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## Trade-secret suit settled for \$61M

### Morningstar ends Daley Center dispute over software to manage retirement plans

BY **MARC KARLINSKY**  
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Morningstar Inc. has agreed to pay \$61 million to settle a lawsuit that alleged trade-secret misappropriation and breach of contract.

Attorneys representing Business Logic Holding Corp., the plaintiff in the suit, said they believe the settlement is among the largest recorded in any trade-secret case nationwide.

The lawsuit stemmed from a contract between Business Logic and Ibbotson Associates, both companies that design, develop and license software to financial institutions and investors.

In March 2003, Business Logic and Ibbotson agreed to allow Ibbotson to sublicense Business Logic's proprietary software, embedding it into its own product that serves participants in a managed retirement plan.

As part of the deal, both sides agreed to keep trade secrets confidential and prohibited reverse-engineering of the software.

Ibbotson was acquired by Morningstar in 2006. Before the acquisition, Morningstar operated its own product for retirement-plan management.

In a complaint filed in Cook

County Circuit Court in November 2009, Business Logic alleged that Morningstar launched a new product after the acquisition of Ibbotson that was virtually identical to Business Logic's.

Ibbotson, as a Morningstar subsidiary, terminated the Business Logic agreement in January 2007.

Business Logic alleged that Morningstar used knowledge derived from Business Logic to build its software. Business Logic also argued that the know-how could only be gained through access to its product.

Business Logic also alleged Morningstar told its end users in March 2009 they could seamlessly convert from an existing Business Logic database to Morningstar's.

Though the 2003 agreement provided that Business Logic could audit Ibbotson for compliance, the complaint alleged that Ibbotson never allowed an audit.

Business Logic sought compensatory and treble damages and injunctive relief. The parties were set to pick a jury on July 7 in Circuit Judge Patrick J. Sherlock's courtroom.

Both sides reached a preliminary agreement in the days before the trial began and



**Peter G. Skiko**

worked over the past two weeks to finalize it, said Peter G. Skiko, one of the partners at Swanson, Martin & Bell LLP and who represented Business Logic.

"In our view, the parties reached an agreement because both sides recognized that the ultimate fact finder could have determined that the amount at issue could have been more, and possibly have been less," he said.

As part of the \$61 million settlement, Morningstar acknowledged its current software was partially developed by Business Logic's software, a statement from Business Logic says.

A statement from Morningstar says the company had secured a license to the intellectual property.

In addition to Skiko, Business Logic was also represented by



**P. Stephen Fardy**

Swanson, Martin & Bell LLP partner P. Stephen Fardy and Texas attorneys R. Paul Yetter and Collin J. Cox of Yetter, Coleman LLP in Houston.

Skiko said his client feels vindicated by the outcome and the amount Morningstar will pay.

Ibbotson and Morningstar were represented by Paul E. Veith and Richard J. O'Brien of Sidley, Austin LLP. Veith deferred comment to Morningstar.

In a written statement, Morningstar Chairman and CEO Joe Mansueto said that the settlement removes the risk, distraction and uncertainty that comes with ongoing litigation.

The case is *Business Logic Holding Corporation v. Ibbotson Associates, Inc., et al.*, No. 09 CH 46687.