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**KEYNOTE SPEECH: OPEN VERSUS PROPRIETARY AS
BUSINESS STRATEGY**

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Thank you very much, that is a wonderful advertisement¹, so you now all know where to go to publish all of your great treatises on the law, that are of course all going to become best sellers. When I get introductions like that, it reminds me of a story I had three years ago. I have three daughters. My eldest is now working in New York, but when she was a senior in high school she came into my office at the house, and was asking me about something, and I kept changing the topic, and finally she got exasperated and she stopped me and said, “Dad you’ve got the worst case of A.D.D. of anyone in my high school.” And it was one of these really insightful moments. Had there been Ritalin when I was a kid, I too could have gone to Wake Forest Law School (laughter).

So there’s hope for me yet, for all the Red Hat project, I brought a selection of hats here, just in case we get confused and I switch stories too quickly, I’ll just switch hats so you can stay on topic of which story we’re on. But prior to Red Hat, I actually started two other companies, both of which were in the computer leasing business. One of them is still in business. If you go to Atlanta and try to rent a computer or audio-visual equipment, one of your options will be Vernon computer rentals. They also have an office in Washington, and one in Toronto, and that business was started in our spare bedroom in Toronto.

Red Hat was started in my wife’s sewing closet in Connecticut in 1993, and Red Hat today—I can’t take much credit for

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¹ Referring to his introduction by Professor Simone Rose, which detailed the services provided by Lulu.com and Red Hat.

this, this is the smart guys that have been running it since I left—but Red Hat today is a member of the S&P index of the 500 most influential stocks. So if you're tracking stock market performance and you're looking at the S&P index, one of the 500 most influential stocks on the planet according to the S&P people, was started in my wife's sewing closet fifteen years ago. I don't know about you guys, but this is one that is just . . . the world is just a weird and wonderful place when you realize that is possible.

But coming back to the theme of what keeps me going, besides my A.D.D., and my A.D.D. is a real problem, I tend to bail on projects way too early, I'm not nearly as consistent, I'm not as disciplined, I'm not as organized, and I'm not as committed to my projects as I need to be. So A.D.D. is not a good thing when you leave and you think, "Oh good, I'll just develop some A.D.D.," don't do it. My coping mechanism, which took me a long time to figure out, is to surround myself with people who don't have A.D.D. Which is why I'm really here recruiting.

But what I thought I'd talk about for a couple of minutes, and then I'd much rather take questions and sort of talk about what you guys want to talk about instead. How many of you guys are lawyers, or aspiring to be lawyers? So basically, all I've got for you guys is bad news. (laughter) The world doesn't revolve around you. In fact, the world operates *despite* you guys. I'm a card carrying member of William Shakespeare's line of "first thing we do, we kill all the lawyers".

So let's talk a little bit about the context from my point of view, as someone who truly hates lawyers—and don't take it personally, I don't hate any one of you guys. I particularly like Kimberly², [but] I hate the concept of the lawyers. I hate the idea that I have to ask permission before I can do things. I have to think about all the bad things that can happen to my idea before I even take the first step out of my front door. And interestingly enough, I've been hugely successful in large part because my A.D.D. precludes me from talking to lawyers before I leave my front door. I've been successful in large part because I ignored the law, as much as I can. And I'm not the only one. Bill Gates, Microsoft Corporation, one of the most successful American corporations in the history of American corporations, you know, was found guilty by the US Department of Justice on multiple occasions, precisely because they ignored the law, and they didn't intentionally break the law. Hold on, this is Microsoft

² Kimberly Richards, Journal of Business and Intellectual Property Law Staff 2010-2011, and former employee of Bob Young.

(laughter); *most* of us don't intentionally break the law, our focus just is not on the law.

Our focus is on one thing, and for almost all of us successful guys, we prioritize one thing above all else, and it's our customers. We do what our customers need us to do. You know, if we happen to be selling crack on the streets of Winston-Salem, oh wait, they don't sell crack here, on the street of . . . , we intentionally break the law in order to do that particular activity serving our customers. But most of us are just busy trying to look after customers, and we only look at the law as an after-the-fact phenomenon. We only look at it if it turns out there is a rule that we've been breaking or our customers want us to break, in which case we have to do the old analysis of, ok, do we go to jail, and if we go to jail, for how long do we have to go to jail, cause if it ain't very long, we might ignore that law.

The other one is: is anyone enforcing the law? And I would argue, that [the laws not being enforced are] the single most common laws that we break. Public servants, whether they're in Washington, or—I was listening to [a program about] the European experience, and wow, we get a little bit of that in the U.S. I'm Canadian, and a little bit more of it in Canada, where each province in Canada has its own set of laws, but it's part of a country and they have conferences trying to pull them together all the time, which is a little of what Europe is trying to do right now—but when you elect someone and you send them to Washington, he believes he is there, and I don't care if he is a Republican or a Democrat, he believes he is there to pass laws to make the world a better place. And what he almost, constantly, and I use "he" in a non-gender specific sense, "they" do, is they lose track of the fact that the world is . . . what's the expression? "The road to hell is paved with good intentions," and it's not any one of the laws that these guys are passing that's a pain in the neck for us entrepreneurs. It's the cumulative burden of all these laws that drive you nuts. And it's why we ignore most of what you guys (lawyers) tell us most of the time. Because if we didn't, we wouldn't get out of bed in the morning, because there is, somewhere, a law against getting out of bed in the morning . . . I'm not kidding, the cumulative burden of all the laws.

So Microsoft got into huge amounts of trouble because they recognized that in the technology industry no one was policing all of the antitrust laws that had been developed since the 1930's, actually before that, and so there were laws that Microsoft was quite clearly breaching with their inclusion of new technologies and their extensions of monopolies they had into new fields, but they go, "this is what our customers want us to do, and no one is policing this thing, why would we obey a law that no one seems to care about in our field?" And for all that, I'm a competitor of Microsoft, and I've sort

of lost an admiration about how well run a company they are . . . that is, you know I have a lot of admiration for what Microsoft does, and people in the open source world sort of worry about me when I start talking in admirable terms about the “evil empire.” I go, “Ok, but you have to understand, these are really good guys, they’re trying to look after their customers.” I’ll admit that they do evil things, but what you’re lost in admiration for is they do them so well (laughter), but that’s being mean to the guys at Microsoft, because they don’t mean to do evil things, they mean to look after their customers, and that is their primary goal. If in the process of looking after their customers they end up putting guys like me out of business, is not their business. That’s a little bit sometimes where you guys come in, and that’s where the legal framework is important, that we operate in. So that was the first thought I wanted you to think about: that you guys are not relevant, you may be necessary, but our job is to ignore you guys as much as we can.

The other thought talking about intellectual property more narrowly, as it affects open source and all the rest of it, I’ve seen both sides now. I serve as a board member of a medical device company in Raleigh called nContact. If any of you are suffering from A-Fib, arterial fibrillation, or if you have a relative who is, pay attention to what nContact is doing. They have devices that are truly revolutionary in that field. But nonetheless, as a director, I worry more about their patent portfolio and the health and the relevancy of their current patent portfolio than I worry about anything else they do, and yet, with Red Hat, I worried precisely about the opposite. I worried about everyone else’s patent portfolio, and the fact that those patents were going to inhibit our ability to serve our customers.

So one of the thoughts for you [to consider], and why particularly in the technology industry, we try and avoid the law as much as we can, is [that] we move so damn fast. And we’re not moving quickly; [it’s] the demand. You know, the reason technology companies are moving so fast is not because we want to move quickly. We kind of like the world the way it is, like everyone else does. You know you hear all these guys at start-up conferences, saying, “we’re out to change the world,” and I always sort of put my hand up at the back and go, “uh, what if you make the world a worse place?” I’m trying to remind them that their goal is not to change the world; their goal is to make the world a better place. But nonetheless, I subscribe to Adam Smith, the old Scottish philosopher slash economist’s view of life, which is, the invisible hand of the market, [and] the idea that a bunch of businessmen, working in their own self interest, will make the world a better place at a faster clip than the most enlightened monarch, in his day, and today, the most enlightened government.

The reason for that—and this is fundamentally true—and the reason it is true, is that businessmen, unlike the government, are out to look after their customers, and in a free market democracy, the citizen and the consumer are exactly the same person. So you can solve social problems in the marketplace more effectively than you can solve problems anywhere.

So, as an example, and we've all sort of read the press, we know how evil Walmart is. The question you want to ask yourself is, "what's the biggest single factor in the United States, since the second World War, to reduce the disparity between rural poverty and urban wealth?" In other words, what government program has had the biggest impact on raising the standard of living of rural Americans? And I would put it to you that it is Walmart. What Sam Walton recognized was that the cost of consumer goods in rural America was dramatically higher than the cost of the same consumer goods in urban America. He was able both to make his family among the richest families on the planet and solve the societal problem, making rural American's wealthier by reducing their cost of living in rural America, and that is what drove Walmart's success. For the first, you know, whatever, thirty to forty years of Walmart's existence, they stayed in rural America because they knew where the problem was that they were addressing, and rural Americans paid them handsomely. I don't know if you remember Yakov Smirnoff, the comedian, but you start thinking about this dynamic, and in a free market democracy, our society will pay us—you know as businessmen—it will pay us for making the world a better place. So the more you make the world a better place, the wealthier you get, is this a great country or what!?

So that's the concept I want to leave you with: that sometimes your advice to your client on intellectual property issues is almost too late, that if you start slowing down and [he] starts patenting his innovations he won't be serving his customer fast enough, and that was the whole trick behind this Red Hat project. What we recognized was that computer operating systems were one of the fastest moving pieces of technology in technology, with of course, technology being the fastest moving part of our society. So, prior to us and the open source movement getting going, the model for building technology was: IBM built their operating system, and Sun Microsystems built theirs, and Microsoft built theirs, and none of those teams talked to each other, and they all spent more time talking to lawyers than they spent talking to their customers. What we saw as an opportunity was not this sort of revolutionary, you know sort of, mount the barricades thing, it was a very practical business issue. Our customers needed us to evolve the operating system faster than the previous proprietary

binary—only model was enabling those billion dollar competitors to do.

So starting in 1996, Red Hat won the first of five consecutive InfoWorld Product of the Year awards for operating systems. In 1996, when we won the first award from Infoworld we were as shocked by this award as anyone else in the industry, because we knew that we had a grand total, including you know packaging people in our warehouse, a grand total of fifty employees and the smallest of our competitors was doing \$5 billion worth of sales every year. Our competitors were Sun Microsystems, Apple Computers, IBM, and Microsoft, and we were the one that won the Product of the Year award. The reason we won the Product of the Year award is we were able, working with this collaborative model where we could get all of our customers, and all of our partners, and literally the whole world to help us move this technology forward, we were able to do something for customers that our larger competitors could not, and that's what drove our success. It was not a belief in open source, it was not that every consumer decided they would rather have freedom over tyranny—I mean we all like freedom over tyranny, but none of us are going to pay 10% more to get freedom over tyranny (laughter), so freedom had better deliver something better than tyranny does and it had better be something more valuable than a 10% discount. So that's what drove the Red Hat success.

With that, I'll go back to Lulu. I have to put my Lulu hat on, and there's a reason for this. My colleagues at Lulu say, "Bob, why the hell are you wasting your day going down to Wake Forest to talk to them about intellectual property?" And I don't really have a good answer other than Kimberly told me I had to, so here I am. Except, so, if I am going to be talking to you, I work on the internet advertising payment model, you know on internet advertising it's all about number of impressions, so by wearing my Lulu hat, and talking to you redundantly over and over again for the next six hours, I mean how many impressions does that count for? At two cents an impression I should earn, well, you see where I'm going. (laughter) What do you guys want to know instead of what I've rambled about? Any questions? Any good ideas? Are lawyers actually relevant?

Q: Can you tell us what intellectual property issues are you facing at Lulu?

Intellectual property issues at Lulu, that's actually a good one. I'll admit to when I speak publicly I try and speak in black and white, because it just makes for a more interesting conversation. Of course the world isn't black and white. The world is full of shades of grey,

but shades of grey get really boring. So I actually do pay attention to intellectual property rules, and Lulu, what we're trying to do at Lulu is reinvent the concept of publishing. So the publishing industry is one of the world's oldest. Ever since Gutenberg invented the printing press, and as a result, you talk about law. There is more law in publishing, by jurisdiction; I mean you get different publishing rules in North Carolina than you do in New Jersey, and then you start looking at Albania versus Luxembourg, and some of the laws are really bizarre. Did you realize you are not allowed to discount a book in Germany? Period. No book discounting. When you publish a book you set a price on that book and every bookstore is required to sell that book at that price. Talk about anti-consumer legislation. Every jurisdiction worries about the health of their own publishers because they worry about the health of their own culture, and the connection between publishing and the health of your culture is real . . . I am sympathetic to their desire to do this, I am just astounded by the road to hell being paved with good intentions.

So here's an interesting one, we run into very few intellectual property issues at Lulu, and the reason we do, is the one thing that trumps intellectual property, patents and copyrights, is prior art. And [we] work in the world's oldest industry, and everything has been done before. It may not have been done on the internet, but it has all been done before. I work with our printers, we subcontract all of our printing work to a network of printers around the world, and I'll go and visit them, and they'll tell me about the coolest new innovation that they've just figured out how to use this new Xerox digital printing machine that they spent \$5 million setting up the production line around it, and they can use this to do something that no one else on the planet can do, and they're going to make lots of money doing this, and I go, "yeah, cool, but do you have patents on it?", and they just look at me funny. In that industry, the thought of trying to patent something with the centuries of prior art, just causes them to not even think about it. They end up using a model back, prior to patents.

So for those of you who haven't studied the history of intellectual property law, patents were invented precisely to solve the problem of secrecy, of corporate secrets. The way businessmen used to profit from their patents was not to tell anyone about it. So Dresden china was very famous for the whiteness of the china—the clarity—for like 500 years, and the reason no one else could make Dresden china was the guys in Dresden ran a Gestapo service around the idea of not divulging how they got their china as white as they got their china. It was a corporate secret, and so the guild system in many cases was not designed in an open, "we're trying to educate the next generation of china makers," it was just the reverse. The guild system was a secret

society, and when you get your guild member card it is because you have proven that you can keep a secret, and so patents were in fact an effort to try and get people to open up and to share their innovations, as opposed to an effort to allow people to profit from their innovations. It is in fact a societal bargain: I will help you profit from your innovation if you share how you did your innovation with me. This is the societal bargain, and we keep losing sight of this one, but the good news for us at Lulu is we don't have a lot of them. Other questions?

Q: My question follows from that. How do you balance the countervailing interests between those two: the interest when you're sitting on Red Hat, less patent, less protection, those types of models, and on the medical device side, with the different interests, how do you balance and find something that encourages innovation, rewards innovation, without stifling it? How do you strike that balance?

So, besides having A.D.D., I'm also schizophrenic, so it depends which Bob Young you're talking to today! How do we balance it? That's actually where abstracting away from the specific becomes very valuable. It's where a good education, you know, if your professors are any good at all, they're not going to teach you what the laws are. That's your job, you can look up all that stuff. If they do a decent job, they're going to teach you why the law evolved the way it did, and how to react to it, which laws are likely to fade away, how to predict the future of the law, and in the end, if I bring anything to my projects, other than finding smart people who make me look good, it is that keenness to abstract away from the details.

So coming back to the specific question about the intellectual property, I think it through from the abstract view of why Jefferson got behind a patent system for the United States. You start going, ok, there are good patents and there are bad patents. If any of you guys actually do aspire to become Supreme Court justices, here's the topic I want you to take with you and actually solve—and sadly it's going to take that length of time to solve this one because we're going to have to get some kid who was educated today in a world of open source to actually get to the Supreme Court, and educate his buddies on how the world actually works with intellectual property. Here is the problem: it is a balance, but our problem with intellectual property is we built all

the rules in an era of mechanical innovations, and we're now in an era of software and virtual innovations—ideas.

When the original patent acts were applied, both in the U.S. and the U.K., it was specifically articulated that [the act] was [meant] to patent inventions, not ideas. But the problem with patents on things like software is software is simply a form of expression. Ok, the reason we call it software languages—Cobalt is one language, Java is another language—the reason they are languages is they are forms of expression. I'm not kidding you. You go to a software conference, you'll stand in the hall, there will be a bunch of long-haired guys, hanging around, they'll be talking to each other in a bunch of gibberish. Finally, one of them will get to the punch line, and go, "slash-dev-null", and it will bring the room down, (laughter), and that is how you know it is a form of expression. In the same way, if you were in Albania, and you had listened on a street corner to a bunch of Albanians having a heated conversation, and someone got a final sentence and everyone laughed, you would know that they had just told a joke with a punch line. You wouldn't know what the joke is, you wouldn't get the joke, but you would trust that they had a form of communication that allowed them to tell a joke. Well, software engineers, when they use computer languages, can use them as a form of expression. They are expressions, and this has actually been tested more than once with our patent office, where some software engineer or another sent in a patent application that was astoundingly obvious in mathematical terms—it was just a relatively sophisticated but well-known mathematical algorithm—that the patent office then issued a patent around, because the patent examiner, was a reasonably bright guy, but was not a software engineer, was not a mathematician. He was neither familiar with this well-known mathematical algorithm nor was he a good enough software engineer to read the code well enough to understand that that's all it represented. All he saw was a well documented patent, and he hadn't seen one like that before, ergo he issued the patent.

So, the problem we've got is, as a society, in intellectual property, the one that Red Hat helped resolve, or is helping resolve I guess, is it's like vitamin D. If you don't have enough vitamin D, you get rickets, and other terrible health diseases, and that's why we as a society put vitamin D in our milk supply, and other places. However, little known fact, too much vitamin D is highly toxic, it will kill you. So I'm a big fan of both patents and copyrights, I believe in intellectual property, and I always have believed in intellectual property. It's just like vitamin D, too little of it and we're not going to be healthy, we'll have an economy that looks a lot like any of the failed state economies where there is no private property scheme, but

too much vitamin D, and our politicians around the world have come to associate intellectual property with the health of their technology industries, so they tend to err on the side of more intellectual property rules.

As an example, [consider] copyright [laws]. Copyright, up until about 1977, was twenty years long. At the end of twenty years, you could use it for whatever you want. Starting in 1977, and I'm not kidding, most of you probably know this one—when I talk to technical conferences they don't know it; they think the term, “the Mickey Mouse Amendment” in copyright extensions is an insult towards Disney, but it's not. It was actually the trigger that got the U.S. government, Congress, to start passing extensions to copyright legislation because everyone said, well that's just not right, that Mickey Mouse would fall into the public domain. Disney clearly has invested a huge amount of time and effort building the Mickey Mouse brand. Why would it fall into the public domain such that anyone could use Mickey Mouse anytime? So they just kept extending it. My favorite legislator, a fellow called Sonny Bono, most of you guys are too young, you know, Sonny Bono, Sonny and Cher, “I Got You Babe?” The all time great piece of music? Gives you an idea; I'm not much of a musician, anyway, I would sing it to you if only I really hated you guys (laughter). When he went to Congress, he actually had a mission, and his mission was to get copyright extended to an infinite term. His logic was, if he made a chair, he as the chair maker, physical property rules were such that he as a chair maker could hand his chair on to his children, who could give it to his grandchildren, who could give it to his great-grandchildren, ad infinitum. Why, when he created a song, could he not do the same thing for his children and his great-great-grandchildren?

What he completely missed was the difference between physical property and intellectual property, because in intellectual property there are only so many tunes that are possible. In an age of digital technology you can record and keep track of every single tune ever written. If copyright becomes permanent, at some point, every tune possibly composed will be copyrighted by sometime, and so the problem isn't going to be for us, and our generation, but there will be a generation, maybe the next one, maybe the one after that, who will have to ask permission to write any sort of music because every tune they can think of will have been copyrighted by someone. This public domain of knowledge, the reason that mathematical algorithms cannot be owned by anyone, the reason poetry should not be owned beyond a certain length of time, is the language itself cannot be owned, because we have to empower our next generation to be as creative and as inventive as we are. If we don't do that, there is something wrong

with us. So that is why too much intellectual property is as bad as too little intellectual property. Sorry, that's my rant on the topic. Other questions?

Q: Other than intellectual property and the law, what is keeping you up at night at Lulu? What are your biggest challenges?

Well, if you run that, and say, what's keeping me up at night, I get to put on my other hat. I own a—this is a long story, but shortly after I made all my money at Red Hat my favorite football team (I'm from a town called Hamilton, Ontario), it went bust, and a friend up there said, "Hey Bob, maybe it's time to step up and do your civic duty." So I bought my hometown football team, the Hamilton Tiger Cats, and as much as I'm a reasonably successful technology executive, I've got to be one of the world's worst sports team owners, judging by our record on the field. So that is actually what is keeping me up at night. (laughter) I'll let you Google the rest of that story.

At Lulu, it's relevance, because when you're on the internet, you're competing with a whole world of entrepreneurs and people who want to serve your customers better than you want to serve them. So back when I was in the type writer rental business, my first job out of college, it was a nice, slow business. You know typewriters had been around for 80 years, they certainly were improving, but they improved at the rate of an innovation every five years. As we got into personal computers, things sped up a little bit and you had a new computer manufacturer show up every couple of years with a new innovation every couple of years, and now we're on the f-ing internet, and, you know, you go on holiday for a month, and you come back and, poof, there's Facebook, and you go on holiday for another month and you come back and poof there's Twitter. How do you keep up with this crap? This is why you guys are not so dumb at all. Going into law is a lot smarter career move than technology, except that [technology is] good for people with A.D.D., which is why I keep doing it to myself. There was a question over here.

Q: I'm wondering, given your background in open source software and your commitment to the free market, what do you think is the best way to approach net neutrality?

Oh, net neutrality! I love net neutrality questions because I am a bit of a barricade-climbing sort of revolutionary on that one. I'm a huge fan of net neutrality. The reason the internet has gotten to where it is, and this is where, if you do law well, let me take my cynical hat

off for a second, and say this is the value you guys as a group create, and Larry Lessick speaks to this. Larry Lessick runs a project called “The Creative Commons” and speaks to this whole topic. He started as, his area of study was Constitution Law, and so he’s a Constitutional expert. He was asked to go to Eastern Europe after the fall of the Berlin Wall and to consult with some of the countries over there, and his experience as I was chatting to him about this, his experience he said was really interesting because they concluded, coming from an environment that was incredibly oppressive, where there was a law against doing anything, their solution to that was basically anarchy. “Let’s just get rid of all the laws,” and Larry, his mission over there was to say, “Guys, the problem wasn’t your legal system, the problem was you had a really bad legal system.”

You [must] have a framework, and this is where as a businessman, I’m very, very conscious. This is the link between football and business: speaking as a business guy, [and] as a football guy, we have all these rules that we as team owners agree to, and once we set the rules, we punish each other severely for breaking any of those rules. But the rules give us freedom to play the game, and to be creative within that game. The problem with failed states, with those states without a working government, or with a kleptocracy—you know, Rhodesia, or Zimbabwe I guess they are now (I’m showing my age), Zimbabwe where it is a true kleptocracy where the guy running it, Mugabe, he and his family are as bad a governing class as you get anywhere on the planet. The problem with them is no one can actually operate in that environment because they never know if they’re going to own their business, or their chair, or their whatever when they wake up the next morning.

So the internet worked because it was an invention of a bunch of scientist largely funded by the U.S. government. Again, we all tend to be cynical at the expense of our government, only to see every now and again they do really clever things for us, [with] the internet being one of the best ones, and it worked because it was truly neutral. The code ran the internet; there was no human being playing with the rules to benefit him or his own business at the expense of everyone else. They defined the internet within the rules of the code that ran the internet, and any of us, [like] Bob Young, could build Red Hat or Bob Young could go out of business, but I didn’t get to blame Bill Gates for putting me out of business. It was that the customers chose someone else’s solution over mine, but my ability to bring my innovation to market was unimpeded if I played by the published rules of how the code on the internet worked.

For those of you who haven’t been paying attention, the net neutrality debate is [centered around]the big telcos, [who] are looking

at the volume of data they are supplying their customers and they're going, "Hold on, this makes no sense, our customers are watching Netflix videos, using a huge amount of bandwidth, for which they're only paying us, the cable provider, trivial amounts of money. Netflix makes good money off of it, and meanwhile the next supplier, eBay, where you're just downloading images, they provide as much value as Netflix does, but they use a fraction of the bandwidth. We should be allowed to charge more for Netflix bandwidth than for eBay. We should be able to prioritize the people who don't cost as much money to serve." That's their logic. Of course, if you accept their logic, it opens the door for them to be able to say, "Well, Microsoft is paying us a lot of money for our bandwidth, whereas little Lulu doesn't have the budget to buy our bandwidth, so we will de-prioritize Lulu's traffic in favor of Amazon's or Microsoft's." Again, it's not me I'm so worried about because Lulu is doing well enough. We could afford to compete there. It's all the guys we're competing with, it's the next generation of Bob Young's that we have to worry about, and that is what I worry about. If the cable companies are allowed to set the rules, it's going to close down what is currently a very, very open and welcoming market for new innovators.

Q: Mr. Young, the focus of our symposium today is IP and venture capitalists, I'm willing to wage that your overhead in your wife's sewing room was not significant when you started Red Hat. I was wondering though, if you would care to comment on the funding environment today, maybe with some advice on how to get innovation into the marketplace, and maybe some of the ways to overcome some of those hurdles.

Yeah, I've got all the scars and the hairline to demonstrate that I've had to raise funds before (laughter), and I speak with a lot of passion on this one. There is more than one way to raise money and venture capitalists are only one, and they're a relatively small one at that, interestingly enough. The vast majority of new businesses are funded through some other method than through a venture capitalist, and just [to name] two of them that I speak to, my favorite being "love money." Love money falls into the category of—the reason it's called love money is you're collecting money for investment from people whose reason for investing in your venture is not because they understand anything about your venture, it's because they love you, and quite sincerely.

The very first round of Red Hat, other than my and Mark Ewing's life savings was from a bunch of friends and family who I went around and hit up for a little bit of funding at Red Hat, and my Aunt Joyce put some money into Red Hat. Fast forward six years, and of course Red Hat goes public, and her small amount of money turns into a huge amount of money, and Aunt Joyce being a wonderful human being, gives away like three quarters of it to her local, city-community foundation. It was the largest donation in the history of community foundations in Canada, and as a result got some press, and the journalist sticks a microphone in Aunt Joyce's face and says, "So Aunt Joyce, when you invested in your nephew Bobby's little business did you ever think you were going to make this much money?" Without missing a beat Aunt Joyce says, "No, I never thought I'd get my money back" (laughter). That's the definition of love money.

That's one, the other one is from your customers. The other biggest, most successful way of funding your business [is to] go and get a business. Lawyers do this every single day of the week. Most law firms, most new law firms, are funded[this way]. Has there ever been a law firm funded with venture capital money? Yeah, I don't think so. Almost all of them are funded by their customers. You build a reputation as a lawyer, and then you hang your own shingle knowing that some of your customers will follow you and they will pay you for starting your own business. But you have to have the credibility, the expertise, and the reputation with your customers.

Your reputation by the way—and this is the one common thing in what I do as a business guy—is it's all about brand, and brand is nothing more or less than what people think about you. The vast majority of value in all three of the brands that I represent today, the vast majority of that value does not show up on my balance sheet anywhere. When I talk to a venture capitalist, he has no idea what the hell I'm talking about because he wants to study my cash flow and my balance sheet, and I go, "I don't care about my balance sheet, there's no value on my balance sheet, my value is all in my customer's heads," [and] it's why it takes five years to establish a business. Most people think [about] Facebook [and say to themselves], "I'm going to be the next Facebook, six months from now I'll be successful." The general rule is it takes a minimum of five years to establish a new business, and so if you don't have a plan for how you're going to get somewhere from where you started in five years, and the funding, and you know, the Aunt Joyce's necessary to get you there, you haven't done your homework. You really just have to work on the assumption that it's going to take you a good long time to convince, to implant, the Mickey Mouse-like brand in all of our heads.

Talking about intellectual property, that is one of my rants on the topic, it just makes me mad that our copyright rules are so tight, and our fair use rules are not broader. Because what it means is we can't use Mickey Mouse even in the background of a television show without going to Disney and licensing that [image] from them. Technically, the law says you should be allowed to [under the fair use doctrine], but you ask most judges on the planet and they will tell you to take down that Mickey Mouse sign that you posted on your kindergarten door if it's a public facing door. It's so stupid because what is Mickey Mouse? Mickey Mouse is a mental image that Disney Corporation has planted in all of our heads from when we were three years old. It's just wrong that they both get to build a valuable brand, and we have to pay them every time we represent our life experience in the context of Mickey Mouse because it is part of who we are. We can't allow [a] corporation to own that. Don't get me started, buy me a beer and I'll give you a longer rant about it.

Other questions? Well good we're right on time, like magic, either that or you all have classes you have to get to, but thank you very much for listening to me this afternoon, it was fun!