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To the EFTA Court

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TO THE PRESIDENT AND THE MEMBERS OF THE EFTA COURT
WRITTEN OBSERVATIONS

submitted, pursuant to Article 18 of the Statue of the EFTA Court, by

CONFIDEE AS AND VIDAR OLSEN

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1. INTRODUCTION

- (1) The Supreme Court of Norway has, by application dated 17 June 2024, requested the EFTA Court to give an advisory opinion related to the handling of evidentiary disputes by national courts in the case of trade secret enforcement.
- (2) The case before the Supreme Court concerns a dispute on evidence between the plaintiff Elmatica AS ("**Elmatica**") and the defendants Confidee AS ("**Confidee**") and its general manager Vidar Olsen. In connection with an action for damages, Elmatica has requested access to an application that Confidee has submitted to the Research Council of Norway, and which contains trade secrets belonging to Confidee. Neither the District Court nor the Court of Appeal approved Elmatica's request for access to the application.
- (3) The action for damages from Elmatica is based, among other things, on alleged violations of the Norwegian Act on the Protection of Trade Secrets, which implements Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (hereafter "the Trade Secrets Directive " or "the Directive").
- (4) The main question in the case before the EFTA Court is whether it is a violation of EEA law that neither the District Court nor the Court of Appeal obtained and examined the application before the question of access to evidence was decided by the national court.
- (5) The referring court asks, in essence, whether EEA law require national courts, in evidentiary disputes in cases concerning remedies relating to trade secrets, to weigh one party's right to remedy against trade secret infringement against the other party's right to protection of its trade secrets, and if the national court is obliged to obtain the disputed evidence before determining the question of disclosure.
- (6) The defendants submits that the national courts are required to weigh one party's right to remedy breaches of its alleged trade secrets against the other party's right to protection of its alleged trade secrets. Furthermore, it is sufficient that the national court, in evidence disputes in cases concerning the protection of trade secrets, has the opportunity to obtain and examine evidence that one of the parties claim to contain trade secrets in cases where this is necessary for a fair trial and proper handling of the dispute.

2. THE FACTUAL BACKGROUND

2.1 The dispute in the main proceedings

- (7) Since 1971, Elmatica has been a Norwegian-owned provider of printed circuit boards (PCBs) to the industry. In the autumn of 2021, Elmatica was acquired by the multinational NCAB Group, which is one of the world's leading providers of PCB technologies.
- (8) Some employees at Elmatica were dissatisfied with how the company changed and developed under the new owners and new management. Vidar Olsen resigned from his position as Chief Procurement Officer at Elmatica in February 2022. In July 2022, Olsen and two other former employees founded a new company, Confidee, which also provides PCBs to the industry. Olsen is the general manager of the company. Gradually, several other former employees of Elmatica have also joined Confidee.
- (9) Elmatica filed a lawsuit against Confidee and Olsen on 29 March 2023 with a claim for compensation for alleged breaches of the duty of loyalty in employment relationships, the Norwegian Marketing Control Act Section 25, and the Act on the Protection of Trade Secrets

section 3 in connection with the establishment of a competing business. Confidee and Olsen have disputed the basis for the claim.

2.2 The dispute of evidence

- (10) During the preparation of the case in the district court, Elmatica demanded access to Confidee's application for a tax deduction for research and development in an innovative business sector ("SkatteFUNN" for short) submitted to the Norwegian Research Council on 21 September 2022. Elmatica claims that the application with attachments can prove that Confidee has unlawfully exploited Elmatica's trade secrets when developing their new software.
- (11) The SkatteFUNN-application concerns a tax deduction for a project which aims to develop a new IT platform for purchase and sale of PCBs. It contains detailed descriptions of Confidee's plans for the development of a completely new computer system for use in the company, and large parts of the application contain business-sensitive information.
- (12) Confidee disclosed the SkatteFUNN-application, but only in a redacted version as it contains trade secrets. It is not disputed between the parties that the application with attachments contains such trade secrets and is thus in principle covered by the prohibition of evidence in Section 22-10 of the Norwegian Dispute Act. As explained in more detail below, the national court may nevertheless order disclosure *"if, after balancing the relevant interests, the court finds this to be necessary"*.
- (13) On 15 September 2023, Oslo District Court issued a ruling in which Elmatica's request for disclosure of the unredacted application was rejected. The district court did not find it likely that the application contained information that was relevant evidence for Elmatica's alleged claim. The District Court also found that it was likely that the application contained trade secrets and did not find it necessary to give an order for disclosure, cf. Section 22-10 of the Dispute Act.
- (14) The decision was appealed by Elmatica. The Borgarting Court of Appeal issued a ruling on 8 January 2024, where the appeal was dismissed. The Court of Appeal found it *"clear that the application should not be required to be disclosed"*. The Court of Appeal emphasized that it was *"unclear whether the application at all contains information of importance to the case"*. However, the decisive factor for the Court of Appeal was that *"Elmatica [has] to a limited extent specified what the company believes constitutes its trade secrets, and thus what Confidee is alleged to have infringed"*. In such a situation, where Elmatica had not specified what their trade secrets consist of, *"the conclusions that may be drawn from the application for possible interference with the said 'knowledge' become all the more uncertain"*. The evidential value of the application thus appeared *"uncertain, and in any case modest"*, and there was not sufficient reason to set aside Confidee's right to confidentiality.
- (15) Both national courts that have heard the case have thus concluded that the SkatteFUNN-application has very little – if any – probative value. Since a redacted version has been presented, the national courts had knowledge of what kind of information the application contains.
- (16) The decision from the Appeal Court was also appealed by Elmatica. In its appeal to the Supreme Court, Elmatica argued that it follows from the European Court of Justice's judgment in case C927/19 (*Klaipedos*) that the national court always must obtain the document in question, which is alleged to contain trade secrets, before deciding whether the document should be disclosed or not. In line with the rules of the Dispute Act, neither the District Court

nor the Court of Appeal had obtained the disputed document in advance. Confidee has argued before the Supreme Court that the Norwegian procedural rules, which give the national court the *right* but *not an obligation* to obtain the disputed document, are in line with EEA law on the enforcement of trade secrets.

3. RELEVANT NATIONAL LAW

(17) The questions raised by the referring court concerns whether Norwegian procedural law is in line with EEA law with regard to the handling of evidentiary disputes that arise in cases concerning the enforcement of rights under the Trade Secrets Directive.

(18) Under Norwegian civil procedure law, the parties are obliged to "*ensure that the factual basis of the case is correctly and completely explained*", and to "*provide such accounts and present such evidence as are necessary to fulfil this duty*", cf. Section 21-4 of the Dispute Act. However, this is only a starting point, and there are many limitations on the duty of disclosure. One condition for disclosure, is that the information the request relates to, is not covered by an exemption from evidence, cf. Section 21-5 of the Disputes Act, cf. Chapter 22 of the Disputes Act. It is not disputed that the SkatteFunn application in principle is covered by the exemption from evidence for trade or business secrets in Section 22-10 of the Dispute Act. This provision reads as follows:

A party or witness may refuse to provide access to evidence that cannot be made available without revealing trade or business secrets. The court may nevertheless order such evidence to be made available if, after balancing the relevant interests, the court finds this to be necessary.

(19) If disputed, the national court must first decide whether it is probable that the disputed evidence contains trade secrets. In our case, it is undisputed between the parties that the SkatteFUNN-application contains trade secrets belonging to Confidee. This is a significant difference from the situation in *Klaipedos*, where the dispute concerned whether the requested evidence actually contained confidential information at all.

(20) If the evidence contains trade secrets, the national court may nevertheless order that the evidence be made available when it deems it necessary after a balancing exercise. Strong reasons are required to give such an order, cf. HR-2003-1148-1 from the Norwegian Supreme Court. In the assessment, the national court must weigh the need for confidentiality against the need for information that may have an impact on the outcome of the dispute.

(21) In assessing whether evidence should be presented even if it contains trade secrets, the national court has the opportunity, but no obligation, to obtain the document in question, cf. Section 26-7 paragraph 1 and 2 of the Dispute Act. The wording of the provision does not regulate in more detail *when* the national court should obtain the evidence before the decision is made but leaves it to the court discretion to assess when it will be necessary, see to that effect HR-2023-1857-U.

(22) However, the fact that the question of obtaining the evidence is left to the national court's discretion does not mean that the parties don't have the opportunity to have the decision re-examined. The procedure that forms the basis for the national court's ruling on whether or not the evidence containing a trade secret should be presented, can always be appealed against, cf. Section 29-3 of the Disputes Act and Section 30-6 of the Disputes Act. The national court's discretion must be exercised within the framework of due process, and in some cases, failure

to obtain the evidence can be a procedural error in conflict with the right to a proper and fair trial, cf. for example Section 1-1 of the Dispute Act and Article 6 of the ECHR.

- (23) Elmatica has in the case at hand not argued before the Supreme Court that it was a procedural error by the Court of Appeal that it did not obtain the SkatteFUNN application.

3.1 The Trade Secrets Act

- (24) The Trade Secrets Act implements Directive 2016/943 into Norwegian law. Elmatica bases, among other things, its claim for damages on an alleged violation of Section 3 first paragraph of the Trade Secrets Act, cf. Section 8.

- (25) The provision in section 3 first paragraph prohibits trade secret infringement (Counsel's own translation from Norwegian):

No one may infringe a trade secret by gaining knowledge of or possession of a trade secret by:

a. unlawfully gaining access to, appropriation of, or copying of documents or objects

b. other conduct contrary to good business practice

The provision implements Article 4 (2) of the Directive 2016/943.

- (26) Provision 8 of the Trade Secrets Act implements Article 14 of the Directive and regulates the holder's right to remuneration and compensation in the event of infringement of trade secrets.

4. LEGAL ANALYSIS

4.1 Introduction

- (27) In the following, a legal analysis of the two questions referred to the EFTA Court will be presented on behalf of Confidee and Vidar Olsen. First, however, some general starting points will be briefly clarified.

4.2 National procedural autonomy

- (28) The questions raised by the referring court concerns the principle of procedural and organizational autonomy. According to this principle, enforcement of EEA rights is as a general rule the member state's own responsibility. In the absence of specific EEA procedural law provisions, the national procedural rules apply to the enforcement of rights granted by the EEA Agreement.

- (29) The EEA law principle of national procedural autonomy stipulates that the Member States are free to establish their own national procedural rules to govern the exercise of EEA law. However, the national procedural rules must respect the effectiveness and equivalence of EEA law, cf. for instance the EFTA Court's judgment in E-10/17 *Nye Kystlink AS* paragraph 73 and the principle of loyalty in Article 3 of the EEA Agreement.

- (30) The question from the referring court concerns the effective enforcement of the Trade Secrets Directive. Effectiveness seeks to prevent a situation in which the national procedural rules would make the exercise of EEA law-based rights practically impossible or excessively difficult. Confidee and Olsen argue that Section 22-10 of the Dispute Act, cf. Section 26-7, does not

entail an unreasonable or disproportionate procedural obstacle to a private party seeking legal protection for its rights under the Trade Secret Directive.

4.3 The procedural rules and enforcement rules of the Trade Secrets Directive

(31) The general purpose of the Trade Secrets Directive is to provide rules for protection against the unlawful acquisition, use or disclosure of trade secrets, cf. Article 1 (1), and the directive mainly contains substantive rules to promote this purpose.

(32) The Directive does not contain detailed procedural rules. However, the Directive contains provisions on enforcement, which is of importance to both questions raised by the referring court. Articles 6 and 7(1) of the Directive list the basic requirements for the means of enforcement which Member States must make available to holders of trade secrets. Article 6 (1) refers to the general obligation of the Member States under the Directive to ensure the holder of trade secrets adequate means of enforcement in the event of interference with trade secrets:

Member States shall provide for the measures, procedures and remedies necessary to ensure the availability of civil redress against the unlawful acquisition, use and disclosure of trade secrets.

(33) The provision expresses the principle of effectiveness of EEA law, which as stated above requires the member states to take the necessary measures to ensure effective protection of EEA-based rights. It also follows from Article 6 (2) that such measures shall "*be fair and equitable*" (letter a) and "*not be unnecessarily complicated or costly or entail unreasonable time-limits or unwarranted delays*" (letter b). At the same time, the relevant policy instruments must be "*effective and dissuasive*" (letter c). The provision leaves it to the Member States to formulate detailed procedural rules that safeguard the possibility of effective protection of trade secrets.

(34) Articles 10, 12, 14 and 15 of the Directive regulate several requirements for the enforcement measures that states must introduce, including the measures the national courts must have the authority to order against an infringer. Article 7 (1) requires that these means of enforcement are used in such a way that they are "*proportionate*" (letter a), "*avoids the creation of barriers to legitimate trade in the internal market*" (letter b) and "*provides for safeguards against their abuse*" (letter c)". Pursuant to Article 7 (2), the member states are obliged to take appropriate measures against actions that are manifestly unfounded and where the proceedings are initiated improperly or in bad faith.

(35) Article 4 regulates what is to be considered unlawful acquisition, use and disclosure of trade secrets. Article 4(1) reads as follows:

Member States shall ensure that trade secret holders are entitled to apply for the measures, procedures and remedies provided for in this Directive in order to prevent, or obtain redress for, the unlawful acquisition, use or disclosure of their trade secret.

Article 4(1) requires Member States to ensure that means of enforcement pursuant to the Directive are available to holders of trade secrets in the event of interference with them. What actually constitutes unlawful acquisition, use and disclosure is regulated in Article 4 (2) - (5).

(36) Article 9 contains provisions on the preservation of the confidentiality of trade secrets in the course of legal proceedings. Article 9 (1) regulates the member state's duty to ensure that

persons who participate in legal proceedings concerning interference with trade secrets are prohibited from using or disclosing them. According to Article 9 (2), Member States must ensure that the national courts can take measures necessary to protect trade secrets during the trial, such as limiting the scope of persons present. None of these provisions address the question of whether evidence containing trade secrets should be ordered to be produced as is the question in our case, but protective measures in cases where such evidence is actually produced.

- (37) Article 9 (3) states that when making a decision pursuant to Article 9 (2), and assessing the proportionality of such measures, the national court shall take into account the need to ensure the right to an effective remedy and a fair trial, to the legitimate interests of the parties and any third parties and to any adverse effects on them if a request is granted or rejected. The provision must be seen in the context of the general requirement of proportionality in the application of the enforcement rules, cf. Article 7(1) (a).

4.4 The first question

- (38) By its first question, the referring court asks whether EEA law requires national courts, in disputes concerning access to evidence in cases concerning remedies relating to trade secrets, to weigh one party's right to remedy breaches of its alleged trade secrets against the other party's right to protection of its alleged trade secrets.
- (39) The Trade Secret Directive provides protection against *"unlawful acquisition, use and disclosure of trade secrets"*, cf. Article 1 (1). The Directive does not affect *"the application of Union or national rules requiring trade secret holders to disclose, for reasons of public interest, information, including trade secrets, to the public or to administrative or judicial authorities for the performance of the duties of those authorities"*, cf. Article 1 (2) (b). If Norwegian courts order Confidee to disclose the SkatteFUNN-application pursuant to Section 22-10 of the Dispute Act, this disclosure is not covered by the Directive's protection. Such disclosure will not be *"unlawful"*, as it is based on national rules that impose disclosure obligations on the holder of a trade secret, when this is necessary for the judicial authorities to carry out their duties, cf. Article 1 (2) (b).
- (40) The Trade Secrets Directive does not explicitly regulate the handling of evidentiary disputes that arise in a case where a party alleges that their trade secrets have been infringed. However, the defendants argue that EEA law offer effective protection to all holders of trade secrets, and that the first question must be answered in the affirmative.
- (41) As follows from Article 6 (1) and Article 4 (1) of the Trade Secrets Directive, Member States are obliged to ensure effective protection for holders of trade secrets against unlawful acquisition, use or disclosure of their trade secret. The procedural rules, including the handling of evidentiary disputes, must contribute to such effective protection, cf. the principle of effectiveness of EEA-law.
- (42) However, EEA-law does not provide unilateral protection for the party who claims to have had its trade secrets infringed. Claiming that one's own trade secrets have been infringed, cannot give an unconditional right of access to the alleged infringing party's own trade secrets. It is imperative that the national courts, in their assessments of whether to issue an order to disclose evidence containing trade secrets, take into account and balance both parties' right to protection of their trade secrets. In the view of the defendants, the national court's duty to weigh the interests of both parties follows from general EEA-law principles, the Trade Secrets

Directive and more general principles concerning the satisfactory and proper handling of civil disputes.

- (43) The right to protection of trade secrets is acknowledged as a general principle of EU law, cf. C-450/06 (*Varec*) paragraphs 47- 49. The case concerned a procurement case, and the balance between the losing tenderer's right to access the successful tender, and the successful tenderer's right to protection of its confidential information. The right to access "*must be balanced against the right of other economic operators to the protection of their confidential information and their business secrets*" cf. *Varec* paragraph 51. This balancing act must take into account the requirements of effective judicial review and fair trial, see, to that effect, *Varec* paragraph 52.

- (44) In the same way, the conflicting interests must be weighed here. The right to effective enforcement of infringements of trade secrets cannot entail an unlimited and absolute right to all information that may be of some importance to the case. The right to effective enforcement must be weighed against the other party's right to protection of its trade secrets. This balance must be made in a way that ensures that the proceedings are in accordance with the right to a fair trial.

- (45) The Trade Secret Directive is also designed to take into account the interests of both parties; both the party who claims to have had their trade secrets infringed and the alleged infringer. As mentioned above, Article 6 (1) refers to the general obligation of the Member States under the Directive to ensure the holder of trade secrets adequate means of civil redress in the event of interference with trade secrets. It also follows from Article 6 (2) letter a that such measures shall "*be fair and equitable*". The right to a fair civil redress, or in other words a fair trial, does of course apply to both parties in a legal proceeding aimed at an alleged infringer. That the interests of both parties must be safeguarded in legal proceedings is a fundamental principle of civil law, cf. the principle of equal treatment.

- (46) As also mentioned above, it follows from Article 7 (1) of the Trade Secrets Directive that the enforcement rules in the directive must be applied in such a way that they are proportionate, do not create barriers to legitimate trade in the internal market, and provides safeguards against their abuse. The protection offered by the Directive to a party who claims that their trade secrets have been infringed must therefore be applied within these limits. The limitations concern, among other remedies, the application of Article 14, on which Elmatica bases its claim for damages (Provision 8 of the Norwegian Trade Secrets Act).

- (47) The limitations in Article 7 are of consequence, also for the national court's procedural decisions in actions where a party claims that there are grounds for one of the remedies regulated by the Directive. The limitations cannot only apply to the assessment of whether there is basis for the legal remedy in question, for example whether there is a basis for liability for damages or the calculation of damages. If the limitations in Article 7 are to be effective, they must apply to the entire legal process related to the application of one of the remedies. If the restrictions should apply only to the substantive assessment, procedural rules could lead to abuse contrary to the purpose of the Directive. For e.g. small businesses, sued by large competitors, it is not only important that the final applicable remedies are applied in a proportionate manner. It can be equally important that the legal process itself is proportionate and protective. A long and expensive legal process where e.g. your main competitor gains access to your trade secrets can have major consequences, even if you are eventually acquitted of the claim for damages.

- (48) The barriers in Article 7 (1) safeguard the interests of the other party in the legal proceedings, in particular through the consideration of proportionality and abuse, but also through the protection of the internal market. It follows from clause 21 of the preamble to the Directive, in connection with the discussion of proportionality, that it must also be ensured that *"the competent judicial authorities have the discretion to weigh up the interests of the parties to the legal proceedings [...]"*. Clause 22 discusses the duty of states to ensure effective measures against abuse of the measures. This means that the internal procedural rules must both safeguard the right to effective enforcement and ensure that enforcement does not go beyond the limitations of Article 7 (1). Member States' procedural rules must be designed and applied in such a way that they are proportionate, do not create barriers to legitimate trade in the internal market, and provides safeguards against abuse of the measures, procedures and remedies provided for in this Directive.
- (49) If the obligation to offer effective protection to one party's trade secrets against infringement, is not balanced against the other party's right to protection of their trade secrets, it opens the door to abuse, cf. Article 7 (1) letter c. If a party who claims that their trade secrets have been infringed can gain access to the alleged infringer's trade secrets without a genuine balancing of conflicting interests, large and dominant players can use the Trade Secret Directive to prevent new establishments and competition. This, in turn, can create barriers to legitimate trade in the internal market, cf. Article 7 (1) letter b. Applied to the case at hand disclosure of the SkatteFunn-application would enable one of the world-leading distributors of PCBs, and Confidee's main competitor, to have access to Confidee's confidential information in a vulnerable start-up phase. The trade secrets in question concern the development of a new IT-platform for the purchase and sale of PCBs, which does not already exist in the industry.
- (50) Although Article 9 regulates protection measures in the course of legal proceedings where access to evidence containing trade secrets has already been granted, the provision must be seen as an expression of the member states' general obligation to safeguard both parties' trade secrets during legal proceedings. The duty to preserve the confidentiality of trade secrets is not only aimed at the alleged trade secrets of the party who claims to have had their trade secrets infringed, but *"any trade secret or alleged trade secret"*, cf. Article 9 (1) and (2). There is nothing to suggest that both parties' trade secrets must not be protected and balanced in the same way during the preparation of the legal proceedings, including decisions on disputes about access to evidence containing trade secrets.

4.4.1 Summary and conclusion

- (51) In summary, the defendants argue that an obligation to balance one party's right to remedy against breaches of its alleged trade secrets, and the other party's right to protection of its trade secrets, follows from general principles of EU law, the Trade Secret Directive and fundamental requirements of due process and the right to a fair trial. It is precisely this kind of balancing of interests that Section 22-10 of the Dispute Act requires the national court to do when assessing whether evidence containing trade secrets should be presented, cf. the presentation of the provision in list paragraph 3.1 above.
- (52) Therefore, the answer to the first question must be that in disputes concerning access to evidence in cases concerning remedies relating to trade secrets, EEA law requires national courts to weigh one party's right to remedy breaches of its alleged trade secrets against the other party's right to protection of its alleged trade secrets.

4.5 The second question

4.5.1 Introduction

- (53) By its second question, the referring court asks the EFTA Court whether EEA law places an obligation on national courts to obtain and examine disputed evidence which may contain trade secrets in order to determine whether production of the disputed evidence is required, or whether it alternatively is sufficient that national courts have discretionary competence to require that such evidence is submitted to the court for examination, in cases where the court considers an examination necessary to determine the disputed claim for production of evidence.
- (54) As stated above, the Trade Secret Directive does not contain provisions that directly govern the procedure in disputes over access to evidence. As mentioned above, Article 9 only regulates protective measures when it is already decided that evidence containing trade secrets are part of the legal proceedings. In line with the principle of national procedural autonomy, the national procedural rules then apply to the enforcement of rights granted by the directive.
- (55) The defendants argue that for the effective enforcement of the Trade Secrets Directive, it is not necessary to place an absolute obligation on the national courts to obtain the disputed evidence in all cases. It is important not to lose sight of the fact that evidentiary disputes are very diverse. Some will concern evidence of very great importance to the dispute in question, while others, like our case, will concern evidence that is of very little importance to the dispute. Some disputes will be about one document, while others will be about thousands of documents. Some disputed documentary evidence will contain information that is easy for a legal judge to assess the probative value of, while others will contain very technically advanced information. The defendants argue that EEA law cannot require national courts to obtain all evidence, regardless of probative value and other factors.
- (56) As demonstrated above, Section 22-10 of the Dispute Act, cf. Section 26-7, gives the national courts the opportunity to obtain the disputed documents in cases where it is necessary for a proper assessment of the evidentiary dispute in question. The defendants argue that this rule safeguards both the general principle of effectiveness under EEA law and the enforcement provisions of the Trade Secret Directive and gives the national courts the necessary flexibility to handle the individual evidentiary disputes in a manner that safeguards the legal protection of the parties.

4.5.2 Effective enforcement of the Trade Secret Directive

- (57) As explained above, the Trade Secret Directive Article 4 (1) obliges all member states to *"ensure that trade secret holders are entitled to apply for the measures, procedures and remedies provided for in this Directive in order to prevent, or obtain redress for, the unlawful acquisition, use or disclosure of their trade secret"*. Article 6 sets out obligations to ensure *"the availability of civil redress against the unlawful acquisition, use and disclosure of trade secrets"*.
- (58) These provisions thus require the Member States to ensure adequate means of civil redress in the event of interference with trade secrets. This obligation of effective redress may entail requirements related to the Member States' procedural rules, even if they are not directly stated in the Directive. The same obligations may follow from the principle of effectiveness under EEA.
- (59) It is not disputed that the obligation of effective enforcement and redress may impose obligations on member states to ensure that the procedural rules enable the parties to access

relevant evidence. The defendants argue, however, that the obligations of effective enforcement of the Trade Secret Directive cannot impose an obligation on Member States to obtain all evidence which undisputedly or potentially contains trade secrets, in order to assess whether it should nevertheless be disclosed. Such an unconditional duty on the part of the national court goes beyond what is necessary to ensure *"measures, procedures and remedies necessary to ensure the availability of civil redress against the unlawful acquisition, use and disclosure of trade secrets"*, cf. Article 6 (1). On the contrary, and as explained in more detail below, it may lead to measures, procedures and remedies that are not *"fair"* and which are *"unnecessarily complicated or costly"* and which also do not offer *"effective"* enforcement, cf. Article 6 (2).

- (60) Effective enforcement is sufficiently ensured through the ability to obtain and examine such evidence in cases where the national court considers it necessary. This position takes into account that the process should be both as thorough as possible, while also taking into account that the process should not be disproportionately lengthy or expensive.
- (61) As mentioned, evidentiary disputes are very diverse. At one end of the scale is the type of evidentiary dispute that *Klaipedos* concerned, see more detail in point 4.5.3 below, where the dispute concerned the central and probably decisive evidence in the case.
- (62) On the other side of the scale, there are cases where the plaintiff wants access to hundreds or thousands of documents, all of which contain trade secrets of great importance to the defendant, but which are of little or no importance to the dispute at hand. If the national courts are obliged to obtain and assess all these documents before it can decide the evidentiary dispute, it will be very time-consuming and costly, without contributing significantly to the effective enforcement of the rights that the Trade Secret Directive is intended to safeguard. It also opens the door for the procedural rules to be abused, in that dominant players can "wear out" e.g. smaller competitors or start-ups through lengthy and expensive legal proceedings and thus prevent competition in the community area.
- (63) There may also be a dispute about documents that contain trade secrets of a highly technical nature, such as chemical formulas or computer codes, where a legal judge in any case must base the assessment of whether the document should be presented on the parties' accounts of the significance of the information.
- (64) An evidentiary dispute can also be similar to the case at hand. The plaintiff wants access to a document containing trade secrets of great importance to the defendant, while the plaintiff has not provided any specification of what his own - alleged infringed - trade secret consists of. Even if the court obtains the disputed document in such cases, it will lack a basis for considering whether it should be produced or not.
- (65) In the view of the defendants, in some cases it may be necessary, in order to ensure effective enforcement of the Trade Secret Directive, that the disputed evidence is obtained and examined by the national court before a decision is made. In other cases, obtaining and examining the disputed document will not contribute significantly to the national court's decision-making basis, while the time and cost spent could increase considerably. If the Trade Secret Directive is to be interpreted as an obligation for the national courts to obtain the disputed document in all cases where production of confidential documents is disputed, this would provide a rigid and unflexible legal framework, without necessarily strengthening the position of the alleged victims of trade secret violations or enhancing the enforcement of the Directive. On the contrary, such rigid requirements pose a risk of facilitating lengthy legal

processes which again can be used by dominating players to create barriers to competition in the internal market.

- (66) In addition, a judge who in the course of examining evidence, becomes aware of evidence that cannot be made part of the case, may have to resign as a result of disqualification. It can be unfortunate to have a change of judge in larger and complex cases, especially if the evidentiary dispute could have been settled on a sufficient basis without the disputed document having being obtained and reviewed by the judge(s) handling the case.
- (67) As described above, evidentiary disputes are very diverse. In many cases, it is obvious that the national court will have a sound and proper basis for a decision without obtaining the disputed document. The fact that the basis for the decision is adequate may be due to a number of different factors, ranging from formal circumstances such as missed deadlines, to the fact that it is obvious to the national court that the disputed document has so little probative value that it should not be presented anyway. It must be clear that, in such cases, the national court cannot be obliged to obtain and examine the document at issue before making a decision. If discretion on the part of the national court is not allowed in relation to what constitutes due process in the individual evidentiary dispute, it will mean that the right of redress will be unnecessarily complicated and costly in a number of cases, cf. Article 6 (2) of the Trade Secret Directive.
- (68) In order to ensure a fair and efficient legal process for both parties, there must be room for a certain exercise of discretion in relation to what constitutes due process in relation to an evidentiary dispute. The balancing of whether it is necessary to obtain disputed documentary evidence in the specific case, or whether the national court has another sufficient basis for either approving or rejecting a request for production of documents containing alleged trade or business secrets, is best done by the court that hears and knows the case. Such a national procedural rule does not prevent effective enforcement of the Trade Secrets Directive.

4.5.3 The significance of C-927/19 Klaipedos

4.5.3.1 Introduction

- (69) In its appeal to the Supreme Court of Norway, Elmatica has argued that *Klaipedos* implies that it was contrary to EEA law not to obtain the SkatteFunn-application before the Court of Appeal issued the ruling on access to evidence.
- (70) The defendants disagree with this. *Klaipedos* cannot be interpreted so broadly that it must be regarded as EEA law that national courts are required to obtain the disputed document in all evidentiary disputes, in all areas of law, which raise issues related to trade secrets.
- (71) *Klaipedos* concerned a very specific situation and does not provide general answers as to how other disputes of evidence should be dealt with in order to be in line with EEA law. First, the case concerned the one crucial evidence in a lawsuit from the losing party in a procurement case, namely the successful tender with exhibits. Secondly, the case concerned public procurement, where other considerations related to transparency and access to information apply compared to what is the case in a dispute between private individuals. As will be argued in more detail below, the judgment must be interpreted in this context.

4.5.3.2 The facts of the case

- (72) Lithuanian authorities announced a competition for the collection and transport of waste. Ecoservice's tender was ranked as number 2. Ecoservice asked the contracting authorities for

access to the information on which the ranking was based, including the successful tender. The authorities gave Ecoservice access to the information in the tender which was not considered confidential. Ecoservice complaint against the decision was dismissed by the contracting authority.

- (73) Ecoservice brought the case before Lithuanian courts. Ecoservice's demand for access to the entire tender were also not upheld during the legal process. When the case was appealed to the Lithuanian Supreme Court, the court had doubts about *"the precise scope of the contracting authorities' obligations to protect the confidentiality of the information sent to them by the tenderers and the relationship between those obligations and the obligation to ensure effective judicial protection for the economic operators which have brought an action"*. The Supreme Court asked the European Court of Justice for a preliminary ruling and asked 11 questions related to public procurement law.

4.5.3.3 *The assessment of the national court's obligation to protect confidential information in public procurement cases.*

- (74) Of interest in the case at hand are the questions concerning the balance between the contracting authority's obligation to protect the providers' confidential information pursuant to Article 21 of Directive 2014/24 and the authorities' duty to provide an effective opportunity to appeal against the authorities' decisions on the award of public contracts pursuant to Article 1 of Directive 89/665. The latter provision paragraph 1 requires the Member States to provide effective review procedures in the field of public procurement. This duty to ensure effective enforcement may in some cases collide with the duty in Article 21 of Directive 2014/24. According to this provision, the contracting authority *"shall not disclose information forwarded to it by economic operators which they have designated as confidential, including, but not limited to, technical or trade secrets and the confidential aspects of tenders"*. In principle, the contracting authority is therefore obliged not to share confidential information from the successful tender. However, the contracting authority is not bound by the tenderers claim that the information is confidential, cf. *Klaipedos* paragraph 117.
- (75) From paragraph 127 following, the CJEU assesses the duty of national courts to protect confidential information in court disputes over access to information submitted by the successful tenderer. The starting point is the obligation to secure effective remedies in Article 1 of Directive 89/665, but that it is the state's responsibility to adopt the necessary procedural rules (the principle of national procedural autonomy). In paragraph 128, the Court then states that *"despite the absence of rules of EU law on procedures for bringing actions before national courts, and in order to determine the rigour of judicial review of national decisions adopted pursuant to an act of EU law, it is necessary to take into account the purpose of the act and to ensure that its effectiveness is not undermined."*
- (76) However, it follows from the next paragraph that the consideration of effective enforcement does not mean that the plaintiff is entitled to unlimited access to all the documents from the procurement case and that *"the obligation to provide the unsuccessful tenderer with sufficient information to safeguard its right to an effective remedy must be weighed against the right of other economic operators to protection of their confidential information and their trade secrets."*
- (77) Next, in paragraph 130, the Court states how the national court should weigh up the various considerations in relation to the question of access to the successful tender in procurement cases:

"The competent national court must therefore ascertain, taking full account of both the need to safeguard the public interest in maintaining fair competition in public procurement procedures and the need to protect genuinely confidential information and in particular the trade secrets of participants in the procurement procedure, that the contracting authority rightly considered that the information which it refused to disclose to the applicant was confidential. To that end, the competent national court must carry out a full examination of all the relevant matters of fact and law. Accordingly, it must necessarily be able to have at its disposal the information required in order to decide in full knowledge of the facts, including confidential information and trade secrets (see, to that effect, judgment of 14 February 2008, Varec, C-450/06, EU:C:2008:91, paragraph 53)."

- (78) According to Elmatica, the last sentence in paragraph 130 implies that it follows from EEA law that the national courts must obtain and examine the disputed documentary evidence before deciding on evidentiary disputes involving trade secrets, regardless of what the dispute consists of, what evidence the dispute concerns and which area of law the dispute concerns. However, no such absolute duty can be inferred from the Court's opinion. As explained below, the opinion is limited to the question actually considered by the court, and there is no reason why it should automatically apply beyond this.
- (79) First of all, *Klaipėdos* concerned access to the one crucial evidence in a lawsuit from an unsuccessful tenderer in a procurement case, namely the successful tender with exhibits. Whether the national court decides to classify information in a successful tender as confidential, has a major impact on the losing tenderer's ability to succeed with an action against the decision to award the contract. The court's decision on this issue could quickly be decisive for the outcome of the entire action. Without full access to the most vital evidence, it may be difficult to prove that the decision to award the contract was illegal. Denying access to the successful tender may thus in practice prevent effective enforcement of the procurement directives, and this places strict demands on the national procedure rules.
- (80) However, not all evidentiary disputes, in all areas of law, deal with evidence of such importance to the effective enforcement of EEA law. As explained above, evidentiary disputes are very diverse, and some disputed evidence is of little – or none – importance to the action in question. This will also be the case in evidentiary disputes in cases concerning the enforcement of the Trade Secrets Directive. Not obtaining evidence that in any case has little – or no – probative value will not constitute an obstacle to the effective enforcement of rights under the Trade Secret Directive. There is therefore no reason why it cannot be up to the state's own procedural rules to handle the process related to an evidentiary dispute, and thus give the national courts the opportunity to adapt the process to the specific issue at hand.
- (81) Secondly, the case concerned public procurement, where different considerations of public access apply than in a dispute between private individuals. The statement in paragraph 130 concerns the court's balancing of *"the need to safeguard the public interest in maintaining fair competition in public procurement procedures and the need to protect genuinely confidential information and in particular the trade secrets of participants in the procurement procedure"*.
- (82) In procurement law, transparency is a fundamental principle, cf. paragraph 1 of the preamble to Directive 2014/24/EU and Article 18 (1) and C-324/98 (*Telaustria*) paragraph 62. An important purpose of the public procurement regulations is to make public purchases verifiable. Right of access to the documents related to the procurement increases the certainty that no external considerations will be taken into account when public funds are spent, and corruption can be

prevented. In addition, the legal certainty of the suppliers is strengthened by giving them access to documentation proving why their tenders did not succeed. When exceptions are to be made to the principle of public access to the procurement documents, in order to protect the successful tenderer's confidential information, it is therefore of great importance that security is attached to the assessment of whether the information is in fact confidential. If a satisfactory assessment is not made of this and information is excluded from the public on an incorrect basis, it may open the door to misuse of public funds, weaken confidence in public procurement processes and undermine the legal certainty of the other participants in the tender competition.

- (83) In other civil cases, including cases concerning the enforcement of the Trade Secrets Directive, there is no corresponding principle of transparency from which exceptions potentially should be made. On the contrary, trade secrets are subject to the opposite starting point, they are confidential and must be protected. The same considerations that prevailed with force in *Klaipedos*, do not apply in the enforcement of the Trade Secret Directive. Consequently, there is no reason to allow the opinion in *Klaipedos* to have effect beyond the question it actually answers, and that is how national courts should balance between the contracting authority's obligation to protect the providers' confidential information pursuant to Article 21 of Directive 2014/24 and the authorities' duty to provide an effective opportunity to appeal against the authorities' decisions on the award of public contracts pursuant to Article 1 of Directive 89/665.

4.5.4 Summary and conclusion

- (84) In summary, *Klaipedos* answers how national courts should handle the question of whether information in a successful tender in a procurement case can be refused to be disclosed in an action from a losing tenderer, because the information in question must be considered confidential, cf. Article 21 of Directive 2014/24.
- (85) *Klaipedos* does not answer how national courts should handle the process when deciding if evidence containing trade secrets should be disclosed in an action concerning the enforcement of another party's alleged trade secrets. *Klaipedos* concerns a very specific situation, where special considerations apply, and is not suitable as a general answer for how other evidentiary disputes must be dealt with in national courts. The procedure outlined by the EUCJ cannot be used uncritically as an answer to the Supreme Court's second question.
- (86) The Trade Secrets Directive does not provide an explicit answer to the second question. In principle, this question is thus left to the national procedural rules, but it is required that the procedural rules take into account the purpose of the Trade Secret Directive and ensures that its effectiveness is not undermined. Effective enforcement of the Trade Secret Directive is sufficiently ensured through the ability to obtain such evidence in cases where the court deems it necessary for the sake of proper case handling and due process.
- (87) Since evidentiary disputes are diverse, both in terms of scope and importance, the procedural rules must be flexible enough to provide a good balance between adequate case handling and efficiency and cost-effectiveness in the individual case. A requirement for the court to obtain evidence containing trade secrets in all cases, including in cases where the court has sufficient basis for deciding the dispute without seeing the disputed documents, goes beyond what is necessary for effective enforcement, and may entail unnecessary costs, time consumption and open the door to abuse, cf. also Article 6 (2).
- (88) Therefore, the answer to the second question must be that it is sufficient that the national court, in evidence disputes in cases concerning the protection of trade secrets, have the opportunity


to obtain and examine evidence that is claimed to contain trade secrets in cases where this is necessary for a fair trial and proper handling of the dispute.

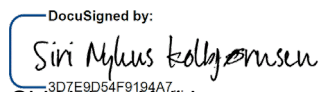
5. ANSWER TO THE QUESTIONS

(89) Based on the foregoing, Confidee AS and Vidar Olsen respectfully submits that the questions posed by the referring court should be answered as follows:

1. In disputes concerning access to evidence in cases concerning remedies relating to trade secrets, EEA law requires national courts to weigh one party's right to remedy breaches of its alleged trade secrets against the other party's right to protection of its alleged trade secrets.
2. It is compatible with Directive 2016/943 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, that the national courts in disputes over disclosure of evidence which may contain trade secrets, may, at their discretion, obtain the evidence in question in those cases where they deem it necessary in order to conduct a proper assessment of whether the evidence is to be adduced.

ADVOKATFIRMAET SCHJØDT AS

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