

# PROTECTING TRADE SECRETS

## When Submitting Bids to Public Institutions

By Gina T. Constant



The right of the public to inspect the records of public institutions, such as universities and state agencies, is governed by the Inspection of Public Records Act (IPRA).<sup>1</sup> However, these public institutions often request bids and proposals from the private sector for services like construction and health care. In their proposals, bidders are usually required to include information that is proprietary and trade secret. If a public institution discloses this information pursuant to an IPRA request, they actually run afoul of the Uniform Trade Secrets Act (UTSA).<sup>2</sup> This article evaluates the two statutes and provides recommendations for public entities engaging in the procurement process.

The right of the public to inspect documents and information deemed “public records” is governed by IPRA,<sup>3</sup> which applies to public bodies including “any branch of government that receives any public funding, including political subdivisions, special taxing districts, school districts and institutions of higher education.”<sup>4</sup> Under IPRA, a public entity is required to assign at least one custodian of records, whose duties include processing requests for public records.<sup>5</sup> IPRA places the burden on the custodian to disclose documents or otherwise provide a justification for nondisclosure.<sup>6</sup>

The term “public records” is defined as “all documents . . . that are used, created, received, maintained or held by or on behalf of any public body and relate to public business.”<sup>7</sup> Bid documents and offers submitted by suppliers or vendors (offerors) to a public entity in response to a request for proposal “relate to public business” and are thus public records and subject to IPRA.

However, the broad inspection rights provided by IPRA are not unlimited. IPRA contains a number of exceptions and two of them are particularly relevant here: one is for “trade secrets,”<sup>8</sup> and the other excludes records “as otherwise provided by law.”<sup>9</sup> So not only is there a specific exception for “trade secrets,” there is also this catch-all exception, which excludes documents from being inspected by

the public when “otherwise provided by law.” This latter category would include the UTSA.<sup>10</sup> Under the UTSA, a trade secret is information that derives value from being kept secret, for instance if the information would benefit a competitor of the owner of the trade secret and is subject to reasonable efforts to maintain secrecy.

It is entirely possible, if not probable, that an offeror would be required to provide information to a public entity as part of the procurement process that would benefit the offeror’s competitor if disclosed. If the offeror marked the information “trade secret” and put language in the offer identifying the information as trade secret, that could constitute “reasonable efforts to maintain secrecy,” thereby satisfying the UTSA’s definition of a trade secret.

Therefore, the right of a person to inspect a public entity’s public records would not extend to the trade secrets of offerors that are held by the public entity through the procurement process. This means that while the public entity must allow inspection of the public records it holds, it cannot allow the inspection of the trade secret information of its offerors.

Both the IPRA and the UTSA include remedies for violations of the statutes. In fact, an offeror whose trade secret was disclosed could have remedies against the public entity under the UTSA, while a person whose request for inspection was denied based on the UTSA has remedies against the public entity under IPRA. What is a public entity to do in this damned-if-you-do-damned-if-you-don’t scenario? The answer lies in an evaluation of the statutory remedies.

Under IPRA, a person whose written request has been denied may request injunctive or mandamus relief from a district court and the court will award damages, costs and reasonable attorneys’ fees.<sup>11</sup> Under UTSA, actual or threatened disclosure may be enjoined and the misappropriation of trade secrets can result in the award of damages, including actual damages, unjust enrichment, royalties and, in certain cases, exemplary damages, plus attorneys’ fees.<sup>12</sup>

Since a violation of UTSA would be much more expensive than a violation of IPRA, a public entity should carefully review requests for inspection, deny requests for trade secret information and, where the public entity has a reasonable basis for being unsure if certain information is trade secret, err on the side of denying the request rather than disclosing the information.

Here is a summary of some recommendations for public entities when involved in the procurement process. First, the public entity should require that all offerors clearly mark which sections of their bid proposals are trade secret and include an explanation of why the information is trade secret. The public entity should inform all

*continued on page 7*

# Establishing *and* Maintaining a Trade Secret

By Tuesday Kaasch

There are a number of different ways to protect property or information that may be considered proprietary to a business. Those who wish to protect information of value, while not disclosing that information, may seek to protect it as a trade secret. While the statute providing protection to trade secrets in New Mexico<sup>1</sup> appears fairly straightforward, there is ample room for interpretation, making it essential that business owners understand how to establish and maintain information as a trade secret so that the information will be recognized as such in the event of litigation.

Unlike other forms of intellectual property, there is no application process or registration for obtaining a trade secret. It is first necessary to determine whether the information one wishes to protect qualifies as a trade secret. Courts in New Mexico apply a combination of statutory and common law factors to determine the issue. (See *Trade Secrets in New Mexico*, page 3 in this issue of the *New Mexico Lawyer*, for factors and a definition of “trade secret.”) Once it has been determined that information may qualify as a trade secret, the trade secret holder should implement policies and procedures for the information itself and for those persons who have or will have knowledge of the information. The critical characteristic of a trade secret is that it be kept secret.<sup>2</sup> Trade secrets should be documented whenever possible and the documentation should always be accompanied by a clear notice of confidentiality.

With respect to those who have or may come to have knowledge of the trade secret, appropriate steps should be taken to maintain the



secrecy of such information. All employees should be required to sign an employment agreement setting forth their obligations with respect to the employer's trade secrets during and after employment. Further, security measures and policies should be implemented for handling trade secrets, including restricting and monitoring access to said information, maintaining documentation in secure locations, and limiting reproduction of the information, among other measures. With respect to third parties (e.g., independent contractors, other companies, etc.), signing of a non-disclosure agreement should be a condition of initial or continued engagement.

For a potential trade secret holder, it may be a daunting task to initiate and implement these policies and procedures, but by following just as the name suggests and keeping a trade secret a *secret*, a very valuable protection can be established.

## Endnotes

- <sup>1</sup> Uniform Trade Secrets Act, 57-3A-1 to 57-3A-7 NMSA (1978)  
<sup>2</sup> 1 *Milgrim on Trade Secrets* § 2.03

## About the Author

Tuesday Kaasch is a registered U.S. patent attorney. She prepares and prosecutes patent applications in the electrical, electronics, data processing, and electro-mechanical areas.

---

## Protecting Trade Secrets *continued from page 6*

offerors that information simply marked “confidential” will not be treated as trade secret but, rather, will be treated as public information under IPRA. This would provide a sound basis and good documentation to support a decision to deny or grant an inspection request. Where the public entity is unsure whether IPRA-requested material is “trade secret” or not, then the public entity should err on the side of denying the IPRA request. Finally, if an IPRA request includes a document that contains a mix of trade secret and non-trade secret information, the public entity should redact the trade secret information and produce the rest of the document.

## Endnotes

- <sup>1</sup> NMSA 1978, §§ 14-2-1 to -12 (2011).  
<sup>2</sup> NMSA 1978, §§ 57-3A-1 to -7 (1989).  
<sup>3</sup> IPRA, § 14-2-1(A) (2011).  
<sup>4</sup> *Id.*, § 14-2-6(E) (2011).

- <sup>5</sup> *Id.*, § 14-2-7 (2011).  
<sup>6</sup> *Id.*, § 14-2-11 (1993).  
<sup>7</sup> *Id.*, § 14-2-6(E) (1993).  
<sup>8</sup> *Id.*, § 14-2-1(6) (2011).  
<sup>9</sup> *Id.*, § 14-2-1(12) (2011).  
<sup>10</sup> UTSA, §§ 57-3A-1 to -7 (1989).  
<sup>11</sup> IPRA, § 14-2-12 (1993).  
<sup>12</sup> UTSA, §§ 57-3A-3, -4 (1989).

## About the Author

Gina Constant is a registered patent attorney at the Rodey Law Firm in Albuquerque. In addition to her legal experience, she has 20 years of business experience including two years as a process engineer at a nuclear-chemical processing plant, 14 years as an engineer and manager at Intel, and five years in partnership with her husband in a small health care business.