

## Risks to your IP Rights in Crowdfunding

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Crowdfunding allows groups of people to pool their finances for the purpose of completing specialized or special interest goods or materials. Partly due to the popularity of websites such as Indiegogo and Kickstarter, the past few years have seen a sharp rise in crowdfunding initiatives. Many individuals and companies, from sole inventors to tech companies to film makers, have raised thousands to millions of dollars for their projects through crowdfunding.

Crowdfunding is viewed by many individuals and companies as their only avenue towards raising enough capital for their projects. However, these individuals and companies often ignore the risks involved in crowdfunding, including the risks to their Intellectual Property rights, when they publish a crowdfunding proposal. This article will discuss some of the risks to your IP rights when you publish a crowdfunding proposal.

### Patents

Patents protect new and useful processes, machines, manufactures or compositions of matter, or any new and useful improvements thereof. Patents provide owners with the exclusive right to make, use and/or sell a patented invention for a fixed period of time.

### **Risks**

#### 1. Disclosure of Invention

In Canada and the United States, when an invention is disclosed to the public (in the case of the US, when the invention is disclosed in a printed publication anywhere or in public use or offered for sale in the United States), a patent application must be filed within twelve months of this date. In many other countries, including several countries in Asia and Europe, a patent application must be filed prior to public disclosure of the invention.

Publishing a crowdfunding proposal will generally include providing some details about what your project will produce. For example, if you are developing a 3D printer, you will likely publish some details about the 3D printer. However, if you disclose the actual invention, including sufficient details about your 3D printer so that a person skilled in the art would be able to work your invention, this could be considered public disclosure of your invention and may be a bar to you filing for patent protection in many countries.

#### 2. Ownership/Inventorship

Anyone who conceives of a single claim in a patent application is considered to be an inventor. All inventors must be named in a patent application or there is the risk of the patent being held invalid. Furthermore, all inventors are considered joint owners of the patent application unless they assign their rights to a third party. Each joint owner of the patent application can license the patent rights.

When you publish a crowdfunding proposal, a third party could send you a suggestion regarding how your product may be improved. If your product goes on to become successful, there is a chance this third party will consider themselves to be a co-inventor and therefore, entitled to joint ownership of your patent rights.

### **Risk Management**

1. Prior to any public disclosure, including publishing a crowdfunding proposal, you should consider filing a patent application to protect your rights. In most cases, a person who is relying on a crowdfunding proposal may not have sufficient funds to have a formal patent application prepared. A compromise may be to file a U.S. provisional patent application, which is an informal patent application and generally costs less to prepare and file. The U.S. provisional patent application must be replaced by a formal application in one year. It is during this one year period that the person may try to raise sufficient funds through crowdfunding and other sources.
2. Do not accept third party contributions to design and/or development. This is to prevent third parties from making a claim that they are co-inventors and therefore joint owners of the patent.

### **Trade-marks**

A trade-mark is any word, name, symbol, design, slogan, package design or combination of these that identifies a specific good and/or services and distinguishes it from others in the marketplace. Trade-mark law grants the owner of a trade-mark the exclusive right to use the trade-mark to identify its goods and/or services.

### **Risks**

Crowdfunding poses a risk to the ownership of your trade-mark. If you publish a crowdfunding proposal to develop and market a 3D printer, you may want to include a catchy name for your 3D printer in your proposal, in hopes of attracting attention from potential donors.

In Canada and the United States, the first party to use a trade-mark in commerce can claim rights to the trade-mark, whether or not that trade-mark is registered. The classic example of "use" of a trade-mark is where the person sells the good with the trade-mark affixed to the good. However, it is not clear that publishing a crowdfunding proposal would be considered "use" of a trade-mark. It is possible that you could publish your crowdfunding proposal, including the name of your 3D printer, and another party actually sells a 3D printer with that same name. That party could be considered the first party to "use" the trade-mark and would be the one that has trade-mark rights.

In many other countries, including several Asian and European countries, it is the first party to file a trade-mark application which is presumed to have rights, regardless of use. Therefore, when you publish your crowdfunding proposal including the name of your 3D printer, another party could file a trade-mark application in a foreign country. After you have finally raised enough funds to file for trade-mark applications around the world, you may find that another party has already claimed the trade-mark rights.

## **Risk Management**

1. File an Intent To Use (ITU) trade-mark application before publishing your crowdfunding proposal. You can file a trade-mark application based on the fact that you propose to use the trade-mark in that country and this will hold your place in line.
2. Be cautious with how you present your trade-mark in your crowdfunding proposal. If possible, it would be better to avoid publishing the name of your trade-mark in the crowdfunding proposal.

## **Copyright**

Copyright protects original works of authorship, including literary, dramatic, musical, artistic and other intellectual works, both published and unpublished, for a fixed term.

## **Risks**

Publishing a crowdfunding proposal poses risks to ownership of your copyright. Any author who makes a separately copyrightable contribution to a work is considered to be a joint owner of the copyright. A joint owner is entitled to exploit the whole work.

If, for example, you publish a crowdfunding proposal to make a new movie, a third party could send you a suggestion as to how the plot of the movie should go. If your movie becomes successful, that person could consider themselves to be a co-author and therefore, a joint owner of your copyright.

## **Risk Management**

1. Establish the moment of fixation. If you author a copyrightable work, you could mail it to yourself prior to your crowdfunding proposal to establish that you authored this work prior to the crowdfunding proposal being published and prior to any third party making any suggestions.
2. Be cautious about accepting third party contributions. As mentioned above, a third party contribution could lead to a person making a claim that they are a co-author and therefore a co-owner of your copyright.