

EIP

Court of Appeal rules that there is no territorial restriction on damages for infringement of a UK patent

Anan Kasei Co. Limited & Anor v Neo Chemicals & Oxides (Europe) Limited [2023] EWCA Civ 11

The Court of Appeal has recently delivered judgment dismissing the Claimants' appeal in the long-running Anan Kasei Co. Limited & Anor v Neo Chemicals & Oxides (Europe) Limited & Ors litigation. The Claimants in the Court of Appeal's judgment are referred to as Rhodia and the Defendants as Neo and that terminology has been used in this article.

Background

Rhodia are the owner of a patent, which expired in September 2022, relating to cerium oxide products used in vehicle catalyst systems to reduce nitrogen oxide emissions. Neo were found to have infringed Rhodia's patent by supplying samples in the UK and in March 2022, judgment was handed down in the subsequent damages enquiry. The High Court's judgment found that overseas losses could, as a matter of principle, be included in a claim for damages for the infringement of a UK patent subject to the normal principles of causation and remoteness, but that in this particular case Neo's infringing samples supplied in the UK were not the legal cause of Neo's much larger overseas sales which did not infringe the UK patent and therefore Rhodia's claim failed for lack of causation.

Rhodia appealed against that decision on four grounds, the first three related to the judge's reasoning in relation to causation and remoteness with a fourth ground relating

to the judge's weighing of certain evidence. Neo did not cross appeal but advanced certain arguments should Rhodia's appeal succeed. The most important Neo's arguments were those that said that the judge was wrong to that find that, as a matter of law, overseas losses could be included in a claim for damages for infringement of a UK patent.

The Court of Appeal's judgment

The Court of Appeal's judgment devotes the large majority of its decision to the arguments relating to causation, and whether foreign losses can be included in a claim for damages for infringement of a UK patent. The Court of Appeal dismisses, in relatively short order, Rhodia's fourth ground of appeal relating to the weighing of evidence, and Neo's procedural point regarding the evidence for a reasonable royalty.

The Court of Appeal begins its consideration of causation by referring to recent decisions from the House of Lords and Supreme Court considering damages for tort more generally. The Court of Appeal then goes on to apply the Supreme Court's six part framework with some modifications for the tort of patent infringement.

The Court of Appeal upholds the judge's finding that there is no territorial restriction on the damages for infringement of a UK patent. In coming to this decision, the Court of Appeal, although noting that it is not specifically on this issue, refers heavily to the judgments of the High Court and Court of Appeal in *Gerber v Lectra*. In *Gerber v Lectra* damages in respect of lost sales of non-patented goods which were sold at the same time as patented goods were recoverable, which the Court of Appeal found to be analogous to circumstances involving foreign losses. Important parts of the reasoning of the Court of Appeal is that there is no relevant limitation on the damages that can be recovered in the Patents Act, that the Patents Act aims to protect patent holders from commercial losses resulting from the infringement of their rights, and that excluding losses might well make it pay for a party to infringe. The Court of Appeal additionally did not accept Neo's argument that, as a matter of public policy, foreign losses should be excluded. The Court of Appeal also notes a recent decision of the US Supreme Court which similarly found that damages for lost foreign profits were recoverable for infringement of a US patent.

The Court of Appeal then considered Neo's argument about whether permitting the recovery of foreign losses was a barrier to legitimate trade and/or a disproportionate remedy. This argument by Neo was based on the Enforcement Directive, which the Court of Appeal found was a part of retained EU law. The Court of Appeal again ruled against Neo finding that it would be neither disproportionate nor a barrier to trade to award damages for foreign losses caused factually and legally by infringement in the UK. Saying

that the fact the trade affected would be an international one was an immaterial factor.

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Having rejected Neo's argument that foreign losses should be excluded as a matter of law, the Court of Appeal then turned to Rhodia's appeal against the judge's finding that the foreign losses claimed in this case were not legally caused by Neo's infringing acts in the UK. The Court of Appeal first finds that the judge had correctly applied the law, in particular the fact that an infringement creates an opportunity to sell a non-infringing product does not mean that the infringement causes the non-infringing sale. The Court of Appeal then finds after lengthy consideration of the facts of the case that the judge was correct in her conclusion that the infringing supplies in the UK were not the proximate cause of the foreign losses claimed by Rhodia.

Neo also had a new argument relating to whether the Second Claimant was an exclusive licensee, which would affect their entitlement to damages. However, the Court of Appeal found that it was far too late to raise this argument, as Neo's lawyers had seen the licence agreement between the First and Second Claimants in the litigation and made an admission that the Second Claimant was the exclusive licensee. Additionally, the Court of Appeal rejected Neo's application to adduce fresh evidence on this point as Neo could with reasonable diligence have put this evidence before the judge below.

Takeaway point

The Court of Appeal has held, in line with recent decisions in other major jurisdictions, that the potential damages for infringement of a patent are not confined to losses within the territory provided the foreign losses were caused by the infringement in the territory. This might on its face seem to be contrary to the importance of comity for foreign courts which the Court of Appeal emphasised in the recent decision in *Teva v Novartis*, but the UK court will only permit recovery of foreign losses where those losses have been caused by infringement in the UK. Furthermore, the requirement that losses be limited by legal causation and remoteness as well as the restriction on double recovery may well mean that there will be relatively few cases where the UK court will in fact grant recovery of foreign losses.

The judgment can be found [here](#).