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Avoiding Common Pitfalls in Software Development Projects and Protecting Intellectual Property

“Two Dudes and a Van, Inc.” – A Case Study



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A Hypothetical Situation: Two Dudes and a Van, Inc.

Two Dudes and a Van, Inc., is a mid-sized residential moving company based in Skokie, Illinois. Two-Dudes' founder and CEO, **Rolls Bentley**, has always believed in using technology to control costs and give his company a competitive edge. Unlike its competitors, Two-Dudes even has two employees dedicated to the Company's IT efforts.

Wayne is one of Mr. Bentley's most valued employees. Wayne saved the company thousands of dollars a year by turning its website, www.two-dudes.com, from an on-line brochure into a tool allowing customers to make appointments with Two-Dudes' field agents for on-site inspections. Wayne also helped develop **Auto-Quote**, a simple program incorporating Two-Dudes' pricing model, which improved the accuracy of Two-Dudes' quotes.

Garth works with Wayne. Garth is the guy everyone calls to fix computer crashes and other everyday problems. Garth is also a big-time gamer. He spends all of his spare time tweaking open-source computer games. Garth's most recent project is a modification of the popular hand-held shoot-em-up game, **DoomQuake**. Garth's version, which he calls **BloodThirst**, allows players to use a PDA's embedded Bluetooth function to play head-to-head when in close proximity. Garth often works on BloodThirst at work during his lunch-break.

For several months, Mr. Bentley has been pestering Wayne to come up with a way to streamline the process by which Two-Dudes' field-agents inspect client sites and give moving quotes. After some consternation, Wayne had an epiphany while watching Garth test his newly completed BloodThirst demo. Two-Dudes could develop a version of Auto-Quote for PDA's, which are cheap and easy to use. Newer PDA's even had wireless capabilities. Using this technology, field agents could to give customers an instant quote, take a credit card deposit, and transmit all of the information to Two-Dudes' computer system, saving them all kinds of time.

Wayne outlined his plan for Mr. Bentley. Mr. Bentley didn't quite understand the technology behind the idea, but he liked what he heard and trusted Wayne. Mr. Bentley gave Wayne a \$50,000 budget, asked him to take full control of the project, and suggested that he hire a consulting firm to program the software and integrate it with the PDAs. He also told Wayne that it was absolutely critical to get the new system up and running in three months so they could field-test it before the busy season.

Wayne immediately enlisted Garth to modify Auto-Quote for PDAs. Then, Wayne talked to a number of firms about the project and eventually settled on **AprilSECOND**, a Chicago-based consulting firm. Wayne met with an experienced AprilSECOND project manager, **Donna**, to explain exactly what Two-Dudes wanted. Donna told Wayne that AprilSECOND could do the entire project – including testing and installation – on time for \$45,000. Donna also suggested that they integrate Auto-Quote with Two-Dudes' off-the-shelf e-mail, billing, and financial software by **MacroShaft Corp.** Wayne was excited. The next day, he received a package from Donna with a proposal for the project and a standard AprilSECOND time and materials consulting contract. Wayne passed the documents on to Mr. Bentley, who was eager to sign and get the project rolling.

AprilSECOND started the project on schedule. To save time and money, Wayne and Donna decided not to develop detailed specifications for the project. Instead, they used Wayne's outline

to Mr. Bentley to set project parameters. Wayne gave Donna a copy of the code for Auto-Quote along with Garth's modifications. Donna's first deliverable was a paper representation of what the hand-held screens would look like and how the screens would interact and flow. Everyone was impressed. When AprilSECOND's first invoice arrived, the project was proceeding according to plan.

Donna presented a few different PDA models to Wayne and Mr. Bentley. They selected the reasonably priced **Palm Pistol**, by leading PDA maker, **3-Peat**. The next step for AprilSECOND was to finish the PDA version of Auto-Quote and begin integrating it with the MacroShaft suite. Before AprilSECOND finished the job, Donna informed Wayne that she was leaving to work for **Indenture**, another consulting firm. Donna's replacement, **Dom**, was an experienced programmer and Donna promised to help transition the project to him.

With less than a month to go, Dom and his crew were still working around the clock. Dom was having trouble with the MacroShaft suite integration, the Palm Pistol wireless technology was not very reliable, and data did not translate neatly from Auto-Quote to MacroShaft, necessitating the manual inspection and clean up of data entered. AprilSECOND's second invoice brought their fees up to \$43,000 and there was obviously quite a bit of work left to do. A week later, Wayne received a \$10,000 invoice for the Palm Pistols they had purchased.

Three weeks later, Dom concluded that, in order to solve the data transmission problem, Two-Dudes would have to exchange their Palm Pistols for the more expensive **Palm Pistol XXL** with "always-on" wireless messaging modules. Dom also recommended that they use a MacroShaft plug-in that could be configured to read data as transmitted by the new XXL's. According to Dom, these solutions would cost Two-Dudes another \$15,000 in fees and expenses. Wayne discussed the revised plan with Mr. Bentley. Needless to say, he was livid.

After his meeting with Wayne, Mr. Bentley leafed through a local real estate magazine looking for the latest Two-Dudes ad. His jaw dropped when he came across the ad of his biggest competitor, **AAA Movers**, featuring a picture of an AAA field agent holding a Palm Pistol and reading, "Get guaranteed quotes on the spot with AAA Movers' Quote-o-Matic Software™!"

Meanwhile, BloodThirst was a hit. Garth was offering free downloads of the demo on various gaming sites and sold the complete game for just \$5.00. The checks were rolling in. Garth started spending significant amounts of time at work and at home working on follow-ups **BloodThirst II, The Bloodening and BloodThirst III, Blood Bath & Beyond.**

QUESTIONS

What could Mr. Bentley and Wayne have done to avoid their problems with AprilSECOND?

What could Mr. Bentley and Wayne have done to protect Two-Dudes' ideas?

Is Two-Dudes entitled to any of Garth's proceeds from the BloodThirst games?

Avoiding Common Contract Pitfalls

Whether you sit on the client or the developer side of the table, the following tips may help you avoid some common pitfalls and costly disputes that arise when negotiating software development agreements.

1. HAVE AN AGREEMENT IN PLACE BEFORE WORK BEGINS

Inevitably, tight deadlines will exert pressure on clients and developers alike to ignore contractual formalities and commence work on a project before any agreement in place. Or, parties will agree to forego attorney review of “standard” consulting agreements due to a belief that lawyers will charge and arm and a leg just to hold up the process. In either case, the time or money saved may come back to haunt you. Protect your company, your firm, or your intellectual property by making time to hammer out a sensible agreement before you incur major expenses or divulge confidential information. If you are concerned about the costs and delays in having a lawyer involved, be clear about your time constraints or get them involved in the process earlier rather than later.

2. UNDERSTAND THE AGREEMENT AS WRITTEN

A software development agreement, or any other contract for that matter, should achieve and embody a *meeting of the minds* – a shared understanding of each party’s rights and responsibilities. You cannot have a meeting of the minds if you do not understand the contract as written. If your understanding includes oral promises or understandings that are not incorporated into the written agreement, your understanding may be unenforceable.

3. DESCRIBE *HOW* THE WORK SHOULD BE PERFORMED

Obviously, an agreement should describe the services and deliverables to be completed. Less obvious, however, is importance of describing the process by which the services and deliverables should be completed. The expectations of clients and developers as to how the work will be completed may differ substantially and, if not set forth in the agreement, may result in frustration and disputes over billing and timetables. Is it critical that a particular software development methodology be used? Will the developer require a discovery period to develop a more detailed understanding of the work to be done and the amount of time required? Will the developer rely upon the cooperation or approval of the client or any third parties? Will the client be required to sign-off intermittently throughout the project? Will client ordered changes require significant additional work by the Developer? Any of these issues could have a significant impact upon project timetables and costs and should probably be dealt with in the agreement.

4. SPECIFY APPROPRIATE PERFORMANCE LEVELS OR SPECIFICATIONS

Does your client expect its web site to be operational 98% of the time? Whether you are Microsoft or a one-man shop, the software you create will have some bugs. Does that mean the client can reject it and refuse to pay? What if your program works perfectly, but the client just doesn’t like the way it looks? By specifying appropriate performance levels and creating detailed specifications for software to be produced, the client and the developer can avoid these misunderstandings and align their expectations about when the work has been completed properly.

5. TERMINATION – IT AIN'T OVER 'TILL ITS OVER

Can a developer suspend services when a payment is late? Can a client terminate a project without incurring any additional costs? Is the developer required to fix problems that surface a year after delivery and payment? A contract should specify each party's right to terminate the agreement and their rights and responsibilities upon doing so. If there is an expectation of ongoing service, it must be made clear in the agreement.

6. DEFINE THE INTELLECTUAL PROPERTY RIGHTS OF EACH PARTY

Clients generally think that they own *everything* they pay for. Developers generally believe that they can re-apply the code, techniques, and ideas employed in one project to future projects with other clients. But, clients and developers can unwittingly surrender their rights to use or re-use intellectual property if these issues are not addressed in the agreement. The disconnect can lead to conflicts and the loss of valuable trade secrets or intellectual property rights. It is in the interests of both parties to clearly define what intellectual property rights are being transferred and what restrictions are being imposed.

7. PROTECT YOUR MOST VALUABLE RESOURCES

How would it affect your company if information about the inner workings of your latest product fell into the hands of your competitors before it hit the market? What would you do if a client or consulting firm hired-away your most valuable employee? How would you react if a consultant with intimate knowledge of your business strategies and proprietary technology went to work for a competitor? Confidentiality, non-solicitation, and non-compete covenants can prevent these issues from becoming a nightmare for your business. Often times, a non-disclosure agreement may be appropriate before two parties even agree to work with one another. On the flip-side, if a contract contains these sorts of covenants, be sure to have a thorough understanding of what they mean and how you will be required to conduct yourself.

8. READ THE "BOILERPLATE"

The eyes of most readers start to glaze over when they reach the "boilerplate" or miscellaneous provisions of a contract. The boilerplate is usually at the end of an agreement and comes cloaked in dense legalese. But, the failure to read and understand boilerplate can haunt a contracting party when it learns that all warranties have been disclaimed, it is obligated to indemnify a former client being sued by a third party, or that it can only enforce its rights before a Romanian arbitration panel.

Issues Checklist

Software Development And Consulting Services Agreements

1) **THE CONTRACT – “The Meeting of the Minds”**

A) Identify and describe the software to be developed and services to be provided:

1) **The SERVICES:**

- a) Services – are the services defined CAREFULLY: Assessment, needs analysis
- b) Goals identified – Charter or Project Overview
- c) Key personnel – Decision Makers identified for both Client and Consultant
- d) Change management
- e) Risk assessment

2) **Software Development – the PRODUCTS:**

- a) All of the above and...
- b) Feature Specifications - Assessment
- c) Functional Specifications: What functions must the software perform – ***THE MEETING OF THE MINDS***
 - i) Set in stone or
 - ii) Fluctuating and living document
- d) Acceptance of Data – input, output and formats
- e) User Interface Specifications
- f) Technical Specifications
- g) Detailed Design Specifications

B) Describe the **documentation** to be provided:

- 1) User manual
- 2) Technical documentation
- 3) Needs assessment
- 4) Equipment list
- 5) Change management plan
- 6) Risk management plan
- 7) Maintenance requirements

C) Staff Augmentation Services

2) **THE WORK – How do we get there?**

A) The Software Development Work (describe it, don't assume it):

- 1) System Analysis – what Client wants it to do
 - a) documented
 - b) participation by decision makers
- 2) Develop functional and user interface specifications
- 3) Develop technical system specifications
- 4) Develop security mechanisms for software
- 5) **Plan** for it
- 6) Design it
- 7) Code it
- 8) Test it
- 9) Install it
- 10) Training on how to use it (knowledge transfer)
- 11) Implementation and Rollout

B) The Software Development Methodology:

- 1) **Waterfall** (System Requirements, Software Requirements, Analysis, Program Design, Coding, Testing, Operations)
- 2) **RAD** or **JAD** – Spiral or Object-Oriented Analysis -- Prototyping

C) Phases and Milestones (smaller parts, subroutines, modularization)

D) **Specifications** for each Phase and **Change Management**

E) Resources:

- 1) Client's internal time commitments – *"I've got to keep this business running, so I can't look at this now...."*
- 2) Consultant's resources – *"I can't have my people on the bench, so you have to commit...."*

F) Status Updates and Meetings – set timetable

G) Project Workbook or repository of critical documents and meeting minutes

- 1) Charters/Client Assessments
- 2) Project Plan
- 3) Detailed Scope
- 4) Estimates/Budgets
- 5) Resource Schedules

- 6) Issue resolution log
 - 7) Change Requests
 - 8) Status Reports
 - 9) Meeting Notes
 - 10) Correspondence (electronic and written)
 - 11) Acceptance signoffs
 - a) Deliverables
 - b) Invoices
 - 12) Log of Confidential Information
 - 13) Copyrights and Patents
- H) Where will the Work be done -- at Client's or Consultant's offices? Rules and procedures to follow (give them a written copy of policies)

3) **CLIENT'S RIGHTS IN THE SOFTWARE**

A) Client **Owns**:

- 1) Custom designed software, documentation, incorporated materials originally developed works
- 2) Copyright, patent and trade secret rights – derivative works
- 3) Won't own pre-existing works of Consultant identified in writing to Client, incorporated licensed materials

B) If **Licensed** from Consultant or third party, Client may:

- 1) only use internally (and limited number of computers servers, users, or sites)
- 2) copy for archival purposes
- 3) modify or enhance (TRAP: Copyright Section 117 rights may not be applicable, with the exception of Y2K fixes, if necessary. Also, what are the effects of modifications on Consultant's warranty and support obligation?)
- 4) sell or sublicense the software
- 5) use royalty free, forever
- 6) expect software assurance and warranties

4) **NATURE OF RELATIONSHIP**

- A) Is Consultant an independent contractor or a joint venturer?
- B) Third-party performance of some tasks, coordination is critical
- C) Are there any third-party beneficiaries?

D) Solicitation of Other's Personnel – none allowed for X months or 1 year, dollar amount disincentive as liquidated damage and no waiver of other remedies

5) **DELIVERY OF SERVICES OR SOFTWARE**

- A) How critical is the time frame? Time is of the essence
- B) Customer or business constraints
- C) Penalties for failure to deliver on time
- D) Replacement consultant available
- E) **Interim deliverables**, source code escrow, libraries, or on Client's network

6) **ACCEPTANCE OF SPECIFICATIONS AND SOFTWARE**

- A) Specifications to be signed off:
 - 1) internal control
 - 2) external sign off
 - 3) attach (incorporate or reference) to the Agreement as Exhibit
- B) Software acceptance testing:
 - 1) testing plan
 - 2) test conditions
 - 3) test model and data (actual vs. test data)
 - 4) test scripts
 - 5) develop expected results
 - 6) Beta test
 - a) by Consultant
 - b) by Consultant with Client
 - c) with another consultant
 - 7) stress testing at Client's location on its hardware
 - 8) acceptance of Software – SIGNOFF
- C) Standard for acceptance:
 - 1) Repeat the process until Client is "satisfied"
 - 2) independent assessment
- D) Create outside time for completion of software after submission for acceptance
- E) Acceptance after "GO LIVE" vs. beta and stress tests

7) **ACCEPTANCE TRIGGERS...**

- A) After Acceptance:
 - 1) Final payment
 - 2) Warranty periods
 - 3) License period
 - 4) Title to Client on delivery

8) **TRAINING**

- A) User training
- B) Manuals
- C) Train the trainer

9) **SOFTWARE ASSURANCE**

- A) Post-warranty
 - 1) Telephone Call Center
 - 2) Defect repair (yours only or universal fixes?)
 - 3) Deliver updates and enhancements
 - 4) Notice of defects found
 - 5) Internet access and posting options for fixes
- B) Exclusions from Software assurance:
 - 1) Client modifications to software
 - 2) Breach of license -- use and payment
 - 3) Outdated version

10) **PAYMENT FOR SOFTWARE AND SERVICES**

- A) Do you have a BUDGET?
- B) Consultant Fee structures
 - 1) FIXED FEE, lump sum or including out-of-pocket
 - 2) TIME AND MATERIALS, hourly fees plus out-of-pocket expense, with Not to Exceed
 - 3) TIME AND MATERIALS estimates with "SOFT" cap
- C) Hourly rate structures for all resources
- D) Retention of payments for assured performance (punch list items)

- E) Payment is due under the Agreement:
 - 1) Upon execution
 - 2) Installments, such as weekly, monthly
 - 3) Upon acceptance
 - 4) Retention
- F) Consultant can cease work for non-payment after the dispute resolution process has expired
- G) Taxes: on materials, canned software; but not on customized software development

11) **CONFIDENTIALITY**

- A) **START IMMEDIATELY:** Protect Client's confidential information disclosed during the assessment phase
- B) Protect throughout the process (oral and written materials): "If in doubt, STAMP IT."
- C) Log of disclosed information
- D) Confidentiality clause: agreement not to disclose or use any confidential information for itself or others
- E) Exclusions: previously known, publicly available, independently developed, acquired by third party without duty to disclose
- F) Return to disclosing party

12) **WARRANTIES**

- A) Consultant's warranties:
 - 1) Original work – non-infringement patents, copyrights and trade secrets
 - 2) Authority to grant license
 - 3) Work to be performed in workmanlike manner in accordance with standards in industry
 - 4) Conformance with Functional and User Interface Specifications
 - 5) Adequate Documentation
 - 6) Hardware adequacy
 - 7) Free from material defects
- B) Length of term for the warranties (some should survive termination of agreement)
- C) **DISCLAIMERS:** standards in the industry (merchantability, fitness, all other implied warranties)

D) REMEDIES: Repair, replace and refund

- 1) types of defects
- 2) time for fixes

E) EXCLUSIONS:

- 1) Software modified by Client or others
- 2) incorrect data
- 3) failure to assist in efforts to repair
- 4) third party software or hardware failures
- 5) prompt notification of defect
- 6) failure to pay Consultant

13) **LIABILITY LIMITATIONS**

- A) Consultant's limited liability; Mutuality?
- B) Exclusions: Lost profits, consequential damages, punitive damages, third party claims.
- C) Statutes of Limitation: when must Client file suit?

14) **INDEMNIFICATION**

- A) Consultant to pay for any damages or expenses to Client if breached warranty of original work
- B) Consultant usually wants to control defense of case
- C) Indemnification only when:
 - 1) Timely notice
 - 2) Provide information
 - 3) Will not cover Client's willful conduct
- D) Exposure limits
- E) Insurance – workers compensation, automobile

15) **TERMINATION**

- A) Client's right upon 7, 14, 21 days Notice for any reason
- B) Client's and Consultant's rights for default
 - 1) cure periods
 - 2) hire replacement
 - 3) liquidated damages
 - 4) injunction for breach of Confidentiality

- 5) bankruptcy, composition of creditors
- C) Notice of breach (warranty provisions and non-payment)
- D) What rights survive termination? Confidentiality, warranties, dispute resolution, assignment.

16) **MEDIATION OR ARBITRATION OF DISPUTES**

- A) Mediation (AAA/Jams/CPR) vs. BINDING arbitration (AAA)
- B) Time limits before going to court, or if binding, very limited court review of an award
- C) Rules and costs

17) **MISCELLANEOUS**

- A) Advertising by Consultant – when work is completed and Client approves
- B) Applicable Law
- C) Notices
- D) Non-waiver
- E) Force Majeure
- F) Survival
- G) Conflicts in Documents
- H) Recitals and Headings
- I) Entire Agreement
- J) Severability
- K) Modifications
- L) Counterparts
- M) Assignability

Protecting Your Intellectual Property

Your ideas, information, or innovations may be the most valuable property you own. At the same time, such intellectual property may be the most difficult property to protect. If an employee, employer, business partner, or competitor appropriates your intellectual property, you may not know it until it is too late.

A multitude of state and federal laws offering damages and other remedies exists to help you protect your intellectual property. The following is an overview of some intellectual property laws applicable to software and some common mistakes or misconceptions that can result in the loss of intellectual property rights.

Overview

Patents

A patent is an exclusive right to make, use, or sell an invention for a limited period of time (usually 17 years). A patent may be granted by the U.S. Patent and Trademark Office to the inventor of a device or process if it is novel, useful, and non-obvious. In recent years, courts have upheld software patents, resulting in a flood of applications for software patents.

Patents can be expensive and time consuming to obtain. But, they give the patent holder a powerful right to prevent competitors from appropriating software innovations, as exhibited by some recent high profile cases (e.g. Amazon “one-click”).

Copyright

A copyright is a property right in an original work of authorship (such as a literary work) fixed in a tangible medium of expression. The copyright gives the holder the exclusive right to reproduce, adapt, distribute, perform, and display the work. Copyright protection extends to computer code, which is analogous to a literary work. Copyright protection vests upon the fixing of a work in a tangible medium, but federal copyright protection only vests upon registration. A copyright also protects the holder’s right to make “derivative works” of the original writing, such as enhanced versions of software code.

Copyright registration is a relatively quick and inexpensive process. However, the right only covers fixed expressions – not business processes or methodologies – thus, they may be used to prevent someone from duplicating copyrighted code, but not from using an idea that can be “phrased” in another way.

Trademark

A trademark is a word, phrase, logo, or other graphic symbol used to distinguish its product or from that of others (when referring to services, called a servicemark). The primary purpose of a trademark is to guarantee a product’s genuineness. A trademark must be distinctive, affixed to a product (or service) that is actually sold, and registered with the USPTO.

Trademark applications are relatively inexpensive, but may take a year or more to process. For companies with valuable brand or domain names, trademark protection may be imperative. A company that spends thousands of dollars to secure a valuable domain name, but fails to acquire a trademark in the domain name or even check to see if a trademark is available, may find themselves unable to prevent others from using similar names or even using the domain name at all.

Trade Secret

A trade secret is a formula, process, device or other business information that is kept confidential to maintain an advantage over competitors. Trade secret laws generally cover formulae, patterns, compilations, programs, devices, methods, techniques or processes that (1) derive independent economic value, actual or potential, from not being generally known or readily ascertainable by others who can obtain economic value from its disclosure or use, and (2) are the subject of reasonable efforts to maintain their secrecy.

Trade secret protection does not require federal registration of any kind. However, in order to protect its trade secrets, a company **MUST** make reasonable efforts to maintain their secrecy and require persons or entities with whom they plan to share the trade secrets to agree to maintain their confidentiality. Reasonable steps may include keeping information under lock and key, requiring network users to follow a security protocol, or maintaining adequate firewalls or other security against outsiders.

Common Mistakes And Misconceptions That May Compromise Intellectual Property Rights

You don't always get what you paid for (and you don't always get paid for what you give)

As a general rule, the creator of a work, including software code, is generally the owner of the copyright in that work. Under certain circumstances, a work may be considered a “work for hire,” making the *employer* the rightful owner of the copyright in the work created by its employees. What if the creator is not an employee, but an independent contractor? What if the employee creates the work during his lunch break or at home? It can get complicated.

A work may be considered a work for hire in one of two circumstances: (1) if it is a work prepared by an employee within the scope of his or her employment, OR (2) if parties expressly agree in writing that the work will be a work for hire AND the work falls into one of the following categories: (a) a contribution to a collective work, (b) a translation, (c) a supplementary work, (d) a part of a movie or other audiovisual work, (e) a compilation, (f) an instructional text, (g) a test, (h) answer material for a test, or (i) an atlas.

Needless to say, a lot of law has been written about every facet of these rules. Whether someone is an employee is generally determined on a case by case basis balancing factors such as the skill required; the source of the instrumentalities and tools used; the location of the work; the duration of the relationship between the parties; whether the hiring party has the right to assign additional projects to the hired party; the extent of the hired party's discretion over when and how long to work; the method of payment; the hired party's role in hiring and paying assistants; whether the

work is part of the regular business of the hiring party; whether the hiring party is in business; the provision of employee benefits; and the tax treatment of the hired party.

Ignoring the work for hire doctrine can cause trouble. For example, a company may learn that, after paying a consulting firm to write code, it only bought a non-exclusive license to use it. An employee might find that the brilliant innovation she developed at lunch belongs to her employer, who is under no obligation to pay her for it.

Also, keep track of who has contributed to IP and that they are under carefully worded agreement. Sloppy record keeping can prevent you from being able to get a patent or copyright. Archive and retain all variations of your IP – you can have a copyright in each.

Serving two masters at once

If you are working for one company while preparing to start-up (or work for) another, you may unwittingly compromise your intellectual property rights to a new invention, discovery, or innovation. Employees owe a duty of undivided loyalty to their employers. By doing work for a new employer or enterprise while still on the payroll of another, you may be violating your duty of loyalty to your soon-to-be former employer. Moreover, under the work for hire doctrine discussed above, you may open the door to a claim from your soon-to-be former employer that it owns the intellectual property rights to whatever innovation you were working on before you left, especially if it relates to that employer's line of business or was created using company property.

Letting the cat out of the bag

Blindsiding the competition with an announcement or advertisement touting your latest innovation may be critical to your business strategy. However, it also may be doing your competition a favor. If you let the cat out of the bag before you secure applicable intellectual property rights, cyber-squatters and fast-acting competitors might be able to capitalize on your haste. You can secure brand and domain names, or at least get the process started, by filing an intent-to-use trademark application prior to making a public announcement. You can also take some steps to ensure that your intended course of action will not infringe upon the rights of others.

Giving the milk away for free

Your intellectual property may be the most valuable property you own. Moreover, the value of this property may be based entirely upon maintaining its confidentiality. Before you disclose your confidential information to others, including your own employees, get a written commitment that the information will not be used or disclosed except for the purposes you specify. If you cannot demonstrate that others have agreed to preserve the confidentiality of such information and that you have taken reasonable steps to protect it, you may not be able to invoke trade secret laws to prevent infringement. Moreover, potential investors or business partners may not find you to be such an attractive mate if you cannot demonstrate that you have taken steps to protect your IP.

Turning the other cheek

COSTLY AND PROLONGED LITIGATION. As bad as that sounds, the failure to act upon a violation of your intellectual property rights may be worse. If you learn of a violation, consult an attorney and take the proper steps to protect yourself. This may be as simple as writing a cease and desist letter. Also keep in mind that obtaining an injunction to stop someone from violating your rights may cost less than losing the benefit of those rights forever.

Ignoring the rights of others

If your business is based upon code that may or may not belong to someone else, if your logo or trade name infringe upon someone else's trademark, or your marketing campaign makes unauthorized use of someone else's photograph, you could be in trouble. You can protect yourself against the misappropriation of intellectual property by consultants and vendors by using properly worded indemnification provisions in their agreements. You can educate and instruct your employees not to violate IP rights. You can search public records to assure that trademarks and domain name are available. If someone accuses you of violating their intellectual property rights, consult a lawyer, figure out whether you have a legitimate defense, and respond to their accusation. By ignoring these issues you can jeopardize the health and success of your business.

DANIEL T. GRAHAM

Dan grew up in Iowa. He received his undergraduate degree, maxima cum laude, in 1987 from Loras College in Dubuque, Iowa. In 1990, he received his J.D., with distinction, from the University of Iowa in Iowa City. While at the law school, Dan received the Best Advocate Award in the Van Oosterhaut Memorial All-School Moot Court Competition in 1989. He was also the National Moot Court Team Captain from 1989 to 1990 and Second Vice-Chairperson of the Moot Court Board in 1990. He authored a Comment, "*An Economic Analysis of Shapero v. Kentucky Bar Association: Is There Any Possibility of Overreaching in Targeted Direct Mail Solicitation?*" 14 J. Corp. Law 809 (1989).

After graduating from law school, Dan spent approximately four years associated with a large Chicago law firm where he specialized in commercial litigation and trial practice, including the areas of creditor's rights, design professional liability, technology, intellectual property and civil rights litigation.

Dan became associated with **Levin & Funkhouser, Ltd.** in 1994 and became a member of the Firm, on January 1, 1999. He has practiced extensively in the areas of representing companies and consulting firms in the development of their e-commerce initiatives and cyber strategies, including negotiating and drafting custom-design software development agreements, web development, hosting and license agreements, as well as ERP, CRM, and ASP implementation agreements. Dan also actively practices in the areas of software design, trade secret and software license litigation, commercial disputes and arbitrations, trust company litigation, creditor's rights, construction law, labor and employment disputes, and corporate investigations. His practice includes arbitration and civil trial and appellate practice. Dan also counsels entrepreneurs in addressing business formation issues and capitalization of their ventures. Dan recently obtained a verdict in a false arrest/false imprisonment case that was the largest jury award against a corporation of its kind in Illinois.

Dan also has served for two years as Chairman of a storefront legal clinic in the Howard Street area servicing the legal needs of Chicago's economically disadvantaged through the Chicago Volunteer Legal Services Foundation. Dan is currently active with CVLS work and has been a panel attorney for CVLS for over ten years. Dan has coached teams from local law schools for regional and national moot court competitions and has been a judge for the ABA National Moot Court Competition since 1999.

In 1990, Dan was admitted to practice before the Illinois Supreme Court and the United States District Court of the Northern District of Illinois. He is admitted before other Federal District Courts as well, including the Central District of Illinois, the Northern District of Indiana, the Eastern and Western Districts of Wisconsin, and the Eastern and Western Districts of Michigan. Dan is also admitted to the Trial Bar for the Northern District of Illinois. Dan is a member of the Chicago, Illinois State and American Bar Associations.

Dan is married and has two sons and a daughter. His other interests include running, football, basketball, hiking and golf.

DARA SAHEBJAMI

Dara grew up in Cincinnati, Ohio. In 1995, he graduated with honors in Philosophy from Northwestern University. At Northwestern, Dara founded the Sexual Assault Education Program, an organization that gave presentations to incoming freshmen, athletic teams, fraternities, sororities, and other campus organizations to educate students about the prevention of sexual assault and harassment.

Dara received his J.D. in 1998 from Georgetown University. While in law school, Dara worked at Coburn & Schertler, a litigation boutique in Washington, D.C. A quintessentially Washington experience, Dara's time at Coburn & Schertler exposed him to independent counsel investigations, organized labor scandals, and various government contracting fraud schemes. Upon graduating from Georgetown, Dara spent a year as a litigation associate at Coburn & Schertler where, in addition to white-collar criminal matters, he participated in several commercial litigation matters. Dara was admitted to the Illinois Bar in November of 1998.

Dara joined **Levin & Funkhouser, Ltd.** in September 1999 and is a member of the Illinois State and American Bar Associations. Since joining the Firm, Dara has had significant involvement in e-commerce projects, working with small start-up companies and on much larger software development, website development, and consulting projects. Dara has also worked on numerous commercial litigation matters, drafted employment policies, and researched a broad range of issues, including corporate taxation, securities transactions, and various employment and labor issues. In 2000, Dara was admitted to practice in the United States District Court of the Northern District of Illinois. He is also a card-carrying member of the American Civil Liberties Union.

Dara and his wife are both avid cooks who regularly engage in bold, culinary experimentation. Dara was a semi-professional musician (electric bass, guitar, and Moog synthesizer) for nearly a decade and is currently building a home recording studio.

Levin & Funkhouser, Ltd. Seminars

Equity Plans, Mergers, Acquisitions, And Sales Of Companies

1. Taking Stock Of Equity Based Compensation
2. Buying And Selling Companies - Tips For The First Timer
3. Keeping Your Company Saleable

E-Commerce

1. Legal Implications Of Technology
2. Building The E-Commerce Infrastructure

Antitrust Issues

1. Avoiding Price Fixing Problems:
2. Good Housekeeping Is Good Management
3. How To Avoid Pitfalls In Antitrust Investigations

Workplace Issues

1. Effective Management Of Employees
2. Coordination And Documentation
3. Preventing And Investigating Sexual And Other Harassment
4. The Art Of Effective Interviewing
5. Preventing Workplace Violence
6. Employees With Physical And Mental Impairments
7. The Ada Need Not Disable Employers
8. Attracting And Retaining Employees: Effective Management And Communication
9. Life-Threatening Illness Policy
10. References: To Give Or Not To Give; That Is The Question
11. The Role Of An Employee Handbook: Myth Vs. Reality
12. Are You Ready If A Union Knocks On Your Door?
13. The Psychology And Dynamics Of
14. Collective Bargaining Negotiations
15. Are You Violating The Overtime Laws?
16. Smoking And The Workplace: Helping Employers Breathe More Easily
17. Legal And Practical Implications Of Flexible Work Arrangements
18. Employees Vs. Independent Contractors

Succession Planning

1. Passing On Success To The Next Generation

Trademarks

1. Protecting Your Company's Trademarks
2. Special Issues For Media Companies
3. Newspaper Distribution In A Changing World
4. Meeting The Challenge Of Newsbox Regulation
5. Newspaper Advertising And The Fair Housing Laws

