



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT

January 6, 2005

Mr. Carey E. Smith
General Counsel
Texas Health and Human Services Commission
P.O. Box 13247
Austin, Texas 78711

OR2005-00215

Dear Mr. Smith:

You ask whether certain information is subject to required public disclosure under chapter 552 of the Government Code. Your request was assigned ID# 216369.

The Texas Health and Human Services Commission (the "commission") received four requests for information concerning the commission's Request for Proposals for Human Resources and Payroll Services, RFP# 529-04-270. Specifically, the requestors ask for the commission's contract with Convergys Employee Care ("Convergys"), the proposal submitted by Convergys, and the proposal of another bidder. You indicate that the commission will release portions of the requested information to the requestors. While you raise no exceptions to disclosure on behalf of the commission for the remaining information, you indicate that release of the remaining information may implicate the proprietary interests of Convergys and IBM Global Services ("IBM"), the other third party bidder at issue. Accordingly you state, and provide documentation showing, that you notified Convergys and IBM of the requests and of their right to submit arguments to this office as to why the information should not be released. *See Gov't Code § 552.305(d); see also Open Records Decision No. 542 (1990) (determining that statutory predecessor to section 552.305 permits governmental body to rely on interested third party to raise and explain applicability of exception to disclosure under Public Information Act in certain circumstances).* We have reviewed the submitted information.

We begin by noting that the commission has not submitted a copy of the contract between the commission and Convergys to this office for review. We therefore assume that, to the extent it exists, the commission has released the contract to the requestors. If not, you must release it immediately. *See Gov't Code §§ 552.006, .301, .302; Open Records Decision*

No. 664 (2000) (concluding that section 552.221(a) requires that information not excepted from disclosure must be released as soon as possible under the circumstances).

Next, we note that an interested third party is allowed ten business days after the date of its receipt of the governmental body's notice under section 552.305(d) to submit its reasons, if any, as to why requested information relating to that party should be withheld from disclosure. *See Gov't Code § 552.305(d)(2)(B)*. As of the date of this letter, Convergys has not submitted any comments to this office explaining how release of the information at issue would affect its proprietary interests. Therefore, Convergys has provided us with no basis to conclude that it has a protected proprietary interest in any of the submitted information. *See Gov't Code § 552.110(b)* (to prevent disclosure of commercial or financial information, party must show by specific factual or evidentiary material, not conclusory or generalized allegations, that it actually faces competition and that substantial competitive injury would likely result from disclosure); Open Records Decision Nos. 639 at 4 (1996), 552 at 5 (1990) (party must establish *prima facie* case that information is trade secret), 542 at 3 (1990).

IBM has provided comments asserting that the information pertaining to IBM is excepted from disclosure under sections 552.104 and 552.110 of the Government Code. We note that section 552.104 is a discretionary exception that protects only the interests of a governmental body, as distinguished from exceptions which are intended to protect the interests of third parties. *See Open Records Decision Nos. 592 (1991)* (statutory predecessor to section 552.104 designed to protect interests of a governmental body in a competitive situation, and not interests of private parties submitting information to the government), 522 (1989) (discretionary exceptions in general). As the commission does not seek to withhold any information pursuant to section 552.104, we find this section does not apply to the information. *See Open Records Decision No. 592 (1991)* (governmental body may waive section 552.104). Therefore, the commission may not withhold any of the information at issue pursuant to section 552.104.

Section 552.110 of the Government Code protects: (1) trade secrets, and (2) commercial or financial information the disclosure of which would cause substantial competitive harm to the person from whom the information was obtained. *See Gov't Code § 552.110(a), (b)*. Section 552.110(a) protects the property interests of private parties by excepting from disclosure trade secrets obtained from a person and privileged or confidential by statute or judicial decision. *See Gov't Code § 552.110(a)*. A "trade secret"

may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives [one] an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. It differs from other secret information in a business in that it is not simply information as to single or ephemeral events in the conduct of the

business, as for example the amount or other terms of a secret bid for a contract or the salary of certain employees. . . . A trade secret is a process or device for continuous use in the operation of the business. Generally it relates to the production of goods, as for example, a machine or formula for the production of an article. It may, however, relate to the sale of goods or to other operations in the business, such as a code for determining discounts, rebates or other concessions in a price list or catalogue, or a list of specialized customers, or a method of bookkeeping or other office management.

RESTATEMENT OF TORTS § 757 cmt. b (1939); *see also Hyde Corp. v. Huffines*, 314 S.W.2d 763, 776 (Tex. 1958); Open Records Decision Nos. 255 (1980), 232 (1979), 217 (1978).

There are six factors to be assessed in determining whether information qualifies as a trade secret:

- (1) the extent to which the information is known outside of [the company's] business;
- (2) the extent to which it is known by employees and others involved in [the company's] business;
- (3) the extent of measures taken by [the company] to guard the secrecy of the information;
- (4) the value of the information to [the company] and to [its] competitors;
- (5) the amount of effort or money expended by [the company] in developing this information; and
- (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

RESTATEMENT OF TORTS § 757 cmt. b (1939); *see also* Open Records Decision No. 232 (1979). This office must accept a claim that information subject to the Public Information Act is excepted as a trade secret if a *prima facie* case for exemption is made and no argument is submitted that rebuts the claim as a matter of law. Open Records Decision No. 552 (1990). However, we cannot conclude that section 552.110(a) is applicable unless it has been shown that the information meets the definition of a trade secret and the necessary factors have been demonstrated to establish a trade secret claim. Open Records Decision No. 402 (1983).

Section 552.110(b) protects “[c]ommercial or financial information for which it is demonstrated based on specific factual evidence that disclosure would cause substantial

competitive harm to the person from whom the information was obtained[.]” Gov’t Code § 552.110(b). This exception to disclosure requires a specific factual or evidentiary showing, not conclusory or generalized allegations, that substantial competitive injury would likely result from release of the information at issue. Gov’t Code § 552.110(b); *see also National Parks & Conservation Ass’n v. Morton*, 498 F.2d 765 (D.C. Cir. 1974); Open Records Decision No. 661 (1999).

While IBM claims that its proposal contains trade secrets, we find that IBM has not submitted comments sufficient to establish a trade secret claim for any of the information at issue. We therefore determine that none of IBM’s proposal is excepted from disclosure under section 552.110(a). IBM also contends that its proposal contains commercial and financial information that is excepted from disclosure under section 552.110(b). We note that IBM specifically seeks to withhold pricing information. Upon review, we determine that pricing information in IBM’s proposal is excepted from disclosure under section 552.110(b). We have marked the portions of the proposal that the commission must withhold under section 552.110(b). With respect to the remaining information at issue, we find that IBM has not provided specific factual evidence substantiating their claims that release of the information in the proposals would result in substantial competitive harm. Accordingly, we determine that the remaining information is not excepted from disclosure under section 552.110(b) and may not be withheld on that basis. *See* Open Records Decision Nos. 661 (1999) (for information to be withheld under commercial or financial information prong of section 552.110, business must show by specific factual evidence that substantial competitive injury would result from release of particular information at issue), 509 at 5 (1988) (because costs, bid specifications, and circumstances would change for future contracts, assertion that release of bid proposal might give competitor unfair advantage on future contracts is too speculative), 319 at 3 (1982) (information relating to organization, personnel, and qualifications not ordinarily excepted from disclosure under statutory predecessor to section 552.110).

In summary, we have marked pricing information in the proposal submitted by IBM that must be withheld pursuant to section 552.110(b) of the Government Code. The remainder of the requested information must be released to the requestors.

This letter ruling is limited to the particular records at issue in this request and limited to the facts as presented to us; therefore, this ruling must not be relied upon as a previous determination regarding any other records or any other circumstances.

This ruling triggers important deadlines regarding the rights and responsibilities of the governmental body and of the requestor. For example, governmental bodies are prohibited from asking the attorney general to reconsider this ruling. Gov’t Code § 552.301(f). If the governmental body wants to challenge this ruling, the governmental body must appeal by filing suit in Travis County within thirty calendar days. *Id.* § 552.324(b). In order to get the full benefit of such an appeal, the governmental body must file suit within ten calendar days.

Id. § 552.353(b)(3), (c). If the governmental body does not appeal this ruling and the governmental body does not comply with it, then both the requestor and the attorney general have the right to file suit against the governmental body to enforce this ruling. *Id.* § 552.321(a).

If this ruling requires the governmental body to release all or part of the requested information, the governmental body is responsible for taking the next step. Based on the statute, the attorney general expects that, within ten calendar days of this ruling, the governmental body will do one of the following three things: 1) release the public records; 2) notify the requestor of the exact day, time, and place that copies of the records will be provided or that the records can be inspected; or 3) notify the requestor of the governmental body's intent to challenge this letter ruling in court. If the governmental body fails to do one of these three things within ten calendar days of this ruling, then the requestor should report that failure to the attorney general's Open Government Hotline, toll free, at (877) 673-6839. The requestor may also file a complaint with the district or county attorney. *Id.* § 552.3215(e).

If this ruling requires or permits the governmental body to withhold all or some of the requested information, the requestor can appeal that decision by suing the governmental body. *Id.* § 552.321(a); *Tex. Dep't of Pub. Safety v. Gilbreath*, 842 S.W.2d 408, 411 (Tex. App.—Austin 1992, no writ).

Please remember that under the Act the release of information triggers certain procedures for costs and charges to the requestor. If records are released in compliance with this ruling, be sure that all charges for the information are at or below the legal amounts. Questions or complaints about over-charging must be directed to Hadassah Schloss at the Texas Building and Procurement Commission at (512) 475-2497.

If the governmental body, the requestor, or any other person has questions or comments about this ruling, they may contact our office. We note that a third party may challenge this ruling by filing suit seeking to withhold information from a requestor. Gov't Code § 552.325. Although there is no statutory deadline for contacting us, the attorney general prefers to receive any comments within ten calendar days of the date of this ruling.

Sincerely,



David R. Saldivar
Assistant Attorney General
Open Records Division

DRS/seg

Ref: ID# 216369

Enc: Submitted documents

c: Mr. Brian Andrew
Convergys Employee Care
8000 Baymeadows Way, 5-1-57
Jacksonville, Florida 32256
(w/o enclosures)

Mr. Henry W. Jones, III
Law Office of Henry W. Jones, III
2002 Mountain View Road
Austin, Texas 78703
(w/o enclosures)

Mr. Tim Beaman
North Texas State Hospital
6515 Kemp Boulevard
Wichita Falls, Texas 76308
(w/o enclosures)

Ms. Courtney Read Hoffman
Eric Wright & Associates
919 Congress Avenue, Suite 1155
Austin, Texas 78701
(w/o enclosures)

Mr. Keith A. Franklin
IBM Global Services
15714 Scenic View Drive
Houston, Texas 77062
(w/o enclosures)

Mr. Robert P. Bowell
IBM Global Services
12902 Federal Systems Park Drive
Fairfax, Virginia 22033
(w/o enclosures)