IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

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| ISCO INTERNATIONAL, INC., | ) | |
| Plaintiff | ) | |
| v. | ) | C.A. No. 01-487 GMS |
| CONDUCTUS, INC., AND SUPERCONDUCTOR TECHNOLOGIES, INC., | ) | |
| Defendants. | ) | |

**MEMORANDUM AND ORDER**

## I. INTRODUCTION

The plaintiff, ISCO International, Inc. ("ISCO"), filed the above-captioned suit against Conductus, Inc. ("Conductus") and Superconductor Technologies, Inc. ("STI") (collectively "the defendants") on July 17, 2001. In its complaint, ISCO alleges that Conductus and STI are infringing U.S. Patent No. 6,263,215 ("the '215 patent"). Presently before the court is Conductus' Motion for Summary Judgment Limiting Computation of Damages to a Reasonable Royalty for Sales to Dobson (D.I. 203). For the reasons that follow, the court will deny the motion.

## II. STANDARD OF REVIEW

Summary judgment is appropriate in patent suits as in other civil actions. *Rains v. Cascade Industries, Inc*., 402 F.2d 241, 244 (3d. Cir. 1968). The court may grant summary judgment "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." FED. R. CIV. P. 56(c); *see also Boyle v. County of*

*Allegheny Pa.*, 139 F.3d 386, 392 (3d Cir. 1998). Thus, summary judgment is appropriate only if the moving party shows there are no genuine issues of material fact that would permit a reasonable jury to find for the non-moving party. *Boyle*, 139 F.3d at 392. A fact is material if it might affect the outcome of the suit. *Id*. (citing *Anderson v. Liberty Lobby*, *Inc.,* 477 U.S. 242, 247-248 (1986)). An issue is genuine if a reasonable jury could possibly find in favor of the non-moving party with regard to that issue. *Id*. In deciding the motion, the court must construe all facts and inferences in the light most favorable to the non-moving party. *Id*.; *see also Assaf v. Fields*, 178 F.3d 170, 173-74 (3d Cir. 1999).

**III. DISCUSSION**

Conductus moves for summary judgment to limit damages to a reasonable royalty for sales to Dobson Cellular Systems, Inc. ("Dobson"), a buyer of superconductor filter systems. Conductus argues that ISCO cannot meet the "but for" test to win lost profits because it cannot show that, but for the allegedly infringing sales by Conductus, ISCO would have made the Dobson sales. The movant's argument is based on a contract between Conductus and Dobson which pre-dates the issuance of the '215 patent and which provides that Conductus would be the exclusive seller of superconductor filter systems to Dobson. "Because the Agreement pre-dates the issuance of the '215 patent," Conductus argues, "it cannot give rise to liability of infringement as a matter of law." Opening Brief at 2. The court cannot agree.

To be entitled to lost profits, the patent holder must show a reasonable probability that but for the infringement, the patentee would have made the sales. *Fonar Corp. v. General Elec. Co.*, 107 F.3d 1543, 1553 (Fed. Cir. 1997). One way to make this showing is by means of the four-factor *Paduit* test, which requires proof of demand for the patented product; lack of acceptable non-

infringing substitutes; capacity by the patentee to meet the demand; and the amount of profit the patentee would have made. *Id*. (citing *Paduit Corp. v. Stalin Bros. Fibre Works*, *Inc*., 575 F.2d 1152, 1156 (6th Cir. 1978)). The "but for" inquiry, thus, requires a reconstruction of the market as it would have been absent the infringing product, to determine which sales the patentee would have made. *Grain Processing Corp. v. American Maize-Products Co.*, 185 F.3d 1341, 1350 (Fed. Cir. 1999); *see also Honeywell Int'l, Inc. v. Hamilton Sunstrand Corp*., 166 F. Supp. 2d 1008, 1031 (D. Del. 2001).

Conductus attacks ISCO's initial attempts at sustaining a lost profits theory of damages as "grasp[s] for the remote and hypothetical." Reply Brief at 5. This criticism is misplaced, however, as such a market reconstruction is necessarily "a hypothetical enterprise" regarding which "courts have given patentees significant latitude" to attempt to demonstrate. *Grain Processing*, 185 F.3d at 1350. Market reconstruction theories allow patentees to "show[] all of the ways in which they would have been better off in the 'but for world,' . . . . and to prove and recover lost profits for a wide variety of foreseeable economic effects of the infringement." *Id*. (citations omitted). Clearly, such a hypothetical reconstruction is not barred by the existence of a contract to sell the infringing product. It is redundant to note that, absent the infringing products, the contract for those products would be absent as well. ISCO is entitled to attempt to show that, had Conductus' allegedly infringing products not been on the market, Dobson would have turned to ISCO for the equivalent products.

In addition, there remain genuine issues of material fact as to several issues, including the

scope of the contract and the extent to which it was exclusive; what the industry, and in particular, Dobson, considered as acceptable alternatives to superconductor filter systems; and the availability of any non-infringing substitutes. Although Conductus argues that there is no genuine dispute as to these issues, ISCO has presented evidence to the contrary. For example, ISCO cites the depositions of Conductus employees and designated witnesses who testified to the effect that STI and ISCO were the only competitors in the market offering superconductor filter systems of the sort desired by Dobson. In short, the record at this stage, preliminary to a trial, presents genuine issues of material fact as to the basis for ISCO's proposed lost profits damages theory. Conductus has not shown that it is entitled to summary judgment as a matter of law.

## IV. CONCLUSION

Based on the evidence before it, the court concludes that summary judgment is inappropriate. For the foregoing reasons, IT IS HEREBY ORDERED that:

1. Conductus' Motion for Summary Judgment Limiting Computation of Damages to a Reasonable Royalty for Sales to Dobson (D.I. 203) is DENIED.

Date: February 10, 2003

Gregory M. Sleet
UNITED STATES DISTRICT JUDGE