



Patents

Controversial damages principle for patents which are later revoked is overturned in the Supreme Court

Under the *'Unilin principle'* a patentee was entitled to damages where a patent was held to be valid and infringed even if the patent was subsequently revoked in another forum¹.

The Supreme Court has now condemned that, apparently rather unfair, principle to the legal scrapbook in *Virgin Atlantic Airways Limited v Zodiac Seats UK Limited* [2013] UKSC 46.

The welcome end of this principle

Stepping away from this principle must be largely welcomed because it leads to odd results. For example, in a previous Court of Appeal case (*Coflexip v Stolt* in 2004) that did not quite make it to the Supreme Court, Lord Neuberger discussed the *"offensiveness of the notion of Stolt being liable for, and Coflexip being entitled to, tens of millions of pounds for infringement of a patent which is now shown to be invalid, with retrospective effect."*

It is therefore no surprise, given Lord Neuberger (now President of the Supreme Court) was part of a stellar cast of Law Lords and Ladies hearing the Virgin case, that the Court took the opportunity to bury the *Unilin* principle.

Brief background to the case

The Claimant, Virgin, began infringement proceedings (claiming £49m in damages) against Zodiac alleging that Zodiac was manufacturing and selling a product which infringed its European Patent for a seat that reclined to provide a flat bed.

Zodiac denied the alleged infringement and claimed revocation of the Patent. The Court of Appeal held that (a) Virgin's patent was valid; (b) Zodiac's product infringed it; and (c) ordered an assessment of damages.

Meanwhile, and after the proceedings against Zodiac had started, Zodiac opposed the validity of the same Patent at the EPO². At a date after the decision of the Court of Appeal, the Technical Board of Appeal at the EPO found that all the claims found in England to have been infringed were invalid by reason of prior art, and accepted amendments proposed by Virgin removing them from the Patent.

The case returned to the Court of Appeal and in line with the *Unilin* principle, the Court of Appeal held that the earlier decision was *res judicata* (i.e. it had been judged and could not be re-opened) leaving Zodiac open to pay multi-million pound damages for

infringement of a Patent that has been amended with retrospective effect and it no longer infringes. This must have seemed nonsensical to Zodiac who appealed to the Supreme Court.

At the Supreme Court, Lord Sumption stated that *"the appeal perfectly illustrates the problems arising from the system of parallel jurisdiction for determining the validity of European patents."* - a problem every patent holder is acutely aware of and one the new Unitary Patent (and Unified Patent Court) is attempting to solve (further discussed below).

The Supreme Court found in favour of Zodiac and held that *Unilin* (and the cases which preceded it, namely *Poulton* (1908) and *Coflexip*), had been incorrectly decided in that the law of *res judicata* had been incorrectly applied. Whilst the infringer would be prevented from running any arguments which had already been made regarding the validity or infringement of the patent in question, this principle would not apply to prevent the alleged infringer raising a new argument regarding the later revocation (or amendment) of the patent.

Accordingly, the Supreme Court concluded: *"where judgment is given in an English Court that a patent (whether English or European) is valid and infringed, and the patent is subsequently retrospectively revoked or amended (whether in England or at the EPO), the Defendant is entitled to rely on the revocation or amendment on the enquiry as to damages."*

Guidance on stay of proceedings

The Supreme Court also noted the guidance of the Court of Appeal in *Glaxo Group Ltd v Genentech* (2008) which suggested that where Patent validity proceedings run simultaneously in both the EPO and English Courts, the English Court should refuse a stay of English proceedings if it believes it would be likely to resolve a question of patent validity more quickly than the EPO.

Interestingly, Lord Sumption called for a re-examination of this guidance highlighting that it could serve only to increase costs and uncertainty for parties involved. This may turn out to be a key part of the fall-out from this case if guidance is subsequently changed.

continued overleaf

¹ or amended to the extent that the alleged infringer would no longer be held to infringe the patent

² The European Patent Office

Changes of law before an appeal

As a related aside, similar concerns of justness can arise when the law changes while cases are progressing. The implications of this depend upon when the change takes place and the degree to which it is retrospective. Generally, where the law develops or is clarified before final judgment is given (which can include after trial) judges will consider the effect of such developments.

Once judgment is given, however, it is not possible to re-open the case even if it would have been decided differently in light of the legal development.

This was illustrated in *R v Helen Chapman* on 29 July 2013 where it was decided that if the law developed after judgment but before an appeal had been determined, the appeal court could (and should) take the change into account.

As ever, therefore, in ensuring that damages are not paid which are subsequently shown to be wrongly awarded - timing is everything.

Unitary Patent and the Unified Patent Court (UPC)

The latest news on the hotly debated Unitary Patent and UPC that has been debated in Europe for decades is that it will become a reality next year. A Unitary Patent will soon provide supranational protection for inventions in 25 countries across Europe (all member states bar Croatia, Italy and Spain), and it is anticipated that inventors will be able to apply for one as soon as 1 January 2014³.

The Unitary Patent will sit alongside the current system of national patents and classic European Patents (which are a bundle of rights applicable in the specific countries in which the Patent has been granted) and so there will be an added layer of complexity for businesses to deal with until the new system settles down and takes shape.

There is now agreement on the location of the UPC (central divisions split between Paris, London and Munich) and the 15th draft of the proposed Rules of Procedure for the Court is currently under consultation.

Sole proceedings before the UPC concerning a Unitary Patent will almost certainly eliminate the inconsistencies such as those litigated in the *Virgin/Zodiac* case in the future. Although this is not likely to happen soon whilst the old system sits alongside the unitary patent and the UPC takes shape. The Supreme Court judgment removing the *Unilin* principle is therefore a sensible update of English law.

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³ Or the date of entry into force of the Agreement on a Unified Patent Court (whichever is the later).