



3 July 2013

PRESS SUMMARY

Virgin Atlantic Airways Limited (Respondent) v Zodiac Seats UK Limited (formerly known as Contour Aerospace Limited) (Appellant) [2013] UKSC 46

On appeal from: [2009] EWCA Civ 1062

JUSTICES: Lord Neuberger (President), Lady Hale, Lord Clarke, Lord Sumption, Lord Reed, Lord Carnwath.

BACKGROUND TO THE APPEAL

Virgin obtained judgment from the English Court of Appeal (“the CA”) against Zodiac for damages to be assessed for the infringement of certain claims (“the relevant claims”) in a European Patent. The CA found their patent to have been valid and infringed by Zodiac. Subsequently, the Technical Board of Appeal (“the TBA”) of the European Patent Office (“the EPO”) ruled that that the relevant claims were invalid because they had been anticipated in prior art, and retrospectively amended the patent so as to remove, with effect from the date of grant, all the relevant claims.

Virgin submitted that it was nevertheless entitled to recover damages for infringement because the CA’s conclusions - that the patent (including the relevant claims) was valid and that the relevant claims were infringed by Zodiac - were *res judicata* as between it and Zodiac on the subsequent assessment of damages, and that it was not open to Zodiac to reply on the TBA’s amendment to the patent, as this would be inconsistent with the orders made by the CA. That argument had succeeded before the CA in similar circumstances in previous cases, and the CA had followed those decisions in the present case. Zodiac’s case is that the unamended patent has been retrospectively amended, and that the relevant claims therefore no longer exist, and are deemed never to have existed. It submits that no issue of *res judicata* arises because that was not the situation considered by the CA.

JUDGMENT

The Supreme Court unanimously allows the appeal and declares that Zodiac are entitled to rely on the amendment of patent in answer to Virgin’s claim for damages on the enquiry. Lord Sumption gives the lead judgment, Lord Neuberger gives a concurring judgment, and the other members of the Court agree with both judgments.

REASONS FOR THE JUDGMENT

After a review of the law of *res judicata* [17-26], the Court gives two related reasons why Zodiac cannot be precluded from relying on the decision of the TBA on the enquiry as to damages. One is that it is relying on the more limited terms of a different patent which, by virtue of the TBA’s decision, must at the time of the enquiry be treated as the one that existed at the relevant time, whereas the unamended patent, relied on by Virgin, must be treated as if it had never existed. The second reason is that Zodiac is not seeking to reopen the validity of the relevant claims, which was one of the questions determined by the CA. The invalidity of those claims may be the reason the TBA amended the patent, but Zodiac is relying on the mere fact of amendment, not the reasons why it happened [27, 53, 54].

The CA reached a different conclusion because it followed a line of cases holding that a patentee, whose patent (in proceedings against a particular defendant) is found to be valid and infringed, is entitled to claim damages from the defendant for the infringement without regard to a subsequent revocation of the patent, even though as a matter of English law the revocation of a patent for invalidity relates back to the date of grant [28, 48].

The Court holds that this line of cases was wrongly decided. Their major fallacy is the assumption that cause of action estoppel was absolute generally rather than absolute only as regards points actually determined by the earlier decision. Accordingly, the decisions in those cases had no regard to the fact that the consequences of the patent's subsequent revocation had not been, and could not have been, determined, or even taken into account, in the earlier decision, because it had not happened by the time of that decision. They were also wrong to suppose that, by taking into account the subsequent revocation, a court would be rehearing the question of validity decided by the judgment on liability. The revocation was a decision *in rem* determining the status of the patent as against the world [32, 48]. It had been revoked by the authority which had granted it and it must be treated as never having existed. The issue raised on the enquiry was not invalidity but revocation [32].

Accordingly, where judgment is given in an English court that a patent (whether English or European) is valid and infringed, and that patent is subsequently 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 [35].

The Supreme Court also proposed that the current procedural guidelines laid down by the CA, which propose that the English court should normally refuse to stay its own proceedings if it would be likely to resolve the question of validity significantly earlier than the EPO, should be re-examined [38, 69].

NOTE

This summary is provided to assist in understanding the Court's decision. It does not form part of the reasons for the decision. The full judgment of the Court is the only authoritative document. Judgments are public documents and are available at:

www.supremecourt.gov.uk/decided-cases/index.html