning of a state statute in the absence of prior state court adjudication is particularly gratuitous when, as is the case here, the state courts stand willing to address questions of state law on certification from a federal court.").

"Certification is appropriate in a case where the question to be certified is outcome determinative, where it concerns an important issue of public concern, where the state supreme court has not yet provided clear guidance on the matter, and where the issue is likely to recur." *Cutchin v. Robertson*, 986 F.3d 1012, 1028-29 (7th Cir. 2021) (citations omitted);

⁴ Indeed, *Lehman Brothers* is especially instructive here. In that diversity case, the Court vacated a judgment of the Second Circuit and directed it to "reconsider" whether to certify a question of Florida law to the Florida Supreme Court, "Florida being a distant State" from New York (where the district court sat) and from the Second Circuit. 416 U.S. at 391. Had the appeal in the instant case been heard in the Seventh Circuit, one might expect the Seventh Circuit to be somewhat experienced in deciding, or even "predicting," Illinois law, but it seems likely that the Federal Circuit, a court "distant" from Illinois, has substantially less experience doing so—all the more reason to invite the Illinois Supreme Court to simply and conclusively answer the question.

see also Ind. Right to Life Victory Fund v. Morales, 66 F.4th 625, 632 (7th Cir. 2023) (certifying question to Indiana Supreme Court; "sometimes the best way to resolve a difficult question of state law is through certification to the state's highest court, which alone can give an authoritative interpretation of state law"); Collins Co., Ltd. v. Carboline Co., 837 F.2d 299, 302 (7th Cir. 1988) (certifying question to Illinois Supreme Court under Illinois Supreme Court Rule 20(a) because certification is a "helpful procedure when controlling state law is unclear"). By certifying such questions, federal courts "also take into account the state supreme court's particular interest in the development of state law and the likelihood that the result of the decision in a particular case will exclusively affect the citizens of that state." Cutchin, 986 F.3d at 1028-29; see also Roberts v. Alexandria Transp., Inc., 968 F.3d 794, 801 (7th Cir. 2020) (certifying question to Illinois Supreme Court under Illinois Supreme Court Rule 20(a), where there was "no Illinois cases resolving this issue" and "[g]iven the possible impact of the resolution of this controlling issue on Illinois citizens"); Whiteru v. Wash. Metro. Area Transit Auth., 89 F.4th 166, 172 (D.C. Cir. 2023) (certifying question to D.C. Court of Appeals because "tort liability questions often entail not only legal analysis but policy decisions about how society would be best served"); Zurich Am. Ins. Co. v. Med. Props. Tr., Inc., 88 F.4th 1029, 1035 (1st Cir. 2023) (certifying question to Massachusetts Supreme Judicial Court because resolution of the unclear legal issue may require "policy judgments about the applicability of Massachusetts law that the SJC is in the best position to make").

In McKesson v. Doe, 592 U.S. 1 (2020), the Court recognized the value of certifying open and dispositive state law issues to state high courts that have procedures designed to accept and resolve such questions. In that case, the Court, reviewing a petition for certiorari directed to a decision of the Fifth Circuit, observed that the case presented a critical issue of Louisiana law on which Louisiana courts had not opined and granted the petition, vacated the Fifth Circuit's ruling, and remanded to the Fifth Circuit with directions to certify the question to the Louisiana Supreme Court. McKesson, 592 U.S. at 5-6 (directing certification of "novel issues of state law peculiarly calling for the exercise of judgment by the state courts," and warning against "[s]peculation by a federal court about how a state court would" rule on uncertain issues of importance).⁵ But in other cases the Court has itself certified questions directly to state high courts. See Aldrich v. Aldrich, 375 U.S. 249, 251-52 (1963) (certifying, on the Court's own motion, questions to Florida Supreme Court under Florida certification rule in appeal from ruling of West Virginia Supreme Court; Aldrich v. Aldrich, 375 U.S. 75, 75 (1963) (same); Dresner v. City of Tallahassee,

⁵ Louisiana Supreme Court Rule 12, the rule invoked by the Court in *McKesson*, operates more or less the same way as Illinois Supreme Court Rule 20(a), except that Louisiana's rule contemplates certifications from "the Supreme Court of the United States,... any circuit court of appeal of the United States, or... any district court of the United States" (LA. SUP. CT. R. 12(1)), while Illinois' rule, as explained above, only invites certifications from this Court and from the Seventh Circuit. It is because of that difference that Atturo asks this Court (rather than the Federal Circuit below) to certify the question raised herein.

375 U.S. 136, 138-39 (1963) (certifying questions to Supreme Court of Florida). Atturo asks for the same relief here.

CONCLUSION

For the foregoing reasons, the Court should grant this Petition for a writ of *certiorari* and certify the following question to the Illinois Supreme Court pursuant to Illinois Supreme Court Rule 20(a):

Whether Illinois' absolute litigation privilege extends to claims of tortious interference with business expectancy, unfair competition, and unjust enrichment under Illinois law and, if so, whether it immunizes Toyo's conduct proved at trial.

Should the Illinois Supreme Court accept the request and answer the question in a manner different than the Federal Circuit did, the Court should vacate the decision of the Federal Circuit and remand the case for further proceedings consistent with the Illinois Supreme Court's opinion. Dated: Feb. 19, 2025 Respectfully submitted,

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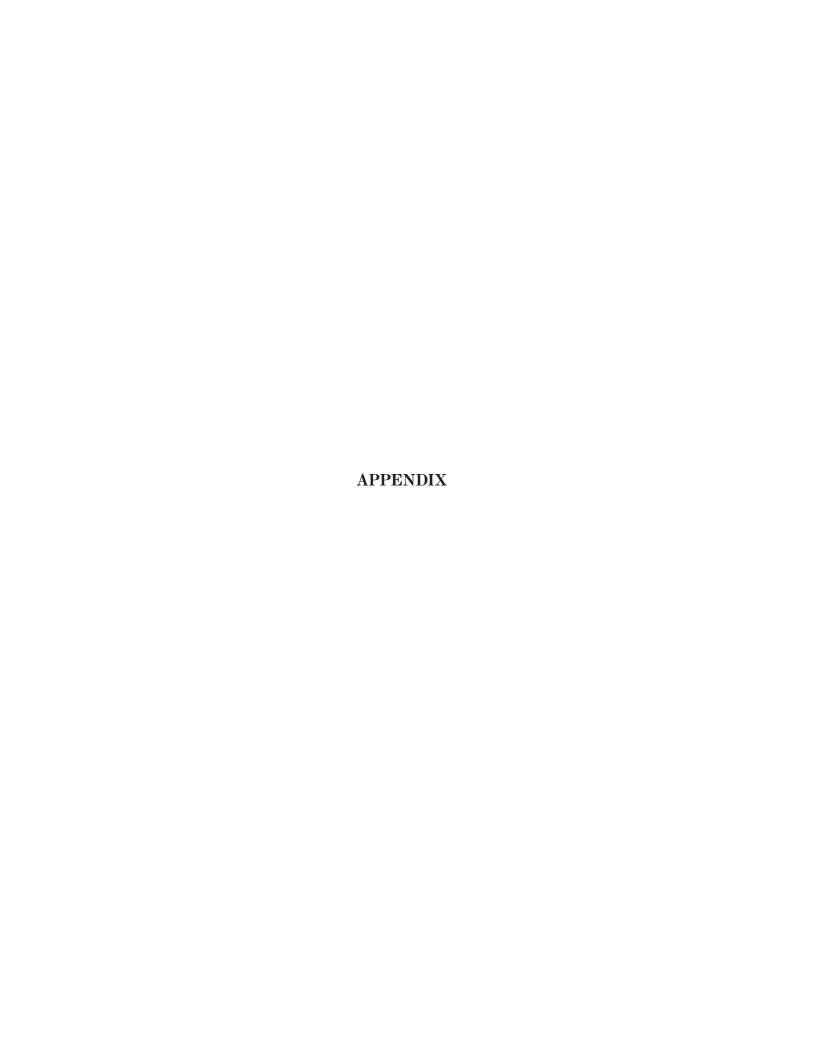


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APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, DECIDED OCTOBER 4, 2024

United States Court of Appeals for the Federal Circuit

Note: This disposition is nonprecedential.

Case Nos. 2022-1817, 2022-1892

TOYO TIRE CORP., TOYO TIRE U.S.A. CORP.,

Plaintiffs-Appellants,

v.

ATTURO TIRE CORPORATION,

Defendant-Cross-Appellant,

SVIZZ-ONE CORPORATION LTD.,

Defendant-Appellee.

Decided October 4, 2024

Appeals from the United States District Court for the Northern District of Illinois in No. 1:14-cv-00206, Judge Mary M. Rowland.

Before Moore, $Chief\ Judge$, Clevenger and Chen, $Circuit\ Judges$.

Appendix A

Chen, Circuit Judge.

Toyo Tire Corp. and Toyo Tire U.S.A. Corp. (collectively, Toyo) sued Atturo Tire Corporation (Atturo) and Svizz-One Corporation Ltd. (Svizz-One) in the United States District Court for the Northern District of Illinois for federal trade dress infringement, among other claims. Toyo principally alleged that Atturo's Trail Blade Mud Tire (TBMT) infringed Toyo's unregistered trade dress on its Open Country Mud Tire (OPMT). Atturo counterclaimed for federal trademark liability for false designation of origin under section 43(a)(1)(B) of the Lanham Act, and also brought several state law counterclaims: (1) tortious interference with contract, (2) tortious interference with prospective business expectancy, (3) unjust enrichment, (4) unfair competition, (5) defamation, and (6) liability under the Illinois Deceptive Trade Practices Act (IDTPA).

At the summary judgment stage, the district court sanctioned Toyo for discovery misconduct because Toyo never adequately identified its asserted trade dress during fact discovery, and the district court also excluded Toyo's expert testimony for relying on the wrong trade dress. The district court then granted summary judgment that Toyo lacked a valid trade dress because its purported trade dress was functional and lacked secondary meaning.

Atturo's counterclaims proceeded to a jury trial, and Toyo argued it could not be liable under three privilege

^{1.} The parties and the district court referred to the Open Country Mud Tire as OPMT or OPMT tire, so we will do the same.

doctrines: (1) Illinois intellectual property privilege, (2) Illinois absolute litigation privilege, and (3) *Noerr-Pennington* immunity. The jury returned a liability verdict on six of Atturo's counterclaims, awarding \$10 million in compensatory damages and \$100 million in punitive damages.

After trial, the district court set aside the jury's liability verdict for three claims and sustained the jury's verdict for the other three. Specifically, it rejected Atturo's claim for tortious interference with contract—which is not appealed—as well as Atturo's defamation and IDTPA claims, concluding those two claims were barred by Illinois's absolute litigation privilege. But it sustained the three remaining claims on which Atturo prevailed as not barred by any privilege doctrine. It entered judgment in Atturo's favor on those surviving claims—tortious interference, ²² unfair competition, and unjust enrichment—and reduced the jury's punitive damages award.

Toyo appeals, and Atturo cross-appeals. For the following reasons, we *affirm-in-part*, *reverse-in-part*, and *dismiss-in-part*. We affirm the district court's imposition of discovery sanctions, exclusion of certain expert testimony, and grant of summary judgment that Toyo lacks a valid trade dress. But we agree with Toyo that the district court erred in declining to apply the absolute litigation privilege to bar the tortious interference, unfair

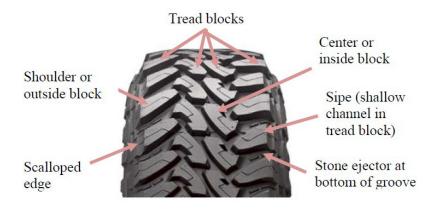
^{2.} In this opinion, we use the term "tortious interference" to refer to tortious interference with prospective business expectancy as opposed to tortious interference with contract.

competition, and unjust enrichment counterclaims, and we thus reverse the district court's judgment as to those claims. Finally, we reject Atturo's cross-appeal as to its defamation and IDTPA claims, and we do not reach Atturo's punitive damages arguments because they are rendered moot by our reversal of the underlying liability judgment.

I.

A.

Toyo is an international company whose business includes the design and manufacture of tires. Below is an annotated illustration of Toyo's OPMT tire tread that embodies Toyo's alleged trade dress.



Appellant's Br. 19.

In Toyo's OPMT, each element of the tread impacts the tire's traction, performance, self-cleaning ability, or a combination of those features. Toyo Tire Corp. v. Atturo Tire Corp., No. 14-cv-00206, 2021 U.S. Dist. LEXIS 24543, 2021 WL 463254, at *3-4 (N.D. Ill. Feb. 9, 2021) (Summary Judgment Decision). For example, the "tread blocks" are shaped and positioned to provide traction either off-road or on pavement. See 2021 U.S. Dist. LEXIS 24543, [WL] at *3. Each block also has internal "sipes" that allow the tread block to flex, which further improves the tire's traction, and the outer blocks include "scallops," a shaved edge point that bites into the ground and helps eject mud, snow, and rocks to maintain traction. 2021 U.S. Dist. LEXIS 24543, [WL] at *3-4. Finally, the "stone ejectors" help push out debris in various environments. 2021 U.S. Dist. LEXIS 24543, [WL] at *4.

Atturo is a designer, marketer, and importer of tires for the United States auto market. In 2012, Atturo hired an outside consultant—Svizz-One, its co-appellee³—to design and manufacture a new tire. Atturo's resulting tire, which it called the Trail Blade M/T (TBMT), is depicted below:

^{3.} Svizz-One operated under the name Deestone at that time. We refer to both entities as Svizz-One.

Toyo Open Country M/T



Atturo Trail Blade M/T



J.A. 20268.

В.

Perceiving widespread copying of its tires, Toyo initiated a series of cases in federal district courts and in the United States International Trade Commission (ITC). Because the ITC litigation forms the basis for Atturo's counterclaims, we briefly describe it before turning to the district court case underlying this appeal.

1.

Toyo petitioned the ITC to investigate allegations of design patent infringement against more than twenty

manufacturers and distributors of various tires, but Toyo did not pursue an ITC investigation against Atturo. In September 2013, the ITC instituted the requested investigation, and Toyo settled many of these ITC cases. See, e.g., J.A. 22403–04; J.A. 22409–10.

As part of the settlement agreements, each respondent agreed to a cease-and-desist provision to stop selling the tires accused in the ITC investigation. See, e.g., J.A. 21897. But in the agreements, Toyo also identified "additional tires that it believe[d] infringe other Toyo intellectual property not asserted in the ITC Action." J.A. 21895, 21897, 21912. Rather than filing further litigation, Toyo asked the settling respondents to also cease and desist with respect to those additional tires. Most respondents agreed to cease and desist selling these additional tires, which included Atturo's TBMT. See, e.g., J.A. 21895, 21897, 21912.

One respondent—Svizz-One—agreed with that general approach. J.A. 22057–70. But Svizz-One's settlement agreement "explicitly excluded" Atturo's TBMT from the cease-and-desist agreement. *Id.* at 22058–60, 22070.

Before terminating an investigation based on a settlement, the ITC requires the parties to file a motion containing copies of settlement agreements with redactions covering confidential business information. See 19 C.F.R. § 210.21(b)(1). Following Toyo's motion to terminate the settling respondents from the ITC investigation, Atturo mailed to the Acting Secretary

of the ITC a letter "express[ing] concern" about the settlement agreements and urging the ITC to review those agreements to ensure they do not unduly restrain competition in the United States tire market and to forward the agreements "to appropriate agencies, including the United States Department of Justice, and the Federal Trade Commission." J.A. 23213–20. Nevertheless, the ITC terminated the investigation due to the settlements. See, e.g., J.A. 22280–82; J.A. 22403–05.

2.

In January 2014, Toyo filed the district court litigation giving rise to this appeal, asserting design patent infringement, trade dress infringement, and other claims not relevant on appeal. Toyo eventually dismissed its design patent claims with prejudice and proceeded with its trade dress claim.

In its complaint, Toyo identified its alleged trade dress as "the overall appearance" of its OPMT tires. J.A. 1326. During discovery, Atturo served an interrogatory asking Toyo to identify precisely what elements of the tire were included in the trade dress. *Toyo Tire & Rubber Co. v. Atturo Tire Corp.*, No. 14-cv-00206, 2018 U.S. Dist. LEXIS 122726, 2018 WL 3533315, at *1 (N.D. Ill. July 23, 2018) (*Sanctions Decision*). In its first response, Toyo indicated that the trade dress "may" include both a variety of tread features and their physical orientation relative to one another. *Id.* (citation omitted). But Toyo's response expressly disclaimed being limited to the features identified in its response because it also noted

that the "trade dress may be articulated using different words." *Id.* (emphasis omitted) (citation omitted). The district court found that this response "seemed to confuse, rather than clarify, matters." *Id.*

Atturo subsequently moved to compel a more specific answer, and the district court agreed that was appropriate. The court instructed Toyo to respond "fully" and "without qualification" because—nearly a year into the case—Toyo had still not answered "what it is [Toyo is] claiming is [the] protectable intellectual property right here." 2018 U.S. Dist. LEXIS 122726, [WL] at *1–2 (citations omitted). The district court also warned Toyo that it would be "stuck" with its revised answer to the interrogatory. 2018 U.S. Dist. LEXIS 122726, [WL] at *2 (citation omitted).

Toyo responded by "summarizing the OPMT trade dress as 'the "OPMT look," i.e., the overall visual appearance and impression conveyed by the Open Country M/T tire tread design," and providing images that highlighted what aspects of the OPMT were included in the trade dress. *Id.* (emphasis omitted) (citation omitted). Those highlighted images are reproduced below:

10a Appendix A



J.A. 9247. The blue highlighting includes both two-dimensional features and three-dimensional features. For example, Image C highlights the OPMT's three-dimensional "scallops." *Sanctions Decision*, 2018 U.S. Dist. LEXIS 122726, 2018 WL 3533315, at *6 n.5.

Seven months later, Atturo deposed Toyo's Rule 30(b) (6) witness, and her testimony was inconsistent with

Toyo's identified trade dress. She testified that the "tread design" included "grooves" (the spaces between blocks), "stone ejectors" (small rubber raised features within the grooves), and "sipes" (the thin, shallow indentation within each tread block). 2018 U.S. Dist. LEXIS 122726, [WL] at *2 & n.2 (citations omitted). None of these features are highlighted in Toyo's blue-highlighted images. She also testified that "the siping "is a differentiator" that "makes the tires recognizable as OPMT tires." 2018 U.S. Dist. LEXIS 122726, [WL] at *2 (citations omitted).

At Atturo's request, the district court granted two more motions to compel because Toyo had "refused to state unequivocally whether certain tires contain trade dress features and what those features are." 2018 U.S. Dist. LEXIS 122726, [WL] at *3 (cleaned up). The court also ordered Toyo to produce a corporate witness who could "identify which specific features on the tires meet the definition of trade dress and which do not." *Id.* (citation omitted).

Toyo's corporate witness declined to comply with the court's order. Instead, on the advice of counsel, the witness refused to answer "more than one hundred different questions" addressing whether any specific features of the OPMT tire were part of the asserted trade dress. 2018 U.S. Dist. LEXIS 122726, [WL] at *4 (citation omitted). The witness also declined to answer "whether specific images of various Toyo tire models displayed the trade dress, despite being a [Rule] 30(b)(6) witness." *Id*.

One month before the end of fact discovery, the district court again ordered Toyo to "produce a [Rule] 30(b)

(6) witness to answer questions regarding which tread patterns are embodied in its asserted trade dress." *Id.* (citation omitted). Toyo's final corporate witness indicated that the sipes were indeed part of Toyo's trade dress. *Id.* This testimony is inconsistent with Toyo's interrogatory responses, including the blue-highlighted images, which did not highlight the sipes. Fact discovery then closed. *Id.*

Toyo later served its expert reports, expressing for the first time that Toyo's expert witnesses defined Toyo's trade dress as a "two-dimensional" trade dress—exclusively limited to the outer surfaces of the tire tread that physically touch the road during ordinary driving. See, e.g., Toyo Tire & Rubber Co. v. Atturo Tire Corp., No. 14-cv-00206, 2019 U.S. Dist. LEXIS 219398, 2019 WL 7020654, at *4, *8 (N.D. Ill. Dec. 20, 2019) (Daubert Decision) (quoting reports of Toyo's secondary meaning and functionality experts). Subsequently, Toyo's counsel confirmed that "it would assert as the trade dress only the '2D surface configuration of the center and shoulder blocks." Sanctions Decision, 2018 U.S. Dist. LEXIS 122726, 2018 WL 3533315, at *4.

Toyo's experts relied on this definition to support a key element of its trade dress validity argument—nonfunctionality. It is a "well-established rule that trade dress protection may not be claimed for product features that are functional." *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29, 121 S. Ct. 1255, 149 L. Ed. 2d 164 (2001). To show non-functionality, Toyo's expert noted that its trade dress was limited to "the two-dimensional surface of the tire... as opposed to the three-dimensional

shapes of the blocks," the latter of which "provide[s] a utilitarian advantage to the tire." J.A. 10146.

On Atturo's motion for sanctions, the district court found that Toyo had improperly and untimely shifted positions between fact and expert discovery. *Sanctions Decision*, 2018 U.S. Dist. LEXIS 122726, 2018 WL 3533315, at *8. Because of this last-minute shift, and Toyo's prior inconsistent deposition testimony, the district court granted Atturo's motion and barred Toyo from asserting a trade dress "limited to the two-dimensional surface layer of the tire's center and shoulder blocks." 2018 U.S. Dist. LEXIS 122726, [WL] at *5. The court found that allowing Toyo to assert the two-dimensional trade dress at this point in the litigation "would effectively allow 'trial by ambush." 2018 U.S. Dist. LEXIS 122726, [WL] at *9 (citation omitted).

Atturo also challenged Toyo's functionality and secondary-meaning expert witnesses as improperly applying a trade dress not disclosed during fact discovery. The district court agreed, finding that Toyo's experts premised their opinions on the "two-dimensional surface" as the asserted trade dress. *Daubert Decision*, 2019 U.S. Dist. LEXIS 219398, 2019 WL 7020654, at *3–9. The district court excluded Toyo's expert testimony because allowing expert testimony about the wrong trade dress would circumvent the sanctions order and could confuse the jury. *Id*.

The district court then granted summary judgment that Toyo's asserted trade dress was invalid on two

independent grounds: functionality and lack of secondary meaning. Summary Judgment Decision, 2021 U.S. Dist. LEXIS 24543, 2021 WL 463254, at *10. The court explained the trade dress was functional because the design affected the tire's performance, traction, and ability to self-clean when dealing with debris, mud, or snow. 2021 U.S. Dist. LEXIS 24543, [WL] at *3–8.

Because Toyo had no remaining claims, the case proceeded to trial exclusively on Atturo's counterclaims, which all relied on overlapping factual assertions that Toyo had wrongfully interfered with Atturo's business by falsely labeling the TBMT as infringing the OPMT trade dress in the ITC settlement agreements. The jury rejected Atturo's counterclaim under the Lanham Act but otherwise found in favor of Atturo on its six statelaw counterclaims. The jury awarded a lump sum of \$10 million for all claims and a punitive damages award of \$100 million.

Following post-trial motions, the district court set aside the jury verdict of liability for three of Atturo's counterclaims. See Atturo Tire Corp. v. Toyo Tire Corp., No. 14-cv-00206, 2022 U.S. Dist. LEXIS 84167, 2022 WL 1470362, at *12 (N.D. Ill. May 10, 2022) (Post-Trial Decision). First, the district court held that Atturo's tortious interference with contract claim was substantively unsupported under Illinois law, a point Atturo does not appeal. 2022 U.S. Dist. LEXIS 84167, [WL] at *8. Second, the district court concluded that Atturo's defamation and IDTPA claims were barred under Illinois's absolute litigation privilege. 2022 U.S. Dist. LEXIS 84167, [WL]

at *3. Third, the district court found a lack of conduct warranting punitive damages and reduced the jury's punitive damages award to \$100,000. 2022 U.S. Dist. LEXIS 84167, [WL] at *11.

Toyo appeals, and Atturo cross-appeals. We have jurisdiction under 28 U.S.C. § 1295(a)(1). *See Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1346 (Fed. Cir. 1999) ("Our exclusive jurisdiction over matters arising in whole or in part under the patent laws is not defeated by the fact that the patent claims have been dismissed with prejudice.").

II.

A.

Toyo first challenges the district court's imposition of discovery sanctions that barred Toyo from relying on a two-dimensional trade dress. In the district court's view, Toyo's assertion of a two-dimensional trade dress during expert discovery was untimely and violated the court's discovery rules and orders. We review discovery sanctions under the law of the regional circuit. *Adasa Inc. v. Avery Dennison Corp.*, 55 F.4th 900, 916 (Fed. Cir. 2022), *cert. denied*, 143 S. Ct. 2561, 216 L. Ed. 2d 1181 (2023). The Seventh Circuit reviews discovery sanctions for abuse of discretion and underlying factual findings for clear error. *Dotson v. Bravo*, 321 F.3d 663, 666–67 (7th Cir. 2003).

When a litigant fails to comply with the disclosure requirements of Federal Rule of Civil Procedure 26(a) or

(e), "the sanction of exclusion [of the untimely disclosed information] is automatic and mandatory unless the sanctioned party can show that its violation ... was either justified or harmless." Salgado ex rel. Salgado v. Gen. Motors Corp., 150 F.3d 735, 742 (7th Cir. 1998); see also Fed. R. Civ. P. 37(c)(1). Whether a "violation is justified or harmless is entrusted to the broad discretion of the district court." Mid-America Tablewares Inc. v. Mogi Trading Co., 100 F.3d 1353, 1363 (7th Cir. 1996). "[T]he following factors should guide the district court's discretion: (1) the prejudice or surprise to the party against whom the evidence is offered; (2) the ability of the party to cure the prejudice; (3) the likelihood of disruption to the trial; and (4) the bad faith or willfulness involved in not disclosing the evidence at an earlier date." David v. Caterpillar, Inc., 324 F.3d 851, 857 (7th Cir. 2003).

Toyo argues that the district court clearly erred in finding that its interrogatory responses did not disclose a two-dimensional trade dress. According to Toyo, the only reasonable way to understand the blue-highlighted images is that they delineate Toyo's two-dimensional trade dress. We reject this argument.

Unlike in its expert reports, Toyo never specified that it relied on a two-dimensional trade dress during fact discovery. When the district court repeatedly ordered Toyo to identify elements of the OPMT tire that were excluded from its trade dress, Toyo's discovery responses declined to do so. Despite multiple depositions, interrogatory responses, and motions to compel, Toyo

never stated during fact discovery that its trade dress was limited to a two-dimensional appearance.⁴

To the contrary, Toyo's discovery responses conveyed that its trade dress included three-dimensional components. For example, when Toyo disclosed its blue-highlighted images, Toyo's highlighting in Image C included the "scallops," a three-dimensional feature of the OPMT tire. J.A. 9247. Toyo's accompanying written response to the blue-highlighted images also emphasized that the trade dress included both "center blocks and shoulder blocks"—which are also three-dimensional elements of the tire—as well as their physical orientation relative to one another. J.A. 9246–47.

Toyo's Rule 30(b)(6) witness also testified that the sipes—which are unhighlighted and three-dimensional—were part of the trade dress. *Sanctions Decision*, 2018 U.S. Dist. LEXIS 122726, 2018 WL 3533315, at *4. Toyo's corporate witness made these disclosures *after* Toyo had disclosed the blue-highlighted figures. 2018 U.S. Dist. LEXIS 122726, [WL] at *2–4. For all these reasons, the district court did not clearly err in finding that Toyo had not limited its trade dress to a two-dimensional surface.

^{4.} We are mindful that parties can, and often do, flesh out theories with additional detail during expert discovery. *Salgado*, 150 F.3d at 742 n.6 ("It is expected that the reports will be far more complete and detailed than the practice in responding to interrogatories...." (citation omitted)). Here, Toyo's expert reports did not merely offer additional details but instead presented a materially different definition of Toyo's trade dress.

Toyo next argues that the district court clearly erred in finding prejudice from the belated disclosure of a two-dimensional trade dress. The district court primarily found prejudice because Atturo focused its discovery efforts on evaluating the functionality and secondary meaning of the three-dimensional trade dress Toyo disclosed during fact discovery and then was ambushed by the two-dimensional trade dress disclosed for the first time during expert discovery. *Sanctions Decision*, 2018 U.S. Dist. LEXIS 122726, 2018 WL 3533315, at *9. That finding was not clearly erroneous.

Indeed, the district court's decision reasonably reflects how timely disclosure of what exactly comprises the asserted trade dress is particularly critical when the asserted trade dress is unregistered. "To prevail on a trade dress claim, [the plaintiff] must establish that its trade dress is nonfunctional, that it has acquired secondary meaning, and that a likelihood of confusion exists" Incredible Techs., Inc. v. Virtual Techs., Inc., 400 F.3d 1007, 1015 (7th Cir. 2005). Each of these showings requires knowledge of what the trade dress comprises. If the trade dress is unregistered, a defendant must rely on the plaintiff's representations about the scope of the asserted trade dress, including what components are included or excluded from the trade dress. See, e.g., Bodum USA, Inc. v. A Top New Casting Inc., 927 F.3d 486, 492 (7th Cir. 2019); Arlington Specialties, Inc. v. Urb. Aid, *Inc.*, 847 F.3d 415, 420 (7th Cir. 2017). When, as here, a plaintiff does not timely convey the precise scope of the asserted trade dress or attempts to change the scope after substantial discovery, a district court may very well

find prejudice given that the defendant's theory of the case and case strategy may be affected by the plaintiff's identification of the scope of the unregistered trade dress.

Toyo counters that there can be no prejudice here because Atturo should have been on notice of Toyo's trade dress from positions Toyo took in a different case pending in the United States District Court for the Central District of California. See Toyo Tire & Rubber Co. v. CIA Wheel Grp., No. 15-cv-00246 (C.D. Cal.) (CIA Wheel Case). In that case, Toyo asserted that unrelated tires owned by unrelated third parties infringed Toyo's trade dress.

We reject this argument because Toyo's discovery responses did not incorporate any disclosures made in the *CIA Wheel* Case. Toyo instead claims that Atturo was generally "monitoring the docket" in that case. Appellant's Br. 28 (citing J.A. 3392; J.A. 8959–68). But Toyo had a duty to provide complete and accurate discovery responses in this case. The possibility that Atturo monitored the public version of the *CIA Wheel* Case docket does not obviate Toyo's discovery obligations in this case.

Toyo's argument is also based on a non sequitur: even if Atturo knew about the trade dress asserted in the *CIA Wheel* Case, it does not follow that there cannot be a finding of prejudice in this case. Toyo never explains why knowledge of a different position taken in a different case against different parties means that there cannot be prejudice in this case, let alone why the district court clearly erred in finding prejudice here.

In short, the district court did not abuse its discretion by imposing discovery sanctions. We therefore affirm the district court's sanctions order barring Toyo from asserting a two-dimensional trade dress.

В.

Toyo's expert witness testimony. We review evidentiary rulings under the law of the regional circuit. *Omega Pats., LLC v. CalAmp Corp.*, 13 F.4th 1361, 1368 (Fed. Cir. 2021). The Seventh Circuit offers limited review of *Daubert* rulings. Once the district court has applied *Daubert*, the Seventh Circuit reviews the "ultimate decision to exclude or admit the expert witness testimony for an abuse of discretion only." *Gopalratnam v. Hewlett-Packard Co.*, 877 F.3d 771, 782 (7th Cir. 2017) (quoting *Krik v. Exxon Mobil Corp.*, 870 F.3d 669, 673 (7th Cir. 2017)).

"Under *Daubert*, the district court is to perform a gate-keeping function and conduct a two-step analysis before admitting expert scientific testimony under Rule 702." *Chapman v. Maytag Corp.*, 297 F.3d 682, 686 (7th Cir. 2002). The court must focus on the validity of the methodology used by the expert and must further determine whether the expert's testimony would assist the finder of fact. *Id.* at 686–87.

Toyo's expert testimony. We reject this argument because the district court did not abuse its discretion in finding that Toyo's experts relied on the wrong trade dress. The

district court also did not abuse its discretion in finding that analyzing a two-dimensional trade dress is not a reliable methodology for assessing a different, three-dimensional trade dress. See Fed. R. Evid. 702. Nor did the district court abuse its discretion in finding that the expert testimony independently failed Daubert because expert testimony about a two-dimensional trade dress would not assist the jury in assessing a different, three-dimensional trade dress.

Alternatively, Toyo contends that, even if the discovery sanctions were proper, the district court should not have excluded each expert's entire testimony because the two-dimensional tread shapes "dominate the 'overall appearance" of the OPMT tire. Appellant's Br. 51.

This argument fails because none of Toyo's experts testify to this "dominant components" theory: Toyo's functionality expert understood "the two-dimensional surface of the tire" as the trade dress, and Toyo's secondary meaning experts limited the trade dress to "the surface configuration of the [OPMT] tire tread." J.A. 10146; J.A. 9421; J.A. 9615. These experts then opined about infringement and validity by relying on that two-dimensional trade dress. As the district court observed, Toyo cannot now recast those reports "as providing two different opinions—one about a two-dimensional trade dress and one about a three-dimensional trade dress 'driven by' the two-dimensional surface." *Daubert Decision*, 2019 U.S. Dist. LEXIS 219398, 2019 WL 7020654, at *4.

Accordingly, the district court did not abuse its discretion in excluding Toyo's expert testimony. We therefore affirm the district court on this issue.

C.

Toyo's final trade-dress related challenge is that the district court improperly granted summary judgment that Toyo's asserted, three-dimensional trade dress was invalid. We review a grant of summary judgment under the law of the regional circuit. Mosaic Brands, Inc. v. Ridge Wallet LLC, 55 F.4th 1354, 1362 (Fed. Cir. 2022). The Seventh Circuit reviews the grant of summary judgment de novo. Flexible Steel Lacing Co. v. Conveyor Accessories, Inc., 955 F.3d 632, 643 (7th Cir. 2020). "Summary judgment is appropriate when 'there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Id. (quoting Fed. R. Civ. P. 56(a)).

The district court found the trade dress invalid because it was both functional and lacked secondary meaning. We address only functionality and affirm the district court's grant of summary judgment on that ground.

"[I]f a product feature is functional, it is not entitled to trade dress protection." *Flexible Steel*, 955 F.3d at 644. "When the trade dress is unregistered (as [Toyo's] is), the party seeking protection has the burden to show it is not functional." *Arlington Specialties, Inc. v. Urb. Aid, Inc.*, 847 F.3d 415, 418 (7th Cir. 2017). "A product feature is considered functional and is ineligible for trademark

protection 'if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." Flexible Steel, 955 F.3d at 644 (quoting Inwood Lab'ys, Inc. v. Ives Lab'ys, Inc., 456 U.S. 844, 850, 102 S. Ct. 2182, 72 L. Ed. 2d 606 n.10 (1982)). Courts generally consider the following factors to determine whether a design is functional:

(1) the existence of a utility patent, expired or unexpired, that involves or describes the functionality of an item's design element; (2) the utilitarian properties of the item's unpatented design elements; (3) advertising of the item that touts the utilitarian advantages of the item's design elements; (4) the dearth of, or difficulty in creating, alternative designs for the item's purpose; (5) the effect of the design feature on an item's quality or cost.

Id. (quoting Georgia-Pacific Consumer Prods. LP v. Kimberly-Clark Corp., 647 F.3d 723, 727–28 (7th Cir. 2011)).

The district court correctly granted summary judgment that Toyo's trade dress was functional because there was no genuine dispute that the three-dimensional trade dress affected driving performance. Toyo's own Rule 30(b)(6) witness supported this conclusion, testifying that "every element of the tread design of the OPMT tire affects the tire's ability to provide traction,' that 'all' of the elements 'work together to provide traction for the OPMT,' and that there are no 'elements of the OPMT tread design

that have no effect on the OPMT tire's ability to provide traction." Summary Judgment Decision, 2021 U.S. Dist. LEXIS 24543, 2021 WL 463254, at *3 (citation omitted). For example, she testified that the "tread design with hook shape[d] blocks gives superb traction off-road and solid performance on pavement and the open scallop shoulder blocks bite into the ground and help eject mud, snow, and rocks to maintain traction." Id. (citation omitted). Toyo's corporate testimony was consistent with "Atturo's unrebutted tire functionality expert" who also testified that "each of the individual elements of the alleged trade dress is utilitarian." 2021 U.S. Dist. LEXIS 24543, [WL] at *4 (emphasis omitted).

The district court also pointed out that Toyo's advertising emphasized "superb traction off-road and solid performance on pavement." 2021 U.S. Dist. LEXIS 24543, [WL] at *5. It cited testimony from one of Toyo's witnesses that the marketing term used to describe the tread design, "aggressive," describes how Toyo's tires "attack[] . . . whatever surface you're driving on"—a functional benefit. 2021 U.S. Dist. LEXIS 24543, [WL] at *6 (citation omitted).

Toyo's arguments fail to identify a genuine dispute of material fact. Toyo primarily argues that summary judgment was inappropriate because Toyo offered evidence of alternative tire designs. According to Toyo, these alternative tire designs demonstrate that preventing competitors from copying Toyo's design would not significantly disadvantage them. But an "asserted trade dress that affects the cost or quality of a product remains

'functional even if other solutions to the design problems are available to competitors." *Flexible Steel*, 955 F.3d at 645 (quoting *Arlington Specialties*, 847 F.3d at 419). Thus, the existence of alternative tire tread designs does not preclude a grant of summary judgment on this record.

Toyo's other argument—that its advertisements create a fact-issue related to functionality—fares no better. Toyo acknowledges that its advertisements refer to its tires as having an "aggressive" tread and "attack[ing]" the road. Toyo interprets these advertisements as referring to the appearance of the tires, not the functionality. But on their face, Toyo's advertisements uniformly discuss functionality and repeatedly underscore that Toyo's tires achieve performance and traction needs. Most of Toyo's advertisements of record do not mention "aggressive" or "aggression." Instead, they tout performance-related benefits: Toyo's OPMT tires are "specially engineered to provide huge ground clearance, load-carrying capacity and off-road traction." Summary Judgment Decision, 2021 U.S. Dist. LEXIS 24543, 2021 WL 463254, at *6 (citation omitted); see also id. ("rock crawling is all about big traction and big clearance . . . our vice-gripping Open Country's [are] perfect for your ascent to the top" (alterations in original) (citation omitted)). Plus, Toyo adduced no evidence that the phrases "attack" or "aggressive" refer to aesthetics. To the contrary, Toyo's own witnesses testified that the phrases refer to the OPMT's "all-around traction," thereby improving the OPMT's functional performance. 2021 U.S. Dist. LEXIS 24543, [WL] at *6 (citation omitted).

In sum, the district court correctly granted summary judgment because there is no genuine dispute of material fact that the three-dimensional trade dress is functional.

III.

Toyo's appeal next argues that the district court erred by denying judgment to Toyo on Atturo's three surviving counterclaims—tortious interference, unfair competition, and unjust enrichment—based on the doctrines of intellectual property privilege, absolute litigation privilege, and *Noerr-Pennington* immunity. We agree with Toyo that Illinois's absolute litigation privilege bars these three counterclaims and thus do not reach the intellectual property privilege or *Noerr*-Pennington doctrine. Because Atturo's cross-appeal raises the related issue of whether the district court erred in granting judgment to Toyo based on the absolute litigation privilege for Atturo's defamation and IDTPA counterclaims, we address that portion of Atturo's crossappeal in this section as well and disagree that the district court so erred. Accordingly, we reverse the district court's judgment as to the tortious interference, unfair competition, and unjust enrichment counterclaims and affirm the district court's judgment as to the defamation and IDTPA counterclaims.

A.

For issues unrelated to patent law, we apply the law of the regional circuit to which the district court appeal would normally lie—here, the Seventh Circuit. *Flex-Foot*,

Inc. v. CRP, Inc., 238 F.3d 1362, 1365 (Fed. Cir. 2001). The Seventh Circuit determines state law issues using the Supreme Court's Erie doctrine. See United Fire & Cas. Co. v. Prate Roofing & Installations, LLC, 7 F.4th 573, 583 (7th Cir. 2021); Erie R.R. Co. v. Tompkins, 304 U.S. 64, 58 S. Ct. 817, 82 L. Ed. 1188 (1938). The district court's determination of the content of state law is reviewed de novo. Pisciotta v. Old Nat'l Bancorp, 499 F.3d 629, 635 (7th Cir. 2007).

Under the *Erie* doctrine, "federal courts try to predict how the state's highest court would rule" on a question of state law. United Fire, 7 F.4th at 583. If the issue has been decided "by a decision of 'the State's highest court,' that decision is 'binding on the federal courts.'" Animal Sci. Prods., Inc. v. Hebei Welcome Pharm. Co., 585 U.S. 33, 44, 138 S. Ct. 1865, 201 L. Ed. 2d 225 (2018) (quoting Wainwright v. Goode, 464 U.S. 78, 84, 104 S. Ct. 378, 78 L. Ed. 2d 187 (1983)). If the state's highest court has not addressed the issue, then a court in the Seventh Circuit first looks to state appellate cases and then to other "relevant state precedents, analogous decisions, considered dicta, scholarly works, and any other reliable data" that could indicate "how the highest court in the state would decide the issue." Pisciotta, 499 F.3d at 635 (citations omitted).

Though federal courts are empowered to make *Erie* predictions answering unsettled questions, they "must proceed with caution in making pronouncements about state law." *Lexington Ins. Co. v. Rugg & Knopp, Inc.*, 165 F.3d 1087, 1092 (7th Cir. 1999). At the same time,

the Seventh Circuit allows a federal court to "extend[] the ruling" of a state court of appeals and apply it to a new context, so long as "the rule's rationale applies" and "its application would be consistent with" other state law principles. *Rsch. Sys. Corp. v. IPSOS Publicite*, 276 F.3d 914, 925 (7th Cir. 2002).

В.

1.

In Illinois, "[t]he absolute-litigation privilege immunizes certain statements and conduct by attorneys in the course of litigation," as well as by the private parties to litigation. *Doe v. Williams McCarthy, LLP*, 2017 IL App (2d) 160860, 419 Ill. Dec. 196, 92 N.E.3d 607, 612 (Ill. App. Ct. 2017); *Bushell v. Caterpillar, Inc.*, 291 Ill. App. 3d 559, 683 N.E.2d 1286, 1287–88, 225 Ill. Dec. 623 (Ill. App. Ct. 1997). "The only requirement for the application of" the absolute litigation privilege is that the communication or conduct "pertain to proposed or pending litigation"—the so-called "pertinency requirement." *Scarpelli v. McDermott Will & Emery LLP*, 2018 IL App (1st) 170874, 426 Ill. Dec. 821, 117 N.E.3d 238, 246 (Ill. App. Ct. 2018). Whether the absolute litigation privilege applies is a question of law. *Id.* at 245.

In determining the scope of the absolute litigation privilege, Illinois courts generally rely on the Restatement (Second) of Torts (Am. L. Inst. 1977). *Bushell*, 683 N.E.2d at 1288; *O'Callaghan v. Satherlie*, 2015 IL App (1st) 142152, 394 Ill. Dec. 708, 36 N.E.3d 999, 1007–08 (Ill. App.

Ct. 2015). The Restatement (Second) contains parallel provisions applying the absolute litigation privilege to attorneys (section 586) and parties to judicial proceedings (section 587). The provision relevant here, section 587, provides:

A party to a private litigation or a private prosecutor or defendant in a criminal prosecution is absolutely privileged to publish defamatory matter concerning another in communications preliminary to a proposed judicial proceeding, or in the institution of or during the course and as a part of, a judicial proceeding in which he participates, if the matter has some relation to the proceeding.

Restatement (Second) of Torts § 587. Although the absolute litigation privilege commonly arises in the context of attorneys, and Illinois courts occasionally speak in terms of the "absolute attorney litigation privilege," see O'Callaghan, 36 N.E.3d at 1007, courts generally do not distinguish the scope of the privilege as between attorneys and parties to litigation, see, e.g., Johnson v. Johnson & Bell, Ltd., 2014 IL App (1st) 122677, 379 Ill. Dec. 626, 7 N.E.3d 52, 56–57 (Ill. App. Ct. 2014) (applying the privilege to a party to litigation and its attorneys); see also id. at 56 ("A private litigant enjoys the same privilege [as an attorney] concerning a proceeding to which he is a party." (citing Restatement (Second) of Torts § 587)).

"The defense of absolute privilege rests upon the idea that conduct which otherwise would be actionable

is permitted to escape liability because the defendant is acting in furtherance of some interest of social importance, which is entitled to protection even at the expense of uncompensated harm to the plaintiff[]." Bushell, 683 N.E.2d at 1287. The Restatement (Second) identifies the pursuit of justice as an interest protected by the absolute litigation privilege. See Restatement (Second) of Torts § 587 cmt. a ("The privilege stated in this Section is based upon the public interest in according to all men the utmost freedom of access to the courts of justice for the settlement of their private disputes."); see also id. § 586 cmt. a.

Historically, Illinois courts relied on the specific references to defamation and communications in the Restatement (Second) to limit application of the absolute litigation privilege as a defense to only defamation claims based on communications. See Scarpelli, 117 N.E.3d at 246-47; Zdeb v. Baxter Int'l, Inc., 297 Ill. App. 3d 622, 697 N.E.2d 425, 430, 231 Ill. Dec. 871 (Ill. App. Ct. 1998).⁵ The provisions of the Restatement (Second) on the absolute litigation privilege, however, have not been adopted by the Illinois Supreme Court, and are thus not binding on Illinois courts. See O'Callaghan, 36 N.E.3d at 1009. Over the last decade, Illinois courts have readily and consistently extended the privilege beyond the Restatement (Second) to cover numerous other causes of action, in furtherance of Illinois policy and the purposes of the privilege. See Johnson, 7 N.E.3d at 55–57 (negligence, negligent infliction of emotional distress, and breach

^{5.} The Restatement (Second) also applies the absolute litigation privilege to injurious falsehood and invasion of privacy torts. *See* Restatement (Second) of Torts §§ 635, 652F.

of contract); O'Callaghan, 36 N.E.3d at 1003, 1008-09 (intentional infliction of emotional distress and strict liability for ultrahazardous activity); Gorman-Dahm v. BMO Harris Bank, N.A., 2018 IL App (2d) 170082, 419 Ill. Dec. 719, 94 N.E.3d 257, 262–264 (Ill. App. Ct. 2018) (abuse of process); Kim v. State Farm Mut. Auto. Ins. Co., 2021 IL App (1st) 200135, 460 Ill. Dec. 16, 199 N.E.3d 737, 748–49 (Ill. App. Ct. 2021) (common law and statutory fraud); Doe, 92 N.E.3d at 612-13 (intentional infliction of emotional distress); Bedin v. Nw. Mem'l Hosp., 2021 IL App (1st) 190723, 453 Ill. Dec. 286, 187 N.E.3d 739, 749–50 (Ill. App. Ct. 2021) (same); Goodman v. Goodman, 2023 IL App (2d) 220086, 470 Ill. Dec. 299, 226 N.E.3d 704, 712 (Ill. App. Ct.) (same), appeal denied, 468 Ill. Dec. 558, 221 N.E.3d 386 (Ill. 2023); see also Creation Supply, Inc. v. Hahn, 608 F. Supp. 3d 668, 697–98 (N.D. Ill. 2022) (tortious interference with contract), aff'd on other grounds sub nom., Creation Supply, Inc. v. Cherrie, 61 F.4th 511 (7th Cir. 2023).

In particular, the privilege has been applied to bar other causes of action where a party merely "recast[s]... a defamation claim in order to avoid the absolute litigation privilege." *Johnson*, 7 N.E.3d at 57. "The absolute [litigation] privilege would be meaningless if a simple recasting of the cause of action could void its effect." *Id.* at 56 (quoting *Barker v. Huang*, 610 A.2d 1341, 1349 (Del. 1992) (cleaned up)). In *Johnson*, for example, the plaintiff brought claims for invasion of privacy, negligence, negligent infliction of emotional distress, and breach of contract, based on the defendants' failure to redact the plaintiff's personal information from publicly

filed court documents. *Id.* at 55. Collecting cases from other jurisdictions holding that the absolute litigation privilege can apply to claims that merely recast a cause of action for defamation, the court applied the privilege to bar the plaintiff's claims. *Id.* at 56–57. In that sense, Illinois "policy [is] furthered by disregarding arbitrary distinctions" in the type of claim alleged. *O'Callaghan*, 36 N.E.3d at 1009.

Separately, the absolute litigation privilege has evolved in Illinois case law, "apart and beyond the Restatement (Second), to cover conduct" when that conduct is pertinent to litigation. Scarpelli, 117 N.E.3d at 250. As explained in O'Callaghan, "[1] imiting the privilege to communications, as opposed to conduct, would undermine the policies behind the privilege. Conversely, the pertinency requirement prevents an attorney from shielding unrelated misconduct from liability." O'Callaghan, 36 N.E.3d at 1004, 1009 (holding that the absolute litigation privilege applies to alleged attorney misconduct, including discovery violations and directing condominium inspectors to perform actions allowing the spread of toxic black mold). For this reason too, Illinois courts have applied the privilege to bar non-defamation-type claims that attempt to impose civil liability on the conduct of attorneys and parties in furtherance of litigation. See, e.g., id. at 1009–10; Scarpelli, 117 N.E.3d at 249–50; Goodman, 226 N.E.3d at 712; Bedin, 187 N.E.3d at 749–50.

2.

Toyo argues that the district court erred in declining to apply the absolute litigation privilege to bar Atturo's

counterclaims for tortious interference, unfair competition, and unjust enrichment. The Illinois Supreme Court has not addressed whether the absolute litigation privilege can be applied to bar these claims. We must therefore predict how that court would decide this issue. See Pisciotta, 499 F.3d at 635. With the above principles and history of the absolute litigation privilege in mind, as well as the multitude of recent, published Illinois Court of Appeals decisions extending the privilege beyond its roots to cover conduct and causes of action other than defamation, we determine that the Illinois Supreme Court would conclude that the "widespread boundaries" of the absolute litigation privilege encompass the causes of action at issue here. Scarpelli, 117 N.E.3d at 247; see Pisciotta, 499 F.3d at 635.

We believe that the absolute litigation privilege applies because the three counterclaims at issue are merely a recasting of Atturo's counterclaim for defamation and, separately, because Toyo's actions are protectable as conduct pertinent to litigation. Each claim stems from the same common nucleus of fact: Toyo's inclusion of Atturo's TBMT tire in Toyo's ITC settlement agreements. Each claim rests, in part, on the same allegation that Toyo's settlement agreements falsely accused the TBMT tire of trade dress infringement. See J.A. 1673–79. Though no published Illinois decision has applied the absolute litigation privilege to the particular torts at issue here, the case law teaches that Illinois policy—and the privilege's purpose of providing attorneys and parties the "utmost freedom" to secure justice through statements and conduct pertinent to litigation—are furthered by disregarding the "arbitrary distinction[]" of what type of claim is asserted

to impose liability based on essentially the same facts as a claim for defamation. O'Callaghan, 36 N.E.3d at 1008–09; see Johnson, 7 N.E.3d at 56; Goodman, 226 N.E.3d at 711; Restatement (Second) of Torts § 587 cmt. a.

The district court disagreed, holding that the three counterclaims at issue do not "merely recast the defamation claim" because they "are not directed only at the allegedly defamatory statements Toyo made; they are based on Toyo's conduct as it relates to Atturo's customer Dunlap & Kyle (D&K) and Toyo's requirement that it never sell, import, or manufacture the Atturo tire." Post-Trial Decision, 2022 U.S. Dist. LEXIS 84167, 2022 WL 1470362, at *4. But over the last decade, Illinois courts of appeal have applied the absolute litigation privilege to protect communication and conduct alike and have accordingly extended the absolute litigation privilege to bar causes of action based on conduct. See Scarpelli, 117 N.E.3d at 246–48, 250 (discussing the evolution of the absolute litigation privilege). Under that rationale, the absolute litigation privilege may apply to bar the three counterclaims directed to Toyo's conduct even if they do not merely recast the defamation counterclaim. See, e.g., Goodman, 226 N.E.3d at 706, 712 (holding that the privilege bars a claim for intentional infliction of emotional distress based on the hiring of private investigators to surveil the plaintiff during divorce proceedings). It would be anomalous to hold that Illinois law permits Toyo to allege trade dress infringement in settlement agreements

^{6.} We note that, last year, the Illinois Supreme Court denied a petition for leave to appeal in *Goodman*. See 468 Ill. Dec. 558, 221 N.E.3d 386 (Ill. 2023).

yet prohibits Toyo—at the risk of civil tort liability—from including in those same agreements any contractual restrictions to address the alleged infringement. *Cf. Ringier Am., Inc. v. Enviro-Technics, Ltd.*, 284 Ill. App. 3d 1102, 673 N.E.2d 444, 445–47, 220 Ill. Dec. 532 (Ill. App. Ct. 1996) (where the defendant made allegedly false statements in a judicial pleading concerning the plaintiff's title to property, applying the privilege to the defendant's filing and recording of an associated *lis pendens* notice because if "the false allegations in the defendants' counterclaim are protected by an absolute privilege, the associated *lis pendens* enjoys the same protection").

We acknowledge that a single published Illinois Court of Appeals decision has specifically declined to apply the absolute litigation privilege to a claim for tortious interference. See Zdeb, 697 N.E.2d at 430. In addition to being over 25 years old and addressing only one of the three types of claims at issue here, we do not find Zdeb persuasive. Zdeb relied on the facial limitations of the Restatement (Second) without—as more recent Illinois decisions have done—analyzing whether the purposes of the privilege would be served by applying it to a claim that merely recasts the cause of action for defamation. Id. Moreover, this point of law is merely dicta in Zdeb, which first found that the privilege could not apply because the defendant relied on the incorrect provision of the Restatement (Second). See id.; O'Callaghan, 36 N.E.3d at 1009 (discounting this point of law from Zdeb as dicta).

Two final points support our conclusion that the absolute litigation privilege may apply in this instance.

First, although there is no published Illinois Court of Appeals opinion applying the absolute litigation privilege to the three torts at issue here, a recent unpublished opinion applied it to two of them—tortious interference and unjust enrichment—and did not concern the third—unfair competition. See Eagle Tr. Fund v. Miller, 2022 IL App (5th) 210156-U, ¶¶ 20, 36, 51.7 Second, the Illinois Court of Appeals has applied the related doctrine of absolute privilege for government officials—which, like the absolute litigation privilege, is traditionally a defense to defamation claims—to bar a claim for tortious interference. See Geick v. Kay, 236 Ill. App. 3d 868, 603 N.E.2d 121, 127, 129–30, 177 Ill. Dec. 340 (Ill. App. Ct. 1992) ("Absolute immunity has been applied to virtually every common-law tort...").

Atturo does not contend that, if we conclude the absolute litigation privilege is applicable to claims for tortious interference, unfair competition, and unjust enrichment, the privilege would not apply in this case for lack of pertinency to litigation. Regardless, as discussed *infra* with respect to Atturo's defamation and IDTPA counterclaims, we conclude that the challenged statements and conduct by Toyo in settling its intellectual property claims were pertinent to both the ITC proceedings and the district court litigation underlying this appeal.

^{7.} As a case decided after January 1, 2021, *Eagle Trust Fund* "may be cited as persuasive authority pursuant to Illinois Supreme Court Rule 23." *Kulhanek v. Casper*, 2023 IL App (1st) 221454, 473 Ill. Dec. 84, 232 N.E.3d 1101, 1108 n.3 (Ill. App. Ct. 2023); *see* Ill. S. Ct. R. 23(e)(1).

For these reasons, we reverse the district court's judgment as to Atturo's counterclaims for tortious interference, unfair competition, and unjust enrichment.

C.

We turn next to Atturo's cross-appeal, which argues that the district court erred in concluding Atturo's defamation and IDTPA counterclaims were barred by the absolute litigation privilege. We disagree.

Atturo does not contest whether the absolute litigation privilege applies to defamation and IDTPA claims. The sole dispute with respect to these claims is over the pertinency requirement. The absolute litigation privilege applies to communication or conduct that "pertain[s] to proposed or pending litigation," regardless of whether it occurs "before, during, [or] after litigation." *Goodman*, 226 N.E.3d at 711–12 (citations omitted). Illinois "courts have made clear that this [pertinency] requirement is not strictly applied," *Scarpelli*, 117 N.E.3d at 246, and "all doubts are to be resolved in favor of finding" pertinency. *Doe*, 92 N.E.3d at 612.

Here, the allegedly false statements underlying Atturo's counterclaims were made by Toyo in its ITC settlement agreements. Atturo argues that the district court erred in finding that Toyo's trade dress infringement allegations in the settlement agreements are pertinent to either the ITC proceedings or the instant district court litigation.

We agree with the district court on both fronts. Toyo's accusations of trade dress infringement by Atturo's TBMT tire bore "some relationship to" and were "in furtherance of" the ITC proceedings, in which Toyo asserted other intellectual property claims. *Doe*, 92 N.E.3d at 612. Although Atturo was not a party to, and its TBMT tires were not accused in, the ITC action, the trade dress allegations were pertinent to resolving all of Toyo's intellectual property claims against the settling respondents. *See*, *e.g.*, J.A. 1027–28 (trial testimony that one respondent wanted to "be done and over with...[its] involvement" with Toyo). The ITC itself notes that parties, in settling their ITC disputes, may "include provisions, territories, technologies, and details far exceeding the scope of the complaint" filed with the ITC. J.A. 22125.

The trade dress infringement accusations were also clearly in furtherance of and preliminary to the district court litigation. Toyo brought this action against Atturo less than three months after it executed the first of the settlement agreements, alleging infringement of the same trade dress by the same accused product as alleged in the settlement agreements. Furthermore, Toyo also sued Svizz-One, the sole ITC respondent that declined to include the TBMT tire in its settlement agreement. J.A. 22058. "In determining whether the [absolute litigation] privilege should apply," Illinois courts have "considered whether a limitation on the privilege's application would frustrate an attorney's ability to settle or resolve cases without resorting to expensive litigation, as many disputes are best resolved out of court." O'Callaghan, 36 N.E.3d at 1008; see, e.g., Scarpelli, 117 N.E.3d at 251 (applying the

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absolute litigation privilege to conduct attempting to bring a matter "to some sort of settlement in an effort to avoid litigation"). Toyo's settlements pertained to, and may have avoided, potential litigation for trade dress infringement against the respondents that accepted inclusion of the TBMT tire.

Finally, Atturo argues that "applying the privilege would leave Atturo no recourse for defamatory statements made during" the ITC proceedings, in which it was not involved. Cross-Appellant's Br. 67. As an initial matter, we note that Atturo did seek a remedy by sending a letter to the ITC requesting that it investigate Toyo's settlement agreements and forward them "to appropriate agencies, including the United States Department of Justice, and the Federal Trade Commission." J.A. 23213–14, 23219. In any event, Atturo's argument is unpersuasive, as Illinois law is "clear that the privilege applies even at the expense of uncompensated harm to a plaintiff." *Scarpelli*, 117 N.E.3d at 251 (rejecting argument that "the litigation privilege should not apply because it leaves [the plaintiffs] with no recourse").

Accordingly, we agree with the district court that Illinois's absolute litigation privilege bars Atturo's defamation and IDTPA counterclaims.

IV.

We have considered the parties' remaining arguments and find them unpersuasive. Because Atturo does not appeal the judgment in Toyo's favor on Atturo's Lanham

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Act and tortious interference with contract counterclaims, and we conclude that Atturo's remaining counterclaims are barred by the absolute litigation privilege, we reverse the award of damages to Atturo and dismiss as moot Atturo's cross-appeal as to punitive damages. See Dow Chem. Co. v. Nova Chems. Corp. (Canada), 803 F.3d 620, 635 (Fed. Cir. 2015) (reversing award of supplemental damages and dismissing as moot cross-appeal on enhanced damages). Therefore, for the reasons explained above, we affirm in part, reverse in part, and dismiss in part.

AFFIRMED-IN-PART, REVERSED-IN-PART, AND DISMISSED-IN-PART

Costs

No costs.

APPENDIX B — MEMORANDUM OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION, FILED MAY 10, 2022

United States District Court for the Northern District of Illinois, Eastern Division

Case No. 14-cv-0206

ATTURO TIRE CORPORATION,

Counter-Plaintiff,

V.

TOYO TIRE CORPORATION, et al.,

Counter-Defendants.

Filed May 10, 2022

MEMORANDUM OPINION AND ORDER

Toyo brought this lawsuit alleging that Defendant Atturo Tire Corporation infringed Toyo's Open Country Mountain Tires trade dress. Atturo responded with seven counterclaims based on an action Toyo brought in 2013 before the United States International Trade Commission (ITC). With only Atturo's counterclaims remaining, the case proceeded to a jury trial in September 2021. Before the Court are the parties' post-trial motions. For the reasons stated below, Toyo's motion for judgment or alternatively a new trial [751] is granted in part and denied

in part and Atturo's motion for injunctive relief and other corrective actions [753] is denied.

BACKGROUND

The following summarizes the background relevant to the present motions. In 2016, Toyo moved for summary judgment on all of Atturo's counterclaims, arguing that the counterclaims arose out of Toyo's actions before the ITC (ITC Investigation No. 337-TA-894) and were protected from suit by the *Noerr-Pennington* doctrine. Atturo bases its counterclaims on provisions in settlement agreements that Toyo negotiated restricting the ITC respondents' ability to purchase and distribute Atturo's tire, the Trail Blade M/T (hereinafter, "Atturo Provisions"). On March 30, 2017, the Court denied Toyo's summary judgment motion finding that the Noerr-Pennington doctrine did not immunize its conduct. (Dkt. 362, "Noerr-Pennington Order"). The Court explained that Atturo was not among the named respondents in the ITC Action, nor were any Atturo tires listed among the allegedly infringing tires in Toyo's complaint. Id. On February 9, 2021, the Court entered summary judgment dismissing Toyo's claims for Lanham Act trade dress infringement and violation of the Illinois Deceptive Trade Practices Act, 815 Ill. Comp. Stat. 510/2 (IDTPA). (Dkt. 661). The Court ruled that Toyo's asserted trade dress is functional and Toyo failed to establish secondary meaning. The Court also denied in large part Toyo's motion for summary judgment on Atturo's counterclaims. (Dkt. 660).

^{1.} This order assumes familiarity with the long procedural history of this case filed in January 2014.

The Court scheduled a jury trial on Atturo's counterclaims for September 2021. Before trial the Court ruled on three *Daubert* motions and numerous motions in limine. Trial began September 16, 2021 and the jury entered a verdict on September 22, finding in favor of Atturo on six claims and in favor of Toyo on the Lanham Act claim. (Dkts. 740, 744).² The jury awarded Atturo \$10 million in compensatory damages and \$100 million in punitive damages.

At issue in the post-trial motions are Atturo's counterclaims under Illinois state law for: tortious interference with contract (Count I), tortious interference with prospective business expectancy (Count II), defamation (Count III), unfair competition (Count IV), unjust enrichment (Count V), and violation of the IDTPA (Count VI).

ANALYSIS

Toyo's Motion

I. Absolute Litigation Privilege and Noerr-Pennington Doctrine

Toyo seeks judgment in its favor based on the absolute litigation privilege and *Noerr-Pennington* immunity.

^{2.} Toyo orally moved for judgment as a matter of law under Federal Rule of Civil Procedure 50(a). The Court deferred consideration of that motion pending submission of the case to the jury under Rule 50(b).

a. Absolute Litigation Privilege

The Court finds that judgment is warranted in Toyo's favor on Counts III (defamation) and VI (IDTPA) because the Illinois absolute litigation privilege bars those claims.

The Court first briefly recounts the procedural history relevant to this defense. In March 2015, Judge Lee denied Toyo's motion to dismiss Atturo's defamation counterclaim [147]. In response to Toyo raising the absolute litigation privilege, the Judge explained that the privilege is an affirmative defense and he could not rule that the defamation claim was barred at the pleading stage. In August 2020, Toyo moved for partial summary judgment, in part based on the absolute litigation privilege. (Dkt. 611). Toyo argued that the Court should grant it summary judgment on Atturo's defamation counterclaim as well as its other counterclaims to the extent they stemmed from the statements in the ITC settlement agreements. (*Id.* at 14–15). In declining summary judgment based

^{3.} The Court rejects Atturo's argument that Toyo waived this defense. Toyo raised the absolute litigation privilege in March 2014 and again on summary judgment in 2020 (see Dkts. 29, 606). Atturo has been on notice that Toyo was relying on this defense since the start of this litigation. See Garofalo v. Village of Hazel Crest, 754 F.3d 428, 436 (7th Cir. 2014) ("[T]he failure to plead an affirmative defense in the answer works a forfeiture only if the plaintiff is harmed by the defendant's delay in asserting it.") (cleaned up). In addition, Toyo raised the absolute litigation privilege in its oral Rule 50 motion (see Dkt. 736).

^{4.} In the summary judgment briefing, none of the case law cited by Toyo applied the absolute litigation privilege to the claims at issue

on the absolute litigation privilege, the Court relied too heavily on the *Noerr-Pennington* Order's finding that the agreement between Toyo and the ITC respondents with regard to Atturo was an action taken by the parties themselves, unrelated to the ITC proceeding. (Dkt. 660 at 12–13). On further consideration, the Court finds that the absolute litigation privilege protects Toyo's conduct from Atturo's defamation and IDTPA claims.

As a preliminary matter, the Court rejects Atturo's contention that the *Noerr-Pennington* Order is the "law of the case" and the Court must continue to find that the absolute litigation privilege does not apply. (Dkt. 754 at 39–40). The law of the case doctrine is "not hard and fast." *Kathrein v. City of Evanston*, 752 F.3d 680, 685 (7th Cir. 2014) (quoting *Tice v. Am. Airlines, Inc.*, 373 F.3d 851, 854 (7th Cir. 2004)). Both the February 2021 and *Noerr-Pennington* orders were denials of summary judgment. Generally such denials mean only "that the case should go

in this case other than defamation. See Malevitis v. Friedman, 323 Ill. App. 3d 1129, 753 N.E.2d 404, 407, 257 Ill. Dec. 209 (Ill. App. Ct. 2001) (addressing defamation and false light claims); Johnson v. Johnson & Bell, Ltd., 2014 IL App (1st) 122677, 379 Ill. Dec. 626, 7 N.E.3d 52, 56 (Ill. App. Ct. 2014) (finding privilege applied to claims of invasion of privacy, negligent infliction of emotional distress, and breach of contract); O'Callaghan v. Satherlie, 2015 IL App (1st) 142152, 394 Ill. Dec. 708, 36 N.E.3d 999, 1002 (Ill. App. Ct. 2015) (intentional infliction of emotional distress and strictly liability for ultrahazardous activity); Krueger v. Lewis, 359 Ill. App. 3d 515, 834 N.E.2d 457, 459, 295 Ill. Dec. 876 (Ill. App. Ct. 2005) (defamation).

^{5.} In *Curran v. Kwon*, cited by Atturo, the Seventh Circuit ruled that "the denial of summary judgment . . . was *not* the law of the case." 153 F.3d 481, 487 (7th Cir. 1998) (emphasis added).

to trial." See Switzerland Cheese Ass'n, Inc. v. E. Horne's Mkt., Inc., 385 U.S. 23, 25, 87 S. Ct. 193, 17 L. Ed. 2d 23 (1966). The Seventh Circuit has distinguished summary judgment motions raising factual questions based on the sufficiency of the evidence from those raising a question of law. Chemetall GMBH v. ZR Energy, Inc., 320 F.3d 714, 719 (7th Cir. 2003). See also Young v. Ill. Dep't of Revenue, 601 F. Supp. 2d 1055, 1057 (C.D. Ill. 2009) (explaining that after trial "courts are free to review questions of law addressed in pre-trial motions"); Thompson v. Frank, 313 Ill. App. 3d 661, 730 N.E.2d 143, 145, 246 Ill. Dec. 463 (Ill. App. Ct. 2000) ("Whether an allegedly defamatory statement is subject to an absolute privilege is a question of law.").

In Illinois an attorney or private party to litigation is "absolutely privileged to publish defamatory matter concerning another in communications preliminary to a proposed judicial proceeding, or in the institution of, or during the course and as a part of, a judicial proceeding in which he participates as counsel, if it has some relation to the proceeding." Bedin v. Nw. Mem'l Hosp., 2021 IL App (1st) 190723, P 39, 453 Ill. Dec. 286, 187 N.E.3d 739, appeal denied, No. 127257, 2022 Ill. LEXIS 142, 452 Ill. Dec. 3, 184 N.E.3d 984, 2022 WL 803425 (Ill. Jan. 26, 2022) (quoting Restatement (Second) of Torts § 586 (1977)). Although the privilege applies to a narrow class of communications, the defamatory matter in the proposed or pending proceeding need only have "some relation to the proceeding." Kurczaba v. Pollock, 318 Ill. App. 3d 686, 742 N.E.2d 425, 438, 252 Ill. Dec. 175 (Ill. App. Ct. 2000) (emphasis added); Johnson, 7 N.E.3d at 56. "[T]he

pertinency requirement is not strictly applied." *Bedin*, 2021 IL App (1st) 190723, at ¶ 40 (citation omitted).

Here the defamatory matter was contained in settlement agreements between Toyo and ITC respondents which were submitted to the ITC. Atturo does not argue that there were any defamatory statements beyond those in the settlement agreements or that Toyo disseminated these statements outside of the ITC Action. Toyo also argues, and Atturo does not dispute, that the statements were preliminary to and relate to this litigation, in which Toyo sued Atturo for trade dress infringement.

Thus given that the statements need only have some relation to the proceeding and courts "resolve all doubts in favor of pertinency," *Jackson v. Walgreens Co.*, 2021 IL App (1st) 201261-U, ¶ 32, the Court finds that Toyo's statements in the ITC settlement agreements that it believed that Atturo was infringing had some relation to the ITC Action and to the 2014 complaint in this case.

i. Defamation and IDTPA claims (Counts III and VI)

In light of the above, the absolute litigation privilege bars Atturo's defamation claim. It is well-settled in Illinois that the privilege applies to defamation claims. *See Johnson*, 7 N.E.3d 52. Courts have also applied the absolute litigation privilege to deceptive trade practices claims. *See PSN Ill.*, *Inc. v. Ivoclar Vivadent*, *Inc.*, No. 04 C 7232, 2005 U.S. Dist. LEXIS 21044, 2005 WL 2347209, at *6 (N.D. Ill. Sept. 21, 2005) (finding that

privilege precluded deceptive trade practices claim based on statements made in the course of litigation); *PolyOne Corp. v. Lu*, No. 14 CV 10369, 2018 U.S. Dist. LEXIS 167482, 2018 WL 4679577, at *15 (N.D. Ill. Sept. 28, 2018) (applying privilege to commercial disparagement and IDTPA claims). Similar to the defamation claim, as seen in the Jury Instruction in this case (Dkt. 741), the IDTPA claim required that Toyo made "false and misleading statements." (*Id.* at 23).

Applying the privilege to Atturo's defamation and IDTPA claims furthers the purpose of the privilege: "Free access to the courts as a means of settling private claims or disputes is a fundamental component of our judicial system, and '** courts should be open to litigants for the settlement of their rights without fear of prosecution for calling upon the courts to determine such rights." *Lyddon v. Shaw*, 56 Ill. App. 3d 815, 372 N.E.2d 685, 690, 14 Ill. Dec. 489 (Ill. App. Ct. 1978) (citation omitted).

 $^{6. \,}$ Atturo itself proposed this jury instruction language for the IDTPA claim. (Dkt. 685 at 59).

^{7.} Toyo's ITC complaint, which sought redress from a number of companies for infringement of its intellectual property in its tires, did not specifically name Atturo or its tires. Atturo says this conduct is anticompetitive. The litigation privilege in Illinois, however, permits publishing defamatory matter in a proposed or pending judicial proceeding if it bears some relation to the proceeding without regard for the party's motive or the unreasonableness of its conduct. *Bedin*, 2021 IL App (1st) 190723, ¶¶ 39, 40.

ii. Other claims (Counts I, II, IV, and V)

The absolute litigation privilege does not bar Atturo's four other claims. On Count I, tortious interference with contract, a court from this district recently observed that no Illinois court had "weighed in on whether the absolute litigation privilege applies to claims for tortious interference with contract." GCAm. Inc. v. Hood, No. 20-CV-03045, 2022 U.S. Dist. LEXIS 56652, 2022 WL 910556, at *6 (N.D. Ill. Mar. 29, 2022). See also Act II Jewelry, LLC v. Wooten, No. 15 C 6950, 2016 U.S. Dist. LEXIS 97846, 2016 WL 4011233, at *6 (N.D. Ill. July 27, 2016) (declining to extend the absolute litigation privilege to bar tortious interference with contract and with prospective economic advantage claims). For Count II, Illinois courts "have not extended the [absolute litigation] privilege to claims for intentional interference with prospective economic advantage." Zdeb v. Baxter Int'l, Inc., 297 Ill. App. 3d 622, 697 N.E.2d 425, 430, 231 Ill. Dec. 871 (Ill. App. Ct. 1998) (emphasis added); see also Act II Jewelry, LLC, 2016 U.S. Dist. LEXIS 97846, 2016 WL 4011233, at *6 (rejecting argument that privilege should bar tortious interference with prospective economic advantage claim). No Illinois court has applied the privilege to tortious interference claims.

Nor has Toyo cited any Illinois case law applying this privilege to unfair competition or unjust enrichment. To the contrary, Illinois courts have cautioned that because the privilege is absolute, its scope is "necessarily narrow," *Stein v. Krislov*, 2013 IL App (1st) 113806, 999 N.E.2d 345, 356, 376 Ill. Dec. 462 (Ill. App. Ct. 2013), and district

courts generally have declined to extend the privilege absent Illinois authority, see Del. Motel Assocs., Inc. v. Cap. Crossing Servicing Co. LLC, No. 17 C 1715, 2019 U.S. Dist. LEXIS 73572, 2019 WL 1932586, at *4 (N.D. Ill. May 1, 2019) (declining to extend Illinois' absolute litigation privilege to fraud claims); Sanders v. JGWPT Holdings, Inc., No. 14 C 9188, 2016 U.S. Dist. LEXIS 97722, 2016 WL 4009941, at *11 (N.D. Ill. July 26, 2016) (same).

Indeed this is not a case in which these other claims merely recast the defamation claim. The tortious interference, unfair competition, and unjust enrichment claims are not directed only at the allegedly defamatory statements Toyo made; they are based on Toyo's conduct as it relates to Atturo's customer Dunlap & Kyle (D&K) and Toyo's requirement that it never sell, import, or manufacture the Atturo tire. Because the absolute litigation privilege bars Atturo's defamation and IDTPA claims, judgment will enter in Toyo's favor on those claims. However the Court finds that the privilege does not bar the four other claims (Counts I, II, IV, and V).

b. Noerr-Pennington Doctrine

Next the Court addresses Toyo's argument that the *Noerr-Pennington* doctrine immunizes it from liability. That doctrine "extends absolute immunity under the antitrust laws to businesses and other associations when they join together to petition legislative bodies, administrative agencies, or courts for action that may have anticompetitive effects." *Mercatus Grp., LLC v. Lake Forest Hosp.*, 641 F.3d 834, 841 (7th Cir. 2011) (cleaned

up). "Noerr-Pennington has been extended beyond the antitrust laws, where it originated, and is today understood as an application of the first amendment's speech and petitioning clauses." New W., L.P. v. City of Joliet, 491 F.3d 717, 722 (7th Cir. 2007). The scope of Noerr-Pennington immunity depends on the "source, context, and nature of the competitive restraint at issue." Allied Tube & Conduit Corp. v. Indian Head, Inc., 486 U.S. 492, 499, 108 S. Ct. 1931, 100 L. Ed. 2d 497 (1988). See also Indian Head, Inc. v. Allied Tube & Conduit Corp., 817 F.2d 938, 945 (2d Cir. 1987) (citing the maxim that exemptions from the antitrust laws must be construed narrowly), aff'd, 486 U.S. 492, 108 S. Ct. 1931, 100 L. Ed. 2d 497 (1988).

Toyo argues its statements in the ITC settlement agreements are immune because Noerr-Pennington protects not only statements in litigation, "but also statements and actions taken in enforcing legal rights, such as pre-litigation assertions of intellectual property rights." (Dkt. 752 at 17). In the Noerr-Pennington Order, the Court focused on the Atturo Provisions, ruling that Toyo's submission of those provisions "as attachments to its motions to terminate the ITC proceedings did not constitute core petitioning activity," and also "were not incidental to Toyo's petitioning activity before the ITC." (Noerr-Pennington Order at 13, 14). The Court relied on In re Brand Name Prescription Drugs Antitrust Litig., which explained that the "doctrine does not authorize anticompetitive action in advance of government's adopting the industry's anticompetitive proposal. The doctrine applies when such action is the consequence of

legislation or other governmental action, not when it is the means for obtaining such action." 186 F.3d 781, 789 (7th Cir. 1999). In *United Airlines, Inc. v. U.S. Bank N.A.*, the Seventh Circuit explained that "the *Noerr-Pennington* doctrine cannot be used to shelter joint activity . . . *independent of* any decision by a court or agency." 406 F.3d 918, 925 (7th Cir. 2005) (emphasis added). *See also A.D. Bedell Wholesale Co. v. Philip Morris Inc.*, 263 F.3d 239, 251 (3d Cir. 2001) ("Passive government approval is insufficient.").

Toyo criticizes the *Noerr-Pennington* Order for focusing on the Atturo Provisions when the entire settlement agreements should be viewed as legitimate petitioning activity. (Dkt. 752 at 19). However, "because immunized conduct cannot be aggregated with nonimmunized conduct without nullifying the immunity, it is necessary to identify protected and unprotected conduct." *In re Humira (Adalimumab) Antitrust Litig.*, 465 F. Supp. 3d 811, 828 (N.D. Ill. 2020) (citing *Mercatus Grp.*, 641 F.3d at 839); *see also Allied Tube*, 486 U.S. at 499 (explaining that the validity of efforts to influence governmental action "varies with the context and nature of the activity.").

The Court explained before and Toyo does not dispute that the settlement agreements were private agreements effective upon execution and that the ITC did not participate in their drafting or negotiation. (*Noerr-Pennington* Order at 12, 14). Judge Lee noted that the court was not commenting on the propriety of Toyo's ITC action as a whole. (*Id.* at 11, n.6). Toyo points to the

ITC Section 337 Mediation Program brochure (PX-19) but there is no evidence that Toyo and the respondents participated in the ITC Mediation Program.⁸ And Toyo does not argue that including Atturo, its tire, or the Atturo Provisions in Toyo's motions to terminate were necessary to terminate the ITC Action. That is the basis for Judge Lee's determination that the restraint on Atturo here resulted from Toyo's private action. See Garmon Corp. v. Vetnique Labs, LLC, No. 19 C 8251, 2020 U.S. Dist. LEXIS 108603, 2020 WL 3414983, at *3 (N.D. Ill. June 22, 2020) (explaining that *Noerr-Pennington* immunity does not apply "where a restraint on trade 'has resulted from private action") (quoting Allied Tube, 486 U.S. at 499); Rubloff Dev. Grp., Inc. v. SuperValu, Inc., 863 F. Supp. 2d 732, 743 (N.D. Ill. 2012) ("Noerr-Pennington does not apply when conduct is not geared toward the petitioning of government.") (citing *Mercatus*, 641 F.3d at 850–851).

^{8.} Toyo also contends that the ITC judge "wrote an opinion about" the Atturo provisions. (Dkt. 752 at 19). The Court acknowledges that the settlement agreements are approved by an administrative law judge (ALJ) at the ITC. However, it is a stretch to characterize the ALJ's approval as an opinion regarding the Atturo provisions. The ALJ's December 13, 2013 "Initial Determination Granting Motion to Terminate Investigation as to Respondents Omni and D&K" referred to the settlement agreements and the ITC staff response letter (which addressed Atturo's November 20, 2013 Letter), but the ALJ did not address Atturo's concerns. Rather the ALJ found that terminating the investigation would not unduly burden, among other things, "public health and welfare" and "competitive conditions in the United States economy." (DX-93).

^{9.} This Court previously distinguished *Toyo Tire & Rubber Co., Ltd. v. CIA Wheel Group, No. SACV15246JLSDFMX, 2015 U.S. Dist. LEXIS 98939, 2015 WL 4545187 (C.D. Cal. July 8, 2015).*

Judge Lee's finding is a narrow understanding of the *Noerr Pennington* doctrine. But the Court will not revisit its prior ruling that Atturo's counterclaims are not barred by the *Noerr-Pennington* doctrine.

II. Intellectual Property Privilege and Public Interest in Settlement

At trial, the Court reserved these equitable defenses for itself. (Dkts. 700, 746). In considering whether these defenses require dismissal of Atturo's claims, the Court is bound by the jury's explicit findings of fact and findings necessarily implicit in the verdict. Sunny Handicraft (H.K.) Ltd. v. Envision This!, LLC, No. 14 C 1512, 2019 U.S. Dist. LEXIS 166566, 2019 WL 4735459, at *2 (N.D. Ill. Sept. 27, 2019); LG Elecs. U.S.A., Inc. v. Whirlpool Corp., 790 F. Supp. 2d 708, 722 (N.D. Ill. 2011).

Importantly, the *CIA* court found "CIA does not adequately allege that the [ITC] litigation by Toyo underlying CIA's . . . counterclaims fall[] within the 'sham exception' to the *Noerr-Pennington* doctrine." 2015 U.S. Dist. LEXIS 98939, [WL] at *3. This Court agrees with Toyo's discussion of the "sham" exception. The Court is not relying on the "sham" exception and finds it does not apply here. Rather, the Court is not upsetting Judge Lee's finding that the Atturo Provisions "did not constitute core petitioning activity," and "were not incidental to Toyo's petitioning activity before the ITC" (*Noerr-Pennington Order at 13, 14*). *See also United Tactical Sys., LLC v. Real Action Paintball, Inc.*, No. 14-4050, slip. op. at 74 (N.D. Cal. July 2, 2018) ("Real Action fails to rebut Counter-Defendants' evidence that the Indiana Action was not a sham proceeding.").

a. Intellectual Property Privilege

Toyo argues that the intellectual property privilege applies to all of Atturo's claims and that the public interest favors dismissing those claims. In a motion in limine ruling, this Court ruled that Toyo could rely on this privilege, described by courts as a party's ability to rely on its good faith belief in its intellectual property interest to justify its tortious interference. (*see* Dkt. 711). Atturo contends that: (1) for Counts I–II, the Court already applied this privilege by using burden-shifting language in Toyo's favor in the Jury Instructions; and (2) for Counts IV and V, the Court already ruled that the privilege does not apply.

The Court first addresses whether the intellectual property privilege applies to Counts IV and V (unfair competition and unjust enrichment). The Court previously ruled that Toyo had "not cited authority that this privilege applies in Illinois to claims beyond tortious interference claims." (Dkt. 738). The sole unfair competition case on which Toyo now relies is Am. Broadcasting Co. v. Maljack *Prods.*, 34 F. Supp. 2d 665 (N.D. Ill. 1998), where the court applied the privilege to tortious interference and unfair competition claims. In the Illinois Supreme Court case discussing qualified privilege generally, HPI Health Care Services, Inc. v. Mt. Vernon Hospital, Inc., the court explained that "[c]ourts will recognize a privilege in intentional interference with contract cases where the defendant was acting to protect an interest which the law deems to be of equal or greater value than the plaintiff's contractual rights." 131 Ill. 2d 145, 545 N.E.2d

672,677,137 Ill. Dec. 19 (Ill. 1989) (emphasis added). Am. Broadcasting thus extended the privilege.

As discussed above, however, this Court is not inclined to extend state law privileges absent guidance from the Illinois Supreme Court or Illinois appellate courts. See Gust K. Newberg Constr. Co. v. E.H. Crump & Co., 818 F.2d 1363, 1368 (7th Cir. 1987) ("Respect for state courts as the primary expositors of state law counsels restraint by federal court in announcing new state law principles") (citation omitted); Phillips v. WellPoint Inc., No. 10-CV-00357-JPG, 2012 U.S. Dist. LEXIS 175405, 2012 WL 6111405, at *9 (S.D. Ill. Dec. 10, 2012) ("The Court is mindful that in applying state law, federal courts must be conservative, not innovative."), aff'd sub nom. Myrick v. WellPoint, Inc., 764 F.3d 662 (7th Cir. 2014). Finally, Toyo does not cite any authority applying this privilege to unjust enrichment claims.

As for Counts I–II, Toyo contends that this privilege should defeat Atturo's claims for interference with contract. However, the Court already applied the intellectual property privilege to these claims by using burden-shifting language in Toyo's favor in the Jury Instructions. The instructions required the jury to find that the interference was "intentional and unjustified," and defined those terms. Toyo relies on *Act II Jewelry*, *LLC v. Wooten*, in which the undisputed facts showed that Act II's communications related to protecting a legitimate litigation-related interest and defendants made no showing that the privilege was abused, so the court granted summary judgment in Act II's favor. 318

F. Supp. 3d 1073, 1084–85 (N.D. Ill. 2018). Here, Toyo did not raise the intellectual property privilege when it moved for summary judgment in 2020. And as the court in ActII acknowledged, generally abuse of privilege presents a fact question. Id. at 1084. The Court finds no reason to reverse the jury's finding that Toyo's interference was not justified. As Atturo points out, the jury found Toyo's conduct was "intentional," "unjustified," and "deceptive," "shock[ed] judicial sensibilities or violate[d] standards of commercial morality" and "violated fundamental principles of justice, equity, and good conscience." (Jury Instructions at pp. 17, 18, 20–22). Thus considering this privilege as an equitable defense, consistent with the jury's verdict, the Court cannot find that Toyo's belief in its intellectual property justified its interference with Atturo's business.

For these reasons the Court finds that the intellectual property privilege does not require dismissal of Atturo's remaining claims.

b. Public Interest in Settlement

Toyo argues that the affirmative defense of the public interest in promoting ITC settlements requires judgment in its favor. Illinois's public policy does "favor[] settlement prior to trial." *King Koil Licensing Co. v. Harris*, 2017 IL App (1st) 161019, 416 Ill. Dec. 475, 84 N.E.3d 457, 472 (Ill. App. Ct. 2017). However the cases cited by Toyo discussed, for example, the admissibility of evidence of settlement offers or circumstances under which a court can enforce a settlement agreement. (Dkt. 752 at 12–14). They did not

rule that the defense barred or required dismissal of a claim. ¹⁰ Accordingly the Court will not dismiss Atturo's claims on this basis.

III. Motion for JMOL

Toyo seeks judgment as a matter of law arguing that Atturo failed to submit substantial evidence supporting both liability and damages. Under Rule 50, judgment as a matter of law is proper only if "a reasonable jury would not have a legally sufficient evidentiary basis to find as the actual jury did." Ruiz-Cortez v. City of Chicago, 931 F.3d 592, 601 (7th Cir. 2019) (internal quotation marks omitted) (quoting Fed. R. Civ. P. 50(a)). "This is a high bar." Id. The court must "give the nonmovant the benefit of every inference while refraining from weighing . . . the credibility of the evidence and testimony." Id. In ruling on a Rule 50 motion following a jury verdict, a court reviews the entire record and "disregard[s] all evidence favorable to the movant that the jury is not required to believe." Id. It is appropriate to overturn a jury verdict only if "no rational jury could have found for the nonmovant." Id.

Courts construe "the trial evidence strictly in favor of the party who prevailed before the jury." *Roberts v.*

^{10.} In addition, at trial the jury heard significant testimony about ITC procedure and settlements. Indeed in response to Atturo's *Daubert* motion seeking to completely bar Toyo's ITC expert from testifying, this Court ruled in Toyo's favor that testimony about ITC practice and procedure was relevant and would provide the jury needed context and information to understand the evidence or determine a factual issue. (Dkt. 690).

Alexandria Transportation, Inc., 968 F.3d 794, 798 (7th Cir. 2020) (cleaned up). "It takes a lot to set aside a jury verdict." Valdivia v. Twp. High School Dist. 214, 942 F.3d 395, 396 (7th Cir. 2019).

a. Liability

i. Count I—tortious interference with contract

In Illinois tortious interference with contract requires: "(1) the existence of a valid and enforceable contract between the plaintiff and another; (2) the defendant's awareness of this contractual relation; (3) the defendant's intentional and unjustified inducement of a breach of the contract; (4) a subsequent breach by the other, caused by the defendant's wrongful conduct; and (5) damages." *HPI Health Care Servs.*, 545 N.E.2d at 677 (internal citations and quotations omitted). Atturo argues that it had contracts with D&K in the dealer agreements (PX4 and PX5). Toyo contends that there was no breach because the agreements could be cancelled before shipment. Atturo does not dispute that the agreements were terminable at will.

Under Illinois law, "where the contract is one that can be terminated at-will by either party, the cause of action is classified as one for tortious interference with a prospective economic advantage, not tortious interference with contract." *Veerasikku Bommiasamy v. Conway*, 2020 IL App (1st) 190339-U, P37 (collecting cases). As an Illinois appellate court explained, "[a] relationship created by a

contract that is terminable at will is sufficient to support a claim of interference with prospective economic advantage because such a relationship 'will presumptively continue in effect so long as the parties are satisfied." The Film & Tape Works, Inc. v. Junetwenty Films, Inc., 368 Ill. App. 3d 462, 856 N.E.2d 612, 619, 305 Ill. Dec. 807 (Ill. App. Ct. 2006); see also Ctr. for Dermatology & Skin Cancer, Ltd. v. Humana Ins. Co., No. 11 C 6837, 2012 U.S. Dist. LEXIS 17707, 2012 WL 473133, at *3 (N.D. Ill. Feb. 8, 2012) (inducement of cancellation of terminable at will contracts did not state a claim of tortious interference with contract in Illinois).¹¹

The Court therefore finds that overturning the jury's verdict in favor of Atturo on Count I is warranted.

ii. Count II—tortious interference with business expectancy

In Illinois, tortious interference with prospective business expectancy requires: "(1) [plaintiff's] reasonable expectation of entering into a valid business relationship; (2) the defendant's knowledge of the plaintiff's expectancy, (3) purposeful interference by the defendant that prevents the plaintiff's legitimate expectancy from ripening into a

^{11.} Atturo relies on *Speakers of Sport, Inc. v. ProServ, Inc.*, 178 F.3d 862 (7th Cir. 1999), in which the Seventh Circuit explained that in Illinois a tortious interference action can arise even if the contract is at will. However that case pre-dates more recent Illinois case law as well as *Cody v. Harris*, 409 F.3d 853, 859 (7th Cir. 2005) (recognizing that inducing the cancellation of an at-will contract is at most interference with a prospective economic advantage).

valid business relationship; and (4) damages to the plaintiff resulting from such interference." *Bullet Express, Inc. v. New Way Logistics, Inc.*, 2016 IL App (1st) 160651, 410 Ill. Dec. 434, 70 N.E.3d 251, 263 (Ill. App. Ct. 2016) (cleaned up). Toyo argues that there was no evidence that it knew of Atturo's expected business relationship with D&K or that the expectation was reasonable, and Atturo did not prove Toyo's conduct was unjustified.

Atturo responds that the jury had a sufficient basis to find the knowledge element satisfied. Atturo points to the parties' stipulation that in October 2013 Toyo's ITC attorney, Dan Smith, and Atturo president Mathis had a telephone conversation; Mathis' testimony that he told Mr. Smith that Toyo's settlement agreements were interfering with Atturo's business and business relationships; the parties' stipulation that Toyo's attorney communicated with several Toyo employees about this call including Toyo's general counsel who was the lead in making settlement decisions in Toyo's ITC action; and that Toyo's general counsel subsequently signed the settlement agreements including the one with D&K (PX 26). Toyo points out that Mathis did not testify that he identified D&K specifically in his conversation with Mr. Smith. Considering the record as a whole, however, and giving Atturo "the benefit of every inference" without weighing "the credibility of the evidence and testimony," Ruiz-Cortez, 931 F.3d at 601, the Court finds that a rational juror would have a legally sufficient basis to find that Toyo knew of Atturo's business expectancy with D&K.

As to the reasonableness of the expectation, Atturo argues that the evidence at trial showed that Atturo

expected D&K to become Atturo's biggest customer and Atturo's Sales Director for North America, George Lugo, who already had a 12-year relationship with D&K, intended for the Atturo Trail Blade M/T to be a core D&K product. In addition D&K corporate representative Dennis King stated that D&K wanted to do business with Atturo and sell the Trail Blade M/T and if it was not for the Toyo-D&K Settlement Agreement, D&K possibly would have sold the Trail Blade M/T at more locations and would have sold other Atturo tires. Toyo points to other portions of King's testimony and contends that the evidence amounted to only a "one-sided expectation of future sales." (Dkt. 756 at 26). As to the element that Toyo's conduct was "unjustified," Toyo contends that its "only conceivable motive" was protecting its IP. But it was the jury's role to weigh the evidence, and the Court construes the evidence "strictly in favor of the party [Atturo] who prevailed before the jury." Roberts, 968 F.3d at 798.12

Finally, Toyo argues that Atturo had to prove "bad faith" for each claim. But Toyo cites no Illinois law indicating that tortious interference, unfair competition, or unjust enrichment claims require proof of "bad faith."¹³

^{12.} Toyo relies on cases such as *Instant Tech.*, *LLC v. DeFazio*, 40 F. Supp. 3d 989 (N.D. Ill. 2014) and *CD Consortium Corp. v. Saint John Cap. Corp.*, 2021 IL App (1st) 201159-U, which were decided at different procedural postures and not resolved by a jury.

^{13.} To the contrary, when a privilege applies, case law indicates that "without justification" has the same meaning as "actual malice." *J. Eck & Sons, Inc. v. Reuben H. Donnelley Corp.*, 213 Ill. App. 3d 510, 572 N.E.2d 1090, 1093, 157 Ill. Dec. 626 (Ill. App. Ct. 1991). In *Koehler*

To the extent that Toyo contends that the jury should have been instructed on the IP privilege, that argument is addressed below. Accordingly, the jury had a legally sufficient evidentiary basis to find for Atturo on Count II.

iii. Count IV—unfair competition

The Jury Instructions for the unfair competition claim explained that Atturo asserted that Toyo conditioned the settlement of unrelated patent claims on agreements by other companies in the tire industry to permanently cease and desist from selling the Atturo Trail Blade M/T tire, and therefore required the jury to find by a preponderance of the evidence that Toyo's actions "shock judicial sensibilities or violate standards of commercial morality." (Jury Instructions at 20). See Wilson v. Electro Marine Sys., Inc., 915 F.2d 1110, 1118 (7th Cir. 1990); see also Advanced Physicians, S.C. v. ATI Holdings, LLC, 2015 IL App (1st) 141073-U, ¶ 36 (explaining that in Illinois the "theory of common law unfair competition covers a wide range of tortious conduct").

Toyo argues that Atturo's failure to prove interference requires the Court to overturn the jury's verdict on this claim. As explained above the Court finds that the

v. Packer Grp., Inc., the court approved of the lower court's decision to reject defendants' proposed jury instruction that would require the jury to find that defendants "acted with actual malice"; instead the court instructed the jury that for tortious interference, the jury needed to find defendants "intentionally and without justification induced a contractual breach." 2016 IL App (1st) 142767, ¶ 48, 403 Ill. Dec. 164, 53 N.E.3d 218, 238.

jury had a legally sufficient evidentiary basis to find for Atturo on its claim for tortious interference with business expectancy. Accordingly Toyo provides no reason for the Court to overturn the jury's verdict on Count IV.

iv. Count V—unjust enrichment

Finally, the Jury Instructions for the unjust enrichment claim explained that Atturo asserted that Toyo conditioned the settlement of unrelated patent claims on agreements by other companies in the tire industry to permanently cease and desist from selling the Atturo Trail Blade M/T tire, so the jury was asked to decide if Atturo proved by a preponderance of the evidence that Toyo was unjustly enriched. (Jury Instructions at 21). "To prevail on a claim for unjust enrichment, a plaintiff must prove that the defendant retained a benefit to the plaintiff's detriment, and that defendant's retention of the benefit violates fundamental principles of justice, equity, and good conscience." Zahran v. Republic Bank of Chi., 2019 IL App (2d) 170648-U, P 59 (cleaned up). Unjust enrichment "does not require fault or illegality on the part of the defendant; the essence of the cause of action is that one party is enriched and it would be unjust for that party to retain the enrichment." *Id*.

Toyo argues that unjust enrichment is not an independent cause of action under Illinois law. *See Mashallah, Inc. v. W. Bend Mut. Ins. Co.*, 20 F.4th 311, 324 (7th Cir. 2021). Even so, here the underlying unlawful conduct is tortious interference and unfair competition. Those claims survive this motion so that is not a reason to dismiss the unjust enrichment claim.

Toyo also asks the Court to overturn the jury verdict because there was no evidence that Atturo improperly retained any benefit. Not true. Toyo's corporate representative witness and former president, Roy Bromfield, testified that Toyo "benefited" from including Atturo in the ITC settlement agreements. (Dkt. 736 at 696). Atturo president Mathis testified that the agreements benefited Toyo because they permanently constrained competition in the market. (Dkt. 728 at 201). The jury had a legally sufficient evidentiary basis to find for Atturo and Toyo has not met the high bar to overturn the jury verdict on Count V.

Having found the jury's verdict stands as to the claims for tortious interference with prospective business expectancy, unfair competition and unjust enrichment, the Court turns to the question of damages.

b. Damages

The Court will not overturn the jury's compensatory damages award. "The amount of damages to be assessed is a question of fact for the jury to determine." *McIntyre v. Balagani*, 2019 IL App (3d) 140543-U, ¶ 81 (citation omitted). "[W]hen a federal jury awards compensatory damages in a state-law claim, state law determines whether that award is excessive." *Rainey v. Taylor*, 941 F.3d 243, 253 (7th Cir. 2019) (citation omitted). In Illinois, remittitur is appropriate "only when a jury's award falls outside the range of fair and reasonable compensation, appears to be the result of passion or prejudice, or is so large that it shocks the judicial conscience." *Id.* (cleaned up).

Atturo's expert Brian M. Daniel opined at trial that Atturo suffered lost profits in the amount of approximately \$11.5 million from the loss of its business relationship with D&K. (Dkt. 733 at 588). Toyo argues that Mr. Daniel's opinion on lost profits cannot stand. The Court ruled on Toyo's Daubert motion seeking to bar Mr. Daniel's testimony before trial, finding his opinion about lost profits reliable. (Dkt. 687). Many of Toyo's arguments rehash its *Daubert* motion. Toyo had the opportunity to, and did, cross-examine Mr. Daniel at trial. Toyo also made the decision not to call its damages expert at trial. (Dkt. 683 at 11). Further, as Atturo argues, in addition to Mr. Daniel, Atturo presented testimony about damages from other witnesses at trial.¹⁴ Toyo's cited cases do not support striking the jury's compensatory award in this case. Haslund v. Simon Prop. Grp., Inc., 378 F.3d 653 (7th Cir. 2004), for example, involved a bench trial and did not involve expert testimony.

The jury awarded Atturo \$10 million in compensatory damages, lower than Atturo's expert's damages estimate. Toyo argues that the fact that the jury did not go with the \$11.5 million number means there is "no basis for" the \$10 million award. This is not persuasive: "the court looks only at the 'bottom line,' to make sure [the award is] reasonable, and doesn't worry about the mental process that led there." *Tuf Racing Prods., Inc. v. American Suzuki Motor Corp.*, 223 F.3d 585, 591 (7th Cir. 2000).

^{14.} As this Court previously noted (Dkt. 660), Illinois law does not even "require expressly expert testimony to prove lost profits damages." *TAS Distrib. Co. v. Cummins Engine Co.*, 491 F.3d 625, 634 (7th Cir. 2007).

The Court will not second-guess the jury's compensatory damages award.

For punitive damages, however, other considerations come into play. Punitive damages "are not awarded as compensation, but serve instead to punish the offender and to deter that party and others from committing similar acts of wrongdoing in the future. . . . Because punitive damages are penal in nature, they are not favored in the law, and the courts must take caution to see that punitive damages are not improperly or unwisely awarded." Lawlor v. N. Am. Corp. of Ill., 2012 IL 112530, 983 N.E.2d 414, 430, 368 Ill. Dec. 1 (Ill. App. Ct. 2012) (cleaned up). "[S]ince a plaintiff is presumed to be made whole by the compensatory award, punitive damages should be awarded only if the defendant's conduct is 'so reprehensible as to warrant the imposition of further sanctions to achieve punishment or deterrence." *Epic Sys.* Corp. v. Tata Consultancy Servs. Ltd., 980 F.3d 1117, 1141 (7th Cir. 2020) (citation omitted), cert. denied, 142 S. Ct. 1400, 212 L. Ed. 2d 343 (2022). "Punitive damages may be awarded when the defendant's tortious conduct evinces a high degree of moral culpability, that is, when the tort is committed with fraud, actual malice, deliberate violence or oppression, or when the defendant acts willfully, or with such gross negligence as to indicate a wanton disregard of the rights of others." Slovinski v. Elliot, 237 Ill. 2d 51, 927 N.E.2d 1221, 1225, 340 Ill. Dec. 210 (Ill. 2010). "A federal court, however, can (and should) reduce a punitive damages award sometime before it reaches the outermost limits of due process." Saccameno v. U.S. Bank Nat'l Ass'n, 943 F.3d 1071, 1086 (7th Cir. 2019). The Court

considers "the degree of reprehensibility, the disparity between the harm suffered and the damages awarded, and the difference between the award and comparable civil penalties." *Id*.

The Court finds the \$100 million in punitive damages to be excessive. Atturo "is presumed to be made whole by the compensatory award," so punitive damages are to be awarded "only if [Toyo's] conduct is 'so reprehensible as to warrant the imposition of further sanctions to achieve punishment or deterrence." *Epic Sys. Corp.*, 980 F.3d at 1141.

The jury's verdict on the six claims against Toyo shows the jury found that Toyo's conduct was wrongful, deceptive, and violated principles of commercial morality, justice, equity, and good conscience. On the other hand, considering the trial record as a whole, the Court does not find the punitive damages award to be warranted. See Epic Sys., 980 F.3d at 1145 (remanding the case to the district court to reduce punitive damages to, at most, a 1:1 ratio relative to the compensatory damages awarded); Saccameno, 943 F.3d at 1086 (punitive damages awarded exceeded constitutional limits and had to be reduced); Int'l Union of Operating Engineers, Loc. 150 v. Lowe Excavating Co., 225 Ill. 2d 456, 870 N.E.2d 303, 324, 312 Ill. Dec. 238 (Ill. 2006) (reducing award of punitive damages to \$50,000).

Here, the conduct was not extreme and does not warrant a large punitive damages award: the jury determined Toyo's conduct was wrong and harmful but the

Court is certain the conduct was not so intentionally willful or wanton to warrant a severe punishment. A punitive damages award ten times the compensatory damages award is extreme and excessive. For these reasons, the Court reduces the punitive damages award to \$100,000.

IV. Toyo's Motion for a New Trial

In the alternative to its request for judgment as a matter of law, Toyo moves for a new trial. This motion is denied. A new trial is appropriate under Rule 59(a) "if the trial was in some way unfair to the moving party." Martinez v. City of Chicago, 900 F.3d 838, 844 (7th Cir. 2018) (cleaned up). A court may grant a motion for a new trial based on misconduct by the opposing party or counsel, but in order to obtain this "dramatic relief," the movant must demonstrate that the misconduct prejudiced him. Brandt v. Vulcan, Inc., 30 F.3d 752, 758 (7th Cir. 1994). "A motion for a new trial can be granted when the district court—in its own assessment of the evidence presented—believes that the verdict went against [its] manifest weight." Mejia v. Cook County, 650 F.3d 631, 634 (7th Cir. 2011). Toyo presents a multitude of reasons arguing for a new trial, but this case does not meet the high standard warranting a new trial.

Toyo argues that the Court should have instructed the jury on the intellectual property privilege. The Court decided, as a matter of law in Toyo's favor and over Atturo's objection, that this privilege applied to the tortious interference claims. It accordingly instructed the jury that these counts required the jury to find that

Toyo's conduct was "intentional and unjustified." (Jury Instructions at pp. 17–18). The Court instructed that interference is "unjustifiable" if Toyo acted for the sole or primary purpose of interfering with Atturo's contract. (*Id.*). As already explained, Toyo does not cite any case law extending this privilege to claims beyond the tortious interference claims. Further, the Court does not believe Toyo's cited case law requires a new trial. *Ray Dancer, Inc. v. DMC Corp.*, 230 Ill. App. 3d 40, 594 N.E.2d 1344, 171 Ill. Dec. 824 (Ill. App. Ct. 1992), for example, involved an intellectual property privilege on summary judgment, and did not address jury instructions. Moreover, the Court reserved the intellectual property privilege as a defense for itself to consider post-trial and as explained above, the Court finds it does not require dismissal of Atturo's claims.

The Court already addressed the compensatory and punitive damages awards and is significantly reducing the punitive damages award. Toyo relies on another lostbusiness case but Illinois courts "traditionally decline[] to make such comparisons in determining whether a particular award is excessive." Richardson v. Chapman, 175 Ill. 2d 98, 676 N.E.2d 621, 628, 221 Ill. Dec. 818 (Ill. 1997). Finally, Toyo argues that the Court's evidentiary rulings caused it prejudice and that Atturo's counsel's conduct at trial "tainted the outcome." Atturo responds that Toyo waived a number of these arguments because did not raise them at trial. The Court has reviewed Toyo's arguments and finds they do not meet the high bar for a new trial. See Whitehead v. Bond, 680 F.3d 919, 928 (7th Cir. 2012) (explaining that "[a] new trial should be granted . . . only when the record shows that the jury's verdict

resulted in a miscarriage of justice or where the verdict, on the record, cries out to be overturned or shocks our conscience.") (cleaned up); *Plyler v. Whirlpool Corp.*, 751 F.3d 509, 513 (7th Cir. 2014) (same).

Atturo's Motion

V. Motion for Injunctive Relief and Other Corrective Actions

Atturo moves for permanent injunctive relief and other corrective actions "to protect Atturo against Toyo's continued disparagement of Atturo's products and business." (Dkt. 753). Atturo directs its request for injunctive relief only at its IDTPA claim. (Dkts. 753, 753-1). Because, as discussed above, the Court is entering judgment in Toyo's favor on the IDTPA claim, Atturo's motion [753] is denied.

CONCLUSION

For these reasons, Toyo's motion for judgment or alternatively a new trial [751] is granted in part and denied in part and Atturo's motion for injunctive relief and other corrective actions [753] is denied.

Judgment shall enter in Toyo's favor on Atturo's Count I (tortious interference with contract), Count III (defamation), Count VI (IDTPA) and Count VII (Lanham Act). Judgment shall enter in Atturo's favor on Atturo's Count II (tortious interference with prospective business

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expectancy), Count IV (unfair competition), and Count V (unjust enrichment). Accordingly, judgment shall enter in favor of Atturo Tire Corporation and against Toyo Tire Corporation and Toyo Tire U.S.A. Corp. in the amount of \$10,000,000 in compensatory damages and \$100,000 in punitive damages. Civil case terminated.

ENTER:

Dated: May 10, 2022 /s/ Mary M. Rowland

MARY M. ROWLAND United States District Judge

APPENDIX C — MEMORANDUM OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION, FILED FEBRUARY 9, 2021

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

Case No. 14-cv-00206 Judge Mary M. Rowland

TOYO TIRE CORPORATION, et al.,

Plaintiffs,

v.

ATTURO TIRE CORPORATION, et al.,

Defendants.

MEMORANDUM OPINION AND ORDER

Plaintiffs Toyo Tire Corporation and Toyo Tire U.S.A. Corp. (collectively, "Toyo"), brought this action against Defendants Atturo Tire Corporation ("Atturo") and Svizz-One Corporation Ltd. ("Svizz-One") asserting a number of claims including that Defendants infringed the trade dress on Toyo's Open Country Mountain Tires ("OPMT" tires). Atturo responded with seven counterclaims against Toyo. Toyo and Atturo have filed motions for summary

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judgment. This order addresses Toyo's partial motion for summary judgment. For the reasons set forth below, Toyo's motion is denied in large part.

SUMMARY JUDGMENT STANDARD

Summary judgment is proper where "the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a); see also Celotex Corp. v. Catrett, 477 U.S. 317, 322, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986). A genuine dispute as to any material fact exists if "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986). The substantive law controls which facts are material. Id. After a "properly supported motion for summary judgment is made, the adverse party must set forth specific facts showing that there is a genuine issue for trial." Id. at 250 (internal quotations omitted).

The Court "consider[s] all of the evidence in the record in the light most favorable to the non-moving party, and [] draw[s] all reasonable inferences from that evidence in favor of the party opposing summary judgment." *Skiba v. Ill. Cent. R.R. Co.*, 884 F.3d 708, 717 (7th Cir. 2018) (internal citation and quotations omitted). The Court "must refrain from making credibility determinations or

^{1.} Atturo's motion for summary judgment is addressed in a concurrently entered opinion.

weighing evidence." Viamedia, Inc. v. Comcast Corp., 951 F.3d 429, 467 (7th Cir. 2020) (citing Anderson, 477 U.S. at 255). In ruling on summary judgment, the Court gives the non-moving party "the benefit of reasonable inferences from the evidence, but not speculative inferences in [its] favor." White v. City of Chi., 829 F.3d 837, 841 (7th Cir. 2016) (internal citations omitted). "The controlling question is whether a reasonable trier of fact could find in favor of the non-moving party on the evidence submitted in support of and opposition to the motion for summary judgment." Id. (citation omitted).

When cross-motions for summary judgment are filed, the Court construes all facts and draws all reasonable inferences in favor of the party against whom the motion was filed. *Indianapolis Airport Auth. v. Travelers Prop. Cas. Co. of Am.*, 849 F.3d 355, 361 (7th Cir. 2017). The Court treats the motions separately. *Marcatante v. City of Chi.*, 657 F.3d 433, 439 (7th Cir. 2011). *See also Kreg Therapeutics, Inc. v. VitalGo, Inc.*, 919 F.3d 405, 416 (7th Cir. 2019) ("Each cross movant for summary judgment bears a respective burden to show no issue of material fact with respect to the claim.").

BACKGROUND²

I. Relevant Procedural History

Toyo initially filed this lawsuit against Atturo and Svizz-One in January 2014, bringing claims including for design patent infringement and trade dress infringement and dilution (Dkt. 1). Atturo is a privately-held tire brand that offers products including a tire called the Trail Blade M/T which is the tire at issue in this case. (PSOF ¶¶4, 6). Svizz-One manufacturers Atturo's Trail Blade M/T tire. (*Id.* ¶6). Atturo responded to Toyo's complaint with seven counterclaims. (Dkt. 39).

Atturo's counterclaims arise primarily from the settlement agreements that Toyo negotiated in an action Toyo brought in August 2013 before the United States International Trade Commission (ITC) ("ITC Action"). In its ITC complaint, Toyo requested that the ITC investigate various manufacturers and distributors of foreign tires for design patent infringement. See Toyo Tire & Rubber Co. v. Atturo Tire Corp., 2017 U.S. Dist. LEXIS 48672, 2017 WL 1178224 (N.D. Ill. Mar. 30, 2017)

^{2.} The facts in this Background section are undisputed unless otherwise noted. Toyo's Rule 56.1 Statement of Facts in support of its partial motion for summary judgment (Dkt. 612) is abbreviated as "PSOF". Atturo's Rule 56.1 Responsive Statement of Facts (Dkt. 627-1) is abbreviated as "DSOF". Toyo responded to Atturo's Additional Facts at Dkt. 656.

^{3.} Vittore Wheel & Tire and RTM Wheel & Tire were terminated as defendants in 2014. (Dkt. 38).

(hereafter, "March 2017 Order"). ⁴ Toyo did not assert any trade dress claims in the ITC action. (PSOF ¶11). Atturo was not among the named respondents, nor were any Atturo tires, including the Trail Blade M/T, listed among the allegedly infringing tires in the ITC action. (see March 2017 Order). Nevertheless, the named respondents agreed in their settlement agreements with Toyo not to sell the Trail Blade M/T. Id.

As to Toyo customer (and ITC respondent) Dunlap & Kyle (D&K) in particular, on October 7, 2013, Toyo's counsel emailed D&K counsel a draft agreement to settle the ITC Action, stating that "Toyo is aware of additional tires that it believes infringe other Toyo intellectual property not asserted in the ITC Action," and listing the Atturo Trail Blade M/T as one of those "additional tires" in the body of the agreement under "Toyo's Open Country M/T Trade Dress" and on Exhibit 4. (DSOF ¶46). From October 21, 2013 through February 20, 2014, Toyo executed ten settlement agreements with respondents to the ITC Action, including D&K ("D&K Settlement Agreement"). Each agreement stated that "Toyo is aware of additional tires that it believes infringe other Toyo intellectual property not asserted in the ITC Action," and each listed the Trail Blade M/T as one of those "additional tires" in the body of the agreements under "Toyo's Open Country M/T Trade Dress" and on Ex. 4. (Id. ¶47). Public versions including those statements were filed in the ITC Action from October 29, 2013 through February 27, 2014. (Id.).

^{4.} The Court incorporates by reference the complete background section of the March 2017 Order here.

Although the ITC was not involved in the settlement negotiations, after Toyo obtained the settlement agreements, the ITC granted Toyo's request to terminate the investigation. (see March 2017 Order).

II. Remaining Claims in this Case

The claims now remaining in this case are Toyo's claims against Atturo and Svizz-One for trade dress infringement under the Lanham Act, 15 U.S.C. § 1125(a), and violation of the Illinois Deceptive Trade Practices Act, 815 ILCS 510/1, et. seq. ("IDTPA") (Dkt. 1, Cts. II & VI). (Toyo's other claims were dismissed with prejudice in 2014 and 2017 (Dkts. 26, 38, 384)). Next are Atturo's counterclaims against Toyo for tortious interference with contract and with prospective business expectancy, defamation, unfair competition, unjust enrichment, violation of the IDTPA, and violation of Section 43(a)(1)(B) of the Lanham Act. (Dkt. 39, Cts. I-VII). Toyo has moved for summary judgment on Atturo's counterclaims arguing that Atturo failed to provide sufficient evidence that it lost profits and that Toyo is not liable for defamation or any Lanham Act violation.

ANALYSIS

I. Evidence of lost profits

A. The Court will not weigh the evidence on summary judgment

Toyo requests that the Court "grant summary judgment of no lost profits." (Dkt. 611 at 3). Toyo contends that Atturo's counterclaims require proof that the alleged

wrongful conduct caused the alleged damages, and Atturo must prove lost profit damages to a reasonable degree of certainty. Atturo has not met its burden, Toyo contends, because its damages expert's opinions are speculative and in conflict with deposition testimony from Toyo's customer, D&K, and from Atturo's Sales Director. In moving for summary judgment, Toyo insists that the Court need not resolve its previously-filed *Daubert* motion (Dkt. 415), which seeks to strike Atturo's damages expert Brian Daniel's report and exclude him from testifying at trial. (Dkt. 654 at 9, n. 1). Instead, Toyo argues that Daniel's opinions should be considered mere speculation and the Court should rely on excerpts of testimony from two depositions to find that Atturo's lost profits theory cannot survive summary judgment.

^{5.} Toyo requests that the Court dismiss in their entirety Atturo's counterclaims that require damages as an element of the claim: tortious interference with contract and tortious interference with business expectancy. (Dkt. 654 at 19). Toyo concedes that defamation per se does not require proof of actual damages (though defamation per quod would require special damages). (Id.) As to unjust enrichment, Toyo argues that Atturo has not quantified Toyo's retained "benefit." (Id.). However a plaintiff need not show loss or damages for an unjust enrichment claim but must at least show "a connection between the detriment and the defendant's retention of the benefit." Cleary v. Philip Morris Inc., 656 F.3d 511, 518-19 (7th Cir. 2011). Here, for the reasons discussed, Atturo has provided sufficient evidence of the connection between its loss of tire sales and Toyo's retention of that benefit.

^{6.} The Court will not question Toyo's litigation decision on this matter particularly because it is Toyo's summary judgment motion and Toyo's *Daubert* motion. See Identiseal Corp. of Wis. v. Positive Identification Sys., Inc., 560 F.2d 298, 302 (7th Cir. 1977) (noting "the traditional principle that the parties, rather than the court, should determine litigation strategy.").

The Court concludes that Toyo has not established the absence of a genuine issue of material fact for trial about Atturo's damages. Adopting the approach Toyo advocates would require the Court to weigh certain deposition testimony against the testimony of Atturo's expert, draw inferences in Toyo's, not Atturo's favor, and resolve conflicts in the evidence. The Court cannot do so on summary judgment. See Viamedia, 951 F.3d at 467; Driveline Sys., LLC v. Arctic Cat, Inc., 936 F.3d 576, 579 (7th Cir. 2019) (on summary judgment, "[t]he court does not assess the credibility of witnesses, choose between competing reasonable inferences, or balance the relative weight of conflicting evidence.") (internal citation and quotations omitted). And as described below, Atturo has provided sufficient evidence of its damages to survive summary judgment.

B. Atturo provides sufficient evidence of lost profits

Toyo is correct that under Illinois law a party must prove lost profits "with 'a reasonable degree of certainty." *TAS Distrib. Co. v. Cummins Engine Co.*, 491 F.3d 625, 633-34 (7th Cir. 2007). However, "mathematical certainty is not required" (*id.*) and "recovery may be had for prospective profits when there are any criteria by which the probable profits can be estimated with reasonable certainty." *Midland Hotel Corp. v. Reuben H. Donnelley Corp.*, 118 Ill. 2d 306, 316, 515 N.E.2d 61, 66, 113 Ill. Dec. 252 (1987) (quotations and citation omitted). In addition,

^{7.} Even if a party can establish that it is entitled to damages but fails to prove the amount of those damages to a reasonable degree of certainty, it can still recover nominal damages. *See TAS Distrib.*, 491 F.3d at 632.

as Atturo points out, Illinois law "does *not* require expressly expert testimony to prove lost profits damages." *TAS Distrib.*, 491 F.3d at 634 (emphasis added). Here, however, Atturo has submitted a 70-plus page expert report from Mr. Daniel, who has significant intellectual property valuation experience. 8 (Daniel Rep. (Dkt. 613)).

Daniel opined that "but for the alleged unlawful actions of the [Toyo], including in connection with the D&K Settlement Agreement, D&K would have likely continued to purchase the Atturo TBMT tires at the initial locations, D&K would have likely expanded Atturo TBMT tire purchases to include all D&K locations, and [] all D&K locations would have likely purchased other tires from Atturo in addition to the Atturo TBMT tires." (Daniel Rep. at 12). He therefore opined that Toyo's alleged unlawful actions, including in connection with the D&K Settlement Agreement, resulted in Atturo losing profits of approximately \$5.8 million during the period October 2013 through December 2017. (*Id.* at 22).

In addition to Daniel's report, Atturo provides other evidence that Toyo's conduct caused it to lose profits. Dennis King, D&K's corporate representative, testified that D&K cancelled its order for Atturo's Trail Blade M/T because Atturo "was on the Exhibit 4 list" of the D&K Settlement Agreement, and if it was not for the D&K Settlement Agreement it is possible D&K would have continued to sell the Trail Blade M/T and sold other Atturo tires.

^{8.} The Court notes that Toyo's *Daubert* motion challenges Mr. Daniel's methodology and the reliability of his opinions but not his qualifications. (*see* Dkt. 415).

DSOF ¶61. And customer J.P. Thomas's representative testified that J.P. Thomas does not currently sell Atturo tires because it "signed an agreement with Toyo that [it] would not purchase and sell Atturo tires" and there was no other reason why J.P. Thomas currently does not sell Atturo tires. *Id.* ¶ 73.

Toyo argues that testimony that it was "possible" D&K would have purchased additional Atturo tires is not enough. But "the evidence need only afford a reasonable basis for the computation of damages which, with a reasonable degree of certainty, can be traced to defendant's wrongful conduct." TAS Distrib. Co., 491 F.3d at 633 (citations omitted). Drawing reasonable inferences in Atturo's favor and considering the evidence as a whole, Atturo has provided sufficient evidence to survive summary judgment that its damages can be traced to Toyo's alleged wrongful conduct.

Moreover, the case law Toyo relies on is distinguishable. Most of those cases apply the rule in Illinois that profits of a new business, or of a new product promoted by an established business, are generally too remote to be recoverable. See TAS Distrib., 491 F.3d at 633; Kinesoft Dev. Corp. v. Softbank Holdings, 139 F. Supp. 2d 869 (N.D. Ill. 2001). But Toyo does not argue that Atturo was a new business (Atturo was established in 2009 (Dkt. 619-1 at 11)), or that the Trail Blade M/T was a new product (it had been on the market since November 2012 (DSOF ¶84)). In Kinesoft Dev. Corp., 139 F. Supp. 2d 869, plaintiff was a new business, and the Court found that plaintiff could not demonstrate lost profits because its expert did not analyze

a comparable company selling comparable games. *Id.* at 910.9 Here, Atturo was an established business and was not selling a new product. Atturo's expert did not need to look beyond Atturo or its products for his analysis. He analyzed D&K's actual purchase orders to Atturo in October 2013, the fact that D&K signed dealer applications with Atturo, as well as Atturo's historical sales and financial data and identified Atturo customers similar to D&K to assess the "but-for unit sales Atturo would have made to D&K." (Daniel Rep. at 13-14).

C. Particular damages categories Toyo seeks to exclude

Finally, Toyo argues that if the Court does not find that Atturo failed to establish lost profits, the following specific categories of Atturo's alleged damages should be excluded: (1) lost profits for the 740 tires that were cancelled orders; (2) lost profits on tires other than the Trail Blade M/T; and (3) delayed production of other tire sizes.

Toyo admits that before the D&K Settlement Agreement, D&K purchased 1,024 Trail Blade M/T tires from Atturo. (PSOF ¶¶20-22). Although D&K paid for 284 of those, it cancelled the remaining 740. (*Id.* ¶22). But Toyo maintains that "Atturo did not purport to quantify

^{9.} Further, there was no damages expert at all in TAS Distrib., L.S. Heath & Son, Inc. v. AT & T Info. Sys., Inc., 9 F.3d 561, 575 (7th Cir. 1993) or Minuteman Int'l, Inc. v. Critical-Vac Filtration Corp., 1997 U.S. Dist. LEXIS 9280, 1997 WL 370204 (N.D. Ill. June 27, 1997).

lost profits for the (740 tires)." (Dkt. 611, n. 3). However, Daniel began his damages calculation by noting that D&K cancelled its existing order of Trail Blade M/T tires in 2013 and only paid for a portion. (Daniel Rep. at 10-12). Exhibit 8 to his report is a table, "Summary of D&K Initial Orders - Atturo TBMT Tires." (*Id.*, Exh. 8). Further, as Atturo points out, its Rule 30(b)(6) witness testified how the amounts Atturo lost from the specific orders canceled by D&K can be calculated based on adding the value of D&K's purchase orders and subtracting the amount that D&K paid for those orders. (Dkt. 627 at 15, n. 11). Toyo's argument that the Court should exclude this category of damages is not convincing.

Next, Toyo contends that the Court should exclude any alleged lost profits for tires other than the Trail Blade M/T and for alleged losses from the delayed expansion of other tire sizes. However, Atturo's expert analyzed Atturo's historical sales data and reference customers to assess the likelihood that D&K would have purchased non-Trail Blade M/T tires.¹⁰ It was his opinion "that D&K would have likely purchased other tires from Atturo in addition to the Atturo TBMT...but for the alleged unlawful actions of the Counter-Defendants, including in connection with the D&K Settlement Agreement." (Daniel Rep. at 14-15). As for other tire sizes, Toyo is correct that Daniel stated

^{10.} Daniel selected 11 "reference customers" similar to D&K and "analyzed the historical sales data for the resulting group of 11 customers ('the D&K Reference Customers') in order to determine the level of but-for unit sales Atturo would have made to D&K" (Daniel Rep. at 14). His report thoroughly describes his process for selecting these customers for this analysis.

he had not "specifically quantified the harm attributable to Atturo's delay in expanding its product line and sizes," but he still analyzed this category and concluded that his "calculation of Atturo's lost profits would be understated by approximately 52 percent or approximately \$3.0 million." (*Id.* at 21). Also, Atturo's Rule 30(b)(6) witness and its President, Michael Mathis, testified that "as result of Toyo's actions", Atturo has "had to pause the development of the Trail Blade M/T product range." DSOF ¶ 58.11

Accordingly, drawing reasonable inferences in Atturo's favor, the Court declines Toyo's invitation to find at this stage that Atturo has failed to show that it lost any profits or that those alleged losses were connected to Toyo's actions. Atturo has presented enough evidence to present these questions to the jury. Toyo's motion for partial summary judgment on that ground is denied.

II. Defamation and Lanham Act Claims

Toyo also requests that the Court "grant summary judgment of no defamation and no Lanham Act violation." (Dkt. 611 at 3). Toyo argues that Atturo has not identified any actionable defamatory statements because the identified statements are protected by the absolute litigation privilege, do not fall within a category of

^{11.} Toyo generally disputes this evidence and objects that it is "opinion evidence by a lay witness" and "testimony regarding ultimate issues." Dkt. 656, ¶ 19. Mathis's testimony was 30(b)(6) testimony, given under oath, on behalf of his company. Toyo's objections are not persuasive.

statements that are defamatory *per se*, and constitute non-actionable opinions. Atturo argues that Toyo made multiple defamatory statements about it and the Trail Blade M/T. The statements at issue, according to Atturo, are Toyo's statements in the ten final settlement agreements Toyo executed with ITC respondents as well as additional statements not submitted to the ITC.

A. Absolute litigation privilege

Toyo argues that Atturo's defamation claim is barred by the absolute litigation privilege because the statements were made in the ITC settlements. "The absolutelitigation privilege immunizes certain statements and conduct by attorneys in the course of litigation." Doe v. Williams McCarthy, LLP, 2017 IL App (2d) 160860, ¶ 19, 419 Ill. Dec. 196, 92 N.E.3d 607, 612. "As an absolute privilege, the class of communications to which it applies is narrow. For the privilege to apply, the communication must bear some relationship to the proposed or 'pending litigation' and it must be in furtherance of that litigation." Id. (internal citations omitted). While "doubts are to be resolved in favor of finding the communication pertinent to the litigation" (id.), Illinois still limits the application of the litigation privilege. Kurczaba v. Pollock, 318 Ill. App. 3d 686, 705, 742 N.E.2d 425, 440, 252 Ill. Dec. 175 (1st Dist. 2000). See also Black v. Wrigley, 2017 U.S. Dist. LEXIS 202260, 2017 WL 8186996, at *5 (N.D. Ill. Dec. 8, 2017).

Atturo maintains that Toyo waived this defense. Even if it had not, the Court agrees with Atturo that the Court's March 2017 opinion established that Toyo's conduct as to Atturo in 2013 was unrelated to the ITC proceeding. The March 2017 Order concluded:

- the settlement agreements were private agreements that did not require ITC approval to become effective in the first place. (2017 U.S. Dist. LEXIS 48672, [WL] at *6)
- the agreement between Toyo and the various ITC respondents with regard to Atturo was an action that was taken by the parties themselves, unrelated to the ITC proceeding. (*id.*).
- the agreements between Toyo and the ITC respondents regarding Atturo are beyond the scope of Toyo's complaint and the ITC investigation. (2017 U.S. Dist. LEXIS 48672, [WL] at *7).
- the settlement agreements that Toyo submitted to the ITC were a *fait accompli*. They did not need the approval of the ITC judge to become effective. (*id*.).

Although Judge Lee was applying the *Noerr-Pennington* doctrine and not the absolute litigation privilege, the underlying issue—the connection between Toyo's statements about Atturo and the ITC proceeding—is the same. The analysis in the March 2017 Order leads to a similar result here—Toyo cannot rely on a privilege, indeed an *absolute* privilege, to shield its statements about Atturo that were unrelated to the ITC proceeding. Toyo has not established that its statements about Atturo were related to the ITC Action or in furtherance of that action.

This finding is supported by the purpose of the absolute litigation privilege. That purpose is "to allow attorneys the utmost freedom in their efforts to secure justice for their clients [by] facilitat[ing] the free flow of information between attorneys, clients, and the court system." Doe, 2017 IL App (2d) 160860, ¶ 19, 419 Ill. Dec. 196, 92 N.E.3d 607 (internal citations and quotations omitted). Toyo's counsel was not attempting to secure justice from the ITC by making statements about Atturo. The fact that the statements were made in settlement agreements does not automatically cloak them with the privilege where those were private agreements beyond the scope of the ITC complaint and investigation that did not require any ITC approval. Indeed the purpose of the privilege would not be served where it is undisputed that Atturo was not a party in the ITC Action, the Trail Blade M/T was not identified in Toyo's complaint, and there was no claim of trade dress infringement (see Dkt. 611 at 2, 15).¹² Thus the absolute litigation privilege does not bar Atturo's defamation claims.

^{12.} Judge Lee's critique of Toyo's conduct further underscores why the purpose of the litigation privilege would not be served in this case: "Toyo's efforts to shoehorn whatever claims it may have with respect to the Atturo tires into the ITC proceeding (when it could have, but did not, list them in its ITC complaint) under the guise of motions to terminate 'conceals an attempt to interfere directly with the business relationships of a competitor' by using the ITC proceeding as an 'anticompetitive weapon,' thereby constituting a 'sham' ineligible for *Noerr-Pennington* protection." March 2017 Order, 2017 U.S. Dist. LEXIS 48672, [WL] at *6.

B. Defamation per se

Toyo asserts that Atturo has not identified a statement that is defamatory per se. Atturo responds that Toyo's statements qualify as defamatory per se because Toyo accused Atturo of unlawful conduct, directly attacked the integrity of its business conduct, and prejudiced its ability to generate business. "A defamatory statement is one that 'tends to cause such harm to the reputation of another that it lowers that person in the eyes of the community or deters third persons from associating with him." Republic Tobacco Co. v. N. Atl. Trading Co., 381 F.3d 717, 726 (7th Cir. 2004) (quoting Kolegas v. Heftel Broad. Corp., 154 Ill. 2d 1, 9, 607 N.E.2d 201, 206, 180 Ill. Dec. 307 (1992)). In Illinois defamatory statements may be actionable per se or per quod. Id. There are four categories of statements considered to be defamatory per se: "(1) words that impute the commission of a crime; (2) words that impute infection with a loathsome disease; (3) words that impute an inability to perform or a want of integrity in the discharge of duties of office or employment; or (4) words that prejudice a party, or impute lack of ability, in his or her trade, profession, or business." Id.

Atturo argues that it has identified statements that are defamatory *per se:* first, those that were in the ten settlement agreements that were executed between October 2013 and February 2014 stating that "Toyo is aware of additional tires that it believes infringe other Toyo intellectual property not asserted in the ITC Action," and listing the Atturo TBMT as one of those "additional tires" in the body of the agreements under "Toyo's Open

Country M/T Trade Dress" and on Ex. 4. These same statements appeared in subsequent agreements with Doublestar Tyre and J.P. Thomas. Atturo also points to a March 2015 letter from Toyo to Atturo's marketing partner The Off-Road Champions ("TORC") (Dkt. 627 at 23-24).¹³

Atturo's identified statements fall into the category of "words that prejudice a party, or impute lack of ability, in his or her trade, profession, or business." The Court is not persuaded by Toyo's contention that that defamation claims cannot be based on claims of intellectual property infringement alone. (Dkt. 654 at 33). See Republic Tobacco Co., 381 F.3d at 728-29 (statement that patent-trademark had been violated, even with prefatory language, was defamatory); see also Nvidia Corp. v. Fed. Ins. Co., 2005 U.S. Dist. LEXIS 19599, 2005 WL 2230190, at *12 (N.D. Ill. Sept. 6, 2005) ("Illinois caselaw teaches that allegations that a company is infringing the intellectual property rights of another entity can state viable claims for defamation.").

Toyo also argues these statements in the ITC settlement agreements are not actionable because they are statements of opinion. One defense to liability for a defamatory statement is if the statement is one of opinion: "a statement that does not contain any verifiable facts

^{13.} Toyo argues in its reply brief that some of the statements Atturo identifies were not originally specifically identified in Atturo's Counterclaim for defamation. The Court is not convinced. *See Rivera v. Allstate Ins. Co.*, 140 F. Supp. 3d 722, 728 (N.D. Ill. 2015) ("it cannot be that a defamation plaintiff at summary judgment or trial is limited to the allegedly defamatory statements recited in the complaint.").

(as some call, 'an opinion') is not actionable under Illinois law." Republic Tobacco Co., 381 F.3d at 727. However, "a statement of fact is not shielded from an action for defamation by being prefaced with the words 'in my opinion,' but if it is plain that the speaker is expressing a subjective view, an interpretation, a theory, conjecture, or surmise, rather than claiming to be in possession of objectively verifiable facts, the statement is not actionable." Id. (citations omitted). "Context is key, as it matters not only what was said, but who said it, where it was said, and the broader setting of the challenged statements." Bd. of Forensic Document Examiners, Inc. v. Am. Bar Ass'n, 922 F.3d 827, 832 (7th Cir. 2019).

Here, the context was clear: most of these statements were made in binding settlement agreements between Toyo and a respondent that Toyo had accused of infringement in the ITC Action. The agreement stated that there were additional tires Toyo believed infringed "other Toyo intellectual property not asserted in the ITC Action." (see D&K Settlement Agreement (Dkt. 39-10)). Then under a heading "Toyo's Open Country M/T Trade Dress," Toyo listed Atturo's Trail Blade M/T. The agreement prohibited the respondents from ever selling the Trail Blade M/T. (Id., Sec. 1.6). Exhibit 3 to the agreement was labeled "Toyo's Intellectual Property," under which Toyo listed "Open Country MT Trade Dress." And Exhibit 4 listed "Tires" including the Trail Blade M/T, which the respondent was prohibited from selling.

To argue the statements were not defamatory, Toyo focuses on the words that it was "aware of additional tires that it believes infringe..." Atturo maintains that

couching the statements in that way did not dispel the factual implications. The Court agrees especially in light of the context of the statements. See Republic Tobacco Co., 381 F.3d at 729 ("Prefatory language does not control whether these statements are actionable as defamation; what matters is whether the assertions included in the three disputed sentences are verifiably false."). Toyo's statements were made in a legally binding settlement agreement related to the ITC Action that became public documents. The statements were precise and involved verifiable facts including whether Toyo owned protectable trade dress rights in the Open Country M/T and whether the Trail Blade M/T infringed those rights.

Toyo relies on *Bd. of Forensic Document Examiners*, 922 F.3d 827, but the statements at issue in that case were made in a scholarly article, were qualified by the author setting forth the subjective nature of his article, that lead the Seventh Circuit to affirm that the article could not reasonably be interpreted as stating facts. Instead the Court stressed that the appropriate avenue for defendants to express "a contrary point of view was through a rebuttal article, not a defamation lawsuit." *Id.* at 833. Here there was no avenue for Atturo to "rebut" Toyo's identification of its tire as an infringing product in a binding settlement between Toyo and another party. Once signed, the agreement forever prohibited the respondents from selling the Trail Blade M/T.

In light of the statements and their context, the Court cannot find as a matter of law that the statements at issue are not defamatory, with one exception. The Court

agrees with Toyo that the TORC letter is not actionable. The letter stated in part that "[w]e [Toyo] believe that Atturo has joined TORC for the purpose of legitimizing its Atturo Trail Blade M/T and that the 'story' Atturo wants to tell is a false one. Accordingly, TORC should proceed carefully relative to your announced partnership." Unlike the settlement agreement statements, this statement is vague and does not purport to assert verifiable facts, was not made to an Atturo customer and was contained in a letter, not a binding settlement agreement.

Because the Lanham Act, like Illinois defamation law, prohibits misrepresentations of fact (see Bd. of Forensic Document, 922 F.3d at 833) the same analysis above applies. Therefore Toyo's motion for summary judgment on Atturo's defamation and Lanham Act claims is denied in large part and granted in part only as to the TORC letter. All of the alleged defamatory statements survive summary judgment except for the TORC letter.

CONCLUSION

For the stated reasons, Toyo's partial motion for summary judgment [606] is denied in large part.

Dated: February 9, 2021

ENTER:

/s/ Mary M. Rowland
MARY M. ROWLAND
United States District Judge

APPENDIX D — DENIAL OF REHEARING OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED NOVEMBER 21, 2024

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2022-1817, 2022-1892

TOYO TIRE CORP., TOYO TIRE U.S.A. CORP.,

Plaintiffs-Appellants,

v.

ATTURO TIRE CORPORATION,

Defendant-Cross-Appellant,

SVIZZ-ONE CORPORATION LTD.,

Defendant-Appellee.

Appeals from the United States District Court for the Northern District of Illinois in No. 1:14-cv-00206, Judge Mary M. Rowland.

ON PETITION FOR PANEL REHEARING

Before Moore, *Chief Judge*, Clevenger, and Chen, *Circuit Judges*.¹

Per (JURIAM.
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^{1.} Circuit Judge Newman did not participate.

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Appendix D

ORDER

Atturo Tire Corporation filed a petition for panel rehearing.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The mandate of the court will issue December 2, 2024.

November 21, 2024 Date

FOR THE COURT

/s/ Jarrett B. Perlow Jarrett B. Perlow Clerk of Court