



Trinity Term  
[2013] UKSC 46  
*On appeal from: [2009] EWCA Civ 1062*

## **JUDGMENT**

**Virgin Atlantic Airways Limited (Respondent) v  
Zodiac Seats UK Limited (formerly known as  
Contour Aerospace Limited) (Appellant)**

before

**Lord Neuberger, President  
Lady Hale  
Lord Clarke  
Lord Sumption  
Lord Carnwath**

**JUDGMENT GIVEN ON**

**3 July 2013**

**Heard on 29 and 30 April 2013**

*Appellant*

Henry Carr QC  
Iain Purvis QC  
Brian Nicholson  
(Instructed by Wragge &  
Co LLP)

*Respondent*

Jonathan Crow QC  
Richard Meade QC  
Henry Ward  
(Instructed by DLA Piper  
UK LLP)

**LORD SUMPTION (with whom Lady Hale, Lord Clarke and Lord Carnwath agree)**

1. In this case, Virgin Atlantic Airways Ltd wishes to recover damages exceeding £49,000,000 for the infringement of a European Patent which does not exist in the form said to have been infringed. The Technical Board of Appeal (“TBA”) of the European Patent Office (“EPO”) has retrospectively amended it so as to remove with effect from the date of grant all the claims said to have been infringed.

2. The TBA found that in the form in which the patent was originally granted the relevant claims were invalid because they had been anticipated by prior art. Virgin says that it is nevertheless entitled to recover damages for infringement because before the TBA had issued its decision, the English courts had held the patent to be valid and specifically rejected the objection based on prior art. Their case is that this conclusion and the finding of validity on which it is based are res judicata notwithstanding the later but retrospective decision of the TBA. A similar argument had succeeded before the Court of Appeal in very similar circumstances in *Coflexip SA v Stolt Offshore MS Ltd (No 2)* [2004] FSR 708 and *Unilin Beheer BV v Berry Floor NV* [2007] FSR 635. The Court of Appeal, conceiving itself to be bound by these decisions and regarding them as correct in principle, arrived at the same conclusion.

*The statutory framework*

3. The appeal perfectly illustrates the problems arising from the system of parallel jurisdiction for determining the validity of European patents.

4. Part II of the Patents Act 1977 gives effect to the principal provisions of the European Patent Convention. Section 77(1) of the Act provides that a European Patent (UK), i.e. one which is granted for the United Kingdom or for states including the United Kingdom, is to be treated as if it were a patent granted under the Act, and that “the proprietor of a European Patent (UK) shall accordingly as respects the United Kingdom have the same rights and remedies, subject to the same conditions, as the proprietor of a patent under this Act.” Section 77(2)-(4A) deal with the revocation or amendment of a European Patent by the EPO (“EPO”):

**“77 Effect of European Patent (UK)**

...

(2) Subsection (1) above shall not affect the operation in relation to a European patent (UK) of any provisions of the European Patent Convention relating to the amendment or revocation of such a patent in proceedings before the EPO.

(3) Where in the case of a European patent (UK)—

(a) proceedings for infringement, or proceedings under section 58 above, have been commenced before the court or the comptroller and have not been finally disposed of, and

(b) it is established in proceedings before the EPO that the patent is only partially valid,

the provisions of section 63... apply as they apply to proceedings in which the validity of a patent is put in issue and in which it is found that the patent is only partially valid.

(4) Where a European patent (UK) is amended in accordance with the European Patent Convention, the amendment shall have effect for the purposes of Parts I and III of this Act as if the specification of the patent had been amended under this Act; but subject to subsection (6)(b) below.

(4A) Where a European patent (UK) is revoked in accordance with the European Patent Convention, the patent shall be treated for the purposes of Parts I and III of this Act as having been revoked under this Act.”

The provisions of section 63 to which section 77(3) refers deal with the power of the Comptroller in a case where a patent is found to be only partially valid to grant relief in respect of that part which is found to be valid and infringed.

5. Section 77(2) of the Act refers to “the provisions of the European Patent Convention relating to the amendment or revocation”. This is a reference to article 68 of the Convention, and indirectly to article 64. They provide:

## “Article 64

### Rights conferred by a European patent

“(1) A European patent shall, subject to the provisions of paragraph 2, confer on its proprietor from the date [of publication of the mention of its grant], in each Contracting State in respect of which it is granted, the same rights as would be conferred by a national patent granted in that State.

(2) If the subject-matter of the European patent is a process, the protection conferred by the patent shall extend to the products directly obtained by such process.

(3) Any infringement of a European patent shall be dealt with by national law.

## Article 68

### Effect of revocation or limitation of the European patent

The European patent application and the resulting European patent shall be deemed not to have had, from the outset, the effects specified in articles 64 and 67, to the extent that the patent has been revoked or limited in opposition, limitation or revocation proceedings.”

6. Part V of the Convention provides for opposition procedure before the Opposition Division of the EPO and on appeal from them to the TBA. A European patent may be opposed on the ground (among others) that the invention is not patentable by reason of lack of novelty. The procedure is available to any one affected, provided that it is initiated within nine months of the grant. Under articles 101 and 111 of the Convention, the Opposition Division and the TBA are empowered to revoke a patent found to be invalid or to accept an amendment proposed by the patentee which will cause the patent to satisfy the requirements of the Convention.

7. The effect of these provisions is that the English courts have the same jurisdiction to determine questions of validity and infringement in the case of a

European patent as they have for domestic patents, but that concurrent jurisdiction over questions of validity is exercisable by the EPO. There is, however, an important difference between the legal effect of a decision in the two jurisdictions. Both are decisions in rem. They determine the validity of the patent not only as between the parties to the proceedings, but generally. But the English court's jurisdiction over the question of validity is purely national. A decision of an English court declaring a patent invalid, or (which will normally follow) revoking it, will have effect in the United Kingdom only, whereas a corresponding decision of the EPO, which was the authority by which the patent was granted, will have effect in all the states for which the patent was granted. These considerations make it highly desirable to avoid inconsistent decisions if it can be done. National procedures for achieving this differ from one contracting state to another. In England, there are established procedures for staying English proceedings in which the validity of a European patent is in issue, if there are concurrent opposition procedures in the EPO. However the value of these procedures is somewhat diminished by the current practice of the High Court, which is based on dicta of Jacob LJ in *Unilin Beheer BV v Berry Floor NV* [2007] FSR 635, at para 25 and on the subsequent decision of the Court of Appeal in *Glaxo Group Ltd v Genentech Inc (Practice Note)* [2008] Bus LR 888. Their effect is that the primary consideration on an application for a stay is the probable duration of the proceedings before the two tribunals. If the question of validity would be likely to be resolved quicker in the English court than in the EPO, it would normally be appropriate not to stay the English proceedings. The consequences of this practice are particularly serious in a case where the English courts "win" the race to judgment if, as the Court of Appeal decided in *Unilin*, the effect is to bind the parties to a decision of the English court that the patent is valid notwithstanding that the EPO which granted it subsequently decides that it should be revoked or amended ab initio. In *Glaxo Group Ltd v Genentech Inc*, at para 83 Mummery LJ, delivering the judgment of the court thought that this consequence was inherent in the existence of concurrent systems of adjudication:

"... the possibility of the duplication of proceedings contesting the validity of a patent granted by the EPO is inherent in the system established by the Convention. In practice national courts exercise exclusive jurisdiction on infringement issues and they have concurrent jurisdiction with the EPO on validity issues. As Mr Daniel Alexander appearing for the claimant said, the contracting states and the UK Parliament contemplated that the national patents courts should be able to determine the same issues of patentability as the EPO. The resultant legislation allowed the determination by the national court and the EPO at the same time. Indeed, there is nothing in the Convention or the 1977 Act to prevent the commencement of revocation proceedings in the Patents Court on the very date of the grant of the patent by the EPO."

It is undoubtedly right that the draftsmen of both the Convention and the Patents Act 1977 envisaged concurrent jurisdiction over questions of validity, but it may be doubted whether they envisaged anything like the consequence which has come about in this case.

### *The facts*

8. The patent in suit is a European patent for a “seating system and passenger accommodation unit for a vehicle”, granted to Virgin and published on 30 May 2007. The seat, which was designed in about 2005, reclines to provide a flat bed. It is commonly used in long-haul aircraft. Zodiac Seats UK Ltd (as it is now called) manufactures a seating unit called the “Solar Eclipse” in the United Kingdom. It has been supplied to a number of international airlines. On 30 July 2007, two months after the grant of the patent, Virgin began proceedings against Zodiac in the High Court claiming an injunction and damages on the footing that its seats infringed the patent. Zodiac defended the action on the ground that its seats did not fall within the claims of the patent. But, they said, if the claims were wide enough to cover their seats, then the patent was invalid on account of prior art and for added matter. They also, on 29 February 2008, opposed the validity of the patent in the EPO, along with a number of airlines who had bought their seats and were at risk of infringement proceedings if the patent was valid. Initially, no application was made for a stay of the English proceedings. There was a certain amount of argument before us about the significance of this fact, if any. For present purposes, however, it is enough to say that under the *Glaxo v Genentech* guidelines, an application for a stay would not necessarily have succeeded.

9. The English action was heard by Lewison J. He gave judgment in January 2009, holding that Zodiac’s “Solar Eclipse” seats did not infringe the patent. He recorded that if the claims of the patent had been wide enough to cover Zodiac’s seating system, he would have held it to be invalid for added matter. But he rejected every other ground of invalidity advanced. Virgin appealed against the decision on infringement, and Zodiac cross-appealed on validity.

10. On 31 March 2009, some two months after Lewison J’s judgment, the Opposition Division of the EPO upheld the patent subject to minor amendments which are agreed to be immaterial to the present dispute. Zodiac and other opponents of the patent immediately indicated their intention to appeal to the TBA. This gave rise to a brief correspondence between the parties’ solicitors about what would happen if the English Court of Appeal held the patent to be valid but the TBA later held it to be invalid in some relevant respect. Zodiac’s solicitors proposed that if the appeal on validity succeeded in England, the “making of any final order” by the Court of Appeal should be stayed until the final determination

of the opposition proceedings in the EPO. Virgin's solicitors refused, on their client's behalf, to agree. They then wrote on the same day to the Court of Appeal informing them of the progress and likely course of the opposition proceedings, and summarising their correspondence with Zodiac's solicitors. On 12 May 2009, the Civil Appeals Office replied that "Lord Justice Jacob has directed that he will not grant a stay of proceedings at present, however, parties can apply for a stay following judgment in the Court of Appeal if it is still possibly relevant." That direction was given without prior notice to either party and without inviting any observations from those acting for Zodiac.

11. The Appeal was heard in October 2009 by Jacob and Patten LJJ and Kitchin J. On 22 October, they gave judgment reversing Lewison J's decision on validity and holding the patent to have been valid and infringed. They specifically rejected the argument based on prior art. Zodiac then made the application for a stay of the order apparently envisaged in Jacob LJ's direction of 12 May 2009, pending an application for permission to appeal to the Supreme Court and the conclusion of the opposition proceedings in the EPO. In a further judgment handed down on 21 December 2009 the Court of Appeal refused the application. The main ground on which they refused it was that it was pointless to stay the order on the appeal, because the effect of the decision in *Unilin* was that any later decision of the TBA revoking the patent would make no difference. This was because the decision of the Court of Appeal would bind the parties per rem judicatam. On 12 January 2010 the Court of Appeal sealed an order making a declaration that the patent was valid and infringed, together with an injunction and an enquiry as to damages. The injunction was qualified so as to allow the delivery of seats to Delta under an existing contract, upon Zodiac undertaking to pay £10,000 to Virgin for each seat delivered, but otherwise covered all future infringements.

12. At this stage, the decision of the TBA on the opposition proceedings was due to be given on 20 April 2010. In the event, however, this was postponed to 9 September 2010 as a result of the disruption of flights following the eruption of the Eyjafjalajökull volcano in Iceland. When the adjourned date came, the TBA varied the decision of the Opposition Division. They held 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. By that time, however, the appeal proceedings had been completed and permission to appeal on the merits of the Court of Appeal's findings had been refused by the Supreme Court.

13. As a result of this decision, further applications were made by Zodiac to the Court of Appeal to vary the Court of Appeal's order and to discharge the injunction. The injunction was discharged by consent on 1 December 2010. The application to vary the court's order was heard by the Court of Appeal (Smith, Jacob and Patten LJJ) in February 2011. So far as relevant to this appeal, the

variations actually sought were (i) the replacement of the declarations made by new declarations making it clear that the patent held to be valid was the unamended patent; (ii) the discharge of the order for delivery up of the allegedly infringing articles; (iii) the discharge of the order for an enquiry as to damages; and (iv) the release of Zodiac from its undertaking to pay £10,000 per seat delivered to Delta and the repayment of the £3,600,000 already paid under it.

14. Judgment was given on 23 February 2011. The Court of Appeal held (following the same numbering) (i) that the declaration would not be varied; (ii) that the order for delivery up would be discharged because it was redundant in the light of the amendment of the patent; (iii) that the order for an enquiry as to damages would stand, because it was no more than the mechanism for working out the effect of the Court of Appeal's decision that the patent was valid, and that decision was *res judicata*; and (iv) that the £3,600,000 was not repayable because it was an advance referable to (among other things) the damages to be assessed in the enquiry.

15. To complete the story, on 27 July 2012 Floyd J gave judgment in three actions against customers who had bought and were using Zodiac's seating units; actions to which Zodiac were also joined. They had been sued by Virgin on the footing that the "Solar Eclipse" seating units infringed the amended patent. Floyd J held that they did not. His judgment confirms that Zodiac's seating units do not infringe the patent in the form which it is now deemed to have taken from the moment it was granted.

#### *The issue*

16. The order of the Court of Appeal of 12 January 2010 upholding the validity of the patent and directing an enquiry as to damages can now be varied only by way of appeal, and no further avenues of appeal are open. It is therefore right to start by pointing out that this is not an appeal against that order. The fundamental question is whether Zodiac is entitled to contend upon the enquiry as to damages that there have been no damages because the patent has been retrospectively amended so as to remove the claims held to have been infringed. This depends on whether the Court of Appeal was right to say that its order declaring the patent to be valid continued to bind the parties *per rem judicatam* notwithstanding that the patent was later amended on the footing that it was not valid in the relevant respects.

*Res judicata: general principles*

17. *Res judicata* is a portmanteau term which is used to describe a number of different legal principles with different juridical origins. As with other such expressions, the label tends to distract attention from the contents of the bottle. The first principle is that once a cause of action has been held to exist or not to exist, that outcome may not be challenged by either party in subsequent proceedings. This is “cause of action estoppel”. It is properly described as a form of estoppel precluding a party from challenging the same cause of action in subsequent proceedings. Secondly, there is the principle, which is not easily described as a species of estoppel, that where the claimant succeeded in the first action and does not challenge the outcome, he may not bring a second action on the same cause of action, for example to recover further damages: see *Conquer v Boot* [1928] 2 KB 336. Third, there is the doctrine of merger, which treats a cause of action as extinguished once judgment has been given upon it, and the claimant’s sole right as being a right upon the judgment. Although this produces the same effect as the second principle, it is in reality a substantive rule about the legal effect of an English judgment, which is regarded as “of a higher nature” and therefore as superseding the underlying cause of action: see *King v Hoare* (1844) 13 M & W 494, 504 (Parke B). At common law, it did not apply to foreign judgments, although every other principle of *res judicata* does. However, a corresponding rule has applied by statute to foreign judgments since 1982: see Civil Jurisdiction and Judgments Act 1982, section 34. Fourth, there is the principle that even where the cause of action is not the same in the later action as it was in the earlier one, some issue which is necessarily common to both was decided on the earlier occasion and is binding on the parties: *Duchess of Kingston’s Case* (1776) 20 St Tr 355. “Issue estoppel” was the expression devised to describe this principle by Higgins J in *Hoysted v Federal Commissioner of Taxation* (1921) 29 CLR 537, 561 and adopted by Diplock LJ in *Thoday v Thoday* [1964] P 181, 197-198. Fifth, there is the principle first formulated by Wigram V-C in *Henderson v Henderson* (1843) 3 Hare 100, 115, which precludes a party from raising in subsequent proceedings matters which were not, but could and should have been raised in the earlier ones. Finally, there is the more general procedural rule against abusive proceedings, which may be regarded as the policy underlying all of the above principles with the possible exception of the doctrine of merger.

18. It is only in relatively recent times that the courts have endeavoured to impose some coherent scheme on these disparate areas of law. The starting point is the statement of principle of Wigram V-C in *Henderson v Henderson* (1843) 3 Hare 100, 115. This was an action by the former business partner of a deceased for an account of sums due to him by the estate. There had previously been similar proceedings between the same parties in Newfoundland in which an account had been ordered and taken, and judgment given for sums found due to the estate. The personal representative and the next of kin applied for an injunction to restrain the

proceedings, raising what would now be called cause of action estoppel. The issue was whether the partner could reopen the matter in England by proving transactions not before the Newfoundland court when it took its own account. The Vice-Chancellor said:

“In trying this question I believe I state the rule of the Court correctly when I say that, where a given matter becomes the subject of litigation in, and of adjudication by, a Court of competent jurisdiction, the Court requires the parties to that litigation to bring forward their whole case, and will not (except under special circumstances) permit the same parties to open the same subject of litigation in respect of matter which might have been brought forward as part of the subject in contest, but which was not brought forward, only because they have, from negligence, inadvertence, or even accident, omitted part of their case. The plea of *res judicata* applies, except in special cases, not only to points upon which the Court was actually required by the parties to form an opinion and pronounce a judgment, but to every point which properly belonged to the subject of litigation, and which the parties, exercising reasonable diligence, might have brought forward at the time... Now, undoubtedly the whole of the case made by this bill might have been adjudicated upon in the suit in Newfoundland, for it was of the very substance of the case there, and *prima facie*, therefore, the whole is settled. The question then is whether the special circumstances appearing upon the face of this bill are sufficient to take the case out of the operation of the general rule.”

19. Wigram V-C’s statement of the law is now justly celebrated. The principle which he articulated is probably the commonest form of *res judicata* to come before the English courts. For many years, however, it was rarely invoked. The modern law on the subject really begins with the adoption of Wigram V-C’s statement of principle by the Privy Council in *Yat Tung Investment Co Ltd v Dao Heng Bank Ltd* [1975] AC 581. *Yat Tung* was an appeal from Hong Kong, in which the appellant sought to unsuccessfully avoid the exercise by a mortgagee of a power of sale in two successive actions, contending on the first occasion that the sale was a sham and that there was no real sale, and on the second that the sale was fraudulent. Lord Kilbrandon, giving the advice of the Board, distinguished at 589-590 between *res judicata* and abuse of process:

“The second question depends on the application of a doctrine of estoppel, namely *res judicata*. Their Lordships agree with the view expressed by McMullin J that the true doctrine in its narrower sense cannot be discerned in the present series of actions, since there has not been, in the decision in no. 969, any formal repudiation of the

pleas raised by the appellant in no. 534. Nor was Choi Kee, a party to no. 534, a party to no. 969. But there is a wider sense in which the doctrine may be appealed to, so that it becomes an abuse of process to raise in subsequent proceedings matters which could and therefore should have been litigated in earlier proceedings.”

Lord Kilbrandon referred to the statement of Wigram V-C in *Henderson v Henderson* as the authority for the “wider sense” of res judicata, classifying it as part of the law relating to abuse of process.

20. The implications of the principle stated in *Henderson v Henderson* were more fully examined by the House of Lords in *Arnold v National Westminster Bank plc* [1991] 2 AC 93. The question at issue in that case was whether in operating a rent review clause under a lease, the tenants were bound by the construction given to the very same clause by Walton J in earlier litigation between the same parties over the previous rent review. The Court of Appeal had subsequently, in other cases, cast doubt on Walton J’s construction, and the House approached the matter on the footing that the law (or perhaps, strictly speaking, the perception of the law) had changed since the earlier litigation. Lord Keith of Kinkel began his analysis by restating the classic distinction between cause of action estoppel and issue estoppel:

“Cause of action estoppel arises where the cause of action in the later proceedings is identical to that in the earlier proceedings, the latter having been between the same parties or their privies and having involved the same subject matter. In such a case the bar is absolute in relation to all points decided unless fraud or collusion is alleged, such as to justify setting aside the earlier judgment. The discovery of new factual matter which could not have been found out by reasonable diligence for use in the earlier proceedings does not, according to the law of England, permit the latter to be re-opened. (104D-E)

Issue estoppel may arise where a particular issue forming a necessary ingredient in a cause of action has been litigated and decided and in subsequent proceedings between the same parties involving a different cause of action to which the same issue is relevant one of the parties seeks to re-open that issue.” (105E)

The case before the committee was treated as one of issue estoppel, because the cause of action was concerned with a different rent review from the one considered by Walton J. But it is important to appreciate that the critical distinction in *Arnold* was not between issue estoppel and cause of action estoppel, but between a case

where the relevant point had been considered and decided in the earlier occasion and a case where it had not been considered and decided but arguably should have been. The tenant in *Arnold* had not failed to bring his whole case forward before Walton J. On the contrary, he had argued the very point which he now wished to reopen and had lost. It was not therefore a *Henderson v Henderson* case. The real issue was whether the flexibility in the doctrine of res judicata which was implicit in Wigram V-C's statement extended to an attempt to reopen the very same point in materially altered circumstances. Lord Keith of Kinkel, with whom the rest of the Committee agreed, held that it did.

21. Lord Keith first considered the principle stated by Wigram V-C that res judicata extended to "every point which properly belonged to the subject of litigation and which the parties exercising reasonable diligence might have brought forward at the time." He regarded this principle as applying to both cause of action estoppel and issue estoppel. Cause of action estoppel, as he had pointed out, was "absolute in relation to all points decided unless fraud or collusion is alleged". But in relation to points not decided in the earlier litigation, *Henderson v Henderson* opened up

"the possibility that cause of action estoppel may not apply in its full rigour where the earlier decision did not in terms decide, because they were not raised, points which might have been vital to the existence or non-existence of a cause of action" (105B).

He considered that in a case where the earlier decision had decided the relevant point, the result differed as between cause of action estoppel and issue estoppel:

"There is room for the view that the underlying principles upon which estoppel is based, public policy and justice, have greater force in cause of action estoppel, the subject matter of the two proceedings being identical, than they do in issue estoppel, where the subject matter is different." (108G-H)

The relevant difference between the two was that in the case of cause of action estoppel it was in principle possible to challenge the previous decision as to the existence or non-existence of the cause of action by taking a new point which could not reasonably have been taken on the earlier occasion; whereas in the case of issue estoppel it was in principle possible to challenge the previous decision on the relevant issue not just by taking a new point which could not reasonably have been taken on the earlier occasion but to reargue in materially altered circumstances an old point which had previously been rejected. He formulated the latter exception at 109B as follows:

“In my opinion your Lordships should affirm it to be the law that there may be an exception to issue estoppel in the special circumstance that there has become available to a party further material relevant to the correct determination of a point involved in the earlier proceedings, whether or not that point was specifically raised and decided, being material which could not by reasonable diligence have been adduced in those proceedings. One of the purposes of estoppel being to work justice between the parties, it is open to courts to recognise that in special circumstances inflexible application of it may have the opposite result.”

This enabled the House to conclude that the rejection of Walton J’s construction of the rent review clause in the subsequent case-law was a materially altered circumstance which warranted rearguing the very point that he had rejected.

22. *Arnold* is accordingly authority for the following propositions:

- (1) Cause of action estoppel is absolute in relation to all points which had to be and were decided in order to establish the existence or non-existence of a cause of action.
- (2) Cause of action estoppel also bars the raising in subsequent proceedings of points essential to the existence or non-existence of a cause of action which were not decided because they were not raised in the earlier proceedings, if they could with reasonable diligence and should in all the circumstances have been raised.
- (3) Except in special circumstances where this would cause injustice, issue estoppel bars the raising in subsequent proceedings of points which (i) were not raised in the earlier proceedings or (ii) were raised but unsuccessfully. If the relevant point was not raised, the bar will usually be absolute if it could with reasonable diligence and should in all the circumstances have been raised.

23. It was submitted to us on behalf of Virgin that recent case-law has re-categorised the principle in *Henderson v Henderson* so as to treat it as being concerned with abuse of process and to take it out of the domain of res judicata altogether. In these circumstances, it is said, the basis on which Lord Keith qualified the absolute character of res judicata in *Arnold v National Westminster Bank* by reference to that principle is no longer available, and his conclusions can no longer be said to represent the law.

24. I do not accept this. The principle in *Henderson v Henderson* has always been thought to be directed against the abuse of process involved in seeking to raise in subsequent litigation points which could and should have been raised before. There was nothing controversial or new about this notion when it was expressed by Lord Kilbrandon in *Yat Tung*. The point has been taken up in a large number of subsequent decisions, but for present purposes it is enough to refer to the most important of them, *Johnson v Gore-Wood & Co* [2002] 2 AC 1, in which the House of Lords considered their effect. This appeal arose out of an application to strike out proceedings on the ground that the plaintiff's claim should have been made in an earlier action on the same subject-matter brought by a company under his control. Lord Bingham took up the earlier suggestion of Lord Hailsham of St. Marylebone LC in *Vervaeke v Smith* [1983] 1 AC 145, 157 that that the principle in *Henderson v Henderson* was "both a rule of public policy and an application of the law of *res judicata*". He expressed his own view of the relationship between the two at p 31 as follows:

*"Henderson v Henderson* abuse of process, as now understood, although separate and distinct from cause of action estoppel and issue estoppel, has much in common with them. The underlying public interest is the same: that there should be finality in litigation and that a party should not be twice vexed in the same matter. This public interest is reinforced by the current emphasis on efficiency and economy in the conduct of litigation, in the interests of the parties and the public as a whole. The bringing of a claim or the raising of a defence in later proceedings may, without more, amount to abuse if the court is satisfied (the onus being on the party alleging abuse) that the claim or defence should have been raised in the earlier proceedings if it was to be raised at all. I would not accept that it is necessary, before abuse may be found, to identify any additional element such as a collateral attack on a previous decision or some dishonesty, but where those elements are present the later proceedings will be much more obviously abusive, and there will rarely be a finding of abuse unless the later proceeding involves what the court regards as unjust harassment of a party. It is, however, wrong to hold that because a matter could have been raised in earlier proceedings it should have been, so as to render the raising of it in later proceedings necessarily abusive. That is to adopt too dogmatic an approach to what should in my opinion be a broad, merits-based judgment which takes account of the public and private interests involved and also takes account of all the facts of the case, focusing attention on the crucial question whether, in all the circumstances, a party is misusing or abusing the process of the court by seeking to raise before it the issue which could have been raised before."

The rest of the Committee, apart from Lord Millett, agreed in terms with Lord Bingham's speech on this issue. Lord Millett agreed in substance in a concurring speech. He dealt with the relationship between *res judicata* and the *Henderson v Henderson* principle at pp 58H-59B as follows:

“Later decisions have doubted the correctness of treating the principle as an application of the doctrine of *res judicata*, while describing it as an extension of the doctrine or analogous to it. In *Barrow v Bankside Members Agency Ltd* [1996] 1 WLR 257, Sir Thomas Bingham MR explained that it is not based on the doctrine in a narrow sense, nor on the strict doctrines of issue or cause of action estoppel. As May LJ observed in *Manson v Vooght* [1999] BPIR 376, 387, it is not concerned with cases where a court has decided the matter, but rather cases where the court has not decided the matter. But these various defences are all designed to serve the same purpose: to bring finality to litigation and avoid the oppression of subjecting a defendant unnecessarily to successive actions. While the exact relationship between the principle expounded by Sir James Wigram V-C and the defences of *res judicata* and cause of action and issue estoppel may be obscure, I am inclined to regard it as primarily an ancillary and salutary principle necessary to protect the integrity of those defences and prevent them from being deliberately or inadvertently circumvented.”

25. It was clearly not the view of Lord Millett in *Johnson v Gore-Wood* that because the principle in *Henderson v Henderson* was concerned with abuse of process it could not also be part of the law of *res judicata*. Nor is there anything to support that idea in the speech of Lord Bingham. The focus in *Johnson v Gore-Wood* was inevitably on abuse of process because the parties to the two actions were different, and neither issue estoppel nor cause of action estoppel could therefore run (Mr Johnson's counsel conceded that he and his company were privies, but Lord Millett seems to have doubted the correctness of the concession at p 60D-E, and so do I). *Res judicata* and abuse of process are juridically very different. *Res judicata* is a rule of substantive law, while abuse of process is a concept which informs the exercise of the court's procedural powers. In my view, they are distinct although overlapping legal principles with the common underlying purpose of limiting abusive and duplicative litigation. That purpose makes it necessary to qualify the absolute character of both cause of action estoppel and issue estoppel where the conduct is not abusive. As Lord Keith put it in *Arnold v National Westminster Bank* at p 110G, “estoppel per rem judicatam, whether cause of action estoppel, or issue estoppel is essentially concerned with preventing abuse of process.”

26. It may be said that if this is the principle it should apply equally to the one area hitherto regarded as absolute, namely cases of cause of action estoppel where it is sought to reargue a point which was raised and rejected on the earlier occasion. But this point was addressed in *Arnold*, and to my mind the distinction made by Lord Keith remains a compelling one. Where the existence or non-existence of a cause of action has been decided in earlier proceedings, to allow a direct challenge to the outcome, even in changed circumstances and with material not available before, offends the core policy against the re-litigation of identical claims.

#### *Application to the present case*

27. If this case is to be determined according to these general principles of the modern law, there can, I think, be little doubt about the answer. The Court of Appeal decided, before the result of the opposition proceedings in the EPO, that in its unamended form the patent was valid and infringed. It follows that Zodiac are estopped from asserting on the enquiry as to damages that in its unamended form the patent was invalid or was not infringed. This estoppel is a true cause of action estoppel. The Court of Appeal has determined in favour of Virgin issues essential to the existence of the cause of action for infringement of the unamended patent, which are the basis of the claim for damages. However, the point which Zodiac seek to make on the enquiry is that the unamended patent has been retrospectively amended. It no longer exists, and is deemed never to have existed, in the form on which these issues were adjudicated by the Court of Appeal. Zodiac's reliance on the retrospective amendment is a new point which was not raised before. It could not have been raised before, because the decision of the TBA retrospectively amending the patent was made after the order giving effect to the judgment of the Court of Appeal. There are 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 they are relying on the more limited terms of a different patent which, by virtue of the decision of the TBA, must at the time of the enquiry be treated as the only one that has ever existed. The other is that Zodiac are not seeking to reopen the question of validity determined by the Court of Appeal. The invalidity of the patent may be the reason why the TBA amended the patent, but the defendant is relying on the mere fact of amendment, not on the reasons why it happened.

#### *The patent cases*

28. How then did the Court of Appeal come to a different conclusion? The answer is that they followed a line of cases culminating in the decision of the Court of Appeal in *Unilin Beheer BV v Berry Floor NV* [2007] FSR 635, which had held that a patentee whose patent has been held to be valid is entitled to claim damages for its infringement without regard to a subsequent revocation of the

patent. This has been held to be so, even though it has always been the law in England (as it is under the European Patent Convention) that the revocation of a patent for invalidity relates back to the date of grant: see, currently, section 75(3) of the Patents Act 1977.

29. The decisions which support the Court of Appeal's conclusion are *Poulton v Adjustable Cover and Boiler Block Co* [1908] 2 Ch 430, *Coflexip SA v Stolt Offshore MS Ltd (No 2)* [2004] FSR 708 and *Unilin* itself.

30. The facts in *Poulton* were that the court had held the patent to be valid and infringed and had ordered an enquiry as to damages. An attempt to have the patent declared invalid for prior use had been rejected. After the judgment, the defendant found a further and better instance of prior use on the basis of which he successfully petitioned for the revocation of the patent. He then sought to rely on the revocation on the enquiry as to damages. The question presently before this court was not argued. The defendant's case was that the revocation of the patent was a decision in rem which itself gave rise to an estoppel against the world. There was therefore, it was said, "an estoppel against an estoppel". Parker J rejected this argument. The Court of Appeal (Vaughan Williams, Fletcher Moulton and Buckley LJJ) also rejected it in an extempore judgment delivered on a Friday afternoon after an argument in which no authority was cited on the ambit of the law of res judicata other than the *Duchess of Kingston's Case* (1776) 20 St Tr 355. Vaughan Williams LJ appears to have thought that the revocation of the patent operated only from the date it occurred, but he held that it did not matter whether the patent was valid or not, nor whether the revocation was retrospective. This was because the Court having declared it to be valid, it must be treated as valid as between the same parties notwithstanding its subsequent revocation. Fletcher Moulton LJ considered that it was enough that the patent had been declared to be a valid patent at the time of the judgment. That was determinative on an enquiry as to damages in the same proceedings. Buckley LJ did not "feel so clear on this point as my learned brothers", but considered that their view could be justified on the footing that the enquiry as to damages was no more than the working out of the effect of the judgment on liability. The decision may have been in accord with the law of res judicata as it was then thought to be, before the implications of *Henderson v Henderson* were appreciated or the doctrine had acquired its modern flexibility. What is clear is that without special facts the grounds on which *Poulton* was decided cannot be reconciled with the modern law on the subject.

31. The real origin of the principle applied by the Court of Appeal in the present case was a much more recent case, namely the decision of the Court of Appeal in *Coflexip SA v Stolt Offshore MS Ltd (No 2)* [2004] FSR 708. The patent in this case related to a system for laying flexible flowlines in the seabed in subsea oil installations. The facts were substantially the same as in *Poulton*. The court had rejected a challenge to the validity of the patent based on prior art, and had held

that the only infringement alleged in the pleadings (relating to the performance of a contract for the Magnus Swift field) was made out. The court gave judgment for the patentee, ordering an enquiry as to damages. In accordance with the ordinary practice, the enquiry as to damages extended not just to the Magnus Swift field infringement but to fourteen other similar infringements. While it was in progress a third party, relying upon different prior art in parallel proceedings, succeeded in having the patent revoked. The majority of the Court of Appeal (Peter Gibson LJ and Sir Martin Nourse) held that they were bound by *Poulton* and that the defendant was estopped. They rejected the submission that it was no longer good law, for two reasons. The first was based on Lord Keith's distinction in *Arnold* between cause of action estoppel and issue estoppel. The second was that unless the defendant was estopped, the patentee would be harassed by two successive proceedings in which he would be required to defend the validity of the patent. Neuberger LJ dissented. He distinguished between "strict cause of action estoppel" (i.e. where the same issue had been decided in the earlier proceedings) and "abuse of process cause of action estoppel" (where the unsuccessful party wishes to reargue the point by reference to new material or a new argument not put before the court before). Neuberger LJ assigned the Magnus Swift field infringement to the second category of cause of action estoppel, because the defendant was seeking to rely not on the prior art which had led to the revocation of the patent in the parallel proceedings, but on the mere fact of revocation, which was a decision in rem, and decisive irrespective of the ground for it. He regarded the fourteen other alleged infringements raised only on the enquiry as being governed by the principles relating to issue estoppel. He considered that the estoppel was not absolute in either case.

32. In my opinion the majority in *Coflexip* were mistaken on both of the points which they made, for substantially the reasons given by Neuberger LJ in his dissenting judgment. The point can best be tested by reference to the Magnus Swift field infringement, which unquestionably turned on cause of action estoppel. I would for my part leave open the question whether the same applied to the other fourteen infringements, which has given rise to a certain amount of controversy since: see *Hormel Foods Corp v Antilles Landscape Investments NV* [2005] RPC 657, *Unilin Beheer BV v Berry Floor NV* [2007] FSR 635 at paras 47-48. The essential fallacy in the majority's reasoning in *Coflexip* lay in their view that Lord Keith in *Arnold* had held that cause of action estoppel was always absolute. He did not. He held that it was absolute only in relation to points actually decided on the earlier occasion. Because of this mistake, the majority had no regard to the fact that the consequences of the patent's revocation had not been decided on the earlier occasion, and could not have been because it had not happened. As for the policy considerations, they were also wrong, as it seems to me, to suppose that the court would be rehearing on the enquiry the question of validity decided by the judgment on liability. The revocation of the patent was an act in rem which determined the status of the patent as against the world. It had been revoked by the authority which had granted it and must be treated as never having existed.

Although the patent had been revoked on the ground of invalidity, the issue which the defendant wished to raise on the enquiry was not invalidity but revocation. The revocation would be decisive regardless of the ground on which it was ordered.

33. In *Unilin Beheer BV v Berry Floor NV* [2007] FSR 635 the Court of Appeal reached the same conclusion. The facts were in some ways an even more exacting test of the principle, because the policy considerations invoked in *Coflexip* could not possibly have justified the outcome in *Unilin*. This was because, as in the present case, the patent was retrospectively amended by the EPO to limit its scope to valid claims, after the English court had given judgment in favour of the patentee. The “vexation” associated with the pursuit of two proceedings challenging the validity of the patent was an inescapable feature of the statutory scheme which conferred concurrent jurisdiction on questions of validity on both the English court and the EPO. It can hardly be said that the vexation inherent in there being two perfectly proper proceedings concurrently is made more tolerable by ignoring the outcome of one of them. It was common ground in *Unilin* that the court was bound by *Coflexip*, and there was therefore only limited consideration of the merits of the principle decided in that case. The argument was directed to a different issue, namely whether the law stated in *Coflexip* was inconsistent with the scheme of the legislation relating to European patents, and therefore impliedly excluded where such a patent was revoked or amended by the EPO.

34. In his judgment in *Unilin*, Jacob LJ said that he was “not sorry” to reach the conclusion that he did: (i) it was conducive to certainty because it enabled the parties to get a final decision on validity from an English court without waiting “to find out who has won until the slowest horse in the race gets there”; and (ii) any injunction against future infringements will be discharged if the EPO subsequently revokes or amends the patent. I have to say that I do not find either of these considerations convincing. Jacob LJ plainly assumed that the “slowest horse” would usually be the EPO. That assumption was not necessarily correct, especially in the light of the availability of at least one and potentially two tiers of appeal in England. The truth is that the effect of the decision in *Coflexip* is not to introduce certainty in this field but to make the outcome dependent on the wholly adventitious question which of two concurrently competent jurisdictions completes its procedures first. In the present case, the Court of Appeal may have reached a different conclusion if the Opposition Division of the EPO had reached the conclusion subsequently reached by the TBA. Permission to appeal the decision on validity to this court might well have been granted if the eruption of the Icelandic volcano had not deferred the decision of the TBA to a date after the application for permission had been resolved. The fate of £49m must surely depend on more substantial and predictable considerations than these. As for the discharge of any injunction restraining future infringements, this was a point also made by the majority in *Coflexip* (see para 137), but to my mind it simply underlines the irrationality of their conclusion. Logically, if the defendant is bound by the court’s

declaration that the patent is valid although it has been revoked or amended, he should be equally bound whether the remedy sought is damages or an injunction. The distinction between past and future infringements makes no sense in a case where a single cause of action embraces both and the revocation or amendment is by statute effective ab initio.

35. In my opinion *Poulton* is no longer good law, and *Coflexip* was wrongly decided. It follows that *Unilin* was also wrongly decided because it proceeded on the premise of the law stated in *Coflexip*. The point with which *Unilin* was actually concerned, namely whether there is a different rule for European patents arising from the scheme of the relevant legislation, has been argued before us but it does not arise, because the anomaly in English law to which that point is directed does not exist. Accordingly, 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.

36. Once the enquiry is concluded, different considerations will arise. There will then be a final judgment for a liquidated sum. At common law, that judgment could be challenged on the ground that the patent had later been revoked or amended only by way of appeal, and then only if an appeal is still open. I doubt whether an implied statutory right to reopen it could be derived from the scheme of the Patents Act 1977, but that is a question which will have to await a case in which it arises.

### *Disposal*

37. I would allow the appeal and declare that Zodiac are entitled to rely on the amendment of Virgin's patent in answer to their claim for damages on the enquiry.

### *The Glaxo v Genentech guidelines*

38. I add a brief observation on the procedural implications. If I had concluded that the defendant was estopped from relying on the revocation or amendment of the patent once the court had adjudged it to be valid, that would have had important implications for the question whether English proceedings should be stayed pending a decision in concurrent opposition proceedings in the EPO. On that footing, it would in my opinion have been essential to stay the English proceedings so that the decision of the EPO would not be rendered nugatory by the operation of the law of res judicata. On that hypothesis, it would have been

difficult to defend the guidance given by the Court of Appeal in *Glaxo Group Ltd v Genentech Inc* [2008] Bus LR 888 to the effect that the English court should normally refuse a stay of its own proceedings if it would be likely to resolve the question of validity significantly earlier. The effect of that guidance is to put more litigants in the impossible situation in which successive decisions of the Court of Appeal placed the parties in this case. As it is, the problem has not gone away, even on the footing that those decisions are overruled. In the first place, a similar problem may well arise if the patent is revoked by the EPO after a judgment has been given for a liquidated sum. Second, that problem is aggravated by the fact that a decision of the English court on validity is directly effective only in the United Kingdom, whereas the EPO's decision, being the decision of the authority which granted the patent, is directly effective in every country for which the patent was granted. Third, even if the EPO opposition proceedings are concluded in time to affect the English proceedings, the uncertainty and waste of costs involved do little credit to our procedures. This is not a suitable occasion, nor is the Supreme Court the appropriate tribunal to review the guidelines, but I think that they should be re-examined by the Patents Court and the Court of Appeal.

**LORD NEUBERGER (with whom Lady Hale, Lord Clarke and Lord Carnwath agree)**

*The factual background*

39. The facts of this case are fully set out by Lord Sumption in paras 8-15 of his judgment, but it is worth summarising them. Virgin was the registered proprietor of a European patent (UK) (“the Patent”) granted out of the European Patent Office (“EPO”). They began infringement proceedings (“the English proceedings”) in the High Court against Zodiac, who were manufacturing and selling an allegedly infringing product. Zodiac denied infringement, and counterclaimed for revocation of the Patent on the grounds, inter alia, that it was invalid in the light of prior art. Those proceedings resulted in a hearing in front of the Court of Appeal, which (i) decided that the Patent was valid, (ii) declared that Zodiac's product infringed it, and (iii) ordered an assessment of damages (“the assessment”) – [2009] EWCA Civ 1062 and 1513.

40. Meanwhile, opposition proceedings in the EPO had been initiated by Zodiac in respect of the Patent. Following the decision of the Court of Appeal in the English proceedings, the opposition proceedings came before the Technical Board of Appeal (“TBA”). During the course of the hearing before the TBA, Virgin abandoned the claims which Zodiac had been held to infringe, and the Patent was amended accordingly. Virgin then contended that Zodiac's product infringed one or more of the surviving claims of the Patent, as amended, but Floyd

J concluded that the amendment limited the scope of the Patent so as to render Zodiac's product no longer infringing – [2012] EWHC 2153 (Pat). It is common ground that the consequence of this is that the Patent is to be treated as limited in its scope pursuant to the amendment, with retrospective effect from its priority date.

41. Virgin contend that, because the English proceedings have been finally determined in their favour on validity and infringement, it is not now open to Zodiac to rely in the assessment on the subsequent amendment of the Patent, by virtue of *res judicata*. In other words, Virgin's contention is that the assessment should proceed on the basis that Zodiac are precluded from contending that they are not liable for any damages for infringement in the light of the amendment of the Patent. If that contention is right, then it seems likely that Virgin will recover damages probably running to tens of millions of pounds, whereas if it is wrong, they will presumably recover nothing.

*Res judicata and the authorities on the point in this appeal*

42. In paras 17-26 of his judgment, Lord Sumption summarises the law in relation to *res judicata*, and I agree with his exposition.

43. Virgin's contention is that *res judicata* compels the conclusion that, where a patent has been held by a court to be valid and infringed as between the patentee and an alleged infringer, but it is subsequently revoked (or amended so that the alleged infringer would no longer be held to infringe), the patentee is nonetheless entitled to damages from the alleged infringer as if the patent had not been revoked (or relevantly amended). This contention receives support from three previous decisions of the Court of Appeal, which were followed by the Court of Appeal in this case. Those decisions are *Poulton v Adjustable Cover and Boiler Block Co* [1908] 2 Ch 430, *Coflexip SA v Stolt Offshore MS Ltd (No 2)* [2004] FSR 708, and *Unilin Beheer BV v Berry Floor NV* [2007] FSR 635.

44. *Poulton* and *Coflexip* both involved an assessment of damages following a hearing at which the alleged infringer had unsuccessfully challenged the patentee on the validity and infringement of a purely British patent, in the English courts, but, before the assessment of damages had taken place, the patent had been revoked in other proceedings which were also in the English courts. The present case, like *Unilin*, is concerned with a European patent, in respect of which issues of validity and infringement have been determined by the English courts, but, before the assessment of damages has taken place, validity is being, or has been, considered by the EPO in opposition proceedings.

45. In *Poulton* [1908] 2 Ch 430, 437, Vaughan Williams LJ explained that the judgment obtained by the patentee “made the question whether there had been an infringement ... of a patent then valid ... res judicata as between the parties to the action, and operated as a complete estoppel between them”. On the following page, he said that the subsequent “order of revocation ... could not affect the already existing estoppel, by virtue of which the defendants were prevented from denying that which ... had been finally determined to be the truth of the matter as between [the] parties ... involved in [the] action”, and he therefore concluded that the alleged infringer could not rely on the subsequent revocation of the patent on the assessment of damages.

46. At first sight, one can see the force of that reasoning. It is well established that the fact that an identical issue is determined differently in two different sets of proceedings is irrelevant to the rights of the parties to each set of proceedings inter se. Thus, in the normal run of things, where A has lost against B on an issue in one case, it is simply irrelevant to A’s legal obligations and rights as against B if C subsequently defeats B on the very same issue (except it may help A to obtain permission to appeal out of time – see *Arnold v National Westminster Bank plc* [1991] 2 AC 93, 109F-110C – but that is rather a different matter). That is because the determination of most issues in litigation can only bind the parties to the litigation (and their privies).

47. The point is starkly illustrated by *In re Waring, Westminster Bank v Burton-Butler* [1948] Ch 221. In that case, Jenkins J held that (i) an annuitant under a will was bound by a decision of the Court of Appeal in earlier litigation, where the will trustees and he were parties, as to the effect of tax legislation on his rights, but (ii) another annuitant was entitled to rely on a subsequent, more favourable, decision of the House of Lords on the point in a different case, because he had not been a party to the earlier litigation. Whilst Jenkins J acknowledged that the result may appear to be “anomalous”, in reality it was a clear and principled application of the fundamental rule.

### *Discussion*

48. In my view, however, the same cannot be said of the reasoning of the Court of Appeal in *Poulton* [1908] 2 Ch 430, and in the three cases which followed it (including this case). It seems to me that the mistake of the courts in those four decisions was attributable to the fact that they did not have appropriate regard to the statutory provisions relating to patents, which reflect the nature of a patent and the effect of its revocation. They therefore treated the subsequent decision to revoke the patent as no more than a later determination by another court in other proceedings between different parties.

49. The essential point is that, although the decision to revoke the patent was indeed made in proceedings involving different parties, the effect of the Patents Act 1977 (and its statutory predecessors) (“the Patents Act”) and the European Patent Convention (“the EPC”) whose relevant provisions are set out in paras 3-7 of Lord Sumption’s judgment, was that the revocation did not just have effect between those parties. The revocation of the patent deprived the patentee of the rights which the patent had bestowed on him as against the world; furthermore, it did so retrospectively. In other words, the effect of the revocation was that everyone was entitled to conduct their affairs as if the patent had never existed.

50. The failure to consider the nature of a patent and the effect of its revocation led the Court of Appeal into error, as it failed to take into account the fact that the issue of *res judicata* was being raised by the (former) patentee in connection with a particular statutory right. In this connection, it is worth referring to an observation of Lord Bridge in *Thrasivoulou v Secretary of State for the Environment* [1990] 2 AC 273, 289C-D:

“In relation to adjudications subject to a comprehensive self-contained statutory code, the presumption ... must be that where the statute has created a specific jurisdiction for the determination of any issue which establishes the existence of a legal right, the principle of *res judicata* applies to give finality to that determination unless an intention to exclude the principle can properly be inferred as a matter of construction of the relevant statutory provisions.”

I do not suggest that the Patents Act or the EPC “created a specific jurisdiction”, but the observation emphasises that an issue of *res judicata* in connection with a patent case cannot be considered correctly without proper regard to the effect of that Act and the EPC.

51. In *Poulton* [1908] 2 Ch 430 and the cases which followed it, the Court of Appeal failed to focus on the point that the effect of the Patents Act was that the revocation meant that, as against the world, the patentee had never had a valid patent. They wrongly concluded that cause of action estoppel applied so as to preclude the alleged infringer from relying on the revocation of the patent in the assessment, because they failed correctly to formulate the point which the alleged infringer wished to take on the assessment. The alleged infringer was bound by strict cause of action estoppel from running any argument that it had run on validity or infringement, but there was no such strict rule to prevent it from contending that the patent had, as a matter of fact, been revoked. Not merely was that an argument which had not been run in the earlier proceedings: it was an argument which, *ex hypothesi*, could not have been run in the earlier proceedings. Accordingly, following the reasoning in *Arnold*, it was a fact which the court could

at least have contemplated permitting the alleged infringer to rely on in the assessment.

52. In my view, however, it goes further than that. Absent special factors, principle, fairness and commercial sense support the view that the fact that the patent in issue had been revoked was a point which the alleged infringer should have been entitled to rely on in the assessment. It was a new, centrally important, uncontroversial fact, and to deny the alleged infringer the ability to raise it would be to give effect to a monopoly right which the patentee never should have had. Further, while not enough of a point on its own, it can fairly be said that, far from increasing litigation, permitting Zodiac to rely on the amendment of the Patent, would serve to put an end to the assessment.

53. On the facts of this case, Zodiac are not seeking to challenge any of the conclusions reached by the Court of Appeal in the English proceedings. They accept that they cannot say that the Patent, in its unamended form, is susceptible to attack on the grounds raised in the English proceedings, or that Zodiac's product did not infringe the Patent in that form, or that Virgin is not entitled to an assessment of damages. All that Zodiac are seeking to do is to contend that the damages on the assessment should be assessed at nil (or, perhaps, a nominal figure), because, as the Patent has been amended in the course of the EPO proceedings, it is now retrospectively to be treated as amended, so that Zodiac's product does not infringe, and so Virgin have suffered no damage.

54. Further, Zodiac are not seeking to relitigate or raise a point which was determined by the Court of Appeal in the English proceedings. Indeed, they could not have raised the point that the Patent had been amended during those proceedings, for the very good reason that it had not been revoked. Zodiac are simply seeking to rely on a highly relevant event which occurred after the determination of those proceedings, and which self-evidently would have a very significant effect on the assessment.

55. It is true that the grounds upon which the TBA concluded that the Patent in its original form had to be amended were grounds on which Zodiac had unsuccessfully relied before the Court of Appeal, namely invalidity over the prior art. However, Zodiac are not seeking to rely on those grounds in the assessment: they are simply seeking to rely on the fact that the Patent has been amended. The position would be the same if validity had not been in issue in the English proceedings. The purpose of res judicata is not to punish a party for failing to take a point, or for failing to take a point properly, any more than to punish a party because the court which tried its case may have gone wrong. It is, as explained above, to support the good administration of justice, in the public interest in general and in the parties' interest in particular. Assessed from either perspective,

it seems to me wrong to prevent a person who has been held to infringe a patent from invoking in proceedings thereafter a subsequent revocation or amendment of the patent, in order to avoid liability for infringement (at least in the absence of exceptional facts).

56. The inappropriateness of relying, as the Court of Appeal did, on the approach in the normal run of cases is highlighted by the fact that the decision between the will trustees and one annuitant in *Waring* [1948] Ch 221 was not binding as between the will trustees and another annuitant. On the other hand, the decision to revoke the patent in a case such as this and *Poulton* [1908] 2 Ch 430 can be relied on by everyone, even though the decision may have been reached in proceedings in which only one person and the patentee (or its privy) was involved.

57. The point may also be made by considering a hypothetical case, instanced in argument by Lord Sumption, where, after the Court of Appeal found for Virgin on validity and infringement, another court decided that X's product, which was identical to that of Zodiac, did not infringe the Patent. That would not have been a decision which would have assisted Zodiac in any way, as the position of Zodiac and X would have been analogous to that of the two annuitants in *Waring*. A decision on infringement is in personam, so it only binds the parties to the action (and their privies), whereas a decision that a patent is invalid (or must be amended) is in rem, so it binds the world, just as the patent, so long as it is in force, can be enforced against the world.

58. The policy of the Patents Act is that valid patents are enforceable against the world, even if an infringer is honestly and reasonably unaware of the existence of the patent. Equally, if a patent is revoked (or amended), the policy is that the revocation (or amendment) takes effect retrospectively, and that this can be relied on by the world. I find it hard to see why someone who has failed in an attack on the patent should not be entitled, like anyone else, to rely on the points that the patent has been revoked (or amended), and that the revocation (or amendment) is retrospective in its effect, whether in legal proceedings or in another context.

59. This conclusion is supported by another point. As Virgin accept, any injunction restraining Zodiac from infringing the Patent granted at the end of the English proceedings either became ineffective or would have to be discharged, following the amendment of the Patent in the EPO proceedings. In my view, there is a logical difficulty with the notion that Zodiac cannot rely on the fact that the Patent was retrospectively amended when it comes to the assessment, if they can rely on the amendment in order to discharge or to ignore the injunction. It is true that the injunction is prospective and the assessment retrospective, but the amendment is both prospective and retrospective in its effect.

60. Fletcher Moulton LJ rightly said in *Poulton* [1908] 2 Ch 430, 439, that “[t]he order of revocation is in the nature of a judgment in rem which terminates the res”, and he was also right when he added that “[i]t has ... no further effect so far as estoppel is concerned”. However, where he went wrong was to conclude that this meant that the fact and consequences of the revocation could not be relied on by a person who had previously been held to be an infringer, for instance when damages come to be assessed. He acknowledged that “[a]s regards the world at large, every one is bound by the fact that the patent ceased to exist”, and, as a matter of legal principle and consistency, as well as a matter of common sense and fairness, I consider that “every one” includes a party who has previously been held to infringe it.

61. So far as the interests of patentees are concerned, it is inherent in the grant of a patent under the Patents Act that, however often its validity may be unsuccessfully challenged in earlier litigation, it may none the less be revoked (or amended), and with retrospective effect, at some point by a court or by the EPO. A patentee therefore must appreciate that it can never be sure that a decision of a court that the patent is valid will settle the question for good. It is true that an unsuccessful challenge to the validity of a patent by a particular person will normally give rise to a *res judicata* to prevent that person raising another challenge, but, as is common ground, it would not enable the patentee to rely on the patent against that person once the patent had been revoked, at least in respect of what would be infringements after its revocation.

#### *Other matters*

62. When seeking to justify a conclusion that, though it applies, *res judicata* does not preclude a point being taken, it can be dangerous to invoke the observation of Lord Keith in *Arnold* [1991] 2 AC 93, 109B, that estoppel is intended “to work justice between the parties”, because it is only too easy to fall back on it as an excuse for an unprincipled departure from, or an unprincipled exception to, the rule. However, in a case where the rule has been relied on, I consider that it is helpful for a court which is inclined to accept the argument that it does not prevent a point being taken, to consider whether that outcome would work justice between the parties. In this case, as in cases such as *Poulton*, it seems to me that it would be positively unjust, as between the parties, for a (former) patentee to recover damages for infringement of a patent after the patent has been irrevocably and retrospectively revoked (or, as in this case, relevantly amended). And I can see no public interest in such an outcome. There is no question of extra further litigation, as it is undeniable that the Patent has been revoked (or amended); indeed, further litigation will be avoided as the assessment need not proceed.

63. In the course of his submissions on behalf of Virgin, Mr Crow QC relied on the doctrine of merger, viz the principle whereby whatever rights a claimant has against a defendant are treated as merged into the order made in the proceedings. I do not think that that aspect takes the point at issue on this appeal any further.

64. Mr Crow realistically did not suggest that it would cause any problems if we were to overturn a decision which had stood for over a hundred years and had been followed and applied in the last ten years. We therefore do not have to address the problem which was faced by the House of Lords in *Hindcastle Ltd v Barbara Attenborough Associates Ltd* [1997] AC 70, when they decided to overturn an early twentieth century decision of the Court of Appeal which had stood for around a century.

65. We were taken to some articles on the attitude of the courts of Germany, France and the Netherlands to the point raised in these proceedings. I am not confident that we have a full and accurate picture of the position in those three jurisdictions, but it seems clear that, to put it at its very lowest, there is not a consistent approach which could be said to reflect Virgin's contention in this case. Indeed, my strong impression is that Zodiac's contention is closer to the practice in those three countries. However, as Mr Crow submits, that is of little weight, as this is the sort of issue which has to be resolved by reference to domestic law, and is not the subject of any attempt to harmonise practices across the EPC territories.

66. As to the temporal limit of Zodiac's right to rely on the amendment of the Patent in the assessment of damages, I have no doubt that they could raise the amendment until judgment for the assessed damages had been drawn up, or passed and entered to use the time-honoured legal expression. While the court would, I think, have power to refuse to do so, I would expect it normally to agree to reopen such a judgment if any revocation or amendment was raised before the assessed damages had been paid.

67. If the Patent had been amended after the order had been formally passed and entered, but before the damages had been paid, I suspect that the only course open to Zodiac would have been to seek to appeal against the award of damages, relying on the amendment as new evidence, as strict cause of action estoppel (indeed merger) would apply. Once the damages had been paid, it seems to me that an alleged infringer would have to try and raise a restitutionary claim if it wished to recover the damages on the ground that the patent had been revoked or varied. I express no view on the strength of such a claim, which may well be highly dependent on the facts of the particular case.

68. This conclusion renders it unnecessary to consider whether, if *Poulton* was rightly decided, it would none the less be open to Zodiac to rely on the amendment of the Patent in the assessment, because the amendment was effected in the EPO rather than in a domestic court. I find it slightly difficult to consider that hypothetical question, not merely because I would be proceeding on an artificial hypothesis, but also because my reasons for concluding that *Poulton* was wrongly decided in relation to a UK patent apply a fortiori to a European patent.

### *Conclusion*

69. Accordingly, for these reasons, which follow those of Lord Sumption, and with whose reasoning I agree, I would allow Zodiac's appeal, and overrule the decisions in *Poulton* and *Coflexip*. It also follows that I disagree with the reasoning of the Court of Appeal in *Unilin*. I also agree with what Lord Sumption says in para 38 about the guidance given by the Court of Appeal in *Glaxo Group Ltd v Genentech Inc (Practice Note)* [2008] Bus LR 888.