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CL-2017-000749

Case No: CL-2017-000749

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES
COMMERCIAL COURT (QBD)

Royal Courts of Justice
7 Rolls Building
Fetter Lane
London
EC4A 1NL

Date: 13 December 2018

Before :

Mrs Justice Cockerill

Between :

SAS INSTITUTE INC.

Claimant

- and -

WORLD PROGRAMMING LIMITED

Defendant

Ms Monica Carss-Frisk QC and Mr Andrew Scott (instructed by Macfarlanes LLP) for the Claimant

Mr Paul Lowenstein QC and Miss Josephine Davies (instructed by Brown Rudnick LLP) for the Defendant

Hearing dates: 22-25 October 2018

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

.....

MRS JUSTICE COCKERILL DBE

Cockerill J:

Introduction

1. It is deceptively simple to say that in the case brought before me the Claimant (“SAS”) brings a claim under the Shorter Trials Scheme to enforce the obligation of the Defendant (“WPL”) to pay compensatory damages of US\$26,376,645, and interest on that sum, under a judgment of the United States District Court for the Eastern District of North Carolina, Western Division (the “US Court”) dated 15 July 2016 (the “US Judgment”).
2. In the first place the claim relates only to part of the judgment – that part which related to causes of action for WPL’s fraudulent inducement to contract, in the second place, WPL not only resists the claim but counterclaims for appropriate declarations and for the re-payment of such money constituting punitive/multiple damages as it has been compelled to pay SAS under US enforcement procedures.
3. Even that however oversimplifies – both because of the history of the claim, and the issues which have arisen for determination before me.
4. As to the former, the case has a lengthy and somewhat Byzantine history, which I shall outline in a little detail below.
5. As to the latter, some sense can be gained of the issues by reference to the following index to the judgment (references to paragraph numbers within the judgment).

| | |
|--|-----|
| Introduction: | 1 |
| Procedural history: | 6 |
| The Claim in outline: | 24 |
| The Expert evidence: | 29 |
| Preclusion: | 31 |
| Overview: | 31 |
| The Law: | 35 |
| Issue Estoppel: the substance: | 55 |
| Henderson v Henderson: the substance: | 83 |
| Counter-estoppel: | 128 |
| Abuse of Process: Software Directive: | 156 |
| The Law: | 158 |

| | |
|---|------------|
| The particular public policy: | 167 |
| Submissions: | 168 |
| Conclusions: | 178 |
| Abuse of process: natural justice: | 191 |
| The law: | 193 |
| Submissions: | 196 |
| Conclusions: | 204 |
| The effect of s.5 PTIA: | 207 |
| Submissions | 206 |
| Conclusions: | 237 |
| WPL's counterclaim: | 249 |
| Submissions | 249 |
| Conclusions: | 261 |

The Procedural History

6. SAS is a developer of analytical software known as SAS (“the SAS System”). The SAS System was an integrated set of programs which enabled users to carry out a wide range of data processing and analysis tasks, in particular statistical analysis. The core component of the SAS System was Base SAS, which enabled users to write and run application programs (also known as “scripts”) to manipulate data. Such applications were written in a language known as the SAS Language. The functionality of Base SAS could be extended by the use of additional components (referred to together with Base SAS as “the SAS Components”). The SAS System had been developed over a period of 35 years.
7. The position before WPL came into the picture was that SAS’s customers had had to continue to license use of the necessary components in the SAS System in order to be able to run their existing SAS Language application programs, as well as to create new ones. Although there were other suppliers of analytical software which competed with the claimant, a customer who wanted to change over to another supplier’s software was faced with re-writing its existing application programs in a different language.

8. WPL perceived that there would be a market demand for alternative software which would be able to execute application programs written in the SAS Language. It therefore created a product called World Programming System (“WPS”) to do this. In developing WPS, the defendant sought to emulate the functionality of the SAS Components as closely as possible. In other words, subject to only a few minor exceptions, it tried to ensure that the same inputs would produce the same outputs. This was so as to ensure that the defendant's customers’ application programs executed in the same manner when run on WPS as on the SAS Components. There was no suggestion that in doing so the defendant had had access to the source code of the SAS Components or that it had copied any of the text of the source code of the SAS Components or that it had copied any of the structural design of the source code of the SAS Components. It did however use a copy of the SAS product, and interrogated it.
9. SAS regarded the development of WPS as a breach of its intellectual property rights and of licence agreements pursuant to which it had granted WPL access to the SAS System. WPL disputed this. To stop WPL from continuing to sell its competing product, SAS sued WPL in England in 2009 (“the English Proceedings”) in the Chancery Division. These proceedings themselves were complex, including two phases of a first instance trial commencing in June 2010, a reference to the Court of Justice of the European Union (“CJEU”) and an appeal to the Court of Appeal. The references to the various judgments are, respectively: [2010] EWHC 1829 (Ch), [2012] 3 CMLR 4, [2013] EWHC 69 (Ch) and [2013] EWCA Civ 1482.
10. The outcome of the English Proceedings was that WPL defeated SAS’s claims regarding software licence and copyright infringements. This was in essence because the courts determined that:
 - i) The creation of WPS involved no software copyright infringement;
 - ii) Any terms of the software licence prohibiting WPL’s pro-competitive actions were null and void by operation of the European Software Directive 91/250/EEC (“the Software Directive”), as explained by the CJEU (at [40]–[41]):

“[T]o accept that the functionality [as opposed to the source and object code, for example] of a computer program can be protected by copyright would amount to making it possible to monopolise ideas, to the detriment of technological progress and industrial development.”

“... [T]he main advantage of protecting computer programs by copyright is that such protection covers only the individual expression of the work and thus leaves other authors the desired latitude to create

similar or even identical programs provided that they refrain from copying.”

11. Thus it was held that WPL had had an absolute overriding statutory defence under the Software Directive which is enshrined in England in the Copyright, Designs and Patents Act 1988, as amended, which permitted WPL’s conduct as being pro-competitive.
12. Meanwhile SAS had commenced proceedings in the US (“the US Proceedings”). It is that litigation which resulted in the US Judgment, enforcement of which is the subject of the action before me. The US Proceedings were commenced by SAS on 19 January 2010. SAS says that it pursued this course because it did not consider that it was possible or appropriate to pursue in England the claims that it pursued in the US.
13. In that litigation there were a range of claims brought, encompassing copyright infringement, breach of contract/fraudulent inducement to contract, tortious interference and a statutory claim for contravention of the North Carolina UDTPA (“the UDTPA Claim”). As regards the UDTPA, the English Court either could not have granted the remedy available under that statute (multiple damages) or would have declined to do so as a matter of policy. There was also at least a serious issue as to whether the English Courts would recognise claims for infringement of foreign copyrights.
14. WPL initially objected to the US Proceedings on *forum non conveniens* and other jurisdictional grounds. These objections were later withdrawn and WPL submitted to the jurisdiction of the US District Court and participated in the process before it.
15. As regards the breach of contract and tortious interference claims there was a crossover. However, the result on those claims was different to that which pertained in the English proceedings because the court in North Carolina refused to admit evidence or hear submissions concerning the Software Directive.
16. The essence of the fraudulent inducement to contract claim advanced in the US (and which succeeded) (“the Fraud Claim”) was that WPL fraudulently induced SAS to grant access to its software system by representations that WPL intended to comply with SAS’s licence terms; when the true position was that WPL had no such intention when it entered into the Licence Agreement with SAS. The UDTPA claim was based on that fraud case.
17. The ambit of the fraud case advanced by SAS is germane to the issues which I have to decide and was as follows:

“54. By purporting to agree to the terms of the L.E. License Agreement when it had no present intention to comply with those terms, WPL fraudulently obtained access to the SAS Learning Edition in a

manner which, among other things, failed to result in the creation of a meeting of the minds necessary to form an agreement. WPL's putative assent to the terms of the LE License Agreement, through the actions of its individual employees and/or agents when it had no intention of abiding by those terms, was a false representation or concealment of a material fact, reasonably calculated by WPL to deceive and made by it with an intent to deceive. It did, in fact, deceive SAS and has resulted in injury to SAS inasmuch as WPL's use of the fraudulently obtained SAS Learning Edition software allowed WPL to develop its competing WPS software."

18. The basis on which the Fraud Claim in the US Proceedings was brought was that in the course of the English Proceedings, WPL provided disclosure, witness statements, and trial testimony which SAS contended suggested that it had fraudulently gained access to the "SAS Learning Edition" – a form of the SAS System. One of the issues in this hearing has been when SAS received the materials which were necessary to run this claim. It is SAS's case that these materials became available to SAS in the period March to June 2010.
19. However, SAS says, owing to a confidentiality order in the English proceedings, it was not until February 2013 that it was able to provide its US legal team with the materials relied on to plead the Fraud Claim. Having received these materials, the US legal team was satisfied that they provided a sufficient basis to allege fraud; and they moved to amend SAS's Complaint on 7 May 2013. That motion was granted on 7 August 2013, the US District Court having been satisfied that SAS had shown (as the relevant procedural rule in the US District Court required) "good cause" for the delay in making these amendments, i.e. the fact that the material relied on only became available to SAS's US legal team in February 2013.
20. In the US Proceedings there was a 14-day jury trial in September and October 2015 and subsequent post-trial motions. SAS succeeded on two of its claims (breach of contract/fraud and UDTPA). The US Court found that SAS was entitled to compensatory damages of some US\$26 million. It is this claim which is sought to be recovered in the case before me. Under the statutory UDTPA Claim, the US Court held that it was bound without discretion to award punitive damages calculated by multiplying the compensatory award by a factor of three. The multiplied elements of that award of damages is not pursued for enforcement before me, for reasons to which I shall come in due course.
21. WPL's appeal was dismissed by the US Court of Appeals in October 2017. Its petition to the US Supreme Court for *certiorari* was dismissed not long before the hearing before me. All routes of challenge available to WPL in the US have thus now been exhausted.

22. It is common ground that WPL has not paid any of the US Judgment sum. SAS has recovered about US\$4.3 million, derived from the security that WPL paid into court in the US as the price for a stay of execution while pursuing its appeal.

The claim in outline

23. SAS has therefore brought this claim to enforce the US Judgment against WPL in England, where WPL is incorporated and carries on business. SAS reminds me that this is a regular judgment and the default position is very strongly in favour of enforcement of regular judgments. A point which is said to be of some significance is that SAS only seeks to enforce the US Judgment here insofar as it is for compensatory damages based on WPL's fraud; it does not seek to enforce via this court the breach of contract claim or that part of the US Judgment which awarded multiple damages in respect of the UDTPA Claim. That is because SAS recognises that the former is subject to an issue estoppel and that the latter is unenforceable here given s. 5 of the Protection of Trading Interests Act 1980 (the "PTIA").
24. It is common ground that the basic requirements for enforcement of the US Judgment in this jurisdiction are met, i.e. that it is a judgment of a court of competent jurisdiction, for a certain sum, that is final and conclusive on the merits. There is however a vibrant issue as to whether enforcement of the compensatory damages awarded on account of WPL's fraud would be contrary to public policy – as WPL asserts and SAS disputes.
25. WPL contends that its enforcement here would be contrary to public policy. Specifically, it says that:
- i) Prior judgments in the English Proceedings give rise to estoppels that preclude enforcement or else render it an abuse of process.
 - ii) The public policy encapsulated in the Software Directive prevents enforcement of the US Judgment.
 - iii) The US Judgment contravened natural or substantial justice.
 - iv) The PTIA prevents enforcement of the US Judgment insofar as given in respect of the UDTPA Claim.
26. WPL also pursues counterclaims for declaratory and other relief in support of its position, including seeking to claw back part of those recoveries which SAS has made in respect of the US Judgment, on the ground that the PTIA entitles WPL to such relief.
27. SAS's position is that none of these objections to enforcement is sustainable; nor is there any merit in WPL's counterclaim advanced in reliance on the PTIA. The main points are as follows:

- i) It is not open to WPL to advance preclusion defences based on the English Proceedings. In essence WPL is estopped from relying on estoppel because it had ample opportunity to contend in the US Proceedings that the Fraud Claim and the UDTPA Claim were precluded by the judgments in the English Proceedings and it chose not to do so.
- ii) There is no estoppel in any case. SAS says that neither the Fraud Claim nor the UDTPA Claim was advanced in the English Proceedings; nor did they involve any issue relevant to those Claims. The English Proceedings were only concerned with SAS's claims for UK copyright infringement and breach of the relevant licence agreements – they involved no issue concerning WPL's fraud.
- iii) There is no abuse of process in any case. There is no basis for saying that SAS “could and should” have pursued the Fraud Claim and the UDTPA Claim in the English Proceedings and/or that the Claims were “*designed to circumvent the Software Directive*”. In reality, SAS could not have pursued the Fraud Claim in the English Proceedings because of the stage at which the material needed to run it emerged. Even if SAS “could” have taken that course, there is no reason why it “should” have done so.
- iv) The US Judgment does not contravene natural or substantial justice. WPL's contrary assertions amount to no more than complaints about the application by the US District Court of its own laws and procedures.
- v) Enforcement of the US Judgment would not contravene the Software Directive. Nothing in the Software Directive addresses the circumstances in which this Court may recognise and enforce foreign judgments; nor does it manifest any policy opposed to enforcement of a judgment for fraud.
- vi) S. 5 of the PTIA is inapplicable. The section bars “*proceedings at common law for the recovery of any sum payable*” under a “*judgment for multiple damages*” within the meaning of s. 5(3), and that is not the nature of these proceedings. SAS does not seek to enforce that part of the US Judgment which awarded multiple damages, and the US Court made a separate award of compensatory damages in respect of the UDTPA Claim, so the PTIA is inapplicable. In any case, it is common ground that the PTIA has no application to the award in respect of the Fraud Claim.
- vii) S. 6 of the PTIA is inapplicable. The section confers a right of recovery where there is a “*judgment for multiple damages*” within the meaning of s. 5(3) and “*an amount on account of the damages has been paid*”. The section has no application here because no such “*amount*” has “*been paid*” “*on account of [multiple]*”

damages": alternatively, SAS seeks to extinguish any such claim by setting it off against WPL's liability in respect of SAS's Claim here.

28. The order in which one takes the claims is highly debatable. SAS has concentrated on the preclusion issues, whereas WPL put public policy (the Software Directive) front and centre of its case. In many ways that is a more logical approach but I will (broadly) follow the order taken by SAS for two reasons: (i) it reflects where the bulk of the argument before me lay and (ii) the public policy argument is perhaps best viewed against a backdrop of a full understanding of the relevant litigation background, which is best showcased in the context of the bi-directional estoppel arguments. It may be thought to say much about the overlapping nature of the arguments deployed before me that each of the parties and myself has chosen to structure the arguments in a different order.

The expert evidence

29. To assist me in the various areas where the issues which I have to consider do or may intersect with North Carolina and US Federal Law the parties each called distinguished judges. SAS called Judge William Wilkins who was formerly Circuit Judge for the US Court of Appeals for the Fourth Circuit. WPL called Judge Randall Ray Rader who was Chief Judge on the US Court of Appeals for the Federal Circuit.
30. Unsurprisingly much of the evidence of North Carolina Law was common ground between these two experts, and they produced a most helpful Joint Memorandum identifying both the areas of agreement (considerable) and the more limited areas of disagreement between them. I have been grateful to them both for their help.

Preclusion

Overview

31. WPL contends that SAS's claim should fail because an essential part of the claims for fraudulent inducement and under the UDTPA was determined in the English Proceedings or the claims could and should have been brought before the English court and thereby decided by the English court as part of the first action begun in the Chancery Division by SAS in 2009.
32. At first it seemed that I would have to consider the full gamut of such issues, namely cause of action estoppel, issue estoppel, or the application of the principle arising from *Henderson v Henderson* 3 Hare 100 (1843). But in fact what was in issue before me related only to issue estoppel and *Henderson v Henderson*.
33. SAS has two lines of argument here. The first is that it is not open to WPL to advance these Preclusion Defences because it could have advanced them in the US Proceedings and elected not to. The way in

which this was put was not entirely clear from the written openings; in particular it seemed at times as if a case in waiver under US law was advanced, and certainly detailed US Law evidence on this point was adduced. But in argument it became clear that SAS's case, was in reality, one of counter estoppel as a matter of English Law; and the fact that it is said that WPL waived these defences as a matter of US law is simply a paving stone in the path to a case in English Law estoppel.

34. Its second case was that there was no estoppel/abuse of process anyway essentially because the issues in the US Proceedings were distinct from those in issue in the English Proceedings. I will take this second case – the substance of estoppel/abuse – first.

The law

35. The law on this was not much in issue. There are three strands of potential preclusion: cause of action estoppel (not live here) issue estoppel and *Henderson v Henderson* abuse of process. As Lord Sumption observed in *Virgin Atlantic Airways Ltd v Zodiac Seats UK Ltd* [2013] UKSC 46, [2014] AC 160 at p.180H at [17]:

“...the policy underlying all of the...[res judicata] principles...” is “...the more general procedural rule against abusive proceedings...”.

36. The different doctrines therefore have different requirements, but they shoot at the same target – that of ensuring that nobody should be vexed twice in respect of one and the same cause: “*nemo debet bis vexari pro una et eadem causa*”: as it was put by Lord Diplock in *Vervaeke v Smith* [1983] AC 145 at p.160A–B, G. A more modern version was given by Lord Bingham in *Johnson v Gore Wood* [2002] 2 AC 1 at p.31A–B in the context of the *Henderson* doctrine:

“*Henderson v Henderson* abuse of process, as now understood, although separate and distinct from cause of action estoppel and issue estoppel, has much in common with them. The underlying public interest is the same: that there should be finality in litigation and that a party should not be twice vexed in the same matter. This public interest is reinforced by the current emphasis on efficiency and economy in the conduct of litigation, in the interests of the parties and the public as a whole.”

37. As concerns the overlap between the estoppels and the *Henderson* principle, in *Virgin Atlantic* at [24–5] at p.185C–E Lord Sumption cited the speech of Lord Millett in *Johnson v Gore Wood* who had held:

“...While the exact relationship between the principle expounded by Sir James Wigram V-C [in Henderson] and the defences of res judicata and cause of action and issue estoppel may be obscure, I am inclined to regard it as primarily an ancillary and salutary principle necessary to protect the integrity of those defences and prevent them from being deliberately or inadvertently circumvented...

...they are distinct although overlapping legal principles with the common underlying purpose of limiting abusive and duplicative litigation.”

38. So much for the policy and overlap. However, each doctrine needs to be separately considered. As regards issue estoppel, the position is put at its simplest in Dicey at paragraph 14–156: a “*foreign judgment will not be recognised if it is inconsistent with a previous decision of a competent English court in proceedings between the same parties*”.
39. Issue estoppels may arise from any “unimpeachable” domestic judgment of a court of competent jurisdiction between the same parties: i.e. the judgment must be final, on the merits, with jurisdiction and not obtained by fraud or collusion. This requirement is not in issue in this case.
40. The focus here is on what must have been determined to enable the doctrine of issue estoppel to be available. This is put in various ways in the authorities, but the fundamental point is that issue estoppel bars relitigation not of all issues, but only of issues determined as an essential part of the cause of action. In *Thoday v Thoday* [1964] P 181 (CA), Diplock LJ explained that:

“... There are many causes of action which can only be established by proving that two or more different conditions are fulfilled. Such causes of action involve as many separate issues between the parties as there are conditions to be fulfilled by the plaintiff in order to establish his cause of action; and there may be cases where the fulfilment of an identical condition is a requirement common to two or more different causes of action. If in litigation upon one such cause of action any of such separate issues as to whether a particular condition has been fulfilled is determined by a court of competent jurisdiction, either upon evidence or upon admission by a party to the litigation, neither party can, in subsequent litigation between one another upon any cause of action which depends upon the fulfilment of the identical condition, assert that the condition was fulfilled if the court has in the first litigation determined that it was

not, or deny that it was fulfilled if the court in the first litigation determined that it was.”

41. In *Arnold v National Westminster Bank plc* (No 1) [1991] 2 AC 93 (HL), Lord Keith (with whose speech each other member of Appellate Committee agreed) conducted a review of the modern authorities, and stated the requirements for issue estoppel (p.105D–E) as follows:

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

42. In *Virgin Atlantic*, Lord Sumption explained at [22] that *Arnold* is authority for the following propositions:

“(1) Cause of action estoppel is absolute in relation to all points which had to be and were decided in order to establish the existence or non–existence of a cause of action.

(2) Cause of action estoppel also bars the raising in subsequent proceedings of points essential to the existence or non–existence of a cause of action which were not decided because they were not raised in the earlier proceedings, if they could with reasonable diligence and should in all the circumstances have been raised.

(3) Except in special circumstances where this would cause injustice, issue estoppel bars the raising in subsequent proceedings of points which (i) were not raised in the earlier proceedings or (ii) were raised but unsuccessfully. If the relevant point was not raised, the bar will usually be absolute if it could with reasonable diligence and should in all the circumstances have been raised.”

43. Other formulations are:

- i) Issue estoppel “*only applies if an issue in the second proceedings is the same as one decided in or covered by the first*”: *Spencer Bower & Handley*, paragraph 8.19.
- ii) “*the decision ... was a decision on the very point at issue*” *Vervaeke v Smith* p.156D–G

- iii) It must be possible to say, “beyond all possible doubt” that the issues are the same; and it is insufficient for that purpose if they are merely “similar”, even “substantially similar”: *New Brunswick Railway Company v British and French Trust Corporation* [1939] AC 1 (HL) at p.20.
44. So far as the *Henderson* principle is concerned, in *Virgin Atlantic* at [18], Lord Sumption endorsed the classic statement of principle enunciated by Wigram V-C in the *Henderson* case itself as follows:
- “... where a given matter becomes the subject of litigation in, and of adjudication by, a court of competent jurisdiction, the court requires the parties to that litigation to bring forward their whole case and will not (except under special circumstances) permit the same parties to open the same subject of litigation in respect of matter which might have been brought forward as part of the subject in contest, but which was not brought forward, only because they have, from negligence, inadvertence, or even accident, omitted part of their case. The plea of *res judicata* applies, except in special cases, not only to points on which the court was actually required by the parties to form an opinion and pronounce a judgment, but to every point which properly belonged to the subject of litigation, and which the parties, exercising reasonable diligence, might have brought forward at the time ...”
45. However, it should be noted that as Lord Sumption explained in *Virgin Atlantic* at [18], that passage is in fact best seen as addressed to cause of action estoppel, and the statements of principle in relation to the doctrine named after this case are best found in later cases.
46. A modern statement of the rule by Sir Thomas Bingham MR, in *Barrow v Bankside Members Agency* [1996] 1 WLR 257 (CA), emphasises its rationale (p.260A-C):
- “The rule in *Henderson v Henderson* ... requires the parties, when a matter becomes the subject of litigation between them in a court of competent jurisdiction, to bring their whole case before the courts so that all aspects of it may be finally decided...once and for all. In the absence of special circumstances, the parties cannot return to the court to advance arguments, claims or defences which they could have put forward for decision on the first occasion, but failed to raise. The rule is not based on the doctrine of *res judicata* in a narrow sense, nor even on any strict doctrine of issue or cause of action

estoppel. It is a rule of public policy based on the desirability, in the general interest as well as that of the parties themselves, that litigation should not drag on for ever and that a defendant should not be oppressed by successive suits when one would do. That is the abuse at which the rule is directed.”

47. So, the *Henderson* principle is concerned with protecting the integrity of the cause of action and issue estoppel defences and preventing them from being deliberately or inadvertently circumvented by a party which did not advance an argument in England which would otherwise have created such an estoppel.
48. The base requirement is that the party in question ought to have advanced the relevant argument if it was one which “*properly belonged to the subject of the litigation, and which the parties, exercising reasonable diligence, might have brought forward at the time*”. However, while there is an element of a “could and should” test about this (reflected also in the passage from Lord Bingham above and also in *Virgin Atlantic* at [17]), it is not a simple or a broad “could and should” test.
49. It was common ground that the burden is on the party relying on the principle to show that it is engaged. It is common ground, too, that it is necessary to approach the question of abuse of process with caution. As Lowry CJ emphasised in *Sloan v Shaw* [1982] NI 393 (CA) at p.397: “*The entire corpus of authority on issue estoppel is based on the theory that it is not an abuse of process to relitigate a point where any of the... requirements of the doctrine is missing*”.
50. A similar point was made in *Re Norris* [2001] 1 WLR 1388 (HL), in which, having reviewed the authorities on abuse of process, Lord Hobhouse (with whose speech each other member of the Appellate Committee agreed) stated at [26] that:

“These are illustrations of the principle of abuse of process. Any such abuse must involve something which amounts to a misuse of the litigational process. Clear cases of litigating without any honest belief in any basis for doing so or litigating without having any legitimate interest in the litigation are simple cases of abuse. Attempts to relitigate issues which have already been the subject of judicial decision may or may not amount to an abuse of process. Ordinarily such situations fall to be governed by the principle of estoppel *per rem judicatam* or of issue estoppel (admitted not to be applicable in the present case). It will be a rare case where the litigation of an issue which has not

previously been decided between the same parties or their privies will amount to an abuse.”

51. It is perhaps to *Johnson* that one primarily looks for the modern orthodoxy. In that case Lord Millett explained at p.59D–E:

“It is one thing to refuse to allow a party to relitigate a question which has already been decided; it is quite another to deny him the opportunity of litigating for the first time a question which has not previously been adjudicated upon. This latter (though not the former) is prima facie a denial of the citizen's right of access to the court conferred by the common law and guaranteed by article 6 While, therefore, the doctrine of res judicata in all its branches may properly be regarded as a rule of substantive law, applicable in all save exceptional circumstances, the doctrine now under consideration can be no more than a procedural rule based on the need to protect the process of the court from abuse and the defendant from oppression. In *Brisbane City Council v Attorney General for Queensland* [1979] AC 411, 425 Lord Wilberforce explained that the true basis of the rule in *Henderson v Henderson* 3 Hare 100 is abuse of process and observed that it “*ought only to be applied when the facts are such as to amount to an abuse: otherwise there is a danger of a party being shut out from bringing forward a genuine subject of litigation*”. There is, therefore, only one question to be considered in the present case: whether it was oppressive or otherwise an abuse of the process of the court for Mr Johnson to bring his own proceedings against the firm when he could have brought them as part of or at the same time as the company's action. This question must be determined as at the time when Mr Johnson brought the present proceedings and in the light of everything that had then happened. There is, of course, no doubt that Mr Johnson could have brought his action as part of or at the same time as the company's action. But it does not at all follow that he should have done so or that his failure to do so renders the present action oppressive to the firm or an abuse of the process of the court. As May LJ observed in *Manson v Vooght* [1999] BPIR 376, 387, it may in a particular case, be sensible to advance claims separately. In so far as the so-called rule in *Henderson v Henderson* suggests that there is a presumption against the bringing of successive actions, I consider that it is a distortion of the true position. The burden should always rest

upon the defendant to establish that it is oppressive or an abuse of process for him to be subjected to the second action."

52. A similar approach is discernible in Lord Bingham's speech in *Johnson* (with which Lords Goff, Cooke, and Hutton agreed) at p.30H–31F:

"It may very well be, as has been convincingly argued ... that what is now taken to be the rule in *Henderson v Henderson* [(1843) 3 Hare 100] has diverged from the ruling which Wigram V-C made, which was addressed to *res judicata*. But *Henderson v Henderson* abuse of process, as now understood, although separate and distinct from cause of action estoppel and issue estoppel, has much in common with them. The underlying public interest is the same: The bringing of a claim or the raising of a defence in later proceedings may, without more, amount to abuse if the court is satisfied (the onus being on the party alleging abuse) that the claim or defence should have been raised in the earlier proceedings if it was to be raised at all. I would not accept that it is necessary, before abuse may be found, to identify any additional element such as a collateral attack on a previous decision or some dishonesty, but where those elements are present the later proceedings will be much more obviously abusive, and there will rarely be a finding of abuse unless the later proceeding involves what the court regards as unjust harassment of a party. It is, however, wrong to hold that because a matter could have been raised in earlier proceedings it should have been, so as to render the raising of it in later proceedings necessarily abusive. That is to adopt too dogmatic an approach to what should in my opinion be a broad, merits-based judgment which takes account of the public and private interests involved and also takes account of all the facts of the case, focusing attention on the crucial question whether, in all the circumstances, a party is misusing or abusing the process of the court by seeking to raise before it the issue which could have been raised before."

53. The relevant circumstances for this "broad, merits based judgment" include the nature of the claim and the litigation realities as at the time it became possible to advance it. In this connection SAS cited *Playboy Club London Limited v Banca Nazionale De Lavoro Spa* [2018] EWCA Civ 2025, in which an appeal was allowed against a decision striking out the Club's fraud claim on *Henderson v Henderson* abuse of process grounds, where the claim could have been pursued at the trial of the

negligence claim in the first proceeding. In a judgment with which Gloster LJ agreed, Sales LJ emphasised the particular nature of fraud as follows:

“46 – Although a deceit claim could have been introduced by the Club alongside the negligence claim before the trial of that claim, it cannot properly be said that such a deceit claim should have been so introduced – i.e. on pain of losing any later opportunity to plead a case in deceit, no matter what further evidence pertaining to fraud might emerge. The pleading of fraud or deceit is a serious step, with significance and reputational ramifications going well beyond the pleading of a claim in negligence. Courts regard it as improper, and can react very adversely, where speculative claims in fraud are bandied about by a party to litigation without a solid foundation in the evidence. A party risks the loss of its fund of goodwill and confidence on the part of the court if it makes an allegation of fraud which the court regards as unjustified, and this may affect the court's reaction to other parts of its case. Moreover, as Birss J observed in *Property Alliance Group v Royal Bank of Scotland* [2015] EWHC 3272 (Ch) at [40], allegations of fraud “*can cause a major increase in the cost, complexity and temperature of an action.*” For these reasons parties are well-advised, and indeed enjoined according to usual pleading principles, to be reticent before pleading fraud or deceit. Although the Club could have pleaded deceit before trial of the negligence claim, in my view it behaved reasonably and entirely properly in deciding not to do so on the speculative and inferential basis which would have been necessary at that stage.”

54. Sales LJ also drew attention to the high hurdle that a party faces in persuading the Court that a claim is abusive on *Henderson v Henderson* grounds:

“54 The burden is on BNL as defendant to identify reasons why bringing the second claim is manifestly unfair: ... The courts will not lightly shut out a party from pursuing a genuine claim, unless abuse of process can clearly be made out: *Stuart v Goldberg Linde* [2008] EWCA Civ 2; [2008] 1 WLR 823, at [65] per Lloyd LJ. “*It will be a rare case where the litigation of an issue which has not previously been decided between the same parties or their privies will amount to an abuse of process ...*”

Issue estoppel: the substance

55. This is at the heart of the US Law evidence. There are two issues: was the Fraud claim "parasitic" on the breach of contract claim and the related question of whether the Fraud claim was a separate, distinct and independent cause of action. Both of these really go to the question of whether there is sufficient identity of issue.
56. As to the former, WPL submits that the Fraud Claim is predicated and parasitic on a promissory representation about keeping to the very contractual terms which the Software Directive renders null and void. The relevant representation is as to the representor's intention to comply with those terms. Thus, if the terms did not exist, then they could not have formed part of the promise.
57. Further, if there were no such terms and/or there was no breach of contract, there could have been no "actual damage", with the consequence that the Fraud Claim cause of action could not have been made out. Under North Carolina law, "actual damage" is an "essential element" of a claim such as the Fraud Claim in US Law. WPL says that it is not to the point that the Fraud Claim required a false representation or concealment of a material fact to have been made.
58. WPL says that what matters (both here and when one comes to the question of public policy) is what it was that the allegedly untrue representation was about. It says that the answer to this is seen in SAS's own Amended Complaint in the US Proceedings which states:

"... By purporting to agree to the terms of the [Learning Edition] Licence Agreement when it had no present intention to comply with those terms, WPL fraudulently obtained access to the [Learning Edition]..."
59. This, WPL says, is entirely consistent with the fact that in the Amended Complaint itself, the breach of contract and the Fraud Claim were advanced together under the same Count III. So too is the fact that in assessing the remedies in the US Proceedings, the US Court restricted the compensatory award to approximately USD 26 million on the basis that the "same injury" was addressed by each cause of action.
60. SAS for its part submits that the English Proceedings did not decide any issue upon which the Fraud Claim depended. SAS submits that the Fraud Claim (and the UDTPA Claim in reliance on it) was advanced as a freestanding claim, to provide an alternative basis for relief in case SAS's other claims failed, as some did. That being so, it is said to be plainly wrong to characterise the claim as "repackaged" or "parasitic" on and "flowing from" the breach of contract claim.

61. SAS point to the substantive legal requirements that applied to the Fraud Claim that were set out by the US District Court in its decision to permit SAS's motion to amend as follows:

"Under North Carolina law, a party can establish a claim for fraud by showing a (1) false representation or concealment of a past or existing material fact, (2) reasonably calculated to deceive, (3) made with the intent to deceive, (4) which does in fact deceive, (5) resulting in damage to the other party. ... Thus, the plaintiff must show that the defendant made the false representation with the intention that it should be acted upon by the plaintiff, and that the representation was reasonably relied upon by the plaintiff."

62. As to what is necessary to constitute an actionable misrepresentation, the US District Court explained that:

"Fraud generally requires that the misrepresentations or omissions at issue relate to facts and not opinions, sales talk, or promissory statements. ... ("As a general rule, a mere promissory representation will not be sufficient to support an action for fraud.") ... a "promissory misrepresentation may constitute actionable fraud when it is made with intent to deceive the promisee, and the promisor, at the time of making it, has no intent to comply."

63. SAS contend that its pleading of false representation or concealment of a material fact falls squarely within the principle under North Carolina law that such representations are actionable – as that court found in dismissing WPL's case on futility.

64. SAS points out that in the context of the US District Court's rejection of WPL's argument that the Fraud Claim was "*barred for the economic loss rule under North Carolina law... [which] provides that a breach of contract claim will generally not support the assertion of tort claims as well*", the Court held that the Fraud Claim was a "separate" and "distinct" claim, "independent" of the claim for breach of contract, in these terms:

"Here, plaintiff's fraud claim is based on an alleged duty owed to the defendant – not to deceive plaintiff into providing it access to the Learning Edition software – that is separate and distinct from any duties it owed plaintiff under the license agreement for the Learning Edition software. Moreover, the claim involves the aggravating element of fraud. In sum, the alleged damages plaintiff suffered as a result of defendant's alleged fraud do not all flow

solely and directly from defendant's alleged breach of the license agreement, but are separate and independent from the breach."

65. SAS's expert, Judge Wilkins, highlights two differences between the breach of contract claim and the fraudulent inducement claim – the enforceable nature of the promise and the relevance of inducement. Judge Wilkins also emphasised the separate and distinct nature of the duty involved: a duty to perform contrasted with a duty not to give false information. He says that:

"The fraud claim... stands alone – apart from the breach of contract claim – because a jury could find that WPL intentionally deceived SAS for the purpose of obtaining access to the SAS Learning Edition software by misrepresenting its present intentions not to engage in production use and reverse engineering. That claim could have succeeded irrespective of whether the terms of the Learning Edition license agreement were enforceable as a matter of contract or not – whether as a result of the EU Software Directive or otherwise."

66. SAS submitted that Judge Rader's characterisation of the cause of action as "parasitic" is contrary to principle and authority and irreconcilable with the way the Fraud Claim is pleaded and the US District Court's treatment of it – and in particular, the US District Court's rejection of WPL's arguments in opposition to the motion to amend.
67. SAS also points to the charge that the District Court gave to the jury. This set out the requirements for the Fraud Claim in accordance with the North Carolina law principles referred to above. There was no mention of breach of contract. Similarly, when the jury made the findings with which it had been charged regarding the Fraud Claim, these too made no mention of breach of contract.

Discussion

68. Although a good deal of argument both written and oral, and expert evidence was addressed to this point, it is in its essence of relatively small compass.
69. Issue estoppel should not be readily found. The court examining the question of whether an issue estoppel has been established must look carefully and satisfy itself that the issue which has been decided does not simply bear a resemblance or similarity to the one which arises before it, but is the same or is covered by that issue.

70. So in *New Brunswick Railway Company v British and French Trust Corporation* [1939] AC 1 (HL) at p.20 Lord Maugham said that “*the doctrine cannot be made to extend to presumptions or probabilities as to issues in a second action which may be, and yet cannot be asserted beyond all possible doubt to be identical with those raised in the previous action.*” This requirement for identity of issue is clear on the authorities quoted above, though it is variously referred to as “identical condition” “necessary ingredient” or “the very point at issue”. It was a conclusion to which, I was reminded by the parties, I also alluded in *Eastern European Engineering v Vijay Construction (Proprietary) Ltd* [2018] EWHC 2713 (Comm), citing *The Good Challenger* [2004] 1 Lloyd’s Law Rep. 67 at [50].
71. Plainly the issues in the English Proceedings did not include a claim in fraud. That is why the cause of action estoppel case does not arise. The question is whether the conclusion (which it is common ground was reached in the English Proceedings) as to the non-existence of the relevant contractual terms is an issue which was identical to one which necessarily arises within the Fraud Claim in the United States.
72. This was the main area on which the US Law experts disagreed. While I entirely accept Judge Wilkins’ evidence that breach of contract and fraudulent misrepresentation are separate and distinct causes of action, I consider that this does not really get to the heart of the issue which is whether there is a fundamental overlap in the components between this breach of contract claim and this misrepresentation claim. Where Judge Wilkins really parted company with Judge Rader is here, on the question of the intertwined nature of the breach of contract and fraud claims, and whether as a result, given the void nature of the terms, there could be a fraudulent misrepresentation claim. The experts agreed that there was no authority directly on point, so in truth I am free to decide this issue and am not constrained by the US Law evidence. However, to the extent it does arise, I preferred the evidence of Judge Rader, who did seem to have grappled with the complexities in greater depth than was done in Judge Wilkins’ report, and whose analysis appeared compelling to me.
73. Ultimately, I have come to the conclusion that the existence of the terms of the contract was a fundamental building block for the Fraud Claim and that without it that claim – as it was formulated in the US – could not have been run. The essence of the case in the US Proceedings related to alleged fraudulent representations concerning its “*present intention to comply with those terms*”. It was fundamental to the claim that WPL “*had no intention of abiding by those terms*”. It was inherent in that case that those terms did exist; and yet the courts of this country had already held that those terms did not exist.
74. This is illustrated if one takes SAS’s Amended Complaint dated 14 August 2013, and isolates the reference to the *ex hypothesi* non-existent terms:

“[B]y purporting to agree to [the terms of the Learning Edition License Agreement] when it had no present intention to comply with [those terms], WPL fraudulently obtained access to the SAS Learning Edition in a manner which, among other things, failed to result in the creation of a meeting of the minds necessary to form an agreement. WPL’s putative assent to [the terms of the Learning Edition License Agreement], when it had no intention of abiding by [those terms], was a false representation or concealment of a material fact, reasonably calculated by WPL to deceive and made by it with an intent to deceive. It did, in fact, deceive SAS and has resulted in injury to SAS inasmuch as WPL’s use of the fraudulently obtained SAS Learning Edition software allowed WPL to develop its competing WPS software.”

75. If one were to put blank in place of those references to the terms in square brackets, to denote a non-existent thing, the plea would make no sense. It appears to have been this which Judge Rader had in mind when he referred to the Fraud Claim as being “parasitic” on the existence of the terms of the contract. That was a description which caused some controversy, in that it was said that this was not a recognised description as a matter of US Law, but that controversy is not really to the point. One can say, as WPL did, that the plea is thus dependent on there being an answer to the question: “*what and where were the relevant terms of the contract contained in the Learning Edition License Agreement?*”. Alternatively, one can say, as Judge Rader did, that the representation could not be one of material fact (which both experts agreed was a necessary component of the cause of action in fraud) if the clause does not exist. Alternatively, one can say that the plea without the terms is a nonsense. Either way what one sees is that the existence of the terms of the contract, which terms Judge Wilkins accepted were part of the material fact which is said to have been misrepresented, are a necessary component of the cause of action pleaded.
76. Some further support is given to this approach by the observation that the breach of contract claim advanced in the US Proceedings and the fraudulent misrepresentation claim were actually advanced in the same section and paragraph, headed “*Breach of Learning Edition License Agreement/Obtaining the SAS Learning Edition by Fraud*”. That is obviously not determinative, but it is supportive of the analysis.
77. SAS’s argument that this analysis fails to distinguish between the question of whether terms exist (a question of fact) and the separate question of whether they have legal effect (a matter of law) itself ignores the fact that terms are only terms insofar as they have legal existence. If there is no legal significance, there is nothing to “comply with”. Ultimately SAS were driven to argue that even allowing for the non-existence of the terms the representation could be existent as to what

was written on the piece of paper (or since this was done electronically, portrayed on the screen). Thus the representation becomes as to intention to abide by the words.

78. However, this is essentially a meaningless representation without context – one abides by the words only insofar as they express an obligation. Either that context is as to the words having effect (which was the pleaded case) or it is as to observance of what look like terms, even if they are not enforceable at law. This latter might, of course, have been pleaded; ie. that WPL represented that it would comply with what were stated as terms, whether or not they were legally effective. But it was not. The reality is that the US Proceedings were advanced on the basis that the terms were valid – even though the English Court (following a determination by the CJEU) had determined that they were not. This is seen perfectly clearly when one looks at the case on breach of contract which states:

“WPL ... agreed to abide by the terms of [the LE License Agreement WPL has failed to comply with the terms of the LE License agreement.”

79. There is another complementary aspect to this. The Fraud Claim was, as a matter of US Law, dependent on establishing “*actual damage*”; and it was accepted by Judge Wilkins that that damage must result from non-adherence to a contractual term. Yet as a matter of English Law the relevant contractual terms do not exist.
80. Finally, one might look at the US Judgment which awards exactly the same sum, reflecting the same injury as resulting from the breach of contract claim and the Fraud claim. Although one might say (as SAS does) that the same result is gained because the different wrongs caused the same damage, but the truth is that the causing of the exact same damage is another indicative factor.
81. As for SAS's contention that WPL's case is contrary to the terms of the US Court's decision, that refers to an argument that WPL advanced without success in opposition to the motion to amend, i.e. that SAS did not plead an actionable misrepresentation. The point there taken was however different. It was not contended that the misrepresentation claim failed because of the lack of any existing terms (as found by the English Court) but that the representation would be promissory representation and not actionable as a matter of North Carolina Law. Nor do I consider that the charge to the jury takes matters further; that document was cast in terms of the broad legal requirements, entirely divorced from the factual context
82. I therefore conclude that there is an identity of issue which is apt to form the basis for an issue estoppel. However, in relation to the question of detriment, I accept SAS's submission that a conclusion on issue estoppel may be said to be dependent on the question of whether

a fraud claim was in fact capable of being pursued in the English Proceedings; a question which arises in relation to the next issue.

Henderson v Henderson

83. WPL's case here is that if and to the extent that enforcement of the US Judgment on the Fraud and UDTPA Claims is not barred by issue estoppel, it is barred because, applying the *Henderson* principle, both these Claims could and should have been brought in the English Proceedings.
84. Although the case is really addressed to those two claims, argument was deployed also in relation to the other claims. As to these WPL submitted that they plainly could and should have been brought in England:
 - i) SAS's case that it could not have brought its copyright case because of Court of Appeal judgment in *Lucasfilm v Ainsworth* [2009] EWCA 1328 is misconceived, because the question falls to be judged at the time the English proceedings were started, and at that time the operative decision in *Lucasfilm* was that of Mann J at first instance: *Lucasfilm v Ainsworth* [2008] EWHC 1878 (Ch), which held that the English Court had subject matter jurisdiction over foreign copyright infringement claims.
 - ii) As regards breach of contract there was nothing other than likelihood of failure preventing the bringing of the claim in England; that provides no good reason for failing to bring a claim;
 - iii) Similar arguments apply to the tortious interference claim
85. As to the Fraud claim WPL's case is that SAS was able to advance the claim once it had WPL's response dated 1 February 2010 to SAS's Part 18 request. Alternatively, even if SAS needed some or all of the material which it says it needed, it was by that stage on notice and should have expedited attempts to procure such material, and made the appropriate application to amend.
86. WPL accepts that in order to have been in a position to advance the case, (1) SAS would have required to have established that it had a sufficient case to make the substantive fraudulent inducement plea by reference to the requirements of North Carolina law and (2) SAS's English lawyers needed to have been satisfied that they had before them sufficient material such that they were properly able to plead a claim of this nature in England.
87. As to the first step WPL submitted that:
 - i) The requirements of the US cause of action were not contentious.
 - ii) What was in issue was the question of sufficient documentary support. Under US Law it is necessary that there that there was

sufficient documentary support to have allowed such a claim to have been formulated.

- iii) WPL's case, endorsed by Judge Rader, is that as a matter of US law SAS was in a position to formulate the Fraud Claim by no later than on or about 1 February 2010, which is the date on which SAS received a Part 18 response in the English proceedings.
- iv) WPL submitted that SAS's case as to the materials that it says were necessary is impossibly wide; not all of these materials were necessary to plead a claim, as opposed to proving it at trial.
- v) It also relied on the timeline, pointing out that these materials had become available over a period of time, not all at once. So SAS had inspection of the eight documents on 9 March 2010 and the majority of the identified witness statements by 1 April 2010 (some earlier). It submits that it is incumbent on SAS to explain why the point of time when a case could have been pleaded did not arise earlier in that timeline.

88. As to the second requirement WPL made a similar point; that the threshold test for pleading a claim is that the pleader must be in possession of sufficient credible material to satisfy him/herself that the case is properly sustainable. What is not required is to be in possession of all the evidence that will be needed to *prove* the claim at trial. WPL reminded me of the famous section in *Medcalf v Mardell (Wasted Costs Order)* [2003] 1 AC 120 (HL), [22] per Lord Bingham:

“the receipt of instructions is not of itself enough. Counsel is bound to exercise an objective professional judgment whether it is in all the circumstances proper to lend his name to the allegation. As the rule recognises, counsel could not properly judge it proper to make such an allegation unless he had material before him which he judged to be reasonably credible and which appeared to justify the allegation”

89. Thus, it submits that the English pleader would have required to have been satisfied as a matter of fact that the US law claims were sustainable. To do this, the English pleader would have required US law advice as to whether the 1 February 2010 RFI response provided a sufficient factual basis to make the claims, and there would be no reason why this could not have been done on or soon after 1 February 2010. In the alternative, the English pleader would have been in receipt of the eight documents on or soon after 9 March 2010 and of the majority of the witness statements by 1 April 2010.

90. WPL submits that as the Fraud claim could have been brought in England, the Fraud claim should have been brought in England and that accordingly enforcement is barred by the *Henderson* principle.
91. SAS contends that WPL's case in reliance on the February 2010 information is unsustainable. It submits that the Part 18 Response provided information regarding WPL's defence to the breach of contract claim such as the number of copies acquired by WPL and the dates they were acquired; and WPL's case as to who accepted the licence terms and the significance of this for use of the software by other individuals at WPL. It did not provide a substantive answer to SAS's request for information regarding the individuals who used the software and the purposes for which it was used by them, stating that these were "*matters of evidence which will be dealt with (if and to the extent appropriate) in [WPL's] witness statements*".
92. SAS contends that such limited information provided no proper basis for pleading fraud. SAS points to the ethical obligation under what was then paragraph 704(c) of the Code of Conduct, which required both clear instructions to plead fraud and "*reasonably credible material which as it stands establishes a prima facie case of fraud*", echoing the requirements of *Medcalf v Mardell*.
93. It cites Flaux J's dictum in *JSC Bank of Moscow v Kekhman* [2015] EWHC 3073 (Comm) at [20] indicating the need for "*primary facts [based upon which] an inference of dishonesty is more likely than one of innocence or negligence [and which] tilt the balance and justify and inference of dishonesty*". It says that no responsible Counsel could have regarded the information provided by WPL as sufficient for these purposes.
94. It also contends that the position was essentially the same as a matter of US Law. It points to Rule 11(b)(3) of the Federal Rules of Procedure which provides that:
- "[b]y presenting to the court a pleading, written motion, or other paper ... an attorney ... certifies that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances... (3) the factual contentions have evidentiary support, or, if specifically so identified, will likely have evidentiary support after reasonable opportunity for further investigation or discovery"; and it is common ground the effect of this is to prohibit "mak[ing] claims or present[ing] defences without any factual basis or justification".
95. That, it says, is consistent with what happened in the US Proceedings where SAS amended based upon the disclosure, witness statements, and trial testimony that had been provided to them in February 2013 and

the US District Court agreed with SAS and rejected WPL's argument that it had sufficient material to allege fraud sooner.

96. SAS also submits that once one proceeds to WPL's back up case, one would be looking effectively at a case of applying to amend at trial, and that that would have been hopeless, given the nature of the allegation and the knock on effect on the case.
97. Finally, SAS submits that even if WPL were able to establish its case that SAS could have brought the Fraud Claim and the UDTPA Claim in the English Proceedings it cannot establish that SAS "should have" done this in the sense required to show abuse of process, i.e. on pain of losing any later opportunity to advance the claims. It highlights the fact that the Court of Appeal emphasised in *Playboy Club* the pleading of fraud or deceit is a serious step. It says that had SAS sought to introduce the Fraud Claim and UDTPA Claim into the English Proceedings based on the material that became available to it at trial (and a fortiori the Part 18 response), there is a real risk that the Court would have regarded it as a speculative claim, an improper tactic, and reason to lose confidence in SAS's case in general.
98. It submits that such a course would also have risked causing "*a major increase in the cost complexity and temperature*" of the English Proceedings. Indeed, it says that if it is right about timings amendment would have either been impossible or would have derailed the trial.
99. Finally, it submits that the Fraud Claim and UDTPA Claim were introduced based on material that only became available to SAS in the course of the trial in the English Proceedings. It submits that its position is analogous to that in *Playboy Club*.

Discussion

100. I have considered this head so far as possible on the basis that I had not reached the conclusion above in relation to issue estoppel, because *Henderson* is in reality a backstop to more conventional estoppels, and I bear well in mind that, that being the case, the court should be slow to find that a party is prevented from arguing a point which has not previously been litigated.
101. The passages which I have cited earlier make clear that the party asserting *Henderson v Henderson* abuse of process must show that the claim both could and should have been brought in the prior proceedings and that the "should" element imports a consideration of whether allowing the issue to remain in play would amount to an abuse of process. In assessing the question whether the claim should have been so brought, the Court must make a broad, merits-based judgment having regard to all relevant circumstances – including the public and private interests involved and the facts of the case.

102. Although some argument has been addressed to other causes of action, what matters for present purposes is whether the Fraud Claim and the UPDTA claim could and should have been brought in the English Proceedings.
103. In this connection I am satisfied that the question of the fact that the claim was first pleaded in the US in 2013 is irrelevant. That date arises from SAS's decision to advance the claim only after it had been able to obtain the release of certain documents which had previously been subject to a confidentiality ring. That could not be relevant to the question of whether to advance the claim in England. For those purposes the confidentiality ring would either not have impacted, or been easy to negotiate.
104. What is therefore relevant for present purposes is (i) when as a matter of law the substantive requirements for advancing such a plea as a matter of North Carolina Law were satisfied and (ii) when as a matter of law the requirements for being able to plead a case in fraud as a matter of English Law were satisfied.
105. This has to be viewed against the backdrop of the pleaded case in the English Proceedings, and what was, and was not, in issue. In the English Proceedings SAS pleaded in mid-October 2009, and again in late December 2009 that (inter alia):
- i) WPL in breach of licence used copies of the SAS Learning Edition Software to enable its employees to develop WPS;
 - ii) WPL ran the software for the purposes of observing its operation and functions in order to develop WPS in a way that replicated the SAS System.
106. To this, the answer came back at the end of November 2009 and again in January 2010 that (in essence): Yes, WPL had done that, but it was allowed to do so "*for purposes for which consent is not required by law*" and pleading the Copyright Designs and Patents Act/the Software Directive. In other words, it said: we can do this because your terms don't bite.
107. In particular WPL specifically accepted that it "*observed the operation and functions ... of the SAS Learning Edition Software ... used the knowledge so gained ... to ensure that the interpreter component of its WPS software would interpret SAS Applications consistently with the rules and principles of the SAS Language*". It also accepted that it tested the outputs of the SAS Applications to understand how it worked. It said that it did this for the purposes of developing its own software.
108. One then comes to the Further Information of 1 February. In this WPL set out how many copies of the SAS Learning edition it purchased, and when and how each purchased edition was used (on one workstation, but not confined to one employee). That provided SAS with granular

information about what representations were made when; as well as confirmation of what it would regard as further breaches of licence.

109. What SAS says is that it did not answer the question about which individuals used the software and that it could not have pleaded paragraph 30 of the Amended Complaint in the US Proceedings without the later materials. That paragraph sets out examples of the types of things which WPL did to observe the software and develop a replicating product. It also asserts a breach in use of the software on multiple user workstations. It is certainly the case that the exact detail of this paragraph can be traced as deriving from the later materials, in particular some of the witness evidence. However, what is readily observable is that it is, in effect, a more detailed version of the case as pleaded as at February 2010.
110. The question is: *“Was this greater level of detail needed, either for the purposes of US Law or English Law?”* As to the former it seems to me quite clear that there was by February 2010 sufficient material in play to provide the “sufficient documentary support” required by US Law. I would also, were it necessary to do so, find that the material was sufficient to plead a case as a matter of US Law.
111. As I understand the experts, what US Law, via Rule 9(b) of the Federal Rules of Civil Procedure, requires as regards pleading fraud is no more than a general pleading of intent which may well equate to a lower standard than what is required in England; certainly, the matters at paragraph 30 of the Amended Complaint were not necessary to formulate a pleading which was compliant with the rules. The particularity required as to circumstances under Rule 9 was also satisfied by the time of the February RFI; the names of the individuals who were accepted to be WPL employees acting for WPL were not material. I do not consider that there was an issue regarding Rule 11(b)(3); there was an evidentiary support or at the least the prospect of it on disclosure.
112. I should add something about Judge Gates’s decision on the motion to amend which SAS contended showed that the materials were insufficient. In one sense it is neither here nor there. But if Judge Gates had actually had to decide the question of whether the case could properly be advanced by a certain date based on a consideration of the same materials as I have seen, that decision would naturally be one to which I would wish to have close regard. That is not, however the case. Judge Gates’s ruling was based on a submission that certain very short passages in the English Judgment were sufficient. The judge found that those passages did not provide the level of detail needed to plead a case.
113. However (i) that is a decision based on the pleading requirements, and does not even purport to deal with the “sufficient documentary support” argument and (ii) it is based on an entirely different comparator in terms

of materials. WPL did not, in the US Proceedings, point back to the detailed passages in the pleading, which went well beyond the terse summaries in the judgment of facts which were, by then, a complete “given”. I therefore conclude that Judge Gates’s decision is not inconsistent with the conclusion which I have reached; essentially we have been shooting at different targets with different guns.

114. I therefore find that the requirements of US Law to formulate the Fraud Claim were satisfied by 1 February 2010.
115. I also conclude that the requirements of English Law to plead the Fraud Claim were satisfied by that date. Did the hypothetical pleader have before him or her “*material of such a character as to lead responsible counsel to conclude that serious allegations could properly be based on it?*” Given a positive US Law opinion, and given the nature of the materials (clear admissions in pleadings) in my judgment even a cautious counsel would have been satisfied that fraud was pleadable at this stage. There is nothing in the later material which would be germane to this decision. Looking back to the *Kekhman* test upon which SAS relies one sees a reminder (if one were necessary) that what is necessary for pleading is “primary facts” – not evidence; or to put it another way, the bones, not the meat.
116. SAS knew as primary facts that WPL had said they agreed terms which said that they couldn’t interrogate the software or allow multiple users to use it, they knew (by admissions and particulars) that WPL had nonetheless done these things and they knew (by pleading) that it was WPL’s case that SAS’s terms were null and void. I do not see how knowing the identities of those who had done the work, or the level of detail pleaded in paragraph 30 (described by Judge Rader as the meat of the factual allegations) added any necessary primary facts.
117. On this basis there is no question that SAS were in the position of having to make a late amendment. This claim had only been initiated on 14 September 2009. The Amended Particulars of Claim had only been served on 24 December 2009. It is next door to inconceivable that, against this background, an application to amend, based on admissions in the pleadings, made in February 2010 would have been considered late, or would have been refused.
118. So much for could, in relation to the Fraud Claim. There is then the question of whether SAS could have brought forward the UDPTA claim at this stage. In terms of the factual basis, this plainly follows from the Fraud Claim, since the UDTPA claim was predicated on the Fraud Claim.
119. What SAS suggests is that the fact that the claim would have failed is a good reason for failing to bring it. However attractively this argument is put by Ms Carss–Frisk, the argument is a bad bootstraps argument. On SAS’s own case there is no reason why the claim now sought to be enforced (the compensatory element) could not have been brought.

There is no reason, indeed, why the full claim could not have been brought, albeit in the knowledge that only part could be recoverable in English Law. There is, in short, no reason why the claim could not have been brought.

120. Nor would it seem to be principled to elevate the question of likely success to the status of a “could not” reason. This is the more so given that this is not a case where SAS had been made to sue in England. SAS had, entirely wittingly, chosen to commence their claim in England. To allow them to say that they should be allowed to pursue different parts of their claim in the locales most likely to produce a beneficial result would be to sanction forum shopping.
121. What therefore remains is the question of “should” (in the sense adverted to at 47–53 above). Given that SAS could have brought the claim, should it have done so? Was it, in all the circumstances abusive for it not to do so? To this the answer is, in my judgment, plainly: Yes.
122. I make plain that in reaching that conclusion I do pay heed to the notes of caution to which I have alluded earlier. For all the public interest in the streamlining of litigation and a party’s right not to be vexed – or as Judge Rader put it, for “judicial economy”, “should” will not in all cases follow from “could” in this context. The court will be cautious about reaching that conclusion. I can entirely see that if the facts were that the necessary material to plead a new cause of action had only come to light part way through trial the answer might be that SAS should not necessarily have applied to amend. I do not need to decide that question and I do not; but I do consider that the answer to it is not straightforward.
123. The facts however, as I find them, are very different. The bulk of the matters necessary were out in the open by the end of November 2009, with the original Defence. I have not been urged to settle on an earlier date than February 2010, but it might well have been said that SAS had the material they needed or were at the very least on notice from that point. But in any event I am quite clear that all the necessary material was in the open by early February 2010. There is in that circumstance practically nothing which can be said to urge a negative answer to the “should” question. Cost and complexity would hardly be a factor in what was already very substantial litigation. The amendment, based on admissions, could hardly be regarded as speculative so as to prejudice SAS’s position in the litigation. In those circumstances even without more SAS’s conduct would in my judgment surmount the hurdle of being in all the circumstances abusive, so as to engage the principle.
124. I am not persuaded that the *Playboy* case offers the parallel for which SAS contends. That was a very different case. In that case the amendment came at trial in circumstances where previously the only basis for this was an inference from a certain individual’s signature of a single document. There was therefore clear evidence that the evidence

only came to hand late. There appears to have been an explanation of why the matter had not been capable of being moved forward earlier.

125. In this case, however there is on any analysis much earlier availability; and there is also little visibility of why no attempt was made to bring the claim in England. By contrast, in this case, SAS had the RFI response, all the disclosure relied on and most of the witness statements well before trial. Nothing critical seems to have been added by the oral evidence on which SAS also relies. One might also say that there was not the need for the extra caution which that case seems to suggest is necessary before advancing a fraud case against a bank.
126. Further to the extent that one is looking for elements which add to the conclusion on abuse of process, they are not lacking on the facts, certainly if one accepts, as I have done, that the breach of contract and fraud claims were inseparably linked – and probably even if one did not go quite so far. It is no answer to say that the US was an available forum, when SAS had initially chosen to litigate its dispute in England. It is no answer to say that SAS wished to pursue rights under North Carolina Law – it had done so in the English Proceedings. Further the breach of contract claim in the US Proceedings was plainly an attempt to impeach the English judgment, which had already determined the position as a matter of North Carolina law (subject to the overlay of the Software Directive). That abusive claim was used as a fundamental basis for the Fraud Claim, which itself formed the basis for the UDTPA claim. In essence therefore both as to timing and content there is a real inference that the US Proceedings were put forwards as a collateral attack on the English judgment. In that context I am not persuaded that the fact that WPL subsequently participated in the proceedings can be taken to have much, if any weight as regards the *Henderson* principle.
127. Accordingly, I conclude that – subject to any counter-estoppel – SAS are issue estopped and that if SAS were not issue estopped, the *Henderson* principle would in any event operate to preclude reliance on the judgment in the Fraud and UDTPA claims.

Counter-estoppel

128. SAS says that as a matter of English law, a party otherwise entitled to assert that a prior judgment precludes causes of action or issues subsequently being raised will be estopped from doing so where this would be unconscionable. It points to Spencer Bower & Handley, *Res Judicata* (4th edn) under the heading “Cross-Estoppel” as follows:

"17.15 An earlier *res judicata* estoppel prevails over a later, and there is no cross-estoppel. If the decisions relate to the same subject matter, the earlier prevails, if not there is no conflict.

17.16 An estoppel by representation can create a genuine cross-estoppel. A having established a res judicata estoppel against B, B confesses and avoids by proving that A has precluded himself from relying on it. B does not deny that he is estopped, but insists that A is estopped from saying so, and so in Coke's phrase, he sets the matter at large. '*The result is... that... the general rule of public policy enshrined in the principle of res judicata is subject to a particular exception which enables practical justice to be done in rare cases*'. A cross-estoppel may arise from a failure to plead the res judicata, or in other ways."

129. The authorities upon which this passage is based include *The Indian Grace* [1993] AC 410 (HL), per Lord Goff. Having observed that the line of authority on which it was based was light Lord Goff went on at p.422F-G thus:

"...as a matter of justice, there is much to be said for the opinion so expressed by Spencer Bower and Turner ; and, especially since *Arnold v. National Westminster Bank Plc.* [1991] 2 A.C. 93, in which your Lordships' House evinced a readiness to adopt a less technical approach than has been adopted in the past to this most technical subject, it may very well be recognised that what Spencer Bower and Turner call a cross-estoppel may be pleaded in answer to a plea of estoppel per rem judicatam. Moreover such an approach appears to be consistent with the view of Spencer Bower and Turner, at p. 13, that the principle of estoppel per rem judicatam is no more than a rule of evidence ...

I strongly suspect that, in practice, the point seldom arises, except where in litigation the principle of estoppel per rem judicatam is not invoked and the party who might have taken it but does not do so thereby waives his right to rely upon it; and that this is the explanation for the dearth of authority on the matter."

130. The other case which deals with the point is *Showlag v Mansour* [1995] 1 AC 432 (PC), per Lord Keith at p.441:

"*Republic of India v. India Steamship Co. Ltd.* was, of course, a case where a foreign judgment was founded on as creating a bar per rem judicatam to proceedings in England by a plaintiff relying on the same cause of action. But similar principles must fall to be applied where the domestic court is dealing

with two competing foreign judgments. If there are circumstances connected with the obtaining of the second judgment which make it unfair for the party founding on the first to seek to enforce it, then it may be proper to refuse to allow him to do so. It is not alleged by the respondent in the present case that there are any such circumstances here....

.....the court will not refuse to set aside the registered judgment unless there exists some good ground for so refusing. Such grounds would no doubt be present if the earlier judgment was vulnerable to impeachment by virtue of one of the matters specified in article 6(1)(a), or if there were present an estoppel by representation the possibility of which was recognised in *Republic of India v. India Steamship Co. Ltd.* [1993] A.C. 410.”

131. SAS says that based on *Showlag* the principle is a fairly wide one, pointing to the dictum of Lord Keith.
132. SAS submits that it is unconscionable for WPL to assert its Preclusion Defences here and that the effect of WPL’s conduct in the US Proceedings was to represent that WPL did not consider the prior judgments in the English Proceedings to preclude the Fraud Claim or the UDTPA Claim. Not only did WPL advance no contention that these Claims were so precluded; it joined issue with them on the merits. It did so as part of a process that consumed considerable resources of the parties and the US courts. WPL lost. It says that it would be unfair and inimical to the policies that underlie the principle of res judicata if WPL were now allowed to change its position and maintain that the Fraud Claim and UDTPA Claim were precluded all along.
133. This is particularly so, says SAS, in circumstances where there were analogous preclusion doctrines available to WPL. SAS notes that Judges Wilkins and Rader agree that it was open to WPL in principle to contend in the US Proceedings that SAS’s Fraud Claim and UDTPA Claim were precluded on the ground they either had been adjudicated in the English Proceedings or should have been so adjudicated. SAS also notes that it is agreed between the experts that the US doctrine extends not only to claims that were adjudicated on in the earlier proceedings; but also to those that could and should have been.
134. Judge Wilkins conducted a detailed analysis of the record in the US Proceedings, and concluded that WPL advanced no preclusion defence in relation to the Fraud Claim or the UDTPA Claim and so waived any such defence it might otherwise have had.

135. Judge Rader contended that there were “*multiple places where WPL sufficiently argued that SAS’s US claims were precluded based on the English proceedings*”. He identified three filings in this regard, and elaborated on these in his second report.
136. SAS argued that only one of the filings identified by Judge Rader relates to the proceedings before the US District Court and says that the preclusion arguments advanced did not address the Fraud Claim or the UDTPA Claim and that this conclusion was reinforced by subsequent filings, by the US District Court’s decision to deny the summary judgment motion – including its conclusion that WPL had not raised any res judicata (claim preclusion) defence and by WPL’s subsequent Motion to Reconsider.
137. SAS submits that the two other filings relied on by Judge Rader were made by WPL with the US Court of Appeals in support of its appeal against the US Judgment. By then it was too late to raise the point.
138. WPL accepts that, as a matter of law, this “cross estoppel” argument is available. However, it submits that the “cross-estoppel” must be a normal estoppel. Thus, the passage from Spencer Bower relied on by SAS records, “*B [in this case SAS] does not deny that he is estopped [by the res judicata of the prior English judgment] but insists that A [in this case WPL] is estopped from saying so.*”. Thus, for its own estoppel to work, SAS must demonstrate that the elements of a conventional estoppel are satisfied. But it does not attempt to do this (and has not pleaded a case on it).
139. WPL submits that there is a fundamental problem with this argument, so far as SAS is concerned, namely that in order to be able to avail itself of it, SAS would have to accept the English estoppel – which it does not. But in any event, it submits that the argument gains no traction: SAS’s reference to *Showlag* misstates *Showlag’s* ratio and the approach to counter estoppel is no different to a normal estoppel.
140. WPL argues that the reliance on the short passage from *Showlag* comes precisely because SAS is not able to establish an estoppel. It has neither pleaded nor identified the necessary elements and it does not have evidence to support its case.
141. It accordingly submits that the question of whether preclusion arguments were raised in the US need not arise. To the extent it does WPL contends that it did make arguments that SAS’s Fraud Claim was precluded by the English proceedings and that SAS’s UDTPA Claim would naturally have failed with the Fraud Claim.
142. It also notes that the argument advanced here appears to be entirely novel, and that I should be cautious about acceding to an argument placed on such slender foundations.

Discussion

143. The argument as originally advanced by SAS was complex and multi-layered. In particular, much attention was given in written opening to the position as a matter of US Law; which did appear to be argued to give rise to a separate waiver argument. However, as is often the case, in the course of submissions the position clarified and the real argument emerged. SAS's real case was in essence that I should find a counter estoppel (a fairly unusual concept, it is fair to say) because:
- i) WPL could perfectly well have run its estoppel arguments in the US, and did not;
 - ii) Having not done so it is unfair that they should be permitted to do so now.
144. I broadly accept the first point, but find myself unable to accept the second.
145. As to the first, the US Law expert evidence explained in great detail how essentially very similar concepts of *res judicata* exist in US Law. Perhaps unsurprisingly the crossover in approach with that which would pertain here is considerable; the most interesting distinction appeared to be that the *Henderson* principle is there not separate but forms a part of the issue estoppel portfolio. Appropriate concepts therefore existed; and as the US Law evidence on preclusion made clear these concepts could be applied to the situation in which WPL found itself. I also accept that the points taken here were not effectively taken in the US Proceedings; such deployment of *res judicata* concepts as there was in the US Proceedings was marginal.
146. However, were a counter-estoppel to be capable of being established on the basis of some generalised unfairness, that would take it out of step with the doctrine of estoppel more generally, and indeed with the approach to *res judicata* issues, which, as noted above, have to be handled cautiously.
147. I do not consider that the authorities justify such an approach. The passage in *Showlag* is taken out of context by SAS. In the succeeding paragraph it is apparent that Lord Keith was envisaging an *Indian Grace* style estoppel by representation being raised as a counter estoppel – and indeed the previous paragraph at 441D indicates that a counter estoppel may be expected to be pleaded and proved conventionally. That ties into what Spencer Bower has to say: “*where an estoppel per rem judicatam meets and estoppel by representation*”. None of these suggest that counter estoppel is a different species, subject to different and more favourable rules.
148. Nor do I accept that *Johnson v Gore Wood* provides a basis for any such broad concept as an estoppel remedy based purely on unfairness. That was a case on very particular facts and the Court was not able to be

entirely at idem about the species of estoppel which provided the best fit for the circumstances. The reason for that was that the circumstances put it on the borderline of a case based on assurances (estoppel by representation) and consensus (estoppel by convention). But the point is that there were obvious identifiable circumstances which placed the case within the ambit of recognised estoppel doctrines, and the requisite circumstances could be pleaded and proved.

149. I am not therefore prepared to accept that counter-estoppel can be triggered by a broad concept of unfairness.
150. One must then consider whether on that basis the circumstances are such that a counter-estoppel of recognisable species can be discerned.
151. SAS have suggested that by participating and fighting the Fraud and UDTPA Claims but not taking US law defences which were similar to the English *res judicata* defences WPL represented that it "*did not consider the prior English judgments to preclude the Fraud Claim or the UDTPA Claim*".
152. This was not forcefully pursued in oral argument, and rightly so. What would be required would be an unequivocal communication that it would not advance a defence to enforcement of the prior inconsistent English judgment. What there was (which was simply engagement on the merits) was a great distance from such an unequivocal communication, particularly in circumstances where the application of the directive key to the claim most obviously dealt with under English Law had not been accepted by the US Court, and it followed that short shrift would be given to arguments which depended on the conclusion of breach of contract. SAS is quite right in that what matters is what WPL's conduct objectively manifested – but it is what that conduct objectively manifested judged against the circumstances of the case. That includes the litigation history and circumstances
153. In this situation I have no hesitation in concluding that something considerably more clear, more unequivocal than WPL's participation in the US Proceedings was needed. For completeness I note that there was no real suggestion of a common understanding which could give rise to the consensus which would offer a route into estoppel by convention.
154. At the next stage of the analysis the questions of reliance and detriment have not been addressed to any extent by SAS. There is no factual evidence to make good either reliance or detriment in the sense of SAS acting differently than it would otherwise have done. The US Proceedings were its idea, and there is no evidence suggesting (for example) that SAS would have responded by giving up its Fraud and UDTPA claims if WPL had deployed *res judicata* arguments squarely. It cannot be said that it was not open to SAS to put in such evidence; the option of doing so was given to them by Picken J.

155. It follows that I conclude that no cross-estoppel arises and SAS are precluded by issue estoppel or by *Henderson v Henderson* abuse of process from enforcing the judgment on the Fraud Claim and the UDTPA Claim.

Abuse of Process: Software Directive

156. In the circumstances the question of abuse of process deriving from the Software directive does not arise. However, for obvious reasons (given the history of this litigation) and because I have been expressly asked to do so by the parties I will proceed to express my conclusions on the issues which remain.

157. As essentially its primary argument WPL contends that the US Judgment should not be enforced because to do so would be contrary to public policy as embodied in the Software Directive (and implementing legislation). Its case is that the Fraud Claim and the dependent UDTPA Claim would not have succeeded had they been brought in England for reasons of the public policy embodied in the Software Directive. Each claim now sought to be enforced is ultimately founded on the premise of the existence of and/or breach of the very contract terms which the English court would strike down. The US Judgment should not be enforced to undermine that result.

Public Policy and enforcement: the Law

158. The summary of the law given by WPL was not much in issue. It relied on:

- a) Dicey *The Conflict of Laws*, 15th ed. 14R-152, Rule 51: “A foreign judgment is impeachable on the ground that its enforcement or, as the case may be, recognition, would be contrary to public policy.”
- b) Briggs *Civil Jurisdiction and Judgments*, 5th ed. 7.72: “If its recognition would conflict with English public policy, a foreign judgment will not be recognised as *res judicata* in England.”

159. The relevant categories of public policy are not closed but the principle underlying the application of the defences is not controversial and is explained thus by Briggs (op. cit.) at 6.184:

“...In general, foreign judgments which enforce contracts which an English court would have found to be illegal or contrary to public policy are unlikely to be recognised, for it cannot be right that on such fundamental questions the policy of English law can be circumvented by first obtaining a foreign judgment. No doubt judgments ordering the payment of bribes or kidnappers’ ransoms will be

refused recognition in England on grounds of public policy ... The broad point must be that if the judgment is based on a cause of action which could itself be contrary to English public policy, recognition will be refused.”

160. I was pointed to the leading case of *Roussillon v Roussillon* 14 Ch D 351, 369. In that case Fry J held:

“If an agreement contrary to the policy of the English law is entered into in a country by the law of which it is valid, an English Court will not enforce it... [counsel] has insisted that, even if the contract was void by the law of England as against public policy, yet, inasmuch as the contract was made in France, it must be good here, because the law of France knows no such principle as that by which unreasonable contracts in restraint of trade are held to be void in this country. It appears to me, however, plain on general principles that this Court will not enforce a contract against the public policy of this country, wherever it may be made. It seems to me almost absurd to suppose that the Courts of this country should enforce a contract which they consider to be against public policy simply because it happens to have been made somewhere else.”

161. To a similar effect is the next case *Re Macartney* [1921] 1 Ch 522 at pp.527–528 Astbury J held that this passage *“applies directly to the non-enforceability of foreign judgments founded on contracts contrary to public policy or rights of that character. ...”*.

162. WPL also pointed me to some materials in the context of arbitration enforcement which it submitted were analogous and hence of assistance:

i) Section 9(2)(f) Administration of Justice Act 1920: *“No judgment shall be ordered to be registered under this section if the judgment was in respect of a cause of action which for reasons of public policy or for some other similar reason could not have been entertained by the registering court.”*

ii) Joseph, Jurisdiction and Arbitration Agreements and their Enforcement (3rd) 15.31:

“[A] breach of mandatory provisions of European competition law, or a breach of the mandatory protection of consumers in the Unfair Terms in Consumer Contracts Directive, or non-compliance with the provisions of the Commercial Agents Directive have each given grounds for non-enforcement. It is suggested that in the field of public

policy it is at least open to draw from authority and precedent in parallel spheres. It might be said that arbitration is somewhat different given the fact that the courts have consistently stated that it is part of public policy of the forum to give effect to foreign awards under the New York Convention.”

163. It was submitted that it does not matter whether the public policy being applied originates from European law or purely domestic law; the authorities are clear that policy derived from EU directives can provide such a policy. This is made clear in both C-168/05 *Mostaza Claro* at [35] and C-126/97 *Eco Swiss* [37].

164. SAS did not take serious issue with any of these propositions but submitted that the authorities indicate that arguments in this area must be considered scrupulously since the court will be reluctant to undermine the policy in favour of enforcement of foreign judgments. In this regard I was referred to *Vervaeke* where Lord Simon stated at pp. 162-3:

“There is abundant authority that an English court will decline to recognise or apply what would otherwise be the appropriate foreign rule of law when to do so would be against English public policy; although the court will be even slower to invoke public policy in the field of conflict of laws than when a purely municipal law is involved. There is little authority for refusing, on the ground of public policy, to recognise an otherwise conclusive judgment – no doubt because the conclusiveness of a judgment of a foreign court of competent jurisdiction is itself buttressed by the rule of public policy, interest *reipublicae sit finis litium*, the “commonwealth” in the conflict of laws extending to the whole international community”.

165. The reserve imposed by this means, says SAS, that it is necessary to show that to give effect to the foreign law “*would violate some fundamental principle of justice, some prevalent conception of good morals, some deep-rooted tradition of the common weal*” as it was put in *Kuwait Airways Corp v Iraqi Airways Co* (Nos 4 and 5) [2002] 2 AC 883, per Lord Nicholls at p.1078D-E. Another formulation is whether it would “*breach some essential norm*” (Joseph paragraph 15.31). In this context, the court must also be satisfied that as a matter of its proper construction, the enactment relied upon exhibits a policy that bars not only claims but enforcement of foreign judgments as well.

166. It is therefore necessary to look closely at the public policy embodied in the Software Directive and its construction.

The particular Public Policy: Background to the Software Directive

167. The background to and basis for the Software Directive was explained by the Court of Appeal in the English Proceedings. The essential points are as follows.

- i) Copyright protects the expression of ideas, not the ideas themselves. That is reflected in international agreements such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”), art.9(2) of which provides: *“Copyright protection shall extend to expressions and not to ideas, procedures, methods of operation or mathematical concepts as such.”*
- ii) The Software Directive, echoing this, makes clear that *“only the expression of a computer program is protected and that ideas and principles which underlie any element of a program, including those which underlie its interfaces, are not protected by copyright”* (see Recitals (numbered 13–15 in the first instance judgment) quoted by the Court of Appeal at [22]). A similar approach is discernible in Council Directive 2001/29/EC (“The Information Society Directive”).
- iii) The Court of Appeal at [33] noted that in *Bezpečnostní softwarová asociace (BSA) – Svaz softwarové ochrany v Ministerstvo Kultury* (C-393/09) [2011] E.C.D.R. 3; [2011] F.S.R. 18 the CJEU had expressly approved the policy of the Software Directive as being *“to avoid conferring a monopoly on certain companies in the computer program market, thus significantly hampering creation and innovation in that market.”*
- iv) The functionality of a computer program is an idea (see Court of Appeal [40] to [46] summarising and quoting the Advocate General in the CJEU):

“40. The Advocate-General then turned to consider what counts as an idea, rather than the expression of an idea; ...

‘...the functionality of a computer program is the service which the user expects from it. ...’

41. ... the functionalities of a computer program are dictated by a specific and limited purpose:

‘In this, therefore, they are similar to an idea. It is therefore legitimate for computer programs to exist which offer the same functionalities.’

...

44. Whatever its nature and scope may be, it is my view that the functionality, or indeed the combination of several functionalities, continues to be comparable to an idea and cannot therefore be protected, as such, by copyright.

45. ... Nor does the Advocate-General restrict himself to protection under the Software Directive: he speaks of copyright generally. He added ...

'Similarly, it is my opinion that the foregoing analysis cannot be called in question by the nature and extent of the skill, judgment and labour expended in devising the functionality of a computer program.'

46. Thus the nature of the skill and judgment expended in devising the functionality of a computer program (which will inevitably involve making choices) still falls on the ideas side of the line."

- v) The Court of Appeal concluded (at [47] – [49]) that the CJEU did not disagree with the Advocate-General's analysis and, moreover that the CJEU had "specifically approved" the Advocate General's Opinion that:

"to accept that the functionality of a computer program can be protected by copyright would amount to making it possible to monopolise ideas, to the detriment of technological progress and industrial development".

168. WPL points to the CJEU's judgment:

" 50 The Court observes that, from the wording of that provision, it is clear, first, that a licensee is entitled to observe, study or test the functioning of a computer program in order to determine the ideas and principles which underlie any element of the program.

51 In this respect, Article 5(3) of Directive 91/250 seeks to ensure that the ideas and principles which underlie any element of a computer program are not protected by the owner of the copyright by means of a licensing agreement.

52 That provision is therefore consistent with the basic principle laid down in Article 1(2) of Directive 91/250, pursuant to which protection in accordance with that directive applies to the expression in any form of a computer program and ideas and principles

which underlie any element of a computer program are not protected by copyright under that directive.

53 Article 9(1) of Directive 91/250 adds, moreover, that any contractual provisions contrary to the exceptions provided for in Article 5(2) and (3) of that directive are null and void.”

Submissions

169. WPL submits that the policy underlying the Software Directive is the same as that underlying competition law and thus consumer welfare (promoted by competition rules, see *National Grid v Gas and Electricity Markets Authority* [2010] EWCA Civ 114, [85]). Both competition law and consumer protection are recognised policy bases for refusal of enforcement of arbitration awards – see C-126/97 *Eco Swiss* and C-168/05 *Mostaza Claro*.
170. WPL says that there is no reason why this policy should not fall into the same category. It is common ground that the Software Directive enshrines “*overriding mandatory provisions*”. That is why, despite the Agreement’s governing law being that of North Carolina (which was the basis on which the English Proceedings were brought and run) the English courts nonetheless found that those of its terms which would otherwise have precluded WPL’s actions were null and void. That in itself establishes conclusively that the Software Directive enshrines rules of English public policy.
171. The point is said to be reinforced by the English implementing legislation, which provide at s.50BA(2) of the Copyright Designs and Patents Act 1988, as amended, “*Where an act is permitted under this section, it is irrelevant whether or not there exists any term or condition in an agreement which purports to prohibit or restrict the act (such terms being ... void)*”.
172. Thus, WPL’s case is that:
 - i) The Software Directive favours the free circulation of ideas. In so doing, it gives specific rights of use to the lawful user of software (Art. 5(3)) and strikes down contract terms that would curtail those rights (Art. 9).
 - ii) Any ‘fraud’ or misrepresentation claim based on a promissory misrepresentation that the licensee would comply with terms of a software license which, as printed, included terms contrary to Art. 5(3) would be bound to fail. This is because, for example, the terms in question are a nullity (under Art. 9) and there can thus be no representation about them.
173. The issue between the parties essentially related to the significance of the fraud claim. SAS does not dispute the fact that the Software

Directive embodies an overriding public policy. It does however dispute that that public policy is in play where the claim is one in fraud. It submits that no provision of the Software Directive authorises fraud.

174. SAS directed me to the Software Directive starting with some of the recitals, including those discussed above. Within the Directive itself SAS laid stress on:

i) Article 1(1) of the Software Directive (headed "Object of protection") "*In accordance with the provisions of this Directive, Member States shall protect computer programs, by copyright, as literary works within the meaning of the Berne Convention for the Protection of Literary and Artistic Works*".

ii) Article 4 of the Software Directive (headed "Restricted Acts") provides that subject to certain exceptions "*the exclusive rights of the rightholder... include the right to do or authorise*" certain acts.

iii) Article 5 (headed "Exceptions to the Restricted Acts"). Article 5(1) provides:

"In the absence of specific contractual provisions, the acts referred to in Article 4 (a) and (b) shall not require authorization by the rightholder where they are necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose, including for error correction."

iv) Article 5(3) provides for the following exception:

"3. The person having a right to use a copy of a computer program shall be entitled, without the authorisation of the rightholder, to observe, study or test the functioning of the program in order to determine the ideas and principles which underlie any element of the program if he does so while performing any of the acts of loading, displaying, running, transmitting or storing the program which he is entitled to do."

v) Article 9 of the Software Directive (headed "*Continued application of other legal provisions*") provides for the interrelationship between the Directive and areas of the law not covered by it. Article 9(1) provides that:

"1. The provisions of this Directive shall be without prejudice to any other legal provisions such as those concerning patent rights, trade-marks, unfair competition, trade secrets, protection of semi-conductor products or the law of contract. Any

contractual provisions contrary to... the exceptions provided for in Article 5 (3) shall be null and void.”

175. Relying on this text SAS submitted that there were three reasons why WPL’s “public policy” argument in reliance on the Software Directive is unsustainable.
- i) First, on a true reading the Software Directive has no application to the question whether representations made to induce access to a computer program may be regarded as actionable fraud for the purposes of national tort laws. It provides for the protection in the Member States of computer programs by copyright as literary works. The Directive is not expressed to apply to other areas of law; as set out in the first sentence of Article 9(1), it is expressly “without prejudice” to such other areas; and the only qualification is that in the second sentence of Article 9(1), which provides that certain contractual provisions are null and void. The Directive says nothing about fraud.
 - ii) Second, there is no inconsistency between the provisions of the Software Directive and a national law which treats as actionable fraudulent misrepresentations made in the context of inducing access to computer programs. The exceptions to copyright in the Directive does not mean that the rightholder cannot assert other rights, e.g. a right to damages arising from a fraud.
 - iii) Third, the exception under Article 5(3) in any case applies only to a “lawful acquirer” of the computer program. It notes that the CJEU’s decision answered the English Court’s questions regarding Article 5(3) expressly on the premise “*apparent from the order for reference*” that “*WPL lawfully purchased copies of the learning edition of SAS Institute’s program*”. The CJEU expressed no opinion on whether a person can be a “lawful acquirer” where access to a computer programme is induced by fraud. It submits that it would be contrary to principle and serve no discernible policy if it were so regarded.
176. In the light of these points, SAS submits that there is no basis for WPL’s assertion that the Fraud Claim is contrary to the “public policy” manifested in the Software Directive. What matters is that WPL deceived SAS about its intentions and obtained access on that basis. It says that there is nothing in the background or the text which justifies a conclusion that the Software Directive exhibits a policy that requires authorising frauds such as that which WPL perpetrated.
177. Further and in any case, nothing in the Software Directive purports to address the circumstances in which Member States may recognise and enforce judgments; let alone judgments of non-Member States; and let

alone judgments of non-Member States for fraud under their own law. There is no authority to suggest that the Directive applies to such matters. It would be contrary to principle and serve no discernible policy if it were held so to apply.

Conclusions

178. Ultimately, I was not persuaded by SAS's approach to this point, which seemed primarily to involve asserting a broad case on "fraudster's charter" which could not be justified by reference to the Directive.
179. The fundamental problem for SAS is that the Directive plainly envisages the rendering null and void of provisions such as those on which SAS wants to rely, indeed that is explicitly the policy enunciated in the case law and yet SAS's fraud case is dependent upon those terms' existence. The effect of the Directive is, as I have indicated above, to make SAS's fraud claim (as formulated) impossible to express. It is therefore unrealistic to analyse the matter as the Directive "*authorising frauds*".
180. SAS's argument by reference to Art. 9(1) that the claim is not covered at all, on a proper reading of this section, is no answer. I am satisfied that this is not a general exception for all areas of law. It is an exception for, on the one hand rights in the intellectual property family ("*provisions such as those concerning patent rights ... semi-conductor products and also 'unfair competition'*" which apparently equates to passing off) and, on the other hand, rights in contract (save to the extent that they conflict with Art.5). This indicates clearly that the Directive does impact on other areas of law and that national laws outside the specific categories in Art. 9(1) must be read and applied to give indirect effect to the Software Directive, save insofar as they fall within the limited exceptions.
181. It has seemed to me that if there is an answer to this point for SAS it must actually lie elsewhere within the Software Directive and its construction. In argument I indicated that I could see that if WPL was not a "lawful acquirer" within the terms of the Directive it could not rely on the Directive and its policy as a road block. And indeed, it seemed to me that the concept of a "lawful acquirer" might be designed to deal with this kind of point. This point was adopted in the light of my enthusiasm by SAS.
182. However, and in any event, having been taken through the history of the litigation I can now see that the issue of "*lawful acquirer*" is simply one which it is not open to SAS to raise. That history discloses that (as set out above) the CJEU reached its determination on the assumption that WPL was a "*lawful acquirer*" of the software. On return to Arnold J it was suggested that that assumption was wrong – not on the basis of fraud, but on the narrower basis of the use by more than one individual. He found against SAS on that point. In the Court of Appeal in October 2013 the question of "*lawful acquirer*" was raised again, and Lewison LJ found

at [104]: "*I do not think that it is open to SAS, on the basis of its pleaded case, to assert that WPL was not a lawful acquirer of the licence.*"

183. There is therefore no easy route out in this way. I do not consider that it is open to SAS to try (as it did in its closing and without the point ever having been pleaded) to reopen this point. I must simply examine whether this case fits within the limited authorities. Even proceeding cautiously, as seems to be indicated both because of the outcomes (refusal of enforcement) and because of the route (elevating an English Law policy above comity), I conclude that it does.
184. It is clear that the Software Directive gives expression to two important public policy objectives of preventing the monopolisation of ideas and promoting competition and consumer welfare.
185. The authorities in the analogous area of competition law demonstrate that these are the type of policy reasons which justify refusing to enforce an arbitration award. They are therefore seen as matters which do at least in modern terms deal with a sufficiently fundamental or essential principle or norm. There is no reason why they are not equally good reasons for non-enforcement of a judgment at common law. I do not consider that the absence of reference in the Software Directive to prevention of enforcement of judgments which undermine its effect means that there is no intention for the Directive to impact on enforcement. No authority suggests that any public policy which justifies refusal of enforcement must also include an express statement to that effect. Indeed, in the case of such broad policy an express statement might be read as a tacit limitation on the application of the policy, which would be contrary to the ethos of the policy.
186. I accept the submission that if SAS were right, the Software Directive would be open to being denuded of all effect. Copyright owners could almost automatically evade the effect of Art.5(3) by relying on promissory misrepresentation or 'fraud' claims. The Directive's purpose would be defeated.
187. Accordingly, the Directive cannot be read narrowly as SAS suggests. I take fairly lightly WPL's submission that as an EU legal instrument, it must be interpreted teleologically and so, even if the strict legal analysis did not bite, the court should still hold that the policy embodied in and the terms of the Software Directive itself prohibit 'fraud' claims of the sort SAS advanced in the US Proceedings. I entirely see that the purpose of the Directive must be brought into account, but I would hesitate to find that a teleological approach "trumped" a powerful argument on the wording of the Directive. However, I see no such argument here. Aside from the possibility of a "*lawful acquirer*" point, I do not see the wording of the Directive as being in conflict with the teleological approach; rather the reverse.

188. The Software Directive encapsulates a policy that ideas and principles which underlie any element of a computer program are not protected by copyright. As such it envisages a world where licences can only operate outside the ambit of that liberty.
189. Nor, when one comes to cross check the matter by reference to a counterfactual, does this approach to the Software Directive provide an answer which sits uncomfortably viewed from an English Law perspective. It is not simply a question of whether the US Judgment embodies a decision which is antithetical to the Directive. There is a more concrete comparator which bolsters the approach to public policy. If one asks whether the Fraud Claim and the dependent UDTPA Claim would have succeeded had they been brought in England, “the answer is fairly plainly: “no”.”. They are claims founded on the premise of the existence of and/or breach of the very contract terms which the English court would (and did) strike down for reasons of the public policy embodied in the Software Directive. There were two routes by which these claims could have succeeded: the existence of the terms, or the establishment of “*unlawful acquirer*”. Absent these the claim must have failed.
190. I therefore do conclude that it would have been appropriate in this case to refuse enforcement on the grounds of public policy because of conflict with the Software Directive.

Abuse of Process: Natural Justice

191. In the circumstances this argument does not arise. However as noted above I was asked to give answers on all the issues, and do so.
192. It was WPL's case that the US Judgment is not enforceable because the proceedings in which it was obtained were opposed to the English view of natural or substantial justice by reason of its treatment of the Software Directive and the prior English proceedings. SAS denies this on the basis that the US Court had merely applied its own “*law and/or procedure*”.

The Law

193. The law was not in issue between the parties. A “*foreign judgment may be impeached if the proceedings in which the judgment was obtained were opposed to natural justice*” (Dicey, Rule 52).
194. The defence is not limited to cases where the defendant did not receive due notice or have an opportunity to put its case. The Court of Appeal in *Adams v Cape Industries* [1990] 1 Ch 433 at p.564A–B rejected this argument and held that Scott J had been entitled to direct himself by reference to the following passage of Lord Lindley’s judgment in *Pemberton v Hughes* [1899] 1 Ch 781 (CA) at p.790:

“If a judgment is pronounced by a foreign Court over persons within its jurisdiction and in a matter with the propriety of the proceedings in the foreign Court, English Courts never investigate the propriety of the proceedings in the foreign Court, unless they offend against English views of substantial justice. Where no substantial justice, according to English notions, is offended, all that English Courts look to is the finality of the judgment and the jurisdiction of the Court. If the court had jurisdiction in this sense and to this extent, the courts of this country never inquire whether the jurisdiction has been properly or improperly exercised, provided always that no substantial injustice, according to English notions, has been committed.”

195. Further and to the extent relevant, it was said that the question is to be approached solely from the English perspective: *Jet Holdings v Patel* [1990] 1 QB 335 (CA) at p.345 per Staughton LJ (*obiter dictum*); Briggs paragraph 7.71.

The Submissions

196. It is fair to say that Mr Lowenstein QC for WPL did not place much stress on this point, but the point is nonetheless in issue before me. WPL contends that the US Proceedings were contrary to natural justice because they forced WPL to fight fundamentally the same issues twice but without a full legal armoury. In particular, the US Court failed to recognise the English Judgment as *res judicata*, refused to apply the Software Directive, and denied WPL the opportunity to be heard by refusing to allow any reference to the Software Directive, the treaty obligations underlying it or the previous English Proceedings before the jury.
197. It submits that the fact that the US Court was following a proper local procedure with full opportunity for WPL to appeal does not matter where the English court takes the view that the US procedure was contrary to English notions of natural justice.
198. WPL says that SAS’s approach makes the error of considering the matter through US eyes where, of course, local laws and procedures will not be considered to be contrary to natural justice. It submits that the fact that WPL was not permitted to raise the Software Directive and so the essential part of the prior inconsistent English judgment means that it was not therefore afforded a fair opportunity to be heard.
199. Further it submits that the approach of the US Courts allowed WPL to be vexed twice (and now, with these proceedings, thrice) with the same matter, which offends the principle underlying the doctrine of *res judicata*.

200. SAS says that WPL's case is overambitious. It submits that the principles primarily apply in cases where the judgment debtor was afforded insufficient notice of the foreign proceeding or insufficient opportunity to present his case; or otherwise there was some other serious procedural irregularity. WPL makes no such complaint, nor could it given the extent of WPL's participation in the US Proceedings and Judge Wilkins' uncontested opinion is that "[t]he Federal Rules contain numerous provisions intended to ensure that a party has a full and fair opportunity to present his case".
201. Second, it is said that WPL's approach amounts to an attempt to impeach the US judgment on the merits, which is not permissible. SAS emphasises that WPL must show a serious procedural irregularity offending against English notions of substantial justice. That is necessarily a high bar.
202. Third, it submits that the decisions upon which WPL relies involve no procedural irregularity. In respect of each of them, the US District Court considered the matter on notice to WPL, gave WPL full opportunity to present its case, and decided the matter judicially in accordance with the applicable procedure.
203. Fourth, it submits that in considering whether foreign proceedings offend against English notions of substantial justice, it is relevant to enquire what remedies were available in the foreign legal system and whether the judgment debtor availed herself of them. Here, WPL had and took the opportunity to appeal to the US Court of Appeals and then petitioned for *certiorari* in respect of the US Court of Appeals' decision. It submits that far from offending against English notions of substantial justice, the process followed in the US fully accorded with it.

Conclusion

204. I can take this argument fairly shortly. "*English Courts never investigate the propriety of the proceedings in the foreign Court, unless they offend against English views of substantial justice.*" There are obvious sound reasons for this approach. The Court accepts that different courts will proceed in different ways, and it would be both arrogant and wrong to proceed on the basis that if the same result is not achieved in a foreign court something must have gone wrong.
205. It is for this reason that the authorities tend to suggest that the Court's primary concern is as to procedural fairness. So long as a claimant or defendant has a fair opportunity to put its case the Court will not generally take the view that another court's proceedings offend against English views of substantial justice.
206. In this case WPL had and took every opportunity to put its case. What happened was that the US courts declined to acknowledge a policy approach favoured by European Courts towards the intersection

between software rights and competition. I fail to see how, because the US Court does not recognise the law embodying that policy view, that constitutes a failure of substantial justice. Accordingly WPL's case under this head of challenge would fail.

The effect of s. 5 PTIA

Law and Submissions

207. WPL argues that as regards the UDTPA element of the claim, recovery is barred by the effects of s. 5 UDTPA.

208. Sections 5(1)–(3) of the Protection of Trading Interests Act 1980 (“PTIA”) provide as follows:

“(1) A judgment to which this section applies shall not be registered under Part II of the Administration of Justice Act 1920 or Part I of the Foreign Judgments (Reciprocal Enforcement) Act 1933 and no court in the United Kingdom shall entertain proceedings at common law for the recovery of any sum payable under such a judgment.

(2) This section applies to any judgment given by a court of an overseas country, being—

(a) a judgment for multiple damages within the meaning of subsection (3) below;

(b) a judgment based on a provision or rule of law specified or described in an order under subsection (4) below and given after the coming into force of the order; or

(c) a judgment on a claim for contribution in respect of damages awarded by a judgment falling within paragraph (a) or (b) above.

(3) In subsection (2)(a) above a judgment for multiple damages means a judgment for an amount arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained by the person in whose favour the judgment is given.”

209. WPL argues that section 5(1) therefore prevents the recognition or enforcement of any judgment to which it applies. Such a judgment includes an overseas court’s “*judgment for multiple damages*” which is defined by s.5(3) as, “*a judgment for an amount arrived at by doubling,*

trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained by the person in whose favour the judgment is given.”

210. SAS submits that the section is not engaged because the US judgment carefully separates out the compensatory part and, on the authorities, this enables the compensatory part to survive and to be enforced.
211. The arguments centre on the wording of the section and a few relevant authorities. However, some relevant background, which underlies the particular iteration of the argument should first be given.
212. SAS’s Memorandum in support of its Motion for Entry of Judgment in North Carolina dated 13 November 2015 stated that “...*once the court has established that an act constitutes a violation of the [UDTPA], it must automatically treble the damages.*” It requested that the North Carolina court should enter judgment in the form of SAS’s proposed order, which separated what it called the “compensatory” part of the award to be made under the UDTPA from the additional part reached by trebling the compensatory element. In doing so it explained that on the strength of the decision of the Court of Appeal in England in *Lewis v Eliades* [2003] EWCA Civ. 1758 [2004] 1 WLR 692 and in the light of the PTIA: “...*SAS will be unable to obtain the full relief granted by the US judgment in the UK courts, namely the multiplied portion... The [PTIA] is no obstacle to enforcement in the UK Courts of the compensatory part, provided that it can be readily distinguished, separated, and quantified.*”
213. The US District Court held as follows regarding the form in which its Judgment was given:

“... the Court finds that a clear demarcation between compensatory and non-compensatory damages will aid in the execution of this judgment. Under Section 5 of the United Kingdom Protection of Trading Interests Act of 1980, “*no court in the United Kingdom shall entertain proceedings at common law for the recovery of any sum payable” under a judgment “for multiple damages”... “Multiple damages” includes a “judgment for an amount arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained by a person in whose favour the judgment is given.”* Id at §5(3). An explicit differentiation between the jury’s award of compensatory damages in this case, prior to trebling \$26,376,635 on each of [SAS’s] three claims ... will not prejudice [WPL] because it accurately reflects the jury’s award. A judgment structured in this fashion likely will aid a U.K. court when plaintiff attempts to enforce the award. Accordingly, this portion of

plaintiff's motion is GRANTED as well, and this ruling will be reflected in the court's final judgment order."

214. To reflect this holding, the US Judgment states in material part that:

"IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the jury finds the defendant World Programming Limited fraudulently induced plaintiff SAS Institute, Inc. to enter into the SAS Learning Edition License Agreement;

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the jury finds that defendant World Program [sic] Limited's fraudulent conduct was in or affecting commerce and such conduct was a proximate cause of plaintiff SAS Institute Inc.'s injury, in violation of North Carolina's Unfair Deceptive Trade Practices Act, N.C. Gen Stat. §75-1.1;

IT IS FURTHER ORDERED ADJUDGED AND DECREED that plaintiff shall have and recover the sum of... \$26,376,635.00 in compensatory damages on its fraudulent inducement to contract claim, and the sum of \$26,376,635.00 in compensatory damages on its claim for violation of North Carolina's Unfair and Deceptive Trade Practices Act, N.C. Gen. Stat. §75-1.1. Where each award of damages arises from the same injury, plaintiff shall be entitled to collect \$26,376,635.00 only once.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED, that interest shall be at the legal rate, accruing from October 16, 2015 until paid;

IT IS FURTHER ORDERED, ADJUDGED AND DECREED, that plaintiff shall have and recover the additional sum of \$52,753,270.00 on its claim for violation of North Carolina's Unfair and Deceptive Trade Practices Act, N.C. Gen. Stat. §75-1.1, which sum, in addition to the compensatory amount specified above, represents the trebling of plaintiff's damages as required by law, N.C. Gen. State §75-16.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED, that interest shall be at the legal rate, accruing from October 16, 2015 until paid."

215. No English decision considers section 5 PTIA as part of its ratio. I have however been referred to a number of English authorities and one Scottish one to assist me.
216. The earliest in time is *British Airways Board v Laker Airways Ltd* [1984] QB 142. There at p.161E Parker J engaged in a short review of the provisions of the PTIA for the purposes of the different issue before him, in the course of which he observed:
- “By section 5 no foreign judgment is enforceable in this country inter alia if it is a judgment for multiple damages. This is aimed directly at judgments in antitrust actions and goes to the whole of the judgment not merely the multiple or penal part of it.”
217. In *Lewis v Eliades*, the issue which arose concerned whether the presence of a clearly identifiable RICO award (USD 396,082 trebled to add a further USD 792,164 [25] to make total RICO damages of USD 1,188,246) rendered the whole judgment of USD 8,065,805 unenforceable: [28]–[29]. As part of this debate the parties agreed, upon the concession of the Defendant, that all the treble damages award, including the basic award, were irrecoverable.
218. The Court of Appeal held that the other (non RICO) compensatory damages could be enforced. It reasoned that s. 5 of the PTIA must be interpreted in the light of the principle that awards of compensatory damages by a foreign court of competent jurisdiction are enforceable; and that the policy of the statute is to prohibit the enforcement of awards of multiple damages. Potter LJ said that the converse result would be “draconian”. At [48]–[49] he continued thus:
- “In my view, the proper approach to the 1980 Act is to recognise that it represents a statutory exception to the broad principle of recognition and enforcement for foreign judgments observed for several centuries in this country under the common law, at first in the name of comity, but later under the “doctrine of obligation” ... Thus, the position is that, provided a foreign court has jurisdiction to give the judgment according to the English rules of conflict of laws, that judgment is conclusive in England, unless it is impeachable for reasons of fraud, public policy or the like.”
219. Similarly at [60] Jacob LJ described the possible result that “*an award for compensatory damages unconnected with a multiplied sum could not be enforced*” as an absurdity.

220. Given that in that case there was no attempt to “split out” the compensatory part of the RICO damages, what is in issue between the parties is what they can take from the following passages:

- i) Potter LJ at [41]: *“I accept, and indeed it is not in issue between the parties, that the 1980 Act makes clear its hostility to awards of multiple damages by barring enforcement in the United Kingdom of any part of such award including the basic compensatory award to which a multiple element has been applied and superadded. The wording of the definition in section 5(3) makes that clear.”*
- ii) Potter LJ at [53]: *“In my view the robust and sensible approach to section 5 of the 1980 Act in relation to a composite judgment of the kind now before us, is not to treat the multiple damages element of the judgment as definitive of, or “infecting”, its character as a whole, but to read section 5(1) as precluding proceedings for recovery at common law only to the extent that the judgment sought to be enforced is for an amount arrived at by multiplying a sum assessed as compensation for the loss or damage sustained by the person in whose favour the judgment was given.”*
- iii) Jacob LJ at [61–2] : *“purely compensatory awards can be enforced, multiplied awards not.... I am conscious that this case does not deal with the enforceability of the compensatory part of a multiplied award. It is not contended before us that the unmultiplied RICO award can be registered. For my part I would, therefore not wish it to be thought that the decision in this case governs that question. It can be decided if and when it arises”.*

221. The next authority is *Lucasfilm v Ainsworth* [2009] FSR 2. The case subsequently went to the Supreme Court on other issues but at first instance Mann J held (*obiter*) that enforcement of an award of compensatory damages in a form very similar (though not quite identical) to that under the US Judgment was not barred by s. 5 of the PTIA: see at [224]–[231]. He held at [228] that while the point was not decided by *Lewis*, the case: provides “significant guidance” given the “purposive approach” there adopted to the construction of the statute and shows that the foreign judgment must be assessed as a matter of substance not form.

222. At [229] he stated that *“there was no reason in policy why the untainted compensatory elements should be rendered irrecoverable, and good reasons in policy why they should be recoverable”*. He concluded at [230] that:

“ the same purposive reasoning leads to the conclusion that the genuinely compensatory elements of an award subject to multiplication should

be equally recoverable... take a case like the present, where the claimant chooses to claim the benefits of multiplication. Why should that fact now deprive him of enforcing the genuinely compensatory element? The only reason for doing so would be to express disapproval, to the extent of removing what was otherwise a plain entitlement. That would in my view smack of a penalty, and would require clearer words than appear in the statute to justify its imposition. I do not think that the wording is sufficiently clear. The purpose of the Act is plainly to prevent something in the nature of a penalty (the multiple damages); it is not at all plain that that should be at the expense of imposing another one. I hold that it does not do so.”

223. He expressed doubt that Potter LJ genuinely meant to rule against recovery in such a case and laid stress on the fact that the judgment was in terms that “*makes it plain that the relevant head of damages does have a compensatory element and identifies it. There is a real sense in which this part of the judgment contains two separate and severable elements – the compensatory and the punitive, or exaggerated (or whatever adjective one chooses to apply to the multiplied damages)*”.
224. In *Pace Europe Ltd v Dunham* [2012] EWHC 852 (Ch) HHJ Purle QC (Sitting as a Judge of the High Court) considered a case which involved a North Carolina judgment awarding compensatory damages for various common law causes of action and multiple damages under the UDTPA. Enforcement was sought and granted of the compensatory damages. The judge observed (again *obiter*) that while Mann J’s reasoning had been criticised by commentators, he regarded it as “compelling” and supported by s. 6 of the PTIA; referring in this regard to Nelson J’s observation in *Lewis* at first instance ([2003] 1 All ER (Comm) 850, [63]) that “*Section 6 supports the view that it is only the part of the judgment which contains multiple damages which can be regarded as objectionable*”. Had it been necessary to do so, HHJ Purle QC would have followed Mann J’s approach and held that the compensatory part of the award under the UDTPA was enforceable.
225. The final case is that of *Service Temps Inc v MacLeod* [2013] CSOH 162 [2014] SLT 375. In that case Service Temps Inc (“STI”) had obtained judgment in Texas against HDL International Inc (“HDL”) for USD 4,285,128.21. That sum was reached by multiplying the “principal amount” awarded under the Texas judgment by three: the Texas judgment stated that it “*...consists of the principal amount of \$1,428,376.07 In connection with its claims for breach of contract and claims for violation of the Texas Free Enterprise and Antitrust Act of 1983 (‘the Act’) trebled pursuant to the Act for defendant’s wilful conduct.*”

226. STI obtained a second judgment in Texas, for nearly USD 3 million, against individuals who were directors and shareholders of HDL, on the basis that they had transferred funds from HDL's US bank to various Scottish accounts in order to defeat STI's claims. STI then sought to enforce the second judgment against the individuals in Scotland.
227. The Lord Ordinary, Lord Hodge (now Lord Hodge JSC) held that, notwithstanding the fact that STI did not seek to enforce a "*direct claim for multiple damages*" [36], s.5(1) should be given a wide interpretation which operated to bar the recovery of any part of a judgment for multiple damages within the meaning of that section. This was the plain reading of the section and was in accordance with the "... *broad intention of the legislation, which is to discourage the extraterritorial enforcement of anti-trust judgments and measures...*" [36]. WPL particularly relied on [32]–[33], where Lord Hodge said
- "[32] ...The 1980 Act seeks by various means to prevent the enforcement against persons in the United Kingdom of legal measures and court judgments under United States anti-trust legislation...
- [33] It is clear in my view that Parliament sought to discourage what it considered to be the exorbitant effects of United States anti-trust laws the Act is concerned not only with the extraterritorial effect of such laws but also with preventing the recovery of multiple damages. Hence s.5. Further, s.6 enables a defendant, such as a citizen of the United Kingdom or a person carrying on business in the United Kingdom, who has paid multiple damages, to recover from the payee by legal process in the United Kingdom the excess over what would have been compensatory damages."
228. STI argued that, even if s.5 applied, the court could sever the part of the judgment in excess of the compensatory element and enforce just that lesser element. Lord Hodge rejected that contention. He held at [38]: "*Section 5(1) is clear in its terms. It prohibits the statutory registration of a judgment which falls within s.5(2), or common law proceedings for the recovery of sums payable under such a judgment.*"
229. Lord Hodge found that it was not possible to sever the compensatory element of the award of multiple damages under the Texan judgment sought to be enforced; and on that basis, s. 5 of the PTIA barred enforcement. He so found in circumstances where (unlike here) the foreign judgment did not separately identify an award of compensatory damages that could be severed.

230. WPL submit that this provides very strong support for its case; the PTIA is a UK statute and this court should therefore interpret it in the same way as the Scottish court – see e.g. *Eastwood v Herrod* [1968] 2 QB 923 (CA) at p.935B–C where Lord Denning MR said, “*the courts of England and of Scotland should decide these cases the same way.*”
231. SAS says that the case, being Scottish, is not binding on me and that the circumstances were different.
232. WPL also says that the approach of Lord Hodge is in line with academic writing, citing:
- i) Briggs, 7.78: “*...It is noteworthy, and perhaps unexpected, that the exclusion covers not just the sum reached by multiplication, but also the underlying sum assessed by way of compensation.*”
 - ii) Dicey, 14.274: “*... Judgments caught by section 5 are wholly unenforceable, and not merely as regards that part of the judgment which exceeds the damages actually suffered by the judgment creditor.*”
 - iii) Mr Scott, commenting on *Service Temps* in the British Yearbook of International Law, and expressing the view that the approach adopted by Lord Hodge was in line with *British Airways v Laker Airways* and *Lewis v Eliades*.
233. While WPL submit that my true course is simple – to follow the line indicated by Potter LJ and Lord Hodge, SAS submits that greater subtlety is called for. It submits that the issue is whether SAS’s claim to enforce the US Judgment for compensatory damages in respect of the UDTPA Claim is a claim “*for the recovery of any sum payable*” under a “*judgment for multiple damages*” for the purposes of s. 5 of the PTIA and that properly regarded, in the light of the authorities it is not.
234. It says that since there is no dispute that the fact that a composite judgment such as the US Judgment contains an award of multiple damages does not render the entirety of it a “*judgment for multiple damages*” for the purposes of s. 5 of the PTIA, there is no reason to take a different approach to a compensatory part of a judgment under a head which also has a non-compensatory element.
235. It submits that what one takes from the later authorities is that the critical question when applying s. 5 of the PTIA is whether the damages award sought to be enforced is properly to be regarded as an award of compensatory damages separate and severable from the award of multiple damages. Where that is the case, such an award of compensatory damages may be enforced notwithstanding that it is in respect of a cause of action for which multiple damages are also awarded. Here, SAS says, it is manifestly the case – more so indeed that in previous authorities; the only part of the US Judgment that is for an amount arrived at by multiplying the sum assessed as compensation is

the separate part, i.e. the “additional sum of \$52,753,270.00” and the interest on that sum, which are not sought to be enforced here. Accordingly, s. 5 of the PTIA has no application to them following the purposive construction of the statute adopted in the authorities.

236. It submits that as with the judgment considered in *Lucasfilm* there is a “real sense” in which the US Judgment contains two “separate” and “severable” elements in respect of the UDTPA Claim. There is no policy or other reason why the PTIA should be construed to prevent enforcement of the compensatory damages awarded in respect of the UDTPA Claim.

Conclusions

237. This is an unusual and interesting issue.
238. The first point with which I will deal is the question of form. I do not consider that the US Judgment takes the form that it does, with the non-compensatory element of the UPDTA award separated out, makes any difference to outcome. To find that it did so would be to elevate form over substance impermissibly; and such an approach is not justified by the authorities which indicate that where there is a valid and an invalid part of the judgment, the valid part can be saved so long as the relevant elements of the damages are “readily identifiable”. This was the case in *Service Temps* where even if not separately stated, the individual elements of the Texas judgment were clearly identifiable and thus Lord Hodge was able to deal with them, separately, on their merits. Much the same was true in *Lewis* where the Potter LJ referred to a “readily identifiable” treble damages RICO Act award of USD 1,188,246 within the total damages of USD 8,065,805
239. That however begs the question of whether a judgment under UPDTA or a similar Act which contains a compensatory and a non-compensatory element should as a matter of principle be treated as the Court of Appeal treated the judgment on the separate causes of action in the *Lewis* case – or rather as the parties and the Court treated the RICO element of the claim in that case.
240. This essentially involves deciding whether the line indicated more strongly in *Lewis* and taken up by Lord Hodge in *Service Temps* (supported by the weight of academic authority) is to be preferred over the carefully considered *obiter dictum* of Mann J in *Lucasfilm*.
241. Ultimately, I have concluded that it is. The starting point is that in my view *Lewis* provides no real support for SAS's position. I do not read it as saying that the statute is to be construed purposively. Potter LJ was clear at [41] that the consensus as to the approach to the RICO claim was correct. His later references to compensatory elements are probably best read as expressing his views in the particular context, i.e. that of grappling with other purely compensatory claims. However, I

would not regard the case as providing very strong authority for WPL either, in circumstances where the passage at [41] was plainly based on a concession, which one cannot realistically expect the learned Lord Justice to have second guessed and where Jacob LJ plainly was slightly unsure as to whether the concession was correct.

242. As for *Lucasfilm*, although Mann J at [224] – [231] engaged in a fairly lengthy discussion it is *obiter* and it is certainly not binding on me, though it merits careful consideration. I do not think that *Pace* really advances matters. This was a case in the Chancery Division in Birmingham. Although it arose in relation to the same act the discussion of HHJ Purle essentially derives from *Lucasfilm* and has less persuasive weight than that judgment. It also does reflect, as WPL submitted, a misunderstanding at [13] of the nature of the decision in *Lewis*. In particular the judge appeared to consider that *Lewis* concerned RICO damages; whereas in fact it was conceded there that none of the RICO damages were recoverable.
243. It seems to me that with the greatest of respect to the learned judge in *Lucasfilm* (and very understandably given the batting order of the point in a complicated judgment) he paid insufficient regard to the actual wording of the Act. When one goes back to the Act one finds that the prohibition (“*no court in the United Kingdom shall entertain proceedings at common law for the recovery of any sum payable under such a judgment*”) relates to “*a judgment for multiple damages*”. That is defined as meaning “*a judgment for an amount arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained by the person in whose favour the judgment is given.*”
244. The judgment relates therefore to the cause of action. The statute does not distinguish between different elements of an order entered under a judgment. If there is a judgment based on multiplication, then no part of it may be enforced. That is given support by the preamble to the Act which states: “*An Act to provide protection from requirements, prohibitions and judgments imposed or given under the laws of countries outside the United Kingdom and affecting the trading or other interests of persons in the United Kingdom.*” This demonstrates that it is focussed on causes of action which attract punitive or multiple damages such as those that are found under UDTPA.
245. This is exactly what Lord Hodge found in *Service Temps* at [13]: “*This remarkable Act was enacted to discourage the United States from seeking to enforce its competition policies by, among other means, making awards of multiple damages against persons in the United Kingdom.*” (and see to similar effect at [33]). As to *Service Temps*, while Lord Hodge did not address the detailed reasoning in *Lucasfilm* it was plainly cited to him, and his divergence must be taken to be a witting one.

246. That is consistent not just with how Potter LJ (and the parties in *Lewis*) understood the Act to work, but also with what was said in *Laker*. “[it] is aimed directly at judgments in antitrust actions and goes to the whole of the judgment not merely the multiple or penal part of it.”
247. It is also consistent with how the academic authorities (which do not appear to have been cited to Mann J) understood the matter. I appreciate that Mann J struggled to see why the full judgment should be irrecoverable; the answer is in my judgment in the wording of what Lord Hodge rightly calls a “remarkable” Act and in the forceful policy which underpins the legislation.
248. I therefore conclude that s. 5 PTIA would prevent recovery of the UDPTA claim.

WPL's Counterclaim: s.6 PTIA

249. WPL relies on s. 6 of PTIA as entitling it to recover part of the sum it has paid in relation to the US Judgment.
250. Section 6 of PTIA allows a qualifying defendant to recover part of the damages it has paid under a judgment for multiple damages. The part recoverable is defined by s.6(1) and (2) thus:
- “(1) This section applies where a court of an overseas country has given a judgment for multiple damages within the meaning of section 5(3) above against ...
(b) a body corporate incorporated in the United Kingdom ... (...a “qualifying defendant”) and an amount on account of the damages has been paid by the qualifying defendant ... to the party in whose favour the judgment was given ...
- (2) ... the qualifying defendant shall be entitled to recover from the party in whose favour the judgment was given so much of the amount referred to in subsection (1) above as exceeds the part attributable to compensation; and that part shall be taken to be such part of the amount as bears to the whole of it the same proportion as the sum assessed by the court that gave the judgment as compensation for the loss or damage sustained by that party bears to the whole of the damages awarded to that party.”
251. It is common ground that WPL is a ‘qualifying defendant’ and the UDTPA judgment is a judgment for multiple damages.
252. The issue, however, is whether WPL is entitled to recover any sum under s.6 where it has not yet paid sums exceeding the value of the compensatory part of judgment and interest thereon.

253. WPL has currently paid USD 4,301,884.01 as set out in the schedule to WPL's Defence. WPL contends that it should therefore currently be able to recover from SAS USD 2,876,922.67, being two-thirds of the value of the payments that it has made in respect of the US Judgment.
254. WPL submits that the words of section 6 are clear and work as follows:
- i) An award of multiple damages comprises a part attributable to compensation and the part in excess of that (s.6(2), and also s.5(3)). Thus, here, 100% of the treble damages awarded pursuant to the UDTPA Claim constitutes an award of multiple damages.
 - ii) Section 6 is engaged when any amount has been paid by the qualifying defendant "*on account of the damage*" i.e. the "multiple damages" (s.6(1)).
 - iii) In that event (i.e. any payment on account of the multiple damages) then the qualifying defendant may recover "*so much ... as exceeds the part attributable to compensation*" (s.6(2)).
 - iv) The statute then sets out, in s.6(2), a mechanism to calculate the part that "*shall be taken*" as the amount exceeding the part attributable to compensation.
255. WPL says that this is a deeming provision which is clear. It submits that this approach has considerable advantages in that it avoids the need for inquiry into the way payments may be allocated by the foreign jurisdiction in which the multiple judgment was entered. The result is that, in the case of an award of treble damages, one third of the amount paid will be treated as attributable to compensation and two thirds as the excess. Further, the words "attributable to compensation" are wide enough to include interest on damages which will thus be prorated in like manner.
256. SAS submits that this analysis is incorrect. It says that the only part of the US Judgment that is for multiple damages is that part which awards US\$52,753,270.00 in addition to the compensatory damages awarded. For similar reasons to those previously given it says that is a separate and severable part. SAS has not been "paid" any "amount" on "account" of such multiple "damages" because SAS has recovered only approximately US\$4.3 million in respect of the US Judgment; and that should be allocated to the compensatory damages awarded and interest on those damages.
257. It submits that there are two reasons why that allocation is appropriate. First, if SAS's claim to enforce the US Judgment is upheld, the effect will be to recognise under English law a debt in the sum of the compensatory damages awarded by the US Judgment plus the interest awarded on those damages. WPL having made no appropriation in respect of the recoveries that SAS has made, SAS would be entitled to appropriate them

in reduction of the debt. It would not be open to SAS as a matter of English law to appropriate them to the multiple damages awarded under the US Judgment as they give rise to no enforceable debt under English law.

258. Second, the US Judgment entitles SAS to “collect” the compensatory damages that it awards. SAS has accordingly appropriated, or allocated, such recoveries as it has to date made to those compensatory damages. It filed a Notice of Partial Satisfaction with the US District Court dated 5 October 2018 confirming that it has done so. SAS will so allocate any future recoveries until the compensatory damages and interest awarded on those damages are paid in full.
259. Accordingly, it says there is no basis for WPL’s counterclaim. It has no present right to recover under s. 6 of the PTIA; and it will have no such right unless and until SAS recovers in full the compensatory damages awarded by the US Judgment together with interest on those damages.
260. Alternatively, if WPL has any claim to recover any part of the recoveries that SAS has to date made in respect of the US Judgment, SAS is entitled to and seeks to extinguish that claim by setting off against it WPL’s liability in respect of SAS’s claim.

Conclusion

261. This is primarily a question of interpretation of the words of the statute. The provision is a little dense, but does not read in any way ambiguously.
262. The starting point is section 5(3). This defines a judgment for multiple damages as: *“a judgment for an amount arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained by the person in whose favour the judgment is given.”*
263. What it says is that where an amount on account of “the damages” has been paid. In context that must mean on account of the judgment which counts as a judgment for multiple damages. That is also inherent in s. 6(2) which provides that the qualifying defendant may recover *“so much ... as exceeds the part attributable to compensation”* which assumes that an amount is paid in relation to the judgment at large.
264. Thus unless there is a payment attributable specifically to one element of the judgment or another – at the time of payment – the payment will qualify.
265. Where it does, the statute is clear as to what is to happen. There will be a recovery on account of the non-compensatory element of the judgment which is pro rated according to the formula in the statute. The automatic nature of the exercise is clear from the words “shall be entitled” and “shall be taken”.

266. However, it is important to check whether there is anything in the authorities which points in a different direction. I conclude that there is not.
267. In *British Airways v Laker*, Parker J at p.161H observed that section 6(2):
- “...gives the qualifying defendant the right to recover against the party in whose favour the judgment was given, in effect, that part of any sum paid which represents the excess over compensation. In antitrust actions therefore, a qualifying defendant is entitled to recover against the plaintiff two-thirds of any amount which he may have paid.”
268. To similar effect is the short section in the judgment of Lord Hodge in the *Service Temps* case at [33]:
- “s.6 enables a defendant, such as a citizen of the United Kingdom or a person carrying on business in the United Kingdom, who has paid multiple damages, to recover from the payee by legal process in the United Kingdom the excess over what would have been compensatory damages.”
269. I therefore cannot accept SAS’s argument that only the non-compensatory element falls within the definition of “multiple damages”. That is not what the relevant sections, read together, say. My conclusion is also consistent with the reality of the situation which is that SAS is continuing to seek to enforce the multiple damages award in the USA. It follows that given that the relevant payments made by WPL to SAS were in response to US enforcement procedures in respect of the US Judgment, those payments are on account of the full judgment debt.
270. Nor do I find an answer in SAS’s case that it could as a matter of English Law allocate the payments to the compensatory elements (by reference to Chitty paragraph 21-064) and has done so by its Notice of Partial Satisfaction. Absent another appropriation (e.g. by the debtor at the time of payment) a creditor can as a matter of English law make such an appropriation. However, the point of the argument is that the statute operates as a deemed appropriation unless the payment is not one within the section. Thus, unless the appropriation were made at the time of payment, (which occurred in February and May 2018) so as to make the payment one in respect of the compensatory element only, the statute operates so as to create the entitlement. Even if an appropriation could be made later, it would seem inequitable to permit it to be made defensively: SAS’s Notice came in response to the amendment in September 2018 to plead s. 6
271. It can therefore be nothing to the point that SAS says that it is not seeking to enforce the multiple damages in England. The payment was

made in circumstances where the only sensible reading is that it was (as the Act assumes) a payment in respect both of compensatory and non-compensatory elements.

272. Nor can I see that it matters that SAS has not yet recovered more than the compensatory damages awarded and interest thereon. There is no such rider in the Act; it assumes a pro rata recovery regardless. I note too that it refers to “an amount on account” rather than “an amount in satisfaction”, which indicates that satisfaction is plainly not a qualifying condition.
273. As to SAS’s set-off defence, this is dependent on SAS’s claims being good. It therefore does not arise.