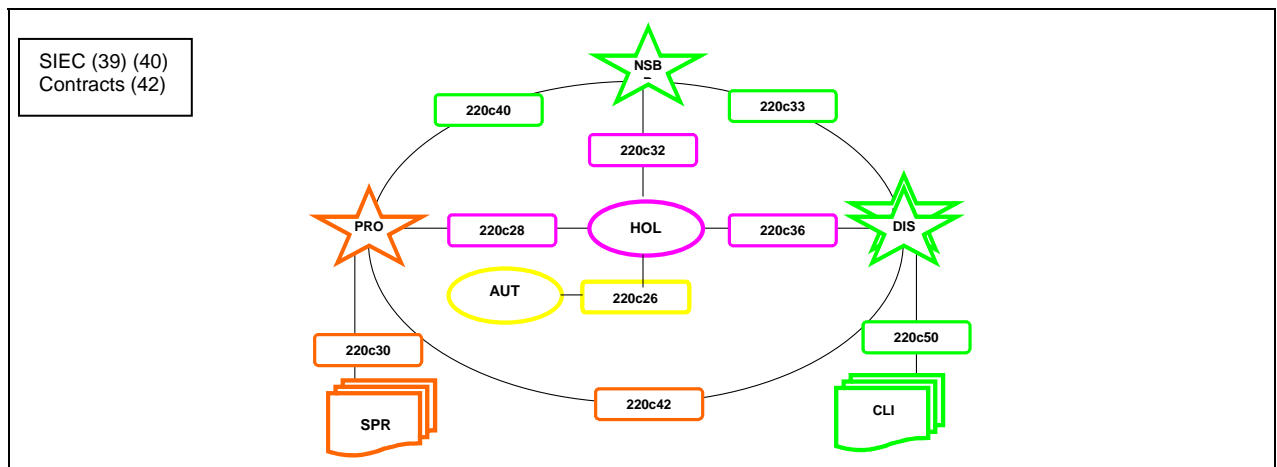


# FRANCESSION

Model of a business system  
that benefits humankind

**AN INTERACTIVE SYSTEM OF COMMERCIAL EXPLOITATION WITHIN  
A CONSORTIUM OF MUTUALLY INDEPENDENT ENTERPRISES WORKING  
AS A NETWORK THAT MATCHES THE BUSINESS GROWTH**



The principle of *distribution of rights* by contract is based on the fundamental right of the author in conjunction with the commercial rights related to the four sequential abilities: **know-how, how-to-make, make-aware, and business savvy** that represent the four basic business activities distinctly related to **conceptual work** (creation, development, invention), **production** (product/service), **promotion** (marketing, advertising, etc.) **and sales**, to which rights intrinsic to these competences are separately assigned.

# The distribution of commercial rights provides safety and promotes growth

It is not uncommon business practice to favor material interests, the proverbial bottom line, and to diminish the value of individual human aptitudes. With this shortcoming in mind, the “Distribution of Rights” was conceived. Its application is also meant to avoid typical sources of misunderstanding and conflict, prevent bankruptcies and eliminate many other such ills, all of which have negative economic consequences for businesses, including all too common legal actions.

While purportedly supporting democratic and dynamic relations between all members of an enterprise, most executives actually place far more importance on profit and stock value figures, with little or no mention of employee satisfaction and motivation levels, as is typically reflected in the infamous quarterly reports. In a system that ignores the natural quality of human spirit, the net result is that human creativity is suppressed, entrepreneurship is bottled-up, and meanwhile, consumers are bombarded with the marketing of mediocrity. In this way, the most dynamic members of society are controlled by corporate and financial giants, and are thereby limited in their contribution to the overall welfare of mankind. Ironically, such traditional structures are allegedly designed to encourage progress. Oblivious, the supporters of this obsolete “*ultra-conservatism*” are paving the way to its downfall.

Much like the decadence of a civilization, enterprises that largely focus on preserving their assets can scarcely hope to innovate, and thus will eventually pay a price, sometimes the ultimate one. Over-confidence might well prove to be the Achilles’ heel of lobbies and multinationals alike. Such has been the trend since the dawn of man, and yet no one seems to learn from this long history of self-destruction. ***Essentially, one should bequeath healthy values to the next generation.***

## 3.1 - People – The most important business asset

It is a widely held view in financial circles that a financier’s preponderant role inside an enterprise will ensure the latter’s commercial success... Many successful ventures may have proven the validity of this principle and yet there are those that show it is not the case... but in a world where, to quote Bill Gates, “*perception is reality*”, traditional thinking is not easily abandoned...

Right from the start, legal principles that reflect this prominent view perpetuate an inequality in rights between the inventor and a financier/entrepreneur and thus help poison the relationship before it even begins. Indeed, the former often fears that if his concept proves successful, the latter will find a way to steal the concept and appropriate all the profit. Hence the underlying and often justified paranoia that characterizes the inventor... On the other side of the coin, sometimes as a result of such paranoia, the inventor can become burdensome for the financier and/or entrepreneur; by constantly mingling in matters beyond his competence and expertise, the inventor hampers the innovation process and as a result, hinders his own commercial success as well as that of the entire venture. If one ever hopes to foster a profitable business relationship, establishing a feeling of mutual trust is essential.

One may well wonder at the tremendous waste of human energy resulting from such ill-founded business scenarios. Under such circumstances, conflicts are hardly surprising; they are bred in by design. Indeed, in a traditional business scenario, an innovative product or service is commercialized within a single enterprise; which therefore must include a complete range of skills and expertise: design, R&D, manufacturing, marketing, sales, etc...

Supported by traditional legal corporate structures, business plans and other principles of law, such enterprises, that group these various skills and expertise together, form a pyramid shaped organization on top of which one entity rules over many subordinate services. As such enterprises grow, these services are typically performed by easily replaced individuals, who have limited *responsibility* and little motivation. But what works for such an enterprise does not necessarily apply to the successful launch of an innovative product or service that requires dynamism and expertise in various fields of a ctivity.

The individuals involved in such a venture can only remain highly motivated if they are encouraged to exploit their individuals strengths and expertise in a context of free enterprise. In reality, a project's success depends mostly on the collective **commitment** of its participants, more so than their level of competence or financial contribution. By ignoring such basic facts, great enterprises can end up in competitive scenarios that are lost in advance. The distribution of commercial exploitation rights through licensing agreements helps prevent such problems.

**What is the “Distribution of Rights” strategy?:** The “**Distribution of Rights**” strategy allows the originator of a product or service to contractually license or assign his commercial rights to various enterprises, each of which performs in a specific role within a consortium.

**3.2 - The need to innovate quickly – To take the market by surprise:** Successfully introducing an innovation in a local market does not guarantee its future success as a mass-produced item on the international stage, despite its inherent worldwide potential. Unfortunately, such an approach prematurely discloses one's secrets, both the technical aspects, as well as, inherent commercial strategies (*promotional, marketing, etc...*) to predatory competitors who lie in wait. Only by strategizing for mass-production at the onset can one achieve an innovation's best quality-price ratio and ensure its successful launch and penetration into the market. Although seemingly risky, this approach actually reduces the risk of significant competition. ***This formula is often used by multinationals, as it is the most profitable...*** Windows 95 was launched using a similar strategy. This, of course, can only be done if one already has a sales and distribution network in place. **Create a distribution/sales network prior to manufacturing:** Even when one does not have the gargantuan means of Microsoft, it is nevertheless essential that a dynamic sales and distribution network be in place at the onset of commercializing a new product or service, and often well before obtaining the fully perfected product or service.

**3.3 - The need for distributing commercial rights through a set of contracts:** In order to legally implement such an innovative and *human* strategy, **USD-System** has developed “a comprehensive set of contracts to bond together all the various enterprises of the consortium, including the author”, along with a related “code of ethics”. Such contracts (*Distribution of Rights*), as well as, the code of ethics, are specifically intended for practical application of copyright in the industrial and commercial business world: their main purpose is to preserve the moral rights of an inventor/author in a business environment. Based on fundamental and internationally-recognized principles of business law, these contracts are aimed at creating a lasting bond between the moral and financial interests of the Author of an innovative concept (*or invention*) and the material interests of the financiers, investors and/or entrepreneurs who, all together, will participate in the commercial exploitation of the innovation.

### **Franchise and Franchise : two very different systems**

An integral part of the ***Distribution of Rights methodology***, these original contracts represent a business structure that is quite different from a franchise; the commercial rights are granted to a licensee only once its chief representative has declared a specific professional expertise and experience, in writing. ***This avoids the inevitable requirement for commercial directives and other elements of support associated with franchise.*** Indeed, in a franchise, it is often the franchiser who remains liable for the franchisee’s incompetence. Thus, according to the “*Distribution of Rights*” strategy, every member of the consortium assumes responsibility for its specific area of expertise. Furthermore, because of the interdependent relation between participants, this new approach does not lend itself to the often-despised multi-level marketing system. It represents a *new kind of business collaboration* that one might call *generalized interprofessionality*. Creativity (*in the form of a work of the mind ~ true Intellectual Property*) holds a central position in this business strategy, and all aspects of innovation process ~ *including the associated commercial rights* ~ gravitate around it, much like planets within a solar system.

Each enterprise remains independent, thus promoting a new kind of relationship within the consortium, which through *constantly evolving intercourse* leads to a spirit of contractual harmony. Thanks to the “*Distribution of Rights*”’s methodology, this new relationship is governed by the aforementioned code of ethics that is acknowledged and duly signed by every participant. This methodology represents a preventive means against unfair competition, patent infringement (including counterfeit), copyright infringement (including plagiarism), the selling of secrets and industrial espionage.

**3.4 - Security for the financier:** As a result of the “*Distribution of Rights*” strategy, the financier is entitled to sit on the board of directors of several enterprises of the consortium (*in the case where new enterprises are created*). Thus, without unduly interfering with the operations of the consortium, he reduces his risks by monitoring and influencing the commercialization process. His participation is in tune with the interest of each enterprise, to which he brings his specific expertise, thus allowing him to view the innovation's success from a global perspective and to ensure the value of his investment.

### 3.5 - Five additional benefits for the success of the innovation:

**1) A less risky strategy.** The commercial and/or industrial and/or tactical role played by each enterprise of the consortium, is made public only once the innovation has effectively taken place.

**2) An additional financial security.** By allowing part of his initial royalties to be shared, the Holder (*an interface company acting as the Author's legal substitute within the consortium*) can soon reimburse any amount loaned to him by the financier. The future royalties are in this way used as a loan guaranty, which is paid back with interest at a negotiated rate.

**3) A simpler and less expensive means of defending one's rights.** Thanks to the unique joint-responsibility clause stated in the contracts, legal costs are shared by each enterprise of the consortium.

**4) Superior dynamics for success.** Failure by one member of the consortium in no way affects the rights of the other enterprises. Governed by their code of ethics, the remaining members are instinctively urged to join forces since they share the same overall objective, namely, to succeed.

**5) Competitive pricing.** Each enterprise having been assigned a specific right in harmony with its given expertise, redundant services and subcontracting costs are thereby diminished. While eliminating inefficiencies (*non-value added activities*) that inevitably occur in the *large corporate structures*, this also helps reduce the overall financial risks. Once put into practice, this basic approach can reduce the end-user costs by as much as 10% to 30%, thereby offering a given or compatible product and/or service at a lower price than the competition, while ensuring a greater percentage of profit for each enterprise of the consortium.