

First Circuit Decision Underscores the Importance of Meeting the Definition of a Trade Secret as it Relates to Compilations

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The First Circuit recently reemphasized the difficulty that some companies may have in defining a trade secret consisting of compilations of publicly available information. In *TLS Mgmt. & Mktg. Servs., LLC v. Rodriguez-Toledo*, the First Circuit reversed the trial court's judgment and found that TLS had failed to satisfy the definition of a trade secret under the Puerto Rican Trade Secret Act. 966 F.3d 46 (1st Cir. 2020).

Following a bench trial, the district court had found that the defendants misappropriated two trade secrets identified by the plaintiff TLS. *Id.* at 50. TLS uses "Capital Preservation Reports" (Reports) and its "U.S. Possession Strategy" (Strategy) to provide recommendations to its clients for minimizing tax liabilities. *Id.* at 48–49. TLS alleged that its former employee, Defendant Rodriguez-Toledo, continued using these documents after leaving the company to provide tax consultation services in competition with TLS. *Id.* at 50.

TLS conceded that the Reports were comprised of publicly available information applied to private client information, and that standing alone, neither would be protectable as trade secrets. *Id.* at 53. TLS argued, and the district court agreed, that the Reports were protectable as compilations. *Id.* The First Circuit, however, was not convinced and found that TLS's generalized description of the Reports failed to identify any aspect of the Reports or the process of compiling them that was not readily ascertainable. *Id.* at 54. For similar reasons, the circuit court found that the Strategy was not protectable: it was not enough that the strategy was not publicly known, TLS had to show it was not readily ascertainable from public sources. *Id.* at 55–56.

TIP: Companies should be prepared to describe in detail how their proprietary compilations of information satisfies the definition of a trade secret. According to the First Circuit, this requires a showing that the compiled information is not readily ascertainable.

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