



CONSTITUTIONAL COURT OF SOUTH AFRICA

Case CCT 212/18

In the matter between:

ASCENDIS ANIMAL HEALTH (PTY) LIMITED Applicant

and

MERCK SHARPE DOHME CORPORATION First Respondent

MERIAL LIMITED Second Respondent

MERIAL SOUTH AFRICA (PTY) LIMITED Third Respondent

Neutral citation: *Ascendis Animal Health (Pty) Limited v Merck Sharpe Dohme Corporation and Others* [2019] ZACC 41

Coram: Mogoeng CJ, Cameron J, Froneman J, Jafta J, Khampepe J, Ledwaba AJ, Madlanga J, Mhlantla J, Nicholls AJ and Theron J

Judgments: The Court: [1] to [4]
Khampepe J: [5] to [102]
Cameron J: [103] to [139]

Heard on: 9 May 2019

Decided on: 24 October 2019

Summary: Patents Act 57 of 1978 — section 61 — causes of action — *res judicata* — issue estoppel — bifurcated proceedings — amendment of pleas

ORDER

On appeal from the order of the High Court of South Africa, Gauteng Division, Pretoria:

1. Leave to appeal is granted.
2. The appeal is dismissed.
3. Each party is to pay its own costs.

JUDGMENT

THE COURT:

[1] The first judgment in this matter was written by Khampepe J and was concurred in by Froneman J, Ledwaba AJ, Nicholls AJ and Theron J. The effect of the first judgment is that five members of the Court held that the application for leave to appeal should be granted and that the appeal should be upheld.

[2] The second judgment in this matter was written by Cameron J and was concurred in by Mogoeng CJ, Jafta J, Madlanga J and Mhlantla J. The effect of the second judgment is that five members of the Court held that leave to appeal should be granted and the appeal should be dismissed.

[3] There is thus no majority decision of this Court. The result is that the judgment and order of the High Court of South Africa, Gauteng Division, Pretoria stands.

[4] Considerations of fairness dictate that each party is ordered to pay its own costs in light of there not being a majority decision in this matter.

KHAMPEPE J (Froneman J, Ledwaba AJ, Nicholls AJ and Theron J concurring):

Nature of proceedings

[5] This is an application for leave to appeal against the judgment and order of van der Westhuizen J, sitting as the Commissioner of Patents in the High Court of South Africa, Gauteng Division, Pretoria (the High Court).¹ The judgment of the High Court concerns two amendment applications made in patent infringement proceedings instituted by the respondents, as plaintiffs, against the applicant, as defendant.²

[6] The High Court refused to grant leave to appeal against the dismissal of the applicant's application to amend its pleadings before the High Court. The Supreme Court of Appeal dismissed the application for leave to appeal. The applicant now knocks on the doors of this Court seeking to overturn the judgment and order of the High Court.

Background facts and litigation history

[7] In June 2011, the applicant, Ascendis Animal Health (Pty) Limited, filed an application for the revocation of the South African Patent 1998/10975 (the 1998 patent) in terms of section 61(1) of the Patents Act (the Act)³ on the basis

¹ *Merck Sharp Dohme Corporation v Cipla Agrimed (Pty) Ltd*, unreported judgment of the Commissioner of Patents, Patent No 1998/10795 (23 March 2018) (High Court Judgment). Cipla Agrimed has since changed its name to Ascendis Animal Health (Pty) Limited.

² Id at para 1.

³ 57 of 1978.

that the invention was not patentable in terms of section 25 of the Act (revocation proceedings). The applicant pleaded that the 1998 patent was not new in terms of the definition in section 25(5) and (6) (novelty);⁴ and that it lacked an inventive step in terms of the definition of section 25(10) (obviousness).⁵

[8] During the exchange of pleadings and relevant documents between the parties in the revocation proceedings, the first and second respondents, Merck Sharp Dohme Corporation and Merial Limited, instituted proceedings against the applicant for infringing the 1998 patent (the infringement action). The respondents contended that since August 2011 the applicant had made, sold, used, offered for sale and / or imported an anti-parasitic formulation under the trademark entitled Ivermax LA Platinum and, due to these actions, had infringed and was continuing to infringe claims 1 to 7, 18 to 23 and 29 of the 1998 patent.

[9] The revocation proceedings turned on the validity of the 1998 patent in light of the disclosure in a separate patent registered in 1992; whereas the infringement action turned on the unauthorised use, and transgression, of the 1998 patent. However, underpinning both proceedings, albeit in different contexts and with different forms of relief sought, was the question of the validity of the 1998 patent. As evidence had already been led (by way of affidavits) in the revocation proceedings, the parties agreed to stay the infringement proceedings and proceed with the revocation proceedings to finality.

⁴ Section 25(5) and (6) of the Act provide that—

“(5) An invention shall be deemed to be new if it does not form part of the state of the art immediately before the priority date of that invention.

(6) The state of the art shall comprise all matter (whether a product, a process, information about either, or anything else) which has been made available to the public (whether in the Republic or elsewhere) by written or oral description, by use or in any other way.”

⁵ Section 25(10) provides that—

“Subject to the provisions of section 39(6), an invention shall be deemed to involve an inventive step if it is not obvious to a person skilled in the art, having regard to any matter which forms, immediately before the priority date of the invention, part of the state of the art by virtue only of subsection (6) (and disregarding subsections (7) and (8)).”

[10] In August 2012, the applicant sent a letter to the respondents advising them that it intended to first argue the novelty claim separately from the obviousness claim and, should this argument fail, the applicant would then apply to refer the obviousness claim for oral hearing where the applicant would lead evidence on this question. The logic behind this approach was that should the Commissioner of Patents find that the patent lacked novelty (on paper), then it would not need to hear oral evidence as the patent would have already been found to be invalid and the obviousness claim would not take the matter any further. The respondents opposed this and alleged that a referral of this nature was not in terms of a legitimate procedure or even appropriate. Subsequently, there was no agreement between the parties on the purported separation of the issues.

[11] Despite the objection raised by the respondents, the applicant persisted and asserted in its heads of argument that should the Commissioner of Patents find that the invention is not novel, then an application would be moved for the matter to be referred for the hearing of oral evidence on the second challenge to the patent – the ground of obviousness.

*Revocation application*⁶

[12] The Commissioner of Patents, Teffo J, revoked the 1998 patent for lack of novelty, in light of the disclosure of the 1992 patent. She held that claims 1 to 29 of the 1998 patent failed to satisfy the requirements of novelty as set out in section 25(5) and (6) of the Act and therefore fell to be revoked.⁷ Importantly, her finding was limited to novelty and did not address the obviousness claim. No reasons were advanced explicating the status of the obviousness claim or why it was not addressed.

⁶ *Cipla Agrimed (Pty) Ltd v Merck Sharp Dohme Group*, unreported judgment of the Commissioner of Patents, Patent No 1998/10795 (11 March 2014) (Teffo J judgment).

⁷ *Id* at para 26.

[13] Aggrieved by the decision, the respondents approached the Supreme Court of Appeal on the novelty claim. The applicant made no attempt to appeal the failure to pronounce on the obviousness claim. It also did not advance any argument that the question of obviousness had been held over (by agreement or by order of court) for determination at a later date, pending the outcome of the novelty claim.

*Supreme Court of Appeal*⁸

[14] The Supreme Court of Appeal found, without mentioning the obviousness claim, that there was no merit in the attack on the patent's validity under the novelty claim and that the revocation application should have been dismissed with costs.⁹ The Supreme Court of Appeal ordered that each of the claims of the 1998 patent be certified as being valid in terms of section 74 of the Act.¹⁰

[15] Subsequently, in light of the Supreme Court of Appeal's decision, the applicant filed a notice of intention to amend its plea in the infringement action. The applicant, through this amendment, sought to remove the novelty defence, keep the obviousness defence and introduce a new defence, inutility, in terms of section 61(1)(d) of the Act.

[16] The respondents opposed the applicant's amendment application and filed an application to amend their replication to the plea so as to plead *res judicata* in light of the Supreme Court of Appeal's judgment. Furthermore, the respondents, believing that the applicant was frustrating the proceedings, as the 1998 patent was set to expire in 2018, applied for an interim interdict prohibiting the applicant from further

⁸ *Merck Sharpe Dohme Group v Cipla Agrimed (Pty) Ltd* [2015] ZASCA 175; 2016 (3) SA 22 (SCA) (Supreme Court of Appeal judgment).

⁹ *Id* at para 26.

¹⁰ Section 74(2) of the Act provides:

"If in any subsequent proceedings the validity of that claim is unsuccessfully attacked by any party, that party shall, unless the commissioner or the court, as the case may be, otherwise directs, pay to the other party his full costs, charges and expenses as between patent agent or patent attorney or attorney and client so far as that claim is concerned."

infringing the 1998 patent pending the outcome of the infringement action or until the expiry of this patent.

*Interim interdict proceedings*¹¹

[17] Louw J held that it is trite that generally, piecemeal litigation is to be avoided.¹² He found that the applicant was attempting to re-try the matter by amending its pleadings in the infringement proceedings and this amounted to piecemeal litigation.¹³ Louw J held that the applicant was attempting to do what the court in *Chiron Corporation* warned against, which is allowing “a party with more than one cause of action or more than one ground of defence to advance one of them and then keep the others in reserve for a rainy day.”¹⁴

[18] As *obiter* (in passing), Louw J further remarked that if the applicant had in its heads of argument informed the Supreme Court of Appeal that it still intended to proceed with the obviousness claim, the Supreme Court of Appeal would have most likely refused to entertain the appeal as it is strongly opposed to hearing piecemeal appeals.¹⁵ Unfortunately, the applicant did not inform or raise this with the Supreme Court of Appeal.

[19] Accordingly, he held that the applicant’s attempt to rely on invalidity in the infringement action based on obviousness amounted to piecemeal litigation as the Supreme Court of Appeal had finally decided the issue of the 1998 patent’s validity.¹⁶ He further found that the respondents satisfied the requirements of an interim

¹¹ *Merck Sharp Dohme Group v Cipla Agrimed (Pty) Ltd*, unreported judgment of the Commissioner of Patents, Patent No 1998/10795 (4 March 2016) (Interdict judgment).

¹² *Id* at para 10.

¹³ *Id* at paras 11-2.

¹⁴ *Chiron Corporation v Organon Teknika Limited* [1996] FSR 701 at 707-8. See the Interdict judgment above n 11 at paras 11-2.

¹⁵ Interdict judgment above n 11 at para 12.

¹⁶ *Id*.

interdict, and therefore issued an interim order interdicting the applicant from infringing the patent, pending the final determination of the main application, and reserving the question of costs for determination in the action.¹⁷

Amendment applications in the High Court

[20] Before van der Westhuizen J, the parties sought to amend their pleadings in the infringement action respectively as described above.

[21] The applicant's counsel contended that each ground for revocation of a patent, as provided in the Act, is a separate and distinct cause of action, and therefore by advancing a new and further ground of invalidity, the applicant was advancing a new cause of action that may be introduced by way of an amendment.¹⁸

[22] Van der Westhuizen J found no merit in this submission.¹⁹ He found that the cause of action in an application for revocation of a patent is that of the invalidity of the patent. The validity of the patent may be challenged and attacked on various grounds listed in the Act. A party may therefore elect to rely on one or more of these listed grounds, but this does not mean that they can rely on them in a piecemeal fashion.²⁰

[23] To reinforce his conclusion, van der Westhuizen J highlighted that the Supreme Court of Appeal, per Ponnann JA, certified that all the claims of the 1998 patent are valid in accordance with section 74 of the Act – an indication that the issue of the validity of the 1998 patent is *res judicata* between the parties.²¹

¹⁷ Id at para 18.

¹⁸ High Court judgment at para 14.

¹⁹ Id.

²⁰ Id at para 15.

²¹ Id at para 19.

[24] In finding that the matter is *res judicata*, the Commissioner discussed the requirements for a successful reliance on the doctrine of *res judicata*, namely: (i) same parties (the parties are the same); (ii) the same cause of action (the invalidity of the 1998 patent); (iii) the same relief (the revocation of the 1998 patent); and (iv) a final judgment (the Supreme Court of Appeal judgment).²² The Commissioner held that the requirements were, indeed, fulfilled.²³

[25] It was held that since the cause of action is the invalidity of the patent, the matter was thus *res judicata*. Accordingly, the High Court dismissed the application for the amendment of the applicant's plea and upheld the application for the amendment of the respondent's plea.²⁴

[26] The Commissioner refused leave to appeal. An application to the Supreme Court of Appeal for leave to appeal was also refused. The application before us is for leave to appeal against the judgment refusing the applicant's application to amend its pleadings in the infringement action.

Issues

[27] The issues for determination as I see them are:

1. Whether this matter engages this Court's jurisdiction.
2. Whether all of the subsections in section 61 of the Act constitute a single cause of action or whether each subsection constitutes a separate and independent cause of action.
3. Whether the defence raised in the infringement action is *res judicata*.

²² Id at para 21.

²³ Id at para 22.

²⁴ Id at paras 22-4.

Jurisdiction and leave to appeal

[28] Section 167(3)(b) of the Constitution sets out the grounds on which this Court's jurisdiction may be engaged. This section confers jurisdiction on this Court to hear matters that raise constitutional issues or that raise an arguable point of law of general public importance which ought to be considered by this Court. In order for this Court to adjudicate and pronounce on a matter, a litigant has the onus of proving that the matter engages either of the two grounds or both.

*Constitutional issues**Access to courts*

[29] The first contention that the applicant advances is that this matter implicates the constitutional right of access to courts in terms of section 34 of the Constitution as it concerns the alleged unconstitutional deprivation of the applicant's right to defend itself in a patent infringement action.²⁵ Specifically, the applicant contends that its right to a fair hearing, including a hearing on the merits of the dispute, is being unjustifiably limited.

[30] The right of access to courts is a crucial provision in ensuring a constitutional democracy, and is an indispensable constituent of the rule of law, a founding value of the Constitution. It can thus not be gainsaid that an integral principle of the rule of law is the power given to people to challenge and demur against the legality of any conduct or law. It is thus evident that this right is instrumental to the achievement and enjoyment of the other rights and protections provided in the Constitution.

[31] Of importance to this case is the component of the provision that confers a right to the parties to have their disputes decided before a court. This element of the right

²⁵ Section 34 of the Constitution provides:

"Everyone has the right to have any dispute that can be resolved by the application of law decided in a fair public hearing before a court or, where appropriate, another independent and impartial tribunal or forum."

directly grants the right to access to courts, and guarantees that litigants may bring their case before a court. Not only does this provision guarantee a litigant access to courts, it also confers on a litigant the right to a fair hearing.

[32] It is well-established that *res judicata* implicates the rights contained in section 34.²⁶ However, the High Court, as will become evident later, extended the application of *res judicata* and as a result, adversely affected the right by denying the applicant an opportunity to raise a defence, which potentially taints the fairness element of the hearing. This *prima facie* extension of *res judicata* interferes with the applicant's constitutional right to have the merits of the separate, undecided causes of action heard in court and thus gives this Court jurisdiction to decide the matter.

Arguable point of law

[33] There are three primary arguments that the applicant belabours in this regard. First, the applicant contends that the High Court extended the principle of *res judicata* drastically from the common law position. Second, the applicant submits that this matter raises a question of whether it is permissible that an alleged procedural misstep, which leads to a failure to formally separate the various grounds of invalidity in one matter, should deprive the applicant from relying on the undecided ground of invalidity as a defence in separate, but concurrent proceedings as a result of the application of *res judicata*. Third, the applicant submits that this matter involves the interpretation of section 61 of the Act and a determination of whether the grounds housed under this section constitute a single cause of action or multiple, distinct causes of action.

[34] The High Court found that the case was *res judicata* and that the grounds listed in section 61 are a single cause of action. These findings may have significant, adverse ramifications for future potential litigants who might be interested in bringing

²⁶ See generally *Bafokeng Tribe v Impala Platinum Ltd* 1999 (3) SA 517 (BH).

a revocation case. As will be seen later, there are also reasonable prospects of success on the question of whether the High Court extended and misapplied the principle of *res judicata*. Therefore, this matter begets an arguable point of law.

[35] The respondents submit that the infringement action only concerns a claim for damages, and that the applicant is attempting to avoid financial liability by not paying the damages. In essence, the pith of the respondents' submissions is that it is not in the interests of justice for this Court to adjudicate this matter as the matter does not transcend the narrow interests of the parties, especially that of the applicant.

[36] While there is merit to this argument, it unduly simplifies the issue before this Court. This Court is not tasked with determining the outcome of the infringement action or the damages thereof. The applicant knocks on our door, asking that we answer the following question: in infringement proceedings, is the defence of invalidity of a patent (on the grounds of obviousness and inutility) *res judicata*, where that same defendant lost revocation proceedings based on the ground of novelty? To answer this question, this Court has to ascertain whether the different grounds housed under section 61 of the Act constitute a single cause of action or not. This is an interpretational exercise of provisions contained in legislation, which surely triggers our jurisdiction on its own.

[37] These questions undoubtedly go beyond the narrow interests of the parties. It is not disputed that the applicant approached this Court with these questions to safeguard its own interests. However, that does not denude the legal questions of their objective public importance. Any order given by this Court will have a wider impact in the arena of patent litigation. Accordingly, the infringement action and the subsequent order arising from it may bind only the parties; however, there is a general public interest in this decision that goes beyond the narrow interests of the parties because it requires the interpretation of section 61 of the Act.

[38] In light of the above, this matter raises a constitutional issue in relation to access to courts and various arguable points of law of general public importance. The arguments raised by the applicant have strong prospects of success. Leave to appeal is accordingly granted.

Merits

[39] The issue before the Court is whether the High Court's finding that the validity of the 1998 patent was *res judicata* prevented the applicant's amendment of its plea in the infringement proceedings. In oral argument before this Court, the respondents' counsel contended that, even if the High Court erred in concluding that the validity of the 1998 patent was *res judicata*, the applicant's attempts to raise the obviousness and inutility defences during the infringement proceedings amounted to an abuse of process.

[40] Although there may be compelling arguments in this case for the application of the doctrine of abuse of process, I am of the view that it is not properly before this Court. In that regard, I note that the issue of abuse of process was not raised in the High Court and is raised only, for the first time, in oral proceedings before this Court. Although some of the policy considerations implicit in the principle of *res judicata* intersect with those that motivate abuse of process concerns, the two concepts remain analytically distinct. In this regard, the primary concern, in my view, of *res judicata* is to ensure judicial certainty, and prevent contradictory conclusions on the same causes of action. Abuse of process concerns are motivated by the need to protect the "the integrity of the adjudicative functions of courts",²⁷ doing so ensures that procedures permitted by the rules of the Court are not used for a purpose extraneous to the truth-seeking objective inherent to the judicial process.²⁸

²⁷ *Toronto (City) v C.U.P.E., Local 79*, [2003] 3 SCR 77; 2003 SCC 63 at para 43.

²⁸ *Beinash v Wixley* [1997] ZASCA 32; 1997 (3) SA 721 (SCA) at 734G.

[41] In *Janse van Rensburg*,²⁹ Heher JA aptly stated that a party who relies on abuse of process must pertinently plead the abuse, substantiated by facts and lay a foundation in fact, which could enable the opposing parties to deal with that reliance.³⁰ Crucial here is the rationale that the doctrine of abuse of process must only be applied and imposed when the facts of the matter support the conclusion that the impugned conduct amounts to an abuse. Should this doctrine be applied where the facts do not point to an abuse of process, a party may be barred from advancing a *bona fide* challenge or defence in litigation.³¹ Was abuse of process pertinently pleaded in this matter? Simply not. The respondents did not fully plead and argue that the conduct of the applicant amounts to an abuse of process on the facts. For this reason, I am not convinced that this Court should make a conclusive finding, absent the supporting facts, that the applicant abused the process.

[42] As has been reiterated on numerous occasions, this Court's reluctance to determine matters as a court of first instance is borne out of the practical reality that "this Court functions better when it is assisted by a well-reasoned judgment (or judgments) on the point in issue".³² In this case, the question before us is whether the application of *res judicata* prevents the applicants from amending their plea to include certain defences in the infringement proceedings. This question has been fully ventilated in the High Court and in both the written and oral submissions before this Court. Accordingly, that will be the focus of my judgment.

²⁹ *Janse van Rensburg NO v Steenkamp; Janse van Rensburg NO v Myburgh* [2008] ZASCA 154; 2010 (1) SA 649 (SCA).

³⁰ *Id* at para 30.

³¹ *Brisbane City Council v A-G for Queensland* [1978] 3 All ER 30 (PC) at 35-6.

³² *Tiekiedraai Eiendom (Pty) Limited v Shell South Africa Marketing (Pty) Limited* [2019] ZACC 14; 2019 JDR 0719 (CC); 2019 (7) BCLR 850 (CC) at para 20. See also *Minister of Home Affairs v Fourie; Lesbian and Gay Equality Project v Minister of Home Affairs* [2005] ZACC 19; 2006 (1) SA 524 (CC); 2006 (3) BCLR 355 (CC) at para 39; *Carmichele v Minister of Safety and Security* [2001] ZACC 22; 2001 (4) SA 938 (CC); 2001 (10) BCLR 995 (CC) at para 55; and *Amod v Multilateral Motor Vehicle Accidents Fund* [1998] ZACC 11; 1998 (4) SA 753 (CC); 1998 (10) BCLR 1207 (CC) at para 33.

Scheme of the Act

[43] In determining the *res judicata* point, it will be instructive to look at the scheme of the Act.

[44] According to the Act, any person may apply for the revocation of a patent, in the prescribed manner, at any time.³³ All proceedings dealing with the revocation of a patent are dealt with comprehensively in chapter X of the Act. The chapter, through section 61(1), provides an exhaustive list of the grounds for the revocation of a patent.³⁴ The Regulations to the Act then set out the applicable procedure to be followed when an application for revocation is launched.³⁵ The Regulations make it clear that, unless directed by the Commissioner, all evidence relevant to the proceedings must be reduced to an affidavit.³⁶ The proceedings therefore take on the form of a “full-dress debate” where the onus to prove the grounds for the revocation of the patent rests with the applicant.³⁷

[45] The Act, through chapter XI, thereafter guides the hand of patentees, this time, in the prosecution of infringement proceedings. The process followed in infringement proceedings takes the form of an action and, unlike revocation proceedings, is destined for oral evidence from its inception.³⁸ As the patentee is the only one entitled to institute an action for the infringement of his or her patent,³⁹ the burden of proof rests upon him or her.⁴⁰ Furthermore, it is commonly understood that counterclaims

³³ Section 61(1) of the Act.

³⁴ *Id.*

³⁵ Form P20 of regulation 89 of the Patent Regulations, GN R2470 GG 6247, 15 December 1978, is the prescribed form on which the application for revocation shall be made. It stipulates that each form must be accompanied by a statement of particulars of the grounds on which the application is based.

³⁶ *Id.* at regulation 93.

³⁷ *Miller v Boxes & Shooks (Pty) Ltd* 1945 AD 561 at 580.

³⁸ *Id.* at 563.

³⁹ Section 65(1) of the Act.

⁴⁰ Section 45(1) of the Act.

for infringement or revocation are not mandatory counterclaims in either type of patent litigation.⁴¹

[46] It is evident that the Act envisaged these two different proceedings to ultimately have two different consequences, with different forms of relief. It would be remiss if I did not illustrate the different effects of the two proceedings, which further support the argument that the Act envisages the two proceedings as separate. Revocation removes the patent from the Patents Register, a remedy *in rem* (against a thing).⁴² Invalidity defences in the infringement action, on the other hand do not remove the patent from the Patents Registrar, but render a patent unenforceable against the party who successfully challenges its validity but may still be enforced against third parties.⁴³ Revocation is governed by section 61 and infringement by section 65 of the Act. The co-existence of dual proceedings in this context is not unusual – it is common cause between the parties that it is the norm in patent litigation to have parallel proceedings.

[47] When the Legislature has endorsed two separate proceedings with their own rules and remedies then it would be wrong for this Court to conclude that the findings in the revocation proceedings have a final effect on the infringement action for causes of action which have not actually been adjudicated upon in revocation proceedings. It might lead to the dual proceedings being nugatory and of no effect because a finding on the revocation proceedings could be carried over to the infringement action.

[48] I interpose to make a few salient points. First, the remedies sought in the revocation proceedings are distinct and materially different from the infringement proceedings. More specifically, the remedy sought in revocation proceedings is *in rem* whereas the remedy in infringement proceedings is *in personam* (against that

⁴¹ *Strix Limited v Nu-World Industries* [2015] ZASCA 126; 2016 (1) SA 397 (SCA) at para 13.

⁴² Section 61(2) of the Act.

⁴³ Section 61 of the Act.

person). Second, a party may institute revocation proceedings any time;⁴⁴ whereas, no proceedings for infringement of a patent may be instituted within a period of nine months from the date of its sealing unless, on good cause shown, the Commissioner of Patents may direct otherwise.⁴⁵ Third, infringement proceedings are inherently action proceedings; whereas revocation proceedings are predominantly application proceedings. It is perspicuous from the reading of the Act and the language used, that the Legislature intended for there to be two separate proceedings. We should be slow to undermine the objective of the Legislature unless it leads to a constitutionally untenable outcome or an intolerable absurdity.

Do the grounds under section 61 constitute a single cause of action?

[49] The High Court answered this question in the affirmative when it held that section 61 constitutes a single cause of action which it found was the invalidity of the patent. For the following reasons I find that this is not correct.

[50] The leading case on the definition of “cause of action” is *McKenzie*.⁴⁶ In *McKenzie*, Maasdorp JA approved the definition set out in the English case of *Cook v Gill*⁴⁷ and defined “cause of action” as:

“[E]very fact which it would be necessary for the plaintiff to prove, if traversed, in order to support his right to judgment of the Court. It does not comprise every piece of evidence which is necessary to prove each fact, but every fact which is necessary to be proved.”⁴⁸

⁴⁴ *Id.*

⁴⁵ Section 44(4) of the Act.

⁴⁶ *McKenzie v Farmers' Co-Operative Meat Industries Ltd* 1922 AD 16.

⁴⁷ *Cooke v Gill* 1873 LR 8 CP 102.

⁴⁸ *McKenzie* above n 46 at 23. Also see in *Coetzee v SAR&H* 1933 CPD 570 at 570, where the Court held that:

“A cause of action accrues, when there is in existence a person who can sue and another who can be sued, and when all the facts have happened which are material to be proved to entitle the plaintiff to succeed.”

[51] Over a decade after *McKenzie*, the court in *Abrahamse & Sons* explicated this phrase as follows:

“The proper legal meaning of the expression ‘cause of action’ is the entire set of facts which give rise to an enforceable claim and includes every fact which is material to be proved to entitle a plaintiff to succeed in his claim. It includes all that a plaintiff must set out in his declaration in order to disclose a cause of action.”⁴⁹

[52] Of significance is the fundamental distinction that the court in *McKenzie* drew between the material facts which the applicant is required to prove in order to establish his or her case (*facta probanda*), and the evidence which the plaintiff must advance in order to establish those material facts (*facta probantia*). What this amounts to is that the “cause of action” in a particular case consists of the *facta probanda* as opposed to the *facta probantia*. In simple terms, the Court in *McKenzie* endorses the view that the central basic facts of the case are not to be confused with the various items of evidence required to prove those facts.

[53] More recently, Corbett JA cited the above cases with approval. To this end, cause of action means every fact that needs to be proved in order to support a litigant’s right to a judgment. It does not comprise every piece of evidence which is necessary to prove each fact, but every fact which is necessary to be proved.⁵⁰

[54] In light of the definition of cause of action and the distinction between *facta probanda* and *facta probantia*, I do not think that the grounds of revocation constitute a single cause of action. The opposite is true. Each of the grounds of revocation as set out in section 61 of the Act constitute separate, distinct and independent causes of action because the *facta probanda* that need to be proven for

⁴⁹ *Abrahamse & Sons v SA Railways & Harbours* 1933 CPD 626 at 637. See also *Lyon v SAR&H* 1930 CPD 276, where the Court held at 284 that cause of action means “every fact which is material to be proved to entitle a plaintiff to succeed in his claim.”

⁵⁰ *Evins v Shield Insurance Co Ltd* 1980 (2) SA 814 (A) at 838-9.

each ground are different. Although the legal conclusion that results from claims of either novelty, obviousness or inutility may be the same (in other words, the finding of a patent's invalidity) it does not follow that they all represent a single cause of action. The facts required to prove a claim of novelty, inutility and obviousness are markedly different as the elements constituting each ground are different.

[55] On a simple level, this is obviously so. In layman's terms, novelty requires that something is new or different than what existed before (the prior art). Obviousness accepts that it is new, but it is an obvious step that anyone who is versed in the prior art could make because while it is a step, it is not an inventive step. Inutility is the contention that the blueprint of the patent itself does not lead to the claimed usefulness or result.

Novelty

[56] In relation to the ground of novelty, the case of *Merck Sharp Dohme Group* is instructive.⁵¹ For a court to find that a patent lacks novelty, there are two definite inquiries that are imperative for a court to undertake, namely:

- a) Does a given occurrence or disclosure or the like (an alleged anticipation) in fact qualify as an effective anticipation?⁵²
- b) If it does, is the alleged anticipation an enabling disclosure of such a measure as to destroy the novelty of the alleged invention claimed in a given claim?⁵³

[57] These inquiries have been applied and cemented in case law. For instance, in *Synthon BV*, Lord Hoffmann held that when deciding on the ground of novelty:

⁵¹ Supreme Court of Appeal judgment above n 8.

⁵² Id at para 6.

⁵³ Id. See also Burrell *Burrell's South African Patent and Design Law* 3ed (LexisNexis, Durban 1999) at 4.11.4.

“It is very important to keep in mind that disclosure and enablement are distinct concepts, each of which has to be satisfied and each of which has its own rules . . . in deciding whether there has been anticipation, there is a serious risk of confusion if the two requirements are not kept distinct.”⁵⁴

Obviousness

[58] Although obviousness is the most commonly raised ground when a party wishes to question the validity of a patent, it is difficult to construct and contrive an acceptable general principle setting out how a court reaches a decision on the lack of invention because all of this is fact-sensitive.⁵⁵ Obviousness, unlike the other grounds, is not decided in terms of theoretical definitions and abstract legal principles proffered by courts – frequently, the facts and circumstances surrounding the invention are pertinent.

[59] In *Roman Roller CC*, the earliest case dealing with obviousness under the Act, Corbett CJ held that—

“As section 25(1) indicates, an invention is deemed to involve an inventive step if it is not obvious to a person skilled in the art, having regard to the state of the art at the relevant time. Conversely, if the invention is obvious to such a person, then the invention is deemed not to involve an inventive step and to be invalid on the ground of obviousness.

In order to apply these provisions to a particular case it is necessary first to determine: (i) what the art is to which the invention relates, (ii) what the state of this art was at the relevant time and (iii) who is to be regarded as a ‘person skilled in the art’.”⁵⁶

⁵⁴ *Synthon BV v SmithKline Beecham plc* [2005] UKHL 59; [2006] 1 All ER 685; [2006] RPC 10; (2005) 86 BMLR 130 at paras 28-30.

⁵⁵ *Levin v Number Plates and Signs (Pty) Ltd* 1942 CPD 412 at 424 and *Testrup v Crossfield and Sons Ltd* 1913 AD at 11-2. See also Burrell above n 53 at 4.13.

⁵⁶ *Roman Roller CC v Speedmark Holdings (Pty) Ltd* 1996 (1) SA 405 (A) at 413.

[60] After determining the three factors laid out by Corbett CJ, the subsequent step is to question whether the patent involves an inventive step. What this requires is asking “whether, in the light of the matter available to the public at the priority date, the step forward taken by the invention would have been obvious to the skilled addressee”.⁵⁷

[61] Of paramount importance is that for obviousness to arise as an issue, it means that the patent must have survived a novelty claim. In other words, only a patent that has been found to be novel can be attacked on the basis of obviousness.⁵⁸

Inutility

[62] The ground of inutility provides that a patent may be revoked on the ground that the invention as illustrated or exemplified in the complete specification concerned cannot be performed or does not lead to the results and advantages set out in the complete specification.⁵⁹ This boils down to whether the patent is useful as illustrated or exemplified. The term “useful” in patent law bears the “special meaning of effective to produce the result aimed at” or promised.⁶⁰ Murphy J in *Merial* found that—

“inutility is assessed with reference to the body of the specification, in particular as illustrated in drawings or as exemplified by way of example. Inutility is a question of fact in respect of which expert opinion evidence is admissible.”⁶¹

⁵⁷ Id at 417I.

⁵⁸ *Ensign-Bickford (South Africa) v AECI Explosives and Chemicals Ltd* [1998] ZASCA 73; 1999 (1) SA 70 (SCA) at 80E.

⁵⁹ *Merial v Cipla Vet (Pty) Ltd* [2014] ZACCP 3; 2014 JDR 1641 (GP) at para 68.

⁶⁰ Burrell above n 53 at 4.20. See also *Filta-Matix (Pty) Ltd v Carl Freudenberg* [1997] ZASCA 110; 1998 (1) SA 606 (SCA) at 612I-613A; *Selero (Pty) Ltd v Chauvier* 1982 (2) SA 208 (T); [1982] 3 All SA 394 (T) at 212B-C; *B-M Group (Pty) Ltd v Beecham Group Ltd* 1980 (4) SA 536 (A); [1980] 2 All SA 531 (A) at 550F-G; *Gentiruco AG v Firestone SA (Pty) Ltd* 1972 (1) SA 589 (A); [1972] 2 All SA 321 (A) at 609G; and *Frank & Hirsch (Pty) Ltd v Rodi & Wienenberger Aktiengesellschaft* 1960 (3) SA 747 (A) at 755C.

⁶¹ *Merial* above n 59 at para 68.

[63] It is thus evident that novelty, obviousness and inutility require different *facta probanda* and therefore they are different causes of action. There is no merit to the respondents' assertion, supported by the High Court, that the cause of action is the general invalidity of the patent. The different grounds may lead to a finding of invalidity but the mere fact that the result or legal conclusion is identical does not mean that those grounds are a single cause of action, grouped together under section 61. It is not a denouement supported by any law. The grounds I have discussed above illustrate that each ground requires a different set of facts to sustain the claim and relief sought.

[64] *Janse van Rensburg* buttresses this conclusion.⁶² The Supreme Court of Appeal held that related claims under different sections of the same Act, in that case the Insolvency Act,⁶³ constitute separate causes of action, even where the consequences of applying the different sections would be the same.⁶⁴ The Court also held that the sections showed no commonality of cause of action and were designed to provide remedies for different circumstances, notwithstanding the common outcome provided for in each.⁶⁵

[65] Analogously, the different sub-sections in the Act, each concerned with the invalidity of the patent and notwithstanding the common outcome, do not provide for a common cause of action. Furthermore, the different sections of the Act that govern the revocation proceedings and the infringement proceedings may focus on the invalidity of a patent (as a conclusion) but that does not elevate the invalidity of a patent into a cause of action.

⁶² *Janse van Rensburg* above n 29.

⁶³ 24 of 1936.

⁶⁴ See generally *Janse van Rensburg* above n 29.

⁶⁵ *Id* at para 19.

[66] The Court in *Bisonboard* held that it is a well-established principle of our law that there is a distinction between causes of action on the one hand and legal proceedings on the other.⁶⁶ The result of this distinction is that it is not the legal proceedings that will be terminated by *res judicata*, but the individual causes of action that have been decided. The High Court appears to have found that the proceedings were *res judicata* on the basis that the legal proceedings have a similar outcome. This is clearly wrong. The applicant relied on different causes of action and on the strength of that, the matter could not have been *res judicata*.

[67] Accordingly, the grounds housed under section 61 are separate and distinct causes of action. This leads to the question of whether the High Court was correct in finding that the matter was *res judicata*.

Is the defence in the infringement action res judicata?

[68] As a result of finding that the cause of action is the invalidity of the patent, the High Court concluded that the defence raised by the applicant in the infringement action was *res judicata*. Due to the incorrect findings in relation to the cause of action and the wrongful description of the relief sought as being the same in both proceedings, the subsequent finding by the High Court that the defence was *res judicata* is tainted and incorrect.

[69] *Res judicata* strictly means that a matter has already been decided by a competent court on the same cause of action and for the same relief between the same parties. In *Evins*, Corbett JA stated that:

“Closely allied to the ‘once and for all’ rule is the principle of *res judicata* which establishes that, where a final judgment has been given in a matter by a competent court, then subsequent litigation between same parties, or their privies, in regard to

⁶⁶ *Bisonboard Ltd v K Braun Woodworking Machinery (Pty) Ltd* 1991 (1) SA 482 (A); 1991 (1) All SA 201 (A) at 486D-E.

the same subject-matter and based upon the same cause of action is not permissible and, if attempted by one of them, can be met by the *exceptio rei judicatae vel litis finitae*. The object of this principle is to prevent the repetition of lawsuits, the harassment of a defendant by a multiplicity of actions and the possibility of conflicting decisions.”⁶⁷

[70] In essence, the crux of *res judicata* is that where a cause of action has been litigated to finality between the same parties on a previous occasion, a subsequent attempt to litigate the same cause of action by one party against the other party should not be allowed. The underlying rationale for this principle is to ensure certainty on matters that have already been decided, promote finality and prevent the abuse of court processes.⁶⁸

[71] The requirements of *res judicata*, although trite, can be summed up as follows: (i) there must be a previous judgment by a competent court (ii) between the same parties (iii) based on the same cause of action, and (iv) with respect to the same subject-matter, or thing.⁶⁹ In a Lesotho case, *Masara*, the Court of Appeal stated that the defence of *res judicata* requires that a party must establish that the present case and the previous case are based on the same set of facts that have been finalised by a competent court or tribunal by the same parties on the merits of the same cause of action.⁷⁰

[72] In *Molaudzi*, this Court relied on the Canadian case of *Amtim Capital Inc.*,⁷¹ which provided that the purpose of *res judicata* is to balance the public interest in the

⁶⁷ *Evins* above n 50 at 835E-G.

⁶⁸ *Ndlangamandla v Hadebe* [2012] SZHC 57 at para 29.

⁶⁹ *Bafokeng Tribe* above n 26 at 566B-E.

⁷⁰ *Masara v Tsepong (Pty) Ltd* [2015] LSLC 59 at para 14.

⁷¹ *Amtim Capital Inc. v Appliance Recycling Centres of America* 2014 ONCA 62 at para 13.

finality of litigation with the public interest of ensuring a just result on the merits.⁷² Therefore, this principle should not be used mechanically.

[73] I now turn to whether relying on the new grounds of invalidity, already held to be separate causes of action in the infringement proceeding, are in fact *res judicata*. I will start with the inutility ground.

[74] The claim of inutility was neither pleaded nor argued in the Teffo J judgment and, therefore, no decision was made on the merits of this ground of invalidity. Absent a final and decisive decision made by a competent court or tribunal, this cause of action cannot be said to be *res judicata*. As I have stated, each of the three grounds in question, inutility, lack of novelty and obviousness, require different facts to be proven and thus constitute different causes of action. Thus, while the litigation may be between the same parties, the remaining elements of *res judicata* namely: (i) the same cause of action and (ii) a final decision on the merits by a competent court have not been satisfied. This ground is not *res judicata* and the High Court erred in finding that it is.

[75] It is clear that obviousness was also never decided on the merits in the Teffo J judgment. However, because it was pleaded by the applicant (and arguably subsequently abandoned) in those proceedings, it requires special attention here. While obviousness has not been heard on the merits because of the supposed procedural errors committed by the applicant, there may still be reason to exclude it from the parallel proceedings. However, for the following reasons, I am not convinced that the obviousness claim should be excluded.

[76] As discussed above, it is important to separate the two proceedings that normally take place in patent litigations. The revocation proceedings and

⁷² *Molaudzi v S* [2015] ZACC 20; 2015 (2) SACR 341 (CC); 2015 (8) BCLR 904 (CC) at para 24.

infringement action are two separate and independent proceedings. This is clear from the Act. The two proceedings may be linked and due to the nature of this type of litigation, most often are – but they remain fundamentally independent of each other.⁷³ There are two forms of relief sought in terms of both proceedings: if a party successfully challenges the validity of a patent under any one of the grounds, the patent is removed from the Patents Register; and if a party successfully defends itself in an infringement action by undermining the validity of the patent, the patent remains on the Patents Register but it will not be enforceable against the defendant in the action.⁷⁴

[77] The respondents strongly rely on the alleged procedural error committed by the applicant in failing to separate the different claims in the revocation proceedings. In my view, the procedural error has been overstated. First, the revocation proceedings were application proceedings and rule 33(4) applies to action proceedings, not application proceedings.⁷⁵ An argument could have been advanced that a special case in terms of rule 33(1) would have been appropriate in these circumstances. However, no argument of this nature was advanced in the High Court or before this Court.⁷⁶ Rule 6(5)(d)(iii) provides a respondent in application proceedings with the means of raising a point of law, but not an applicant.

[78] Despite this, Teffo J in the revocation proceedings had a duty to provide reasons why the case was decided in the way that it was. She had a responsibility to the parties and the public at large to furnish reasons for her decision and to pronounce on the status of the obviousness claim. This is especially so when the parties have pleaded this claim. As stated in *Stuttafords Stores*—

⁷³ See Chapter X and Chapter XI of the Act.

⁷⁴ Burrell above n 53 at 7.13.4.

⁷⁵ Rule 33(4) of the Uniform Rules of Court.

⁷⁶ Rule 33(1) provides:

“The parties to any dispute may, after institution of proceedings, agree upon a written statement of facts in the form of a special case for the adjudication of the court.”

“This Court has stated that furnishing reasons in a judgment— explains to the parties, and to the public at large which has an interest in courts being open and transparent, why a case is decided as it is. It is a discipline which curbs arbitrary judicial decisions.”⁷⁷

[79] In any event, I am not convinced by the respondents’ argument that an alleged procedural error that occurs in one of the proceedings (for example, the revocation proceedings) should automatically taint, as it were, the other independent proceedings. Especially in light of the fact that the evidentiary burden and relief sought are different in both proceedings. In the infringement action, where the applicant is defending a claim brought against it, I see no reason why the applicant cannot rely on a ground that has no previous finding on the merits. The applicant is now raising obviousness as a defence in infringement proceedings.

[80] In my view, the alleged procedural error is a red herring and only serves to cloud the real issue at hand. The real issue is whether the applicant can raise and rely on (as a defence in the infringement action) a different cause of action, which was not adjudicated upon in the revocation proceedings and regarding which there is no decision on the merits. Surely, the answer must be yes. I am not convinced that there is any special reason to extend a ruling of *res judicata* to include the same legal conclusion. This holds even when an alleged procedural error by the applicant is the underlying reason why the cause of action was not heard on the merits or formally separated in the first proceedings.

[81] It must be unequivocally stated that the applicant is not asking this Court to overlook or even condone its alleged procedural error. Counsel for the applicant conceded during oral hearing that the applicant ought to forfeit its claim in the revocation proceedings and rightfully so.

⁷⁷ *Stuttafords Stores (Pty) Ltd v Salt of the Earth Creations (Pty) Ltd* [2010] ZACC 14; 2011 (1) SA 267 (CC); 2010 (11) BCLR 1134 (CC) at para 10.

[82] The High Court erroneously held that the certification of the claims in terms of section 74(1) of the Act by the Supreme Court of Appeal further evinced that the matter was *res judicata* in that the patent had been certified as being valid and validity could not be further challenged on any other ground. Could this be the significance of section 74(1) of the Act? Surely, the answer is no.

[83] Whenever the validity of a claim contained in a patent is unsuccessfully challenged in any proceeding, a Commissioner of Patents may issue a certificate confirming that the contested claim is valid. However, the certificate of validity is a misnomer in that the certificate does not purport to be a certificate that a claim of a patent is valid; instead the object and import of the certificate is to certify that the validity of the claim was challenged and that the claim was declared to be valid.⁷⁸ As Burrell explains, it would be desirable to call it a certificate of contested validity.⁷⁹ This would be in line with section 65 of the United Kingdom's Patents Act, which contains an almost identical provision but refers to it as a "certificate of contested validity".⁸⁰

[84] Therefore, the Supreme Court of Appeal merely certified that certain claims under novelty were at issue and were found to be valid. Thus, it certified the contested validity of the 1998 patent and did not purport to certify the patent itself as being valid as a whole.

⁷⁸ Burrell above n 53 at 7.45.

⁷⁹ *Id.*

⁸⁰ Section 65 of the United Kingdom's Patents Act 1977 reads:

"(1) If in any proceedings before the court or the comptroller the validity of a patent to any extent is contested and that patent is found by the court or the comptroller to be wholly or partially valid, the court or the comptroller may certify the finding and the fact that the validity of the patent was so contested.

(2) Where a certificate is granted under this section, then, if in any subsequent proceedings before the court or the comptroller for infringement of the patent concerned or for revocation of the patent a final order or judgment or interlocutor is made or given in favour of the party relying on the validity of the patent as found in the earlier proceedings, that party shall, unless the court or the comptroller otherwise directs, be entitled to his costs or expenses as between solicitor and own client (other than the costs or expenses of any appeal in the subsequent proceedings)."

[85] Section 74(2) is also pivotal in this case. Section 74(2) provides that where any party attempts unsuccessfully, to challenge a claim which has been certified in terms of section 74(1) in subsequent proceedings, that party must pay to the patent-holder party his full costs, charges and expenses as between patent agent or patent attorney or attorney and client insofar as that claim is concerned, unless a court orders otherwise. This is an important internal mechanism which has the effect of discouraging parties from repeatedly litigating certified claims in other proceedings as any party doing so will be mulcted in costs, on a seemingly punitive scale. In this case, if the applicant tried to re-litigate novelty relying on the certified claims, it would run the risk of being mulcted in costs.

[86] In my view, this provision suggests that the Act itself does not prohibit subsequent litigation on the validity of a patent. This is buttressed when one looks at the plain language of the section which provides that it is not limited to a third party but it is open to *any party*. Thus, in light of the specific provision in this specific Act, it suggests that a party can re-litigate a certified claim (with the threat of a cost order, of course). In effect, the import of this provision is that the Act was clearly designed to provide a remedy to circumvent and discourage, not prohibit, the re-litigation of claims that have been unsuccessfully contested and challenged.

Rule 28 of the Uniform Rules of Court

[87] In addition, to the reality that the amendment in the infringement proceedings was not *res judicata*, it should have been allowed under rule 28(1) of the Uniform Rules of Court in any event.

[88] Rule 28(1) provides:

“Any party desiring to amend any pleading or document other than a sworn statement, filed in connection with any proceedings, shall notify all the parties of his intention to amend, and shall furnish particulars of the amendment.”

[89] It is evident that this rule is an enabling rule and amendments should generally be allowed unless there is good cause for not allowing an amendment. This was enunciated in *Moolman* where the court held that:

“[T]he practical rule adopted seems to be that amendments will always be allowed unless the application to amend is *mala fide* or unless such amendment would cause an injustice to the other side which cannot be compensated by costs, or in other words, unless the parties cannot be put back for the purposes of justice in the same position as they were when the pleading which it is sought to amend was filed.”⁸¹

[90] Therefore there appears to be no good reason why the High Court refused to allow the amendment of the applicant’s plea in light of this enabling rule and the principle laid out in *Moolman*. The respondents did not show that the amendments were requested *mala fide* and did not argue that there is prejudice that would be suffered by it that cannot be cured by an appropriate costs order.

[91] In light of the rule 28 finding above, one may logically question the need to make a pronouncement on whether section 61 of the Act constitutes a single cause of action and whether the matter is in fact *res judicata*. The answer lies in the actual finding of the High Court. The High Court went into an interpretative exercise in relation to section 61 and made a definitive finding in this regard. This finding, as illustrated above, was plainly wrong and it warrants the attention of this Court. A refusal and reluctance by this Court to overturn the findings of the High Court could result in that court allowing the amendments to be effected but then deciding that the matter on the merits is *res judicata*, based on its existing interpretation of section 61. The question whether the amendments should be allowed is not the only issue with the High Court’s judgment. It is one of many questions, the most pertinent being the two issues identified by this Court. Furthermore, I discern no plausible reason as to why

⁸¹ *Moolman v Estate Moolman* 1927 CPD 27 at 29.

this Court should just decide this matter on rule 28 solely, in light of the clearly wrong findings of the High Court.

[92] As has been noted at the beginning of this judgment, the Court has not been called to pronounce on whether the applicant's failure to separate other claims for the invalidity of the 1998 patent may still constitute an abuse of process. There may be compelling arguments to suggest that a litigant with access to the legal resources that the applicant has should not be allowed a second bite at the cherry. However, the High Court's decision to refuse the applicant's plea amendment has prematurely stifled this line of enquiry. It is clear from the preceding discussion that the applicant should not have been refused this amendment to its plea. However, once the amendment has been accepted, the question remains open in possible trial proceedings that the applicant's conduct still somewhat amounts to an abuse of court process. As was noted in *Janse van Rensburg*, "it is for the party who relies on the application of the rule pertinently to plead such reliance and lay a foundation in fact which would enable the opposing parties to deal with such reliance."⁸² Accordingly, this is a factual investigation which is better left in the discretion of the High Court.

The second judgment

[93] I have had the pleasure of reading the judgment penned by my brother Cameron J (second judgment). I understand the nub of the second judgment as purporting to relax, and perhaps even extend, the principle of *res judicata* in this case so that it applies even when the causes of action and the remedy are not the same – on the basis of justice, equity and fairness. For the reasons that follow, I cannot agree with this reasoning and outcome.

⁸² *Janse van Rensburg* above n 29 at 661D.

[94] The second judgment is clear that the principle of *res judicata* should apply when the same “issue” is at play.⁸³ But, the second judgment never defines what an “issue” is, and never explains why we ought to reinvent *res judicata* by replacing “cause of action” with “issue”. Nor does the second judgment explain why its concerns cannot be addressed by the clear case law directed at abuse of process claims.

[95] This last problem is best illustrated in the second judgment:

“If an alleged infringer, who fails to make a successful case for revocation, is permitted to raise further invalidity defences when later sued for infringement, there can be no principled reason to preclude it from launching a fresh revocation claim, on any new ground. When that failed, the patent-holder would have to initiate a yet further damages claim. To which the alleged infringer could respond with further new defences. And on and on.”⁸⁴

[96] There is nothing in my judgment that creates *carte blanche* for parties to institute revocation proceedings on a repetitive basis and should not be understood as doing that. In those circumstances, the considerations of abuse of process may well be relevant and the lower court would be alive to those considerations.

[97] Notwithstanding the above, this Court in *Mkhize*,⁸⁵ endorsing what was held in *Smith*,⁸⁶ explicated that the “same issue” enquiry is whether an issue of fact or law was an essential element of the judgment on which reliance is placed.⁸⁷ Accordingly,

⁸³ The second judgment provides at [110]:

“The Commissioner rightly discerned that the ‘real issue’ between the parties was whether the judgment of the Supreme Court of Appeal, which rebuffed Ascendis’s attempt to revoke Merck’s patent, conclusively determined the patent’s validity.”

⁸⁴ Second judgment at [108].

⁸⁵ *Mkhize N.O. v Premier of the Province of KwaZulu-Natal* [2018] ZACC 50; [2018] JDR 2137 (CC); 2019 (3) BCLR 360 (CC).

⁸⁶ *Smith v Porritt* [2007] ZASCA 19; 2008 (6) SA 303 (SCA).

⁸⁷ *Mkhize* above n 85 at para 37.

each case will depend on its own particular facts and any extension of issue estoppel will be done on a case-by-case basis, with the relevant considerations including questions of equity and fairness to the parties and also to others.⁸⁸ A failure to carefully circumscribe the defence of *res judicata* and, by extension, issue estoppel may cause hardship and injustice.⁸⁹ In my view, what the second judgment purports to do is dramatically widen the scope of *res judicata* in patent law in perpetuity, while leaving future adjudicators with little wiggle room to invoke the nimble, court-developed determinations of equity to decide whether this really is the “same issue”.

[98] In this particular case, the respondents did not make out a case before us as to why equity and fairness should preclude the applicant from raising the validity of the patent (as a defence) on grounds of invalidity that have not been finally adjudicated by a court and have crucial differences between them.

[99] The second judgment relies on an analysis of patent laws in three foreign jurisdictions primarily – Germany, the United States and Japan. In essence, the argument put forward is that in each of these three jurisdictions statutes have been written to prevent a litigant from litigating over the validity of a patent in a revocation application and then subsequently in a separate infringement or damages dispute between the same parties.⁹⁰ I do not agree with the conclusion from this analysis. The argument in the second judgment, that all of these jurisdictions deemed it necessary to legislate to create an explicit rule lends support to the fact that under common law, the applicant’s defence of invalidity based on new causes of action is not prohibited by *res judicata*.⁹¹ In effect, the second judgment appears to develop the common law in a new direction without the parties having pleaded for this.

⁸⁸ *Smith* above n 86 at para 10.

⁸⁹ *Bertram v Wood* (1892-1893) 10 SC 177 at 180. See *Smith* above n 86.

⁹⁰ See second judgment at [124] to [127].

⁹¹ For example, the United States Supreme Court has been consistent and explicit that *res judicata* does not apply to different causes of action, and has applied this doctrine directly to patents (though it seems up for debate in the United States whether different grounds of invalidity are considered separate causes of action or not). In *Cromwell v County of Sac* 94 US 351 (1876) at 357-8, the Supreme Court held as follows:

[100] More importantly, these foreign jurisdictions are all examination states.⁹² This means that by the time the first revocation proceeding between the two parties begins the State has already tested and at least initially verified the validity of the patent on all of the statutory grounds creating causes of action against validity. We must not lose sight of the fact that testing the validity of patents is in the public interest because patents create artificial monopolies. Currently, South Africa completely relies on private parties to regulate this artificial monopoly system because the government does not examine a patent's validity upon registration. Instead of deterring litigants, who are working both in a private capacity and for the public interest, there should be an inclination to encourage them to bring more revocation challenges, not to create extensions in common law that increase the costs and risks of doing so.⁹³

“There is nothing in this language, applied to the facts of the case, which gives support to the doctrine that whenever in one action a party might have brought forward a particular ground of recovery or defence, and neglected to do so, he is, in a subsequent suit between the same parties upon a different cause of action, precluded from availing himself of such ground.”

While *Cromwell* is an old case it has been cited at least 4 000 times including by the Supreme Court in the patent case *Mercoid Corp v Mid-Continent Investment Co* 320 US 661 (1944) at 671, where the Supreme Court ruled that Mercoid could pursue a claim based on antitrust law that was available to it as a defence in an earlier infringement dispute because it was based on a “separate statutory cause of action”. Citing *Cromwell* the Court wrote, “the prior judgment is *res judicata* not as to issues which might have been tendered, but only to issues actually decided.”

⁹² The German Patent and Trademark Office website explains: “In order to actually obtain a patent, you must file a request for examination and pay the examination fee of 350 euros. Only then will the office carry out substantive examination of your application required for granting a patent.” available at https://www.dpma.de/english/patents/examination_and_grant/index.html. The United States Patent and Trademark Office uses “[t]he Manual of Patent Examining Procedure or MPEP to provide . . . instructions to examiners, as well as other material in the nature of information and interpretation, and outlines the current procedures which the examiners are required or authorized to follow in appropriate cases in the normal examination of a patent application.” available at <https://www.uspto.gov/patent/laws-and-regulations/manual-patent-examining-procedure>. The Japanese Patent Office also offers a clear procedure for examination on the basis of “Prior Art Search and Determination of Novelty, Inventive Step, etc.” before granting a patent, available at https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/tukujitu_kijun/document/index/01_0200_e.pdf.

⁹³ The second judgment, at [113] even seems to suggest that *res judicata* could be relaxed even with regard to different parties litigating over the same “issue”. In a non-examination state patent context, this means that a patent could be challenged a single time based on a single cause of action, and then be considered unimpeachably valid going forward – having never actually been fully challenged and even when it may be clearly invalid. Patents are a trade-off of one public good (competition) against another (incentives to innovate and share). But, it is detrimental for the public when competition is limited without upholding the rules that encourage actual innovation and the sharing of new knowledge instead of baseless claims of innovation and knowledge sharing.

Costs

[101] Although the applicant prayed for costs for three counsel, it did not furnish this Court with reasons as to why this Court should award costs for three counsel. Accordingly, I would have awarded the applicant costs of two counsel.

Conclusion

[102] I would have made the following order:

1. Leave to appeal is granted.
2. The appeal is upheld.
3. The order of the High Court is set aside and replaced with:
 - “(a) The defendant’s application, dated 15 December 2015, in terms of the provisions of Rule 28 of the Uniform Court Rules is granted.”
 - (b) The plaintiff’s application, dated 12 January 2016, in terms of the provisions of Rule 28 of the Uniform Court Rules is granted.
 - (c) Each party is to pay its own costs.”
4. The respondents must pay the applicant’s costs in this Court, including the costs of two counsel.

CAMERON J (Mogoeng CJ, Jafta J, Madlanga J and Mhlantla J concurring):

[103] The question before us seems highly technical and even obscure. Yet its implications are practical and important. In the High Court, the Commissioner of Patents (van der Westhuizen J)⁹⁴ was confronted with applications to amend their pleadings by each of the opposing parties in an action the respondent, Merck, brought

⁹⁴ The Act provides that the Judge-President of the then-Transvaal Provincial Division of the Supreme Court “shall from time to time designate one or more judges . . . as commissioner or commissioners of patents” (section 8). The commissioner has exclusive non-criminal jurisdiction over matters under the statute (section 18(1)) and exercises all the powers of a High Court judge in civil proceedings (section 17(1)).

against the applicant, Ascendis, for infringing Merck's patent. The Court barred Ascendis's amendment and allowed Merck's.

[104] Merck's amendment asserted that the validity of its patent had already been conclusively determined. It was *res judicata* – not subject to further challenge in judicial proceedings. The Commissioner agreed. It was pointless to allow Ascendis to add defences against the damages claim. Those defences would inevitably fail, since the Supreme Court of Appeal had already ruled Merck's patent valid.⁹⁵ Ascendis at no stage disputed infringement, were the patent to be found valid. So all that remained, the Commissioner ruled, was to assess what damages Merck had suffered.

[105] Was that conclusion right? Khampepe J (first judgment) says No. The first judgment concludes that Ascendis's amendment⁹⁶ should have been allowed.⁹⁷ This is because the Act creates two-track proceedings in patents disputes: first, revocation, under Chapter X of the statute,⁹⁸ where a challenger (Ascendis in this case) initiates proceedings to remove a patent from the statutory register; and, second, infringement, under Chapter VI,⁹⁹ where a patent-holder vindicates the rights the statute gives it against an infringer. The first judgment counsels against concluding, in the face of this statutory duality, that findings in revocation proceedings have final, binding effect on a later infringement action. It warns this might render the dual proceedings nugatory.¹⁰⁰

⁹⁵ Supreme Court of Appeal judgment above n 8.

⁹⁶ Ascendis's new defences sought to ward off Merck's infringement action by adding the defence it failed to advance in its earlier revocation application, namely that Merck's 1998 patent, to the extent that it was a new invention, did not involve "an inventive step" as contemplated by section 25, read with section 61(c) of the Act; plus the further defence of inutility, under section 61(d) of the Act, namely that the invention "cannot be performed or does not lead to results and advantages set out in the complete specification". The latter was in substance an attack and not a mere defence.

⁹⁷ First judgment at [87]-[90].

⁹⁸ Sections 61-64, "Revocating of Patents" of the Act.

⁹⁹ Id at sections 44-52, "Grant, Duration and Effect of Patents".

¹⁰⁰ First judgment at [44]-[47].

[106] This approach the first judgment grounds in an analysis of the Act that finds that each ground of revocation – absence of novelty;¹⁰¹ non-inventiveness or obviousness;¹⁰² and lack of usefulness or inutility¹⁰³ – is a separate statutory cause of action entitling the challenger to raise each one, at will, in either revocation proceedings or later in defending an infringement claim.¹⁰⁴

[107] The first judgment would therefore set aside the Commissioner’s order that refused Ascendis’s amendment, and, instead, allow it. I respectfully differ. My principal reason is this. Why does Ascendis now want to introduce new defences against Merck’s infringement claim? It is because it previously tried and failed to invalidate Merck’s patent on the ground of novelty. In those proceedings, Ascendis, as the first judgment rightly finds, abandoned¹⁰⁵ its obviousness (or non-inventiveness) defence when it argued, unsuccessfully, for revocation. The question is this. Should the courts countenance multiple-stage defences in patent disputes – first-bite at revocation, second-bite when sued for infringement? I think not. This is not how enforcement of patents should most fairly and efficiently work.

[108] I differ from the first judgment in what the default position should be in patent proceedings. If an alleged infringer, who fails to make a successful case for revocation, is permitted to raise further invalidity defences when later sued for infringement, there can be no principled reason to preclude it from launching a fresh revocation claim, on any new ground. When that failed, the patent-holder would have to initiate a yet further damages claim. To which the alleged infringer could respond

¹⁰¹ Section 61(c), read with section 25 of the Act.

¹⁰² *Id.*

¹⁰³ *Id.* at section 61(d).

¹⁰⁴ First judgment at [49]-[67].

¹⁰⁵ First judgment at [81] notes “counsel for the applicant conceded during oral hearing that the applicant ought to forfeit its claim in the revocation proceedings and rightfully so.”

with further new defences. And on and on. The resulting dissonance in the two sets of patent litigation seems calculated to produce not only incoherence, but to affront directly our long-held judicial caution against piecemeal litigation.¹⁰⁶

[109] This dissonance would surely arise, should Ascendis be allowed, having previously failed, once more to challenge the validity of Merck’s patent. On the one hand, a successful challenge will create a tension between two sets of courts, first-instance and appellate, reaching two determinations on the same issue, the validity of the patent. On the other, if Ascendis’s second challenge were to fail, then the first judgment entails further validity counter-claims on appeal.

[110] The Commissioner rightly discerned that the “real issue” between the parties¹⁰⁷ was whether the judgment of the Supreme Court of Appeal, which rebuffed Ascendis’s attempt to revoke Merck’s patent, conclusively determined the patent’s validity. Throughout, the parties’ contest has been about nothing other than whether Merck’s patent is valid.¹⁰⁸ Why else are they litigating? That has been the issue and the sole issue all along. And it is the issue here. In my view, that question – the patent’s validity – has been conclusively determined between these parties. In lawyer-speak, it is *res judicata*.

[111] In differing from the first judgment, I borrow with appreciation from its thorough overview of the principles. The doctrine of *res judicata* has ancient roots as an implement of justice.¹⁰⁹ It seeks to protect litigants and the courts from

¹⁰⁶ The principle is stated clearly in *S v Malinde* [1989] ZASCA 114; [1990] 4 All SA 45 (AD) at 67F-I per Nicholas AJA.

¹⁰⁷ The High Court judgment above n 1 states at para 11 that:

“[T]he real issue in respect of the two applications for amendment is that of *res iudicata*, i.e. whether the judgment of the Supreme Court of Appeal referred to earlier has finally, as between the parties, *decided the issue of validity of the patent*.” (my emphasis.)

¹⁰⁸ This can be seen from another angle, as Ascendis readily concedes that they have infringed the Patent, another bout of the validity challenge is all that bars Merck’s damages claim.

¹⁰⁹ For a historical account of both its Roman and Germanic roots, see Clermont “Res Judicata as Requisite for Justice” (2016) 68 *Rutgers Law Review* 1067 at 1071-8 and Harvard Law Review Association “Developments in the Law: Res Judicata” (1952) (65) *Harvard Law Review* 818 at 820-2.

never-ending cycles of litigation.¹¹⁰ Its strict terms applied when a later dispute involves the same party, seeking the same relief, relying on the same cause of action.¹¹¹

[112] But the doctrine's roots lay in good sense and fairness. This demanded wider application, that barred repeat cycles of litigation on less stringent exaction of the "same cause of action" requirement.¹¹² And that happened.¹¹³ First, in *Boshoff*,¹¹⁴ in the early twentieth century, and then through a line of more recent Appellate Division and Supreme Court of Appeal decisions.¹¹⁵

[113] And so it has become well accepted that enforcing the requirements of *res judicata* should yield to the facts in each case. Thus, the doctrine was enforced when a plaintiff demanded the same thing on the same ground, or (which is the same) on the same cause for relief, or further, where the same issue had been subjected to final previous judicial determination.¹¹⁶ And the breadth of what is required when repeat litigation is barred is still being developed. The Supreme Court of Appeal has

¹¹⁰ *Molaudzi* above n 72 at paras 15-6. The ubiquity of the need it addresses has led to the doctrine being called "old as the law itself": See *Marsh v. Pier*, 4 Rawle 273 at 288 (Pa. 1833).

¹¹¹ The Latin elements are recited as *idem actor*, *idem reus*, *eadem res* and *eadem causa petendi*. See also *Molaudzi* above n 72 at para 14; *Pratt v Firstrand Bank Limited* [2014] ZASCA 110; 2014 JDR 1827 (SCA) at para 11; and *National Sorghum Breweries Limited (t/a Vivo Africa Breweries) v International Liquor Distributors (Pty) Limited* [2000] ZASCA 70; 2001 (2) SA 232 (SCA) (*Sorghum Breweries*) at para 2.

¹¹² Wunsch "Is Issue Estoppel Part of Our Law?" (1990) 1 *Stellenbosch Law Review* 198 at 212-4.

¹¹³ Well explained by Brand JA in *Prinsloo N.O. v Goldex 15 (Pty) Ltd* [2012] ZASCA 28; 2014 (5) SA 297 (SCA) at paras 10-26.

¹¹⁴ *Boshoff v Union Government* 1932 TPD 345.

¹¹⁵ *African Farms and Townships Ltd v Cape Town Municipality* 1963 (2) SA 555 (A) at 562A-E where Steyn CJ remarked that "according to Voet it is not the form of action which determines the sameness of the *causa petendi*, but the identity of the question which is again raised or set in motion. That was also the Roman law" (footnote omitted); *Kommissaris van Binnelandse Inkomste v Absa Bank Bpk* [1994] ZASCA 144; 1995 (1) SA 653 (A) (*Kommissaris*); and *MV Silvergate; Tradax Ocean Transport SA v MV Silvergate Properly Described As MV Astyanax* [1999] ZASCA 30; 1999 (4) SA 405 (SCA) at para 54 where Farlam AJA stated that—

"[i]n my view, this summary of the legal position in relation to the doctrine of *res judicata* can be accepted provided that the phrase 'the cause of action' in (d) above is understood as referring not the cause of action in the strict sense but to 'the same matter in issue'".

See further the cases cited below at n 119.

¹¹⁶ *Sorghum Breweries* above n 111 at 239E-H.

recently remarked that there is “no reason in principle why a court cannot relax [even] the same-person requirement”.¹¹⁷

[114] The label “issue estoppel” came to refer to instances where the same cause of action requirement was not rigorously enforced. Initially, it was contested whether issue estoppel was part of our law and not some alien innovation.¹¹⁸ Happily, this debate has been put to rest. Issue estoppel as an extension of *res judicata* is a firm part of our law.¹¹⁹ And so it should be, for whatever the sobriquet it was merely an extension of the well-established principles of *res judicata*. That is why there is no need here to reinvent *res judicata*.¹²⁰

[115] The first judgment sustains Ascendis’s contention that issue estoppel should not apply here – for otherwise the amendment has to be disallowed. I cannot agree. Only two reasons could counter-indicate applying issue estoppel here. First: does the statute allow continued litigation of already-decided validity disputes? Second: do the equities here favour less harshness in enforcing *res judicata* and issue estoppel? The answer to both questions is in my view No.

[116] Ascendis suggested that the statute evidences an asymmetry between challenges and defences. This is because it provides that, where sued for infringement, a defendant may counterclaim for revocation, “and, by way of defence, rely upon any ground on which a patent may be revoked”.¹²¹ The first judgment

¹¹⁷ *Royal Sechaba Holdings (Pty) Ltd v Coote* [2014] ZASCA 85; 2014 (5) SA 562 (SCA) (*Royal Sechaba*) at para 19.

¹¹⁸ For sharp critique see Zeffertt “Issue Estoppel in South Africa” (1971) 88 *SALJ* 312; compare *Water Renovation (Pty) Ltd v Gold Fields of South Africa Ltd* 1994 BP 73 (CP) at 92F-93B.

¹¹⁹ *Hyprop Investments Ltd v NSC Carriers and Forwarding CC* [2013] ZASCA 169; 2014 (5) SA 406 (SCA) at para 5; *Royal Sechaba* above n 117; *Smith* above n 86 at para 10; and *Pratt* above n 111 at para 11. See also Wunsch’s powerful response above n 112 to Zeffertt above n 118.

¹²⁰ Ascendis’s written argument seemed to compound this worry by confusing the issue (validity) with the causes of action that sought to prove or disprove that issue (for instance, inutility or novelty).

¹²¹ Section 65(4) of the Act.

embraces this view.¹²² But this does not square with the statute or its application in the specialist patent courts. It also gives insufficient weight to this case's procedural history.

[117] Section 65 envisages damages proceedings that the defendant may turn into a contest about the patent's validity.¹²³ If that defence succeeds, this results in the patent being removed from the register. By contrast, if validity is raised as a mere defence, without a counterclaim for revocation, the patent remains on the register and the patent-holder is free to pursue infringement claims against any others.¹²⁴ But the fact that the Act allows a vigorous defendant to counter-attack to remove the plaintiff's patent from the register does not mean that, should that defendant earlier have sought the patent's revocation, but failed, it may repeatedly raise the patent's validity in successive bouts of litigation. Ascendis here itself initiated revocation proceedings. This set the parties on an adversarial path that would end in the final determination of the patent's validity in that first round of litigation.

[118] It is in this way that our patent courts have consistently approached the matter. In *Deton*¹²⁵ the Court refused to entertain an invalidity challenge in an application for amendment that was heard before already-pending revocation proceedings were determined. The amendments were objected to on the grounds of delay, absence of explanation for it and on various grounds challenging the validity of the patent.¹²⁶ The Court reasoned that it should avoid arriving at a validity determination that would obviate the invalidity challenge. This would happen through the "usurpation" or "irrelevance" of the revocation proceedings on "the basis of issue estoppel".¹²⁷ The

¹²² First judgment at [76].

¹²³ *Strix Ltd* above n 41 at para 13.

¹²⁴ *Thomas Grant v Winkelhaak Mines Limited* 1985 BP 143 (CP) at 152B-D.

¹²⁵ *Deton Engineering (Pty) Limited v J P McKelvey* 1997 BIP 113 (CP).

¹²⁶ *Id* at 116C-F.

¹²⁷ *Id* at 118A-B.

Court questioned whether this could ever be consonant with the statute.¹²⁸ And rightly so.¹²⁹

[119] Here, the Commissioner, in concluding that the Supreme Court of Appeal had finally determined the patent's validity, relied on *Alcatraz II*.¹³⁰ Rightly so. There, a first revocation challenge failed. A second challenge was then launched. To this, the patent-holder excepted on the ground that validity had been determined in its favour (*res judicata*). To avoid the exception, the challenger contended that the previous court did not adjudicate the evidence relating to the prior art; nor was there a determination on the lack of inventive step.¹³¹ But these contentions were fanciful, since the previous court had dismissed the evidence in question for late filing and there was indeed a final judgment on the merits.¹³² In coming to this conclusion, the *Alcatraz II* Court, borrowing from the English courts, remarked that—

“[w]hen the question of the validity of a patent is brought for trial by reason of the defendant's contesting that question, he is bound to put his whole case before the Court; and if he does not do so, then it is his own misfortune.”¹³³

[120] There is good reason for this. To allow a re-run of the validity challenge during the second-stage damages claim would lead to intolerable dissonance. It is true that the revocation determination applies against the whole world (*in rem*), since the patent is removed from the register, while infringement proceedings apply between the parties only (*in personam*). But this does not help Ascendis, since the logic and justice of *res judicata* apply primarily and in the first instance between two parties,

¹²⁸ Id at 117G-I.

¹²⁹ This approach was given a ringing endorsement in *Bateman Equipment Ltd v Wren Group (Pty) Ltd* [1999] ZASCA 89; 2000 (1) SA 649 (SCA) at para 16. See also *The University of Newcastle Associates Ltd v Multotec Cyclones* 1997 BIP 264 (CP) at 266I -267D and *Multiknit 2000 (Pty) Ltd v Industrial Mining Products (Pty) Ltd* 1995 BP 381 (CP) at 387E-F.

¹³⁰ *Alcatraz Integrated Intelligent Systems (Pty) Ltd v Intergra-Set (Pty) Ltd* 2010 BIP 94 (CP) (*Alcatraz II*).

¹³¹ Id at paras 14-7.

¹³² *Alcatraz Integrated Systems (Pty) Ltd v Automated Identification Technologies (Pty) Ltd* 2008 BIP 94 (CP) (*Alcatraz I*) at paras 17, 22 and 29.

¹³³ *Alcatraz II* above n 130 at para 16 quoting from *ShoeMachinery Company v. Cutlan* [1896] 1 Ch 667 at 672.

regardless of whether an outside-applicable standard like a register makes the determination applicable *in rem*.

[121] Nor does section 74 assist. This empowers the patent court in any proceedings in which the validity of any claim in a complete specification is challenged, to certify a finding that the claim is valid.¹³⁴ The provision further requires a special costs award against “any party” who later unsuccessfully attacks the validity of the patent. The Court in *Alcatraz II* concluded that, on a proper construction, “any party” meant any other party, namely a third party.¹³⁵ Absurdity would otherwise result.¹³⁶

[122] Nor does allowing resuscitation of the question of validity in the case of revocation challenges vis-à-vis subsequent enforcement claims square with judicial doctrine in contract enforcement. The courts disallow a contracting party who has tried but failed to invalidate a contract from raising a new defence to the contract’s validity when sued for damages for its breach.¹³⁷ This is not inflexibly applied, nor should it be in patent litigation. Allowing or disallowing a new defence should be done case-by-case. This emerges in the contract context from *Prinsloo*.¹³⁸ There a court in motion proceedings found that Mr Prinsloo had committed fraud. But the conclusion that he had committed fraud arose from the rules applying to affidavit evidence. There was no trial. The Supreme Court of Appeal allowed Prinsloo to defend later proceedings for damages on the basis that he had not in fact committed fraud. Clear injustice would have arisen if full examination of the facts concerning the alleged fraud was forbidden.

¹³⁴ Section 74(1). The Supreme Court of Appeal in the preceding litigation between the present parties in fact issued a section 74(1) certificate. See Supreme Court of Appeal judgment above n 8 at para 26.

¹³⁵ *Alcatraz II* above n 130 at para 21.

¹³⁶ Section 74 imports section 65 of the United Kingdom Patents Act above n 80. Its origin underscores its meaning, namely that it does not permit re-litigating validity challenges, since these are generally barred in the United Kingdom. A more direct approach to the meaning of our section 74 is that it does not bar issue estoppel defences but adds further bite by envisaging a punitive costs order in favour of the party raising issue estoppel.

¹³⁷ *Pratt* above n 111.

¹³⁸ *Prinsloo* above n 113 at paras 21-6.

[123] The position should be the same in patent litigation. The default position should be that a previously unsuccessful revocation applicant is precluded from raising the validity of the patent in a subsequent damages claim. And if this is unfair, then the court should allow the later defence to be raised, exceptionally, for that reason.

[124] The party raising the exception cannot be required to show that upholding it would be just. That would run counter to our jurisprudence and invert the requirements of *res judicata* itself. It would create an anomaly, in which, despite the grounds for the exception being established, it would not, without more, be upheld. It was Merck that, in this Court and in the courts below, objected to Ascendis's amendment on the precise ground that allowing it raised the spectre of a cascade of invalidity challenges and contradictory validity determinations.

[125] That the Act does not sanction endless validity challenges is prudent and squares with the position in the majority of foreign jurisdictions. In Germany, validity challenges and damages claims are strictly bifurcated. Specialist courts are tasked with deciding either issue. This creates the problem that disparate validity determinations may be reached. The solution is this. German law bans validity challenges in the damages proceedings.¹³⁹

[126] In the United States, similarly to our own, a unitary system applies, in which challenges and damages claims are contested in the same forum. Review *inter partes* is permitted before the Patent Trademark Office (PTO), which heralded a shift to a more bifurcated system.¹⁴⁰ By creating a separate forum for expedited validity

¹³⁹ Cremers et al "Patent Litigation in Europe" (2017) 44 *European Journal of Law and Economics* 1. See also Cremers et al "Invalid but Infringed? An Analysis of the Bifurcated Patent Litigation System" (2016) 131 *Journal of Economic Behaviour & Organisation* 218, that presents the first empirical study on the advantages or otherwise of bifurcated systems.

¹⁴⁰ This shift in the landscape came with the enactment of the Leahy-Smith America Invents Act, Public Law No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 35 U.S.C). See Iancu et al "Inter Partes Review Is The New Normal: What Has Been Lost ? What Has Been Gained ?" (2012) 40 *American Intellectual Property Law Association Quarterly Journal* 539.

challenges, defendants were shielded from the expense and risk common to patent proceedings.¹⁴¹ The penalty was, however, duplicated validity challenges. The legislation therefore included a statutory form of estoppel.¹⁴² An unsuccessful challenger is thus barred from raising any ground that was previously relied upon or could have reasonably been raised during the challenge.¹⁴³

[127] Japan, traditionally a strictly bifurcated system, created its own safeguards.¹⁴⁴ Validity may be raised as a defence in infringement proceedings, but the court awarding damages has no discretion to revoke or declare the patent invalid. Hence the bifurcation between challenges and damages claims is preserved.¹⁴⁵

[128] Given that our own system allows for challenge to the patent plus damages determination in the same proceedings, one may raise the pertinence of bifurcated systems abroad. Ascendis has attempted to draw support for its second-stage attack on Merck's patent because of the bifurcation in our patent litigation. This inference is unreliable. While we do have a hybrid system, one that allows for stand-alone validity challenges, we equally have a home-grown solution to any concern about duplication. This is because a challenger who fails in revocation proceedings, can and should be confronted with a plea of *res judicata* should it raise validity in the infringement action. Other defences to the damages claim can of course be raised.¹⁴⁶

¹⁴¹ An ersatz defendant was therefore likely to settle in the face of such risks-and-costs, even when the proceedings were brought by "patent trolls". See Bryant "The America Invents Act: Slaying Trolls, Limiting Joinder" (2012) 25(2) *Harvard Journal of Law & Technology* 687.

¹⁴² 35 U.S.C §315(e)(1). *Aruze Gaming Macau, Ltd. v. MGT Gaming, Inc.*, CaseIPR2014-01288at 14.

¹⁴³ The exact scope of estoppel has garnered much debate. Particularly in light of the recent Supreme Court ruling that abolished partial institution decisions in *inter partes* reviews and so mandated that a determination be reached on every instituted claim. See *SAS Institute Inc. v. Iancu* 138 S.C.T 1348 (2018).

¹⁴⁴ Following the introduction of Article 104-3.

¹⁴⁵ See Hansen (ed) *Intellectual Property Law and Policy* Vol 12 (Hart, Oxford 1996) 12 at 65-77 and Kudo "Adjudication on Patent Validity and Prevention of Repeat Allegation of Invalidity" (2013) 3(2) *International Journal of Procedural Law* 261 at 283.

¹⁴⁶ See *Ransburg Electro-Coating Corporation v Jay Products (Proprietary) Limited* 1968 BP 1 (CP) at 5.

[129] Nor should we impose a bifurcated system onto the Act with all the consequences that might entail. It is true that bifurcation offers the benefit that specialist courts can deal with each issue.¹⁴⁷ But this would come at a price: since bifurcation may result, as would happen here, in asymmetrical patent claim construction.¹⁴⁸ This is because, in the validity challenge, a patent-holder, in warding off challenges on breadth and precision grounds, would contend for the narrowest interpretation of the claim, but, by contrast, in infringement proceedings, when seeking to vindicate the patent, assert its widest possible construction. The patent-holder doing this is likened in the literature to an Angora cat – smooth-furred, cuddly and small in the validity challenge, but tiger-eyed, bristly-furred, aggressive, when the patent-holder is on the attack.¹⁴⁹ The English Court of Appeal has found this to be a “deeply regrettable” state of affairs that illustrates “yet again the need for a one-stop patent shop”.¹⁵⁰

[130] It is correct that, as a “non-examining country”, government does not examine a patent’s validity upon registration.¹⁵¹ The concerns this triggers suggest we should

¹⁴⁷ See Cremers “Invalid but infringed” above n 139 at 240.

¹⁴⁸ There are a number of other concerns with bifurcation. For instance, bifurcated systems tend to have an under-supply of validity challenges, with numerous invalid but nevertheless infringed patents. This disproportionately affects smaller, less resourced companies. See Cremers “Invalid but infringed” above n 139 at 220 where the authors explain:

“Our evidence also suggests that this affects in particular smaller companies as they are less likely to defend themselves against potential patent infringement by challenging the patent’s validity. A resulting increased likelihood of facing an injunction for patent infringement may well impact the behaviour of smaller companies, it might in particular affect their innovative activity.”

¹⁴⁹ *European Central Bank v DSS* [2008] EWCA Civ 192 at para 5, per Jacob LJ, delivering the judgment of the Court. At first instance, Kitchin J, now a member of the Supreme Court of the United Kingdom, explained:

“This case therefore seems to me to be a very powerful illustration of why it is desirable to try infringement and validity issues together, where at all possible. If they are tried separately it is all too easy for the patentee to argue for a narrow interpretation of his claim when defending it but an expansive interpretation when asserting infringement.”

¹⁵⁰ *Id.*

¹⁵¹ Thankfully this all looks to change in the near-future, as the Companies and Intellectual Property Commission (CIPC), at the behest of the Department of Trade and Industry is in the process of establishing a Substantive Search and Examination Office that will put an end to our status as a “non-examining country”. See CIPC *Second Quarter Performance Report* 2018/19 available at <http://www.cipc.co.za/index.php/publications/quarterly-reports/> at 18-9.

resist bifurcation, as developments in foreign jurisdictions warn. Imposing bifurcation, in the absence of any firm foundation, magnifies and does not diminish concern about the ease with which validity challenges can be initiated. Bifurcation unnecessarily points us toward an invidious choice: should we accept bifurcation, and with it allow successive validity challenges, or should we accept bifurcation with only single validity challenges, at the risk of detriment to the less-resourced?¹⁵² And if we wish to provide a salve for the exorbitant costs of patent litigation, then to allow multiple validity challenges is a remedy only the ultra-well-resourced could enjoy.

[131] That need not be the way. An alternative lies in non-bifurcation, matched with equitable application of *res judicata*. As a result of over-zealous extension,¹⁵³ barring a claim or defence may wreak “great hardship and even positive injustice to individuals”.¹⁵⁴ Recently this Court overrode even *res judicata* proper, in exceptional circumstances, because justice demanded it.¹⁵⁵

[132] The first judgment concludes that the Commissioner’s refusal to allow Ascendis’s amendment has prematurely stifled enquiry about justice and fairness. That is not so. The Commissioner on careful consideration refused Ascendis’s amendment because justice required that the validity of Merck’s patent be considered *res judicata*.¹⁵⁶ This is precisely what Merck asked it to do and what Ascendis urged it to resist. (That the Commissioner’s reasoning was not in the nomenclature of issue estoppel is neither here nor there).

[133] In this Court, Ascendis urged that it would be “grossly unfair” if the amendment was barred. The hard facts of the parties’ dealings counter-indicate this. In April 2012 Ascendis (then Cipla) applied for its motion to revoke Merck’s patent to

¹⁵² See Cremers “Invalid but Infringed” above n 139.

¹⁵³ See *Kommissaris* above n 115.

¹⁵⁴ *Smith* above n 86 at para 10, the Court quoting from *Bertram* above n 89 at 180.

¹⁵⁵ *Molaudzi* above n 72.

¹⁵⁶ High Court judgment above n 1 at paras 16 and 18-9.

be referred to oral evidence. In May 2012 the parties agreed to stay the infringement action until Ascendis's application for revocation was finally determined. In August 2012 Ascendis's attorneys wrote to Merck's attorneys, expressing the view that oral evidence was needed on its obviousness attack on the patent – but not on its novelty or anticipation attack. They proposed that Ascendis's revocation application and the application for oral evidence be set down for hearing on the same date. Merck's attorneys refused: Merck did not agree to a piecemeal hearing, and Merck would deal with any conditional application for a referral to oral evidence if and when it was made.

[134] The revocation application was heard by Teffo J on 13 March 2013. In the introductory section of their written argument, Ascendis's counsel sketched various permutations in which Ascendis might ask for referral to oral evidence on the obviousness point. They concluded this section by saying that the present hearing was “confined to the issue of anticipation [novelty] only and no oral evidence is required to decide this question”. In their written argument, Merck's counsel expressly averred that Ascendis had chosen to limit their argument to the anticipation point and did not persist with the obviousness point. On oral evidence, Merck submitted that there was no need to have regard to an application that might or might not be made. But they noted that the procedure Ascendis proposed was incompetent – and that Ascendis's failure to advance argument on the obviousness point amounted to an abandonment of it; any attempt later to resurrect it would be opposed on the basis of *res judicata*.

[135] Teffo J delivered judgment on 11 March 2014. She upheld Ascendis's anticipation (novelty) point and revoked Merck's patent. On appeal to the Supreme Court of Appeal, Merck's counsel recorded that Ascendis had not persisted with the obviousness point and that any application for oral evidence on the obviousness point would have been incompetent as violating *res judicata* and that the appeal was thus confined to the novelty (anticipation) point.

[136] Ascendis's counsel merely noted that, in addition to the anticipation point, certain of the patent's claims were challenged on grounds of obviousness. Nothing more on the subject was said. Merck's heads on the crucial points were not challenged. The Supreme Court of Appeal overturned the judgment of Teffo J, holding that the anticipation (novelty) point was bad. Soon after, Merck's attorneys wrote to Ascendis's attorneys stating that the appellate judgment determined the only matter in issue in the infringement proceedings. Since it was common cause that, if Merck's patent was valid, Ascendis was infringing it, they demanded that Ascendis consent to the relief Merck claimed in the infringement action. Failing this, Merck would go to trial and seek an interim interdict plus punitive costs order.¹⁵⁷

[137] It was only after this that Ascendis sought to amend its plea in the infringement action by deleting the anticipation (novelty) point and adding the new, inutility, attack on the validity of Merck's patent.¹⁵⁸ This notice of amendment signalled Ascendis's intention to persist with its attack on the validity of Merck's patent, relying on the already-abandoned obviousness point and the (new) inutility point. Still, Ascendis offered no reason as to why it did not raise the inutility ground in the earlier validity challenge. Merck's response was to seek to amend its pleadings positing the judgment of the Supreme Court of Appeal as rendering the validity of its patent *res judicata*.¹⁵⁹

[138] Meanwhile, Merck obtained an urgent interdict pending the final determination of the infringement action. Louw J found that although only the anticipation (novelty) point had been argued before the Commissioner and the Supreme Court of Appeal, Ascendis had been obliged to advance all its validity challenges when it applied to revoke Merck's patent. Had it wanted to preserve the obviousness

¹⁵⁷ *Cipla Agrimed (Pty) Limited v Merck Sharp Dohme Corporation* [2017] ZASCA 134; 2018 (6) SA 440 (SCA) at paras 10-3 (Supreme Court of Appeal interdict judgment).

¹⁵⁸ Section 61(1)(d) of the Act.

¹⁵⁹ Supreme Court of Appeal interdict judgment above n 157 at para 14.

(non-inventiveness) point, Ascendis should have applied to separate the issues. Since it didn't do so, the patent's validity was now *res judicata*.¹⁶⁰

[139] Just or unjust? In my respectful view justice points to treating the Supreme Court of Appeal judgment refusing Ascendis's revocation argument as conclusive of the patent's validity. There can be no reason why *res judicata* does not apply, appropriately expanded. No doubt this prejudices Ascendis. Of greater consequence is the destabilisation of our patent litigation system, through creating a perilous and novel default. This would be to the prejudice of all. The courts in both the amendment proceedings and the interdict application were alive to this fact. The issue of validity between the parties is long-worn and settled. I would grant leave to appeal, but dismiss the application.

¹⁶⁰ Id at paras 4-15, per Rogers AJA, where these facts, which were also in issue before this Court, are set out.

For the Applicant:

C Puckrin SC, M Seale SC and
T Ramogale instructed by Brian Bacon
Inc

For the Respondents:

L Bowman SC and G Marriott
instructed by Kisch IP