

GeekBusiness: The Basics of Doing What You Love for Profit

Marc Whipple – AnimeMidwest 2017

Moderator: Marc Whipple (@legalinspire)

- IP Attorney: Of Counsel to Crawford Intellectual Property Law, LLC and former General Counsel of Meyer/Glass Interactive and Incredible Technologies
 - Licensed to practice in IL and before the USPTO
 - Blogs at LegallInspiration.com and writes for IndieGamerTeam.com
 - Knows what he's talking about but this is not legal advice
 - No, seriously, this is not legal advice, get a lawyer!
 - Wow that was quick
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Co-Moderator: Matthew Viglione (@somasim_games)

- Matthew is a co-founder of SomaSim, a Chicago-based indie studio founded in 2013 to create simulation games. SomaSim's most recent release, ***Project Highrise***, is a skyscraper sim game and previously we made ***1849***, a Gold Rush city builder. He has extensive experience in creative direction, writing and graphic design. Before starting SomaSim, Matthew was the director of communications for Catholic Charities in San Francisco.
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Building a Business, Geek-Style

This presentation is not an instruction manual: it is a very general topic checklist.

- Business Plan

What are you going to do? Why are people going to pay you to do it?

- Business Formation

Incorporation – Ownership – Operating Agreements – Licensing

- Business Operation

Facilities – Employees – Insurance – Taxes & Accounting – Procurement – Distribution

- Intellectual Property Concerns

Patents – Trademarks – Copyrights – Right of Publicity

Business Outline

- Figure out what success looks like for you.

Trying to make a little money doing something you like, or a new livelihood?

- Understand who will be buying what you're selling.

Who wants your product, why will they buy it from you, what will they pay?

- You still have to treat it like a business.

A business plan, legal help, accounting help, taxes, insurance, business licenses.

- Things cost more money than you realize.

You have to budget both for fun things (computers, software, tools) and operation.

- Don't go it alone!
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Business Formation: You Need Legal Advice.

- Should you incorporate?

Multiple Owners / Equity participation? Liability / Asset Protection? Tax Advantage?

- Who will own your business?

Profit participation does not require equity ownership! Voting and control.

- Under what terms will it operate?

Operating agreement or bylaws – NOT a cookie cutter agreement.

- What licenses will you need?

Business license (County, city – zoning?)

EIN / Tax ID?

Sales tax certificate?



*If you listen to nothing
else I tell you...*

Business Operation

- Facilities

Work from home, co-work space, rental office? Equipment (lease or buy?) Services?

- Employees

Contractors are great: *you need a real contract*. Also, don't try to treat employees like contractors. It will. Not. Work.

- Insurance: You need it.

- Taxes & Accounting: You need advice. (If you're both brave and small, TurboTax.)

- Procurement

Where are you going to get your materials and services? How will you pay for them?

- Distribution

How will you sell your goods and services? What licenses and tax certificates will you need?
Distribution Agreements?

Intellectual Property Law Concerns

Geeky businesses often involve questions of intellectual property law, which includes:

- Patents (Inventions)
 - Copyrights (Artistic Expression)
 - Trademarks (Consumer Protection)
 - The Right of Publicity/Privacy (Individual Likeness)
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Two Sides to Every Story

- You have to think about protecting *your* IP.

Got a good idea for an invention? Talk to a patent lawyer.

Creating artistic works? Talk to a copyright attorney.

Going to have a cool name for your company, product or service? Talk to a TM lawyer.

- You also have to think about avoiding *other people's* IP.
- Many attorneys will offer initial consultations for free or a fixed fee. This will often include comments (NOT legal advice) on a general IP strategy.

*People pay me hundreds of dollars an hour to give them advice.
When I propose to tell you something for free, I suggest that you listen.*

Patents: A Ridiculous Oversimplification

1. Utility Patents

- a) Protect novel inventions, either devices or methods.
- b) Mostly important if you are making some sort of machine.
- c) Could be relevant in some kinds of video games or other software.

2. Design Patents

- a) Protect the ornamental design of useful articles.
- b) General consensus: Real does not cross over to virtual. (Activision/PS Prod)
- c) However, virtual can form *part* of the real. (Apple/Samsung)

3. Plant Patents

No, really. However, absent Biollante, not usually a concern for us in this context.

GET A PATENT LAWYER.

Copyrights: Controlled Creativity

Copyrights protect *artistic works fixed in a tangible medium of expression*.

A few points to highlight:

- Copyright comes into effect the moment the work is fixed in a tangible medium. Registration is not necessary to perfect the copyright. (But lawsuit.)
- If you *must* register something yourself, register your own copyrights. But lawyers are still better.
- For practical purposes, copyrights are enforceable worldwide.
- Yes, electronic media counts as a tangible medium.
- The “bundle of rights:” Reproduction, distribution, performing, **derivative works**.
- For Pete’s sake stop it with the mailing yourself things.
- Bottom Line: Copyright is an *exclusive right*. I don’t have to have a reason to stop you. You have to have a reason I *can’t* stop you.

Hey, but what about Fair Use?

It's Never Fair Use.

Well, okay sometimes it is:

- Legit Reviews (NOT complete Let's Plays.)
 - PARODY.
 - a) Parody is not “wouldn't it be funny if I dubbed in a burp every time Malachite talks.”
 - b) Parody is not satire. If you are using the work to comment on ANYTHING ELSE, it's not parody.
 - c) Parody is incorporation of the work into a new work *designed to comment on the content of the original work*. If you're not sure, assume it's *not* parody!
 - Completely Transformational Use – It isn't, don't go there. *I said don't go there.*
 - “Other” – the Four Factors, Plus One.
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Fair Use Factors: Proceed At Your Own Risk

Fair Use is an *affirmative defense*. It means, “Yes, I infringed the copyright, but here’s why that’s okay.” If you are using a defense, *you are already in trouble*. That said, the factors are:

- 1) The purpose and character of your use.
Added new value? Scholarship, research, commentary? (*Different value.*)
- 2) The nature of the copyrighted work.
Facts v. Fiction, *Scenes a Faire*, Published v. Unpublished
- 3) The amount and substantiality of the portion taken.
Fairly straightforward, but “substantiality” is tricky. How *important* is it?
- 4) The effect of the use upon the potential market.
Note that word POTENTIAL. It doesn’t matter if they’re NOT in a market.

- AND -

- 0) Is It Bad?

Bonus Question: What kind of Fair Use are we soaking in right now?

The Seen, and the Unseen

What, by the way, did we *not* see in those Fair Use factors?

1) Charging/Making a profit.

The fact that you are not charging is not a defense to copyright infringement. The fact that you are not making a profit is not a defense to copyright infringement. Those *may* be relevant to calculation of damages. When do we start calculating damages? WHEN WE HAVE LOST.

2) Disclaimers.

You cannot, I repeat and emphasize *can not*, avoid a claim of copyright infringement with a disclaimer or a citation. Copyright infringement IS NOT PLAGIARISM. Sometimes something is both, sometimes something is one but not the other. But they are not the same.

3) Failure to exploit.

Yes, I know your favorite manga would make an awesome game and they just NEVER DID.

I. Don't. Care. Don't do it.

Trademarks: Show Me the Market

Trademarks exist to protect *consumers* by identifying the source of a good or service. Trademarks are not *automatically* worldwide, but it's not hard to move them between countries.

There are two ways to get in trouble regarding trademarks:

1) Infringement

Use of a trademark in such a way that a reasonable consumer would likely be confused as to the source of the associated good or service is *trademark infringement*.

2) Dilution

Use of a “famous” (don't ask) trademark in a way that would tend to lessen its value is *trademark dilution*. Mostly this occurs by implied association: if the mark is famous, consumers will associate it with *any* usage, even in a market where the mark's holder does not operate.

Your Own Little Slice of Confusion-Proofing

- Trademarks can be words, designs, or both. (When to use which? *Ask a lawyer.*)
- Best approach is to register your copyright with the US Patent & Trademark Office (or your country or countries of choice.)
- If you try to do this yourself you will probably do it wrong. (It looks simple. Just like what *you* do.) Ask a trademark attorney.



- Unregistered trademarks can still be useful (“common-law” rights.)
 - Related principles of law regulate “passing off,” counterfeiting, et cetera.
 - Ask a trademark attorney about proper marking (® vs TM)
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Do Not Talk To Me About Trademark Fair Use.

- Trademarks are meant to protect the *public*. Bless their easily confused hearts.
 - Therefore, there is no such thing as “fair use” for a trademark. If your use is likely to cause confusion, it is bad, and you should feel bad.
 - UNLIKE patents and copyrights, this is easy to fix: ***Just don't cause confusion!***
 - Disclaimers disclaimers disclaimers disclaimers disclaimers disclaimers disclaimers.
 - You can't disclaim away a confusing use so don't get cute.
 - You can use trademarks in ways the mark holder doesn't like so long as you don't cause confusion or dilution. Sometimes this is called *sigh* Nominative Fair Use. It has *nothing to do* with the four Copyright Fair Use Factors.
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The Right Of Publicity

Or, “Why Artist’s Alley Is A Lawyer’s Worst Nightmare.”

The Right Of Publicity (for stupid historical reasons, sometimes called the Right of Privacy) protects an individual’s right to control the use of their identity for commercial purposes.

“Identity” can include:

- 1) Name
 - 2) Signature
 - 3) Photograph
 - 4) Image
 - 5) Likeness
 - 6) Voice
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Traditional Right Of Publicity

Under the common law in most states and in some other countries, individuals have the right to prevent you from unfairly using their identity for commercial activities in two specific ways:

1) Endorsement

You can't use someone's identity to imply that they are endorsing your activity. Putting someone's picture on your product label with a big smile and a "thumbs up" would imply that they were endorsing the product.

2) Association

You can't use someone's identity to imply that they are associated with your activity if they are not. Saying "\$BIGSTAR will be at SuperDuperCon!" all over your con website would imply that they were part of SuperDuperCon, even if the actual reason they're coming is just because they bought a ticket and are attending.

Statutory Right Of Publicity

Some states *cough*Illinois*cough* have statutes that extend the common-law right of publicity.

Primary difference: Includes ALL commercial usage, not just association or endorsement, unless that usage is explicitly allowed.

Examples of Allowed Usage:

- 1) Biographical fine arts. (Limited usage.)
- 2) News reporting.
- 3) Truthful association (identifying a creator.)
- 4) Other. (Varies.)

Most of these statutes include statutory damages and/or fees and costs. So if you use it commercially, even if you make no profit you are looking at serious money!

Thank You!

For More Information:

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