axinn

Panduit: A Test for All Seasons

2 MIN READ

October 23, 2023, 8:46 AM
By: Ted Mathias

The *Panduit* test for determining lost profits in a patent case is almost fifty years old. The four-factor test doesn't exactly roll off the tongue, but it has persevered. Therefore, it is always of interest anytime there's a lost profits decision in a patent case where a court states that "given the particularities of [the] case, it is not clear that the *Panduit* test is appropriate."

In *Lexmark Int'l Inc. v. Universal Imaging Indus., LLC*, No. 8:18-cv-1047-WFJ-AEP, 2023 WL 6688588 (M.D. Fla. Oct. 12, 2023), the patentee incorporated microchips into its toner cartridges that work with its printers. The defendant sold microchips to third party cartridge manufacturers that work in the patentee's printers. It sought summary judgment on the patentee's lost profits claim because, according to the defendant, its microchips could not be considered "interchangeable" with the patentee's cartridges under the first *Panduit* factor. Quoting from the Federal Circuit's decision in *Bic Leisure Prods. v. Windsurfing Int'l*, the defendants asserted that the parties' products are not "substantially the same" and do not "compete[] in the same market for the same customers." 1 F.3d 1214, 1218-19 (Fed. Cir. 1993).

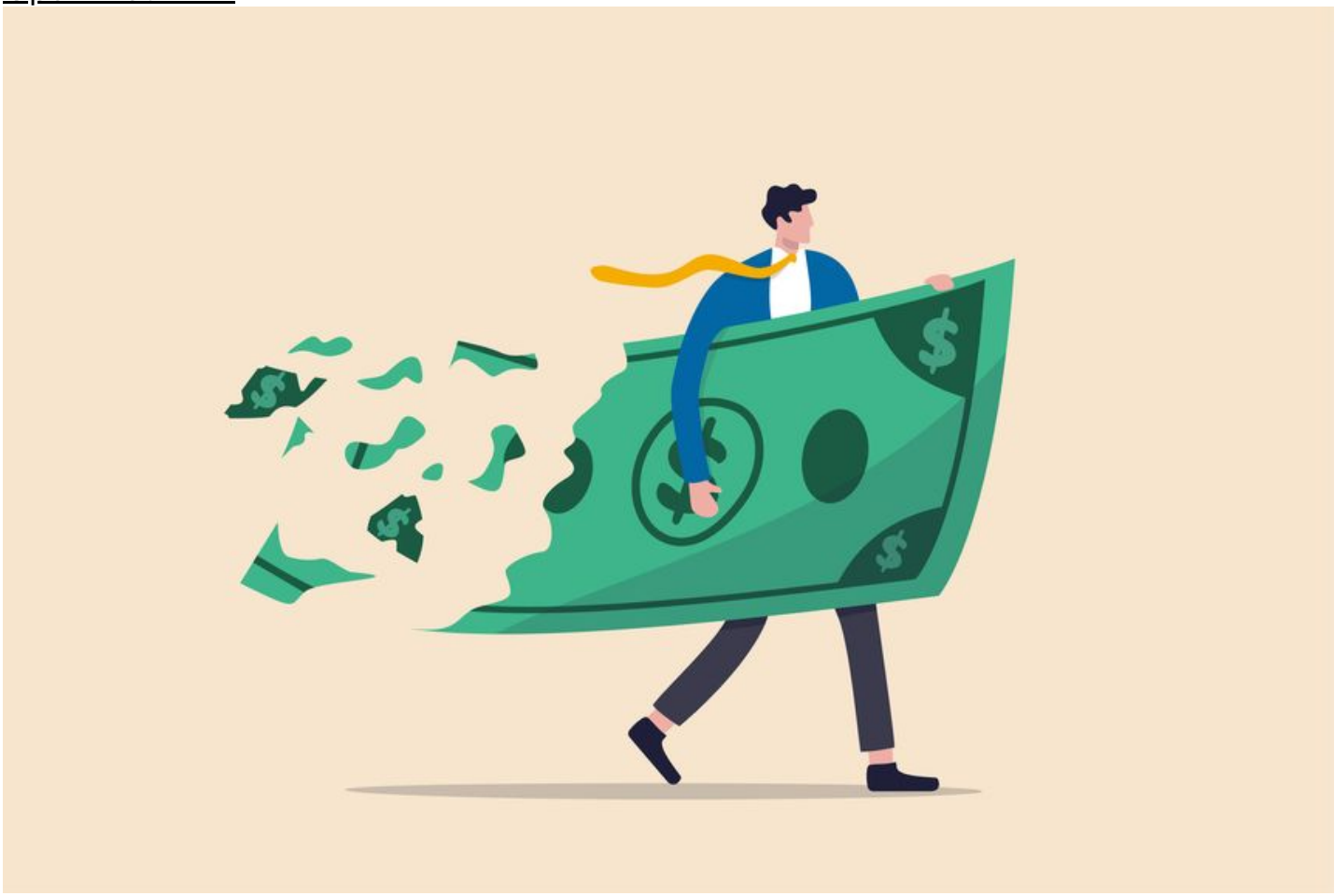
The district court denied the defendant's motion. It credited the patentee's arguments that (1) *Panduit* was a non-exclusive way to demonstrate lost profits, and (2) it would offer expert testimony that, but for the infringement, customers who purchased cartridges containing the defendant's microchips instead would have bought the patentee's products. To address the defendant's argument on the first *Panduit* factor, the court could have pointed to *DePuy Spine v.*

Medtronic, where the Federal Circuit held that factor could be satisfied by evidence that there is general economic demand for "a product 'covered by the patent in suit.'" 567 F.3d 1314, 1330 (Fed. Cir. 2009). As in *DePuy Spine*, the real issue in *Lexmark* implicates the second *Panduit* factor – whether the defendant's customers would have turned to available noninfringing substitute products in the absence of the accused devices.

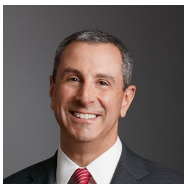
Although the district court suggested otherwise, Lexmark's lost profits claim thus fits squarely within the *Panduit* framework. *Panduit* has endured in substantial part because the Federal Circuit has avoided the rigid application of the test that the defendant sought in *Lexmark*.

"[G]iven the particularities of this case, it is not clear that the Panduit test is appropriate. Regardless of the fact that UII was selling its products to remanufactures while Lexmark was selling to end users—an apparent issue for treating the demand for UII's products and Lexmark's products as interchangeable—a material issue of fact exists as to whether each of UII's sales directly caused Lexmark to lose a customer. This is because Lexmark plausibly argues that (1) UII's devices would not allow aftermarket toner cartridges to work in Lexmark printers without certain aspects of Lexmark's patented technology, and (2) customers would be forced to buy Lexmark products if UII was not helping remanufacturers produce infringing substitutes." - Lexmark Int'l Inc. v. Universal Imaging Indus., LLC, No. 8:18-cv-1047-WFJ-AEP, 2023 WL 6688588 (M.D. Fla. Oct. 12, 2023)

Open File0.47MB



Related People



Ted Mathias

Related Services

Intellectual Property

To subscribe to our publications, click here.

News & Insights

- ACI Forum on Pharma & Biotech Patent Litigation USA 2025
  SPEAKING ENGAGEMENT **INTELLECTUAL PROPERTY**

- CCWC 21st Annual Career Strategies Conference
  SPEAKING ENGAGEMENT

- Fordham 52nd Annual Conference on International Antitrust Law and Policy
  SPEAKING ENGAGEMENT **ANTITRUST**

- Kisaco Research Trade Secret Legal Protection Conference 2025
  SPEAKING ENGAGEMENT **INTELLECTUAL PROPERTY**

- SCCE 23rd Annual Compliance & Ethics Institute
  SPEAKING ENGAGEMENT **ANTITRUST**

- 29th Annual IBA Competition Conference
  SPONSORSHIP **ANTITRUST**

- Key Appellate Decisions Shaping Antitrust Strategy
  WEBINAR **ANTITRUST**

- New Frontiers of Antitrust – 16th Annual International Conference of Concurrences Review
  SPEAKING ENGAGEMENT **ANTITRUST**

- MCCA Pathways Conference
  SPONSORSHIP **ANTITRUST**

- HNBA/VIA Annual Convention 2025
  SPONSORSHIP **ANTITRUST**