

IN THE HIGH COURT OF NEW ZEALAND
AUCKLAND REGISTRY

CL.35/87

BETWEEN ELMARK INDUSTRIES LIMITED

Plaintiff

A N D DONAGHYS PLASTIC
PACKAGING LTD

Defendant

Hearing: 30 November 1987

Counsel: Nicholson QC and Von Dadelszen in Support
McElrea to Oppose for Plaintiff

Judgment: 21 December 1987

INTERIM JUDGMENT OF THORP J ON APPLICATION FOR RESTRICTION
OF DISCLOSURE OF COMMERCIALY CONFIDENTIAL INFORMATION

This application sought the Court's ruling on the production of a considerable number of the defendant's documents on the grounds that they contain commercially confidential information.

The relevant principles were discussed in T.D. Haulage Ltd v M.K. Hunt Foundation Ltd & Ors, (Auckland Registry A.1435/85, unreported judgment of Barker J delivered 12 December 1986), which largely adopted the principles declared in England in Warner Lambert Co v Glaxo Laboratories Ltd, (1975) RPC 354.

Those cases were recently considered in British Markitex Ltd & Anor v Johnston (Christchurch Registry M.21/87, unreported judgment of Wylie J delivered

27 August 1987), in which, on p.18, His Honour said:

"In relation to the desirability of providing appropriate safeguards to limit dissemination of confidential information:- there is no all-embracing formula for such safeguards. Each case will depend on its own facts as to the minimum extent to which discoverable documents should be disclosed in order for discovery to be effective for the purpose for which it is legitimately required."

In this case, counsel inform me that there has been discovery in full of the whole of the documents now in question to counsel for the plaintiff, but limited to his own use.

Mr McElrea's contention, which I believe was appropriate, was that the present position of the parties in this case is that which the judgment in the T.D. Haulage Ltd case indicated as being the "next step" which counsel should take. At p.14 of his decision in that case Barker J, having indicated as he did the desirability of limited disclosure in the first instance, noted that the Court might:

"... at a later stage of the case, direct disclosure to a wider class of person. The principle that the party should know what his advisers know is subject to modification if trade secrets are to be protected from disclosure to possible competitors".

Then, on p.15, having suggested that the initial step would be to allow inspection by the plaintiff's investigating accountant and solicitor and counsel, Barker J added:

"If these form the view that all or any of the documents must be produced at the hearing as a necessary part of the plaintiff's case, then they can come back to the Court stating grounds for their belief. I may at that stage inspect the documents before authorising them to be shown to the plaintiff. Even then, I may authorise only the most general type of disclosure to the plaintiff along the lines discussed in the patent cases."

At the outset I was informed that the 44 documents listed in the application were only a minority of those which had been in issue, and that while counsel had settled most of their differences it would be necessary for me to inspect the documents in order to determine the remaining disputes between the parties.

When that process commenced, I found to my concern that the very first document for examination raised not one but five separate disputes, as to different parts of the document, and these on somewhat different grounds.

I asked counsel whether it was not possible to arrange the objections in the documents into classes, but was again informed that it would be necessary to consider the documents separately. In the result, at the end of the first day of the estimated half-day hearing, the Court had received argument on only two-thirds of the documents which were listed in the application.

In retrospect, although I accept that the number of issues involved and their different nature made this a not altogether simple operation, I believe it was within the ability of counsel to have reduced the time required to hear this application by grouping objections.

In cases such as the present where the parties are seeking the Court to give urgency, a considerable obligation lies upon counsel to determine the real issues and to present the material relating to those issues in such a form that the Court may achieve a prompt determination of the issues requiring urgent attention.

At the end of a day's argument I had heard submission on documents 1-204, but was left dissatisfied with the state of the final arguments as to the documents 202 and 204.

The matter was then adjourned part heard, counsel having estimated that they would require one or two hours in order to deal with the remaining documents produced by the kiwifruit authority.

This morning Mr Nicholson and Ms Bawden have appeared before me and asked that an interim judgment be released dealing with the documents on which submissions were made. This interim judgment seeks to do that in respect of all documents up to and including document 201.

Counsel also indicated there was a possibility of an overall settlement of the litigation, and said that this might well be assisted by the delivery of an interim judgment.

If no settlement is achieved, I shall require argument on documents 202 and 204 as well as the kiwifruit authority documents.

To deal with objections in the extended way these were presented and argued would involve a decision running into 40 or 50 pages. I have no doubt at all that it is more important to the parties that they receive decisions with only brief reasons, but without delay, rather than a full analysis of the argument on each of the objections taken. On that basis I do now proceed to consider seriatim the documents, and the different portions of those, on which rulings are sought.

Document 13:

This was one of many documents which the defendant said contained material which would have commercial value to the plaintiff because, as a competitor of the defendant, information about the latter's business operations would assist it in competing for the market these two companies largely share. That market is in

plastic trays for the packing of kiwifruit. The plaintiff is a licensee from the defendant, which has copyright in the plastic trays used for this purpose. Of the total market about 80% is retained by the defendant Donaghys, and about 20% is held by the plaintiff Elmark.

The two principal complaints by Elmark in these proceedings are, first, that its licence to produce trays was suspended by Donaghys upon the ground that in breach of its licence contract Elmark had manufactured 8.9 million kiwifruit packs during the 1986/87 season and thereby "departed to a significant extent" from the estimate notified to Donaghys in April 1986 of its intended production for that season. That licence provides that if Elmark departs to a significant extent from proposals notified by it, the licensor may suspend the licence until the issue has been resolved by negotiation or arbitration or it is satisfied that suspension is no longer required.

A principal issue in litigation will therefore be whether or not the action of Elmark in producing 8.9 million trays when it had notified its intention to produce 6 million justified suspension of the licence by Donaghys. In considering that matter the Court will no doubt be required to consider business and other factors relevant in terms of the Prenn v Simmonds principle in order to determine what is a departure "to a significant extent" from notified proposals.

The second principal issue will be whether, as Elmark claims, portions of the licence are made unenforceable by the Commerce Act. It contends that Donaghys has a dominant position in the market and some of the provisions of the licence breached the Act's restrictions on the use of such a position. Donaghys' responses to that contention are that it did not hold a dominant position in the market, and that it is entitled

to the benefit of the exceptions to the general rules of the Commerce Act permitting the maintenance by copyright holders of their copyright privileges. Elmark also contends that the licence contravenes of Sections 27 and 28 of the Commerce Act in that it prevents competition. Donaghys' response is that in terms of Section 45(1)(a) it is entitled to act as it did in order to sustain its copyright.

Considered against those issues it is my view that the passages which were the subject of contest on pages 2, 3 and 4 of Document 13 are likely to be of importance to the plaintiff in considering the extent to which total market requirements and the relative shares of market likely to be attained by the different parties can be predicted. In my view that relevance is sufficient to outweigh the confidential aspect of the information in question.

Of the two passages in issue on page 6, the number of packhouses supplied by Donaghys seems to me of marginal relevance. I do not believe that information need be disclosed.

On the other hand the following paragraph, while certainly referable to a past period, does in my view have sufficient probative value and it is sufficiently directly related to issues under the Commerce Act to justify its disclosure.

Document 24:

The items sought to be excluded on page 3 once again relate to predictability of market and market shares and for the reasons as were given in relation to the first portion of Document 13 are allowed in.

Document 33:

The request by Elmark was for disclosure of

the 3 lines "Total Sales to Date"; "Total Plix"; and "Total Elmark sales as Percentage of Crop", which appear just below half way down this summary. At the time of the argument I was inclined to favour the argument adduced by Mr Von Dadelszen that the Plix figures could be otherwise obtained, and therefore should not be required to be disclosed. After reconsideration I have concluded that the manner in which the defendant has asked the Court to deal with this matter. This matter is unduly complicated and likely to require more time than the particular issue warrants: and that if the Court is to achieve a result in any time which would make it valuable to the parties, a robust attitude should be taken to arguments of that nature. Accordingly, there will be an order that the 4 lines in question be disclosed. The line "Total Elmark" would in any event have been discoverable for much the same reasons as were given in respect of the first part of Document 13 and in respect of Document 24.

Document 35:

This comprised 10 pages, of which all were in contest. The contentions by Donaghys were that the first five pages gave details of the company's analysis of its business and of its knowledge of the Elmark business which would be very valuable to Elmark as a competitor, and that they contained information about its estimates of stock held by growers and exporters which were the result of lengthy investigation by it, the value of which should not be made available to its competitor unless the information had significant probative value.

In my view Mr McElrea's argument that this material tends to establish that at the time the document was prepared, that is to say in or about the beginning of 1987, Donaghys already expected that Elmark would exceed its 6 million pre-season estimate is justified as is his contention that such a factual finding would or could be relevant. That information will be available if the

material above the subheading "Sales made to the Industry this Season" are kept confidential, and if the two lines "Pack out this season" and "Carry over to 1988" which appear immediately below "Industry requirement this season" are also kept confidential, and the remainder is to be let in.

The last five pages of Document 35 are incomprehensible without better interpretation than I was given by counsel. I decline to make any order in respect of them.

Document 55:

It was agreed by counsel that the first two lines should remain in and that the second two lines should remain confidential.

Document 56:

It was agreed that the third column only should be disclosed.

Document 76:

The endorsement at the extreme foot of p.1 of document 76 seems to me to be a reference to the point at which Elmark's lower pricing would affect Donaghys' profitability. It is difficult to imagine a more sensitive topic, and in my view its probative value is not such as to outweigh that character.

The second paragraph on p.2 was, Mr McElrea advised me, required to show that Donaghys intended to use an Authority specification to control other business, and was of importance as showing Donaghys' attitude to Authority specifications and their use in the control of the market. Mr Von Dadelszen invited me to consider limiting the availability of this material by allowing Mr McElrea to use it to cross-examine Donaghys' witnesses, and ordering that Elmark's officers and witnesses be

excluded during cross-examination. That course would involve such difficulty that it would only be appropriate in the most exceptional cases, and I do not think this is one. Much of the same material is in document 75. This passage does little more than to put the document 75 material into context. In my view, although the point is not straight forward, it should remain in.

Document 119:

The material sought by Elmark in my view has little apparent probative value and on the information presently available should accordingly not be released.

Documents 127 and 128:

These seem to me to involve so little in the way of confidentiality that they should be allowed in.

Document 139:

This does raise rather more in the way of confidentiality. However, as I was told that Donaghys were not concerned at the prospect that Wrightson's would learn from it that Donaghys were exercising a surveillance of its business, the remaining confidentiality seems to me insufficient to exclude, and the material is ruled in.

Documents 140-158:

These were the subject of fairly lengthy argument. In my view the appropriate course is to have a price list prepared by Donaghys showing the prices at which it was selling throughout the season, and the dates at which the different prices came into effect, on the basis that this will replace the whole of documents 140-158. In my view this will both permit the plaintiff to have the benefit of the material within those documents showing the movement in prices, and exclude names and other confidential material.

Document 161:

Is in much the same category as document 139 and for the same or similar reasons the balance in my view favours disclosure.

Document 163:

The passage in issue is the penultimate three line paragraph on p.2. This seems to me to have minimal probative value, and a clear commercial sensitivity. It will accordingly be ruled out.

Document 165:

Mr Von Dadelszen said he no longer opposed disclosure of the material on p.2 but did strongly argue that the material on pp 3 and 4, paras 5 and 8, referred to the introduction of new products, and was accordingly sensitive commercial information of negligible probative value. I agree. Those passages are ruled out.

Document 166:

It was agreed that provided the last word in para. 5 is deleted, the rest may be discovered.

Document 168:

The last para. on p.1 is commercial intelligence collected by Donaghys which they should not have to discover.

Document 169:

The information at the foot of p.1 is accepted by Mr McElrea as being material which can only be relevant if the case is not heard next February, as presently proposed. In my view the monthly production figures on p.2 are of no significance to the present issues, and should remain out. The figure in the first line of the next paragraph is by agreement to be discovered, and the figure in the third line of that paragraph by agreement to omitted.

Documents 174 & 176:

These have such slight relevance to the issues in this trial that I do not believe they should be required to be discovered, the documents obviously having some commercial sensitivity.

Document 175:

The question is whether the para. 3 on p.2 headed "Revision of Packaging Specifications" should be discovered. While material under a heading of that nature might be expected to be relevant, having read the material I can see no relevance to the issues in this trial; nor could Mr McElrea. The passage will accordingly remain out.

Document 180:

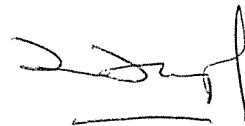
The paragraph under "Elmark Industries" appears to have some relevance to the licensing agreement in the Prenn v Simmonds "factual matrix" sense, and to have very little confidentiality about it. It will remain in.

Document 182:

This has insufficient probative value on the information before me to justify ordering discovery.

Document 195:

This document contains a lot of detailed material about costing, is too old to be of major probative value, and is accordingly ruled out.

A handwritten signature in black ink, appearing to be 'J. J. [unclear]', with a horizontal line underneath.

Solicitors:

Bannister & von Dadelszen for Plaintiff
Russell, McVeagh, McKenzie, Bartleet & Co for Defendant