

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported): January 16, 2008

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Tegal Corporation  
(Exact name of Registrant as Specified in its Charter)

Delaware  
(State or other jurisdiction  
of incorporation)  
000-26824

(Commission  
File Number)  
68-0370244

(I.R.S. Employer  
Identification No.)

2201 South McDowell Boulevard  
Petaluma, CA 94954  
(Address of Principal Executive Offices)

(707) 763-5600  
(Registrant's telephone number, including area code)

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(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 7.01****REGULATION FD DISCLOSURE.**

On January 22, 2008, Tegal Corporation (the “*Company*”) issued a press release announcing the settlement of a fee dispute with its former attorneys. A copy of the press release is attached to this report as Exhibit 99.1 and incorporated herein by reference. For more information, see Item 8.01 below.

**ITEM 8.01.****OTHER EVENTS.**

On January 16, 2008, the Company and its wholly owned subsidiary, Sputtered Films, Inc. (“*SFI*”), received a Notice of Acceptance of Written Offer to Compromise from Keker & Van Nest LLP (“*KVN*”), one of the two law firms that had represented SFI in its lawsuit against Sergey Mishin, Advanced Modular Sputtering (“*AMS*”), Agilent Technologies, Inc., Avago Technologies U.S., Inc., Avago Technologies Wireless (U.S.A.) Manufacturing, Inc. and other defendants, which was settled in November 2006 (the “*AMS Settlement*”). As previously disclosed in the Company’s SEC filings, KVN and Gonzalez & Leigh LLP (“*G&L*”) claimed they were entitled, as a result of the AMS Settlement, to receive contingent fees from the Company and SFI. KVN had claimed it was owed fees in the amount of approximately \$6.72 million; G&L had claimed that it was owed approximately \$2.25 million. As previously disclosed in a Form 8-K filed with the SEC on August 20, 2007, the Company executed a Mutual General Release and Settlement Agreement dated August 15, 2007 with G&L and paid G&L \$995,000 pursuant to that agreement. In connection with KVN’s acceptance of the Company’s Written Offer to Compromise and the execution of a mutual general release, dated as of January 18, 2008, the Company has paid KVN \$3.8 million.

As previously disclosed in the Company’s SEC filings, the Company had placed \$19.5 million, representing the gross cash proceeds from the November 2006 settlement, into suspense. As a result of the developments described above, the Company will eliminate the suspense along with other liabilities related to the AMS Settlement, and the net proceeds will be taken to other income in the fiscal fourth quarter ending March 31, 2008.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.**

(d) Exhibits.

Exhibit Number  
99.1

Description  
Press Release dated January 22, 2008.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: January 22, 2008

TEGAL CORPORATION

By: /s/ Christine T. Hergenrother

Name: Christine T. Hergenrother

Title: Chief Financial Officer

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**EXHIBIT INDEX**

Exhibit Number

99.1

Description

Press Release dated January 22, 2008.

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## TEGAL SETTLES FEE DISPUTE WITH FORMER ATTORNEYS

**Petaluma, Calif., January 22, 2008** — Tegal Corporation (Nasdaq:TGAL), a leading designer and manufacturer of plasma etch and deposition systems used in the production of integrated circuits and nanotechnology devices, today announced that it had settled a fee dispute with the second of its former attorneys for \$3.8 million.

On January 16, 2008, Tegal Corporation (the “Company”) and its wholly owned subsidiary, Sputtered Films, Inc. (“SFI”), received a Notice of Acceptance of Written Offer to Compromise from Kecker & Van Nest LLP (“KVN”), one of the two law firms that had represented SFI in its lawsuit against Sergey Mishin, Advanced Modular Sputtering (“AMS”), Agilent Technologies, Inc., Avago Technologies U.S., Inc., Avago Technologies Wireless (U.S.A) Manufacturing, Inc. and other defendants, which was settled in November 2006 (the “AMS Settlement”). As previously disclosed in the Company’s SEC filings, KVN and Gonzalez & Leigh LLP (“G&L”) claimed they were entitled, as a result of the AMS Settlement, to receive contingent fees from the Company and SFI. KVN had claimed it was owed fees in the amount of approximately \$6.72 million; G&L had claimed that it was owed approximately \$2.25 million. As previously disclosed in a Form 8-K filed with the SEC on August 20, 2007, the Company executed a Mutual General Release and Settlement Agreement dated August 15, 2007 with G&L and paid G&L \$995,000 pursuant to that agreement. In connection with KVN’s acceptance of the Company’s Written Offer to Compromise and the execution of a mutual general release, dated as of January 18, 2008, the Company has paid KVN \$3.8 million.

As previously disclosed in the Company’s SEC filings, the Company had placed \$19.5 million, representing the gross cash proceeds from the November 2006 settlement, into suspense. As a result of the developments described above, the Company will eliminate the suspense along with other liabilities related to the AMS Settlement, and the net proceeds will be taken to other income in the fiscal fourth quarter ending March 31, 2008.

### About Tegal

Tegal provides process and equipment solutions to leading edge suppliers of advanced semiconductor and nanotechnology devices. Incorporating unique, patented etch and deposition technologies, Tegal’s system solutions are backed by over 35 years of advanced development and over 100 patents. Some examples of devices enabled by Tegal technology are energy efficient memories found in portable computers, cellphones, PDAs and RFID applications; megapixel imaging chips used in digital and cellphone cameras; power amplifiers for portable handsets and wireless networking gear; and MEMS devices like accelerometers for automotive airbags, microfluidic control devices for ink jet printers; and laboratory-on-a-chip medical test kits.

More information is available on the Internet at: [www.tegal.com](http://www.tegal.com).

### Contact:

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Christine Hergenrother (VP and CFO), 707/763-5600  
or  
The Blue Shirt Group  
Rakesh Mehta or Chris Danne, 415/217-7722

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