



ATTORNEY GENERAL OF TEXAS
GREG ABBOTT

February 13, 2008

Ms. Cynthia Villarreal-Reyna
Section Chief
Agency Counsel Section
Legal Services Division, MC 110-1A
Texas Department of Insurance
P.O. Box 149104
Austin, Texas 78714-9104

OR2008-02060

Dear Ms. Villarreal-Reyna:

You ask whether certain information is subject to required public disclosure under the Public Information Act (the "Act"), chapter 552 of the Government Code. Your request was assigned ID# 301491.

The Texas Department of Insurance (the "department") received two requests from two different requestors for the 2006 annual reports for viatical settlement brokers and providers. You state you will provide the requestors with most of the requested information. Although you take no position with respect to the submitted information, you claim that the information may contain proprietary information subject to exception under the Act. Accordingly, you state, and provide documentation showing, that you notified Habersham Funding LLC ("Habersham") of the department's receipt of the request for information and of its right to submit arguments to this office as to why the requested information should not be released to the requestor. *See Gov't Code § 552.305(d); see also* Open Records Decision No. 542 (1990) (statutory predecessor to section 552.305 permits governmental body to rely on interested third party to raise and explain applicability of exception in the Act in certain circumstances). We have received comments from Habersham and reviewed the submitted information.

First, we note, and you acknowledge, that the department has not complied with the time periods prescribed by section 552.301 of the Government Code in requesting a decision from this office. When a governmental body fails to comply with the requirements of section 552.301, the information at issue is presumed public. *See Gov't Code § 552.302; Hancock v. State Bd. of Ins.*, 797 S.W.2d 379, 381 (Tex. App.—Austin 1990, no writ); *City of Houston v. Houston Chronicle Publ'g Co.*, 673 S.W.2d 316, 323 (Tex. App.—Houston [1st Dist.] 1984, no writ); Open Records Decision No. 319 (1982). To overcome this

presumption, the governmental body must show a compelling reason to withhold the information. *See* Gov't Code § 552.302; *Hancock*, 797 S.W.2d at 381. Normally, a compelling reason is demonstrated when some other source of law makes the information at issue confidential or third-party interests are at stake. *See* Open Records Decision No. 150 at 2 (1977). Because the third-party interests at issue here can provide a compelling reason to overcome the presumption of openness, we will address whether the submitted information is excepted under the Act.

Habersham asserts that portions of the submitted information are excepted under section 552.101 of the Government Code, which excepts from disclosure "information considered to be confidential by law, either constitutional, statutory, or by judicial decision." Gov't Code § 552.101. This section encompasses information protected by other statutes. The submitted documents contain information that Habersham provided to the department pursuant to section 3.1705 of title 28 of the Texas Administrative Code. *See* 28 T.A.C. § 3.1705 (identifying information of viatical providers and brokers as well as viatical settlement agreement information must be submitted to department); *see also* Ins. Code § 1111.003(a) (department commissioner shall adopt reasonable rules relating to life settlements and relating to viatical settlements). Habersham asserts that this information is confidential under section 3.1714 of title 28 of the Texas Administrative Code, which provides that "[a] viatical or life settlement provider, provider representative, or broker shall not release any viator's, life settlor's, or owner's confidential information to any person[.]" 28 T.A.C. § 3.1714(c); *see also* Ins. Code § 1111.003(b)(7) (rules adopted by department commissioner must include rules governing maintenance of appropriate confidentiality of personal and medical information). By its terms section 3.1714(c) prohibits a viatical or life settlement provider from releasing confidential information it solicited or obtained from viators, life settlers, or owners, except under certain circumstances. The department states, and we agree, that section 3.1714(c) "does not address what the department can or cannot do with such information." *See* 28 T.A.C. § 3.1714(c); *see also* Gov't Code § 552.303 (providing that attorney general may give written notice to governmental body that additional information is necessary to render a decision). Therefore, Habersham has failed to establish that the submitted information, when in the possession of the department, is confidential under section 3.1714 of title 28 of the Texas Administrative Code. *See* Open Records Decision No. 478 (1987) (as general rule, statutory confidentiality requires express language making information confidential). Consequently, the department may not withhold the submitted information under section 552.101 of the Government Code on that ground.

Next, Habersham argues that portions of the submitted information are excepted from disclosure under section 552.104 of the Government Code, which excepts from disclosure "information that, if released, would give advantage to a competitor or bidder." Gov't Code § 552.104(a). This exception protects the competitive interests of governmental bodies, not the proprietary interests of private parties such as Habersham. *See* Open Records Decision No. 592 at 8 (1991) (discussing statutory predecessor). Thus, because the department does

not claim this exception, the submitted information may not be withheld under section 552.104.

Finally, Habersham claims that portions of the submitted information are excepted from disclosure under section 552.110 of the Government Code, which protects the proprietary interests of private parties by excepting from disclosure two types of information: trade secrets and commercial or financial information the release of which would cause a third party substantial competitive harm. Section 552.110(a) of the Government Code excepts from disclosure “[a] trade secret obtained from a person and privileged or confidential by statute or judicial decision.” Gov’t Code § 552.110(a). The Texas Supreme Court has adopted the definition of trade secret from section 757 of the Restatement of Torts. *Hyde Corp. v. Huffines*, 314 S.W.2d 763 (Tex. 1958); *see also* Open Records Decision No. 552 at 2 (1990). Section 757 provides that a trade secret is

any formula, pattern, device or compilation of information which is used in one’s business, and which gives him 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 A trade secret is a process or device for continuous use in the operation of the business . . . [It may] 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 Huffines*, 314 S.W.2d at 776. In determining whether particular information constitutes a trade secret, this office considers the Restatement’s definition of trade secret as well as the Restatement’s list of six trade secret factors. RESTATEMENT OF TORTS § 757 cmt. b (1939). The following are the six factors that the Restatement gives as indicia of whether information constitutes a trade secret:

- (1) the extent to which the information is known outside of the company;
- (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 its competitors;

(5) the amount of effort or money expended by the company in developing the 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 Nos. 319 at 2 (1982), 306 at 2 (1982), 255 at 2 (1980). This office has held that if a governmental body takes no position with regard to the application of the trade secret branch of section 552.110 to requested information, we must accept a private person's claim for exception as valid under that branch if that person establishes a *prima facie* case for exception and no argument is submitted that rebuts the claim as a matter of law. ORD 552 at 5-6 (1990). However, we cannot conclude that section 552.110(a) applies 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. *See* Open Records Decision No. 402 (1983).

Section 552.110(b) excepts from disclosure "[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). Section 552.110(b) requires a specific factual or evidentiary showing, not conclusory or generalized allegations, that substantial competitive injury would likely result from release of the requested information. *See* Open Records Decision No. 661 at 5-6 (1999) (business enterprise must show by specific factual evidence that release of information would cause it substantial competitive harm).

After reviewing the submitted information and Habersham's arguments, we find that Habersham has established that release of the broker information in the submitted information would cause substantial competitive injury to the company; therefore, the department must withhold this information, which we have marked, under section 552.110(b). We find, however, that Habersham has made only conclusory allegations that release of the remaining submitted information would cause the company substantial competitive injury, and has provided no specific factual or evidentiary showing to support such allegations. In addition, we conclude that Habersham has failed to establish a *prima facie* case that any of the remaining information is a trade secret. *See* ORD 402. Thus, the department may not withhold any of the remaining information under section 552.110, but instead must release the remaining information to the requestor.

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 file suit in Travis County within 30 calendar days. *Id.* § 552.324(b). In order to get the full benefit of such a challenge, the governmental body must file suit within 10 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).

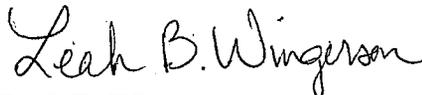
If this ruling requires the governmental body to release all or part of the requested information, the governmental body is responsible for taking the next step. Based on the statute, the attorney general expects that, upon receiving this ruling, the governmental body will either release the public records promptly pursuant to section 552.221(a) of the Government Code or file a lawsuit challenging this ruling pursuant to section 552.324 of the Government Code. If the governmental body fails to do one of these things, 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 challenge that decision by suing the governmental body. *Id.* § 552.321(a); *Texas 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 Office of the Attorney General 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. Although there is no statutory deadline for contacting us, the attorney general prefers to receive any comments within 10 calendar days of the date of this ruling.

Sincerely,



Leah B. Wingerson
Assistant Attorney General
Open Records Division

LBW/ma

Ref: ID# 301491

Enc. Submitted documents

c: Mr. Ryan Pierce
Administrative Assistant
Life Insurance Settlement
1011 East Colonial Drive, Suite 500
Orlando, Florida 32803
(w/o enclosures)

Mr. Joseph M. Belth
Editor
The Insurance Forum
P.O. Box 245
Ellettsville, Indiana 47429
(w/o enclosures)

Mr. Todd D. Green
Assistant General Counsel
Habersham Funding LLC
Building II, Piedmont Center
3495 Piedmont Road NE, Suite 910
Atlanta, Georgia 30305
(w/o enclosures)