

#6 - Intellectual Property Right & Copyright infringement

Definition

One of the key benefits of crowdfunding is that it enables highly-potential innovative projects and creative ideas to reach out and be supported by the wider public.

The internet, nonetheless, is not only a sea full of possible new backers and investors, but also of little sharks, competitors and spies, who might imitate the particular features of any given new product, replicate them and even put a patent on them.

If this happens within the frame of a larger-scale and more stable production activity, the short-term result will be the failure of the campaign, while the long-term one might be the loss of market shares and future investors.

Another peculiar issue that links crowdfunding to copyright is the use of particular media materials during the campaign. In fact, copyright infringement could occur in the event that a video, image, soundtrack or digital content is deployed without the necessary permission or license from its owner/creator. This violation would lead to a shutdown of the campaign or even to a lawsuit.

Mitigation strategy

An accurate market risk assessment and business valuation optimizes the project profitability and help estimate the average **return on investment** that could be expected, based on returns generated by the wider market. It is necessary to determine the **economic value** of a certain company unit and exit sale value, so to establish investors' rates of ownership and future taxation.

Estimating the **average market return** can help companies minimize total cost of capital, while providing the investors with a sense of real appreciation of the expected returns from their assets or shares, in comparison to the risk.

At the moment of an exit, these calculations permit to establish the **liquidation value** that investors will receive as their assets are liquidated and liabilities paid off.

It is highly suggested not to only rely on the happening of an exit/purchase. Being prepared for different scenarios and ready to embrace a “**Plan B**”, remembering that without an adequate business plan and support structure, even promising ventures can fail. In order to maintain a good and reliable reputation with the crowd of investors, it is good practice to envisage for them different financial options already in advance, in order to protect, guarantee and satisfy minor investors too – e.g. foreseeing the so-called **tag-along** option.