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Dealing with for-profit organizations

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Vocabulary

In this text we use *Sensorica* and *network* interchangeably.

General considerations

Synergy

The overarching concern here is to be able to establish mutually beneficial economic relationships with traditional organizations, which can lead to long-term win-win outcomes. In order to achieve this, we need to put in place a transparent process that takes into consideration all the eventualities, and that exposes all costs and potential benefits for all the parties involved.

What do we expect from them	What they want
• Engineering, research and development, help solve technical problems, • Provide samples, equipment, parts (that we can reproduce), recipes of processes. • Advice, new ideas. • Benefits (tangible and intangible)	• Exposure (marketing, greener image) • Novel innovation methods - crowdsourced R&D on demand, open (source) innovation, new business models based on open innovation, ... See open innovation services. • New product line for sub-industrial grade equipment, parts supply. • Sourcing talents (within Sensorica or through Academic partners). • Exposure and access (distribution logistics) to new and/or untapped markets through Sensorica's dissemination process (viral). • Corporate social responsibility.

Dynamics of negotiation

Relations are built on agreements, which are reached through discussions and negotiations. Private firms will always try to minimize their costs, as they are very concerned about their finances, often trying to externalize costs, i.e. transfer them to other parties. During negotiations with Sensoricans, representatives of private firms may try to obtain a lower price for development services, or lower royalties, or lower price for products / deliverables, which they see as a cost transfer to their supply chain. This is normal practice, it is part of the DNA of firms, which are legally obligated to increase profits for shareholders. Sensoricans need to be mindful of the minimum requirements to complete a project in an open context (open project stewarding). Traditional organizations need to understand these requirements and how they are linked to the probability of success of the project.

Moreover, Sensorica uses very transparent methods, which puts it at a disadvantage when it comes to negotiating a budget for example.

Furthermore, Sensoricans need to differentiate themselves from other suppliers as a purpose-driven, for-benefit collaborative network, not as a profit seeking enterprise, thus putting more emphasis on values, mutually beneficial long-term relations that also have positive impacts on society. For Sensoricans, this is not just an ethical choice, it is deeply rooted in the OVN [economic model](#). Put shortly, we cannot attract talent, operating in an open way, without attaching fairness and purpose to our ventures.

The open source myth

To simplify, there is a general misconception that open source is free (as in free beer) and that open and collaborative communities do *pro bono* work. People tend to see open communities as *magic gardens*, where one can propose a project and magically it will be realized, with people doing all the good work for fun. These misconceptions do have a justification. They are generated by large collaborative projects like Wikipedia or Linux, which seem to have miraculously sprang into existence ex-nihilo. These projects are in fact very special cases of generic “utilities” that touch millions of individuals in various ways. Thus, they function at a very large scale, where they generate large scale network effects and become statistically stable and predictable, even in a *pro bono* contributory regime. In other words, at these scales of millions of contributors/users, there is 100% probability that someone out there will make a positive contribution in effective time. This is not the case in open projects that function at a smaller scale. The statistics are simply not there to ensure 100% response probability for a specific task, from a small group of contributors. In order to improve the chances, other incentives must be added around contributions, and some of them may be tangible rewards, including monetary compensation.

Small scale open and collaborative projects, even if they exist in a larger ecosystem of open projects and developers, are not magical gardens. In order to get things done in a predictable manner, a proper set of incentives must be put in place, and a new set of skills is required for overseeing open projects. When negotiating a relationship with a traditional organization, some knowledgeable peers from the network should work with the representative of the organization in order to communicate the dynamic of open projects and the conditions for their success.

We now have data that shows that working with the Sensorica OVN on innovation leads to at least 30% development costs savings. Some projects have been delivered with 60% cost savings, on the threshold of project stability. Therefore, Sensorica is very competitive in the innovation market.

ATTENTION Sensoricans: if a project is not set up properly, with the proper set of incentives that can ensure its success, responding to pressure put by a traditional organization to cut costs, the project can fail. In this case, the organization that doesn't understand how open projects are run will put the blame on the Sensorica network, undermining its public reputation. It is important to align the company's cost saving reflexes with its needs for project success, and

reach an agreement that generates benefits for both parties. Also note that the financials of any Sensorica project are totally transparent, the company can see spendings in real time. When it comes to negotiation, transparency must be put forward to establish a non-adversarial process.

The case of material products

Introduction

This section is about the formalization of relations between Sensorica affiliates and private firms that are interested in our technology for commercial purposes. It describes the process to establish these relations, based on past cases.

Framing

How do we handle our technology in order to benefit from it?

Everything that Sensorica develops is open source and anyone can use it for commercial purposes. Someone can find our R&D documents online and decide to do something with the technology without asking us anything and without us knowing anything about it. That is fine, this process doesn't require any additional resources from the network. Our strategy for sustainability relies on speed of innovation, not on protection.

Here we are concerned with the eventuality of a company being interested in the technology that we develop, that contacts us to establish some type of economic relationship, which requires additional resources to be deployed by the network. How can we establish relationships in such a way that the outcomes benefit both, the company and the network. Any relation that is not mutually beneficial is not a healthy relationship, and can lead to disappointment on either side, or can lead to a project that doesn't advance well.

Licensing

The first thought that comes to mind is licensing, which is a protective measure. In other words, the company that is interested in a product development relation with sensoricans will sign a licensing agreement with the [Custodian](#), guaranteeing that those who are contributing to the development will get returns in the future from the company's commercial activities.

We have had many discussions in the past on this subject and we haven't really reached a consensus. That is because this problem doesn't have a simple solution. Not even the experts

in p2p agree on it. The question of licensing boils down to a compromise. The more protection we put in place, the less participation we get, which can slow down the speed of innovation. The [p2p license](#) is seen by some as a good compromise.

It essentially gives free commercial rights to community members, but asks royalties for those who are not part of the community. It's like a patent that is shared by community members, assuming that there is a mechanism to distinguish between members and nonmembers, which is not evident with long tail organizations.

The peer production license is an example of the [Copyfarleft](#) type of license, in which only other commoners, cooperatives and nonprofits can share and re-use the material, but not commercial entities intent on making profit through the commons without explicit reciprocity

To implement this, all technology under this regime would need to be transferred to the [Custodian](#) as an IP - type asset.

The argument for, is that it can insure some benefits for the community. Some arguments against this are summarized in [Tibi's essay](#).

In the past, we have reached a loose agreement to let project initiators choose the level of protection and have projects compete for resources. See [Project types](#). So let's consider two cases.

The p2p license case

In this case, there is a legal obligation for the company to pay royalties. If a company is interested in one of our technologies it needs to sign a licensing agreement with Sensorica's [Custodian](#), for all those involved in the project, assuming that the project has a p2p license. This agreement would contain items such as royalties and conditions to cooperate, among other things. The redistribution of royalties would be governed by a [benefits distribution agreement](#) (signed by the Custodian) and algorithm (implemented in the [NRP-CAS](#)). We do have some template agreements that you can use.



Those who are interested in this case can develop what's needed.

The interested company takes care of production and distribution. If the company needs help for implementation or requires transfer of know-how, sensoricans should ask for financial compensation. Those who have the skills within the **network** can benefit from it, and the transactions need to be transparent and dues need to be paid to Sensorica (the [5%](#) we are using now). Non transparency should raise [red flags](#) and if issues are not resolved in a friendly

manner it should affect reputation, related to the respect of other people's contributions to the same project.

In any case, we think that there should be an obligation to contribute to the documentation of the project if new information or new knowledge is generated. Failing to do so will most probably upset those who have contributed to the project and can generate conflict, which might result in reputation costs for lack of respect for other participants and for not following good collaborative practices.

The CC share alike license

This case is different from the previous one, in that there is no legal obligation for the interested company to pay any royalties. There is absolutely no legal protection for commercial rights. The only protection for us is that no one can patent the technology, and that if another party copies and improves we can copy it back, saving the costs for the improvements that the other party made.

The recipe doesn't make the cake. Know-how is needed in order to implement something efficiently and effectively. Since the openness of the license creates competition, the company may need to ask for help.

1. **The company might need some guidance for implementation, or it might need transfer of knowhow**, and therefore it might be willing to pay for all that in order to save development costs and time.
2. Moreover, **the company might recognize in Sensorica a potential for further innovation**, and might want to establish a repetitive game (i.e. an ongoing relation of collaboration) with us. The company might be willing to share with us some revenue, to buy our loyalty (to make sure that we respond, and jump to solve their technical problems).
3. The company might be interested in accessing users, communities, **and interface with the crowd**, through Sensorica.
4. Furthermore, **the company might want us to become a supplier**, which is a very simple case to treat, the company pays for parts.
5. The trivial case is when **the company doesn't find value in any of that**, so they can just copy and sell without even calling us, which is fine.

#2 seems to be a good outcome. It can be treated by negotiating a % of sales for as long as Sensoricans cooperate with them. This % can also be preset for every project, as part of the project's *Governance* and [Benefit Redistribution](#), to make it easier for everyone later, that's the price, take it or leave it.



shoot a % if you agree with the idea.

[Frederic believes this can be anywhere from 0.5 to 5%]

#3 can be treated as a service by Sensorica to provide proximity or access to potential users / consumers, for feedback. This is based on the klout Sensorica can build within these groups, through outreach and engagement.

#4 is easy to deal with, we manufacture the parts, sell them to the company and we share that revenue according to the [Benefit Redistribution Algorithm](#).



In the past, we had many calls from companies, telling us to produce a prototype for them, absorbing all the development cost, promising that later they will order larger volumes, without providing any guarantee for that. This is very risky, unless the development work can lead to something else to offset a potential loss. In other words, some companies will erect a large potential in front of us, in order to stimulate sensoricans to deploy their own resources hoping to generate revenues from larger volume sales in the future, but the endgame for them is to have the development done for low costs and manufacture it somewhere else.

#5 is trivial, nothing needs to be done, other than individuals deciding not to cooperate with such entities.

#1 resembles the case discussed for the p2p license, if the company needs guidance.

In all these cases, there should be an obligation to contribute to the documentation if new information or new knowledge are generated. Failing to do so will most probably upset those who have contributed to the project and can generate conflict, which might result in reputation costs for lack of respect for other participants and for not following good collaborative practices.

Links

[Steve's doc for managing relations between sensorica and Ohio](#)

[Normative system main doc](#)

[Product Licensing](#)

[Sensorica service system](#)

Discussions

From an email by Tibi - case of a manufacturer

As Abran mentioned, we are very busy with a few important projects, and everyone needs to understand what to expect in order to judge how much effort we need to deploy for your request. I am going back to our initial exchange in order to start formalizing our relationship.

I asked

We do have the capability to customize a piezo pump for your application. It also depends on the collaboration arrangement. I suppose that you have a commercial application in mind, therefore the community will require some form of compensation.

You answered

As we said, this pump we will be used for commercial application, we are quite okay to pay you the money for the same. Once trials becomes successful, we would require same in bulk qty for commercial application

If [this](#) is your website, I read

Microbiz Network India has embarked with innovative technologies; it is a manufacturer and developer of such creative and innovative products and services.

I think we have a few options in front of us, that would benefit everyone involved. What I don't know is the amount of investment your company can afford for the development of these new products, which would make your business viable.

You can correct me if I am wrong, but I am starting with the following assumptions:

- You represent a company that is in a process of developing a new product
-
- Your company will manufacture and commercialize this product
- You are looking for partners to develop this new product

If your primary intention at this point is to reduce your R&D costs, I think Sensorica is the best place for you. Based on my assumptions, the options would be

1. Become an **affiliate** of the network and develop your project as a Sensorica project. Make the Sensorica network your distributed R&D facility, or use Sensorica as your innovation pipeline.
2. Become a **sponsor** for a project conducted by Sensorica. Crowdfund innovation through Sensorica, without getting involved too much in the process, let sensoricans drive it for you. Projects are open source, can be less transparent, but open.
3. Become a **client** of the Sensorica network for innovation and R&D services

In terms of monetary (\$) costs for you, 1 is the least expensive option, 3 is the most expensive. Our history shows that option 2 is at least 50% less expensive than normal market prices.

In terms of your involvement in the project, option 1 is the one that requires your presence, attention, as well as in kind contributions. In other words, you drive the project within the Sensorica environment, benefiting from the network's ability to crowdsource innovation efficiently.

Feel free to ask questions if you don't understand some of the above language.

Here's an option that I find difficult in this situation: Since your company is a manufacturer, it would be very difficult to obtain a partnership with sensoricans where they take a risk to build a working prototype without a fair immediate compensation for these design and prototyping phases. In other words, going back to your phrase, and please correct me if I am wrong

we are quite okay to pay you the money for the same.

The price for a few of these devices that would be made by Sensorica would include R&D costs that your company would need to pay as we progress through the design and prototyping phase. It is simply not possible to do it otherwise, because sensoricans only contribute to projects if they find an interest in it.

Once trails becomes successful, we would require same in bulk qty for commercial application

I don't think sensoricans would take a risk to produce a few units at low cost for your company now, hoping to sell a larger volume later, because they know that your company is a manufacturer, so it can produce these products at a lower cost in India. Again, this is not my own wish or decision, I am only informing you about how I think sensoricans would react to such a proposition. Nothing stops you from trying anyway :)

Having said all that, I think that Sensorica is the best thing you could find while searching for R&D support for your piezo-based product. Network-type organizations are dominating the innovation landscape nowadays. All the recent and most disruptive technologies, like 3D printing, drones, and the blockchain came out of networks. Deciding to go with the Sensorica network, one way or another, is, in my opinion, a very important strategic decision for your company.

Thank you for spending the time to go through this long email.
Feel free to send me your questions.

Support to traditional organizations

Sensorica offers support to for-profit organizations and academic labs. [see more on support](#). This support can be construed as a **partnership** or as a **service** (consultancy, development, R&D-on-demand).

If support is construed as a **partnership**, we call the traditional organization the **Sponsor**. The relation between the **network** and the **Sponsor** is mediated through a nonprofit organization, one that is created by Sensoricans or one that already exists and agrees to represent the network. We call this nonprofit organization the **Custodian**, and its role is as a legal interface between the **network** and the **Sponsor**. The relationship is in fact a triadic one, between the **network**, the **Sponsor** and the **World**. The **World** is always part of the equation in all our economic activities, since everything we create is released under an open license, as a [commons](#). Ths, this type of support activity can be understood as such:

The **Sponsor** and the **network** collaborate to find technical solutions to a problem, which benefits the Sponsor, Sensoricans and the World, by increasing the commons and giving a new life to whatever is created through this collaborative relation.

If support is construed as a **service**, the relation with the client is mediated by a limited liability corporation, one that is created by Sensoricans or one that already exists and agrees to represent the **network**. We call this limited liability corporation the [Exchange Firm](#), and its role is as a legal interface between the network and the client. The **Exchange Firm** may need to interface with a **Custodian** (see above) for redistribution of benefits and for arbitration.

See the history of Sensorica for support relations.

Support in innovation

Proposed Rules - **still a draft, please help improve**

If an individual uses the Sensorica brand or represents himself/herself as a Sensorica affiliate to develop a support relation with a traditional organization (either partnership or service), he or she must act transparently and announce the opportunity to the network using the main communication channel, with the starting subject mention "*Support to organization*". If any contract is signed through an Exchange Firm (for service) or a Custodian (for partnership) the details must be shared with the **network**, using the main communication channels for everyone to see.

See more on [Governance associated with using the Sensorica brand](#).

If there are monetary gains associated with this support relationship, the affiliate must transfer a portion of these gains as a **sustainability fee** to the **Custodian** (see above), in accordance with the [OVN governance](#). It is also strongly recommended that the affiliates who seek to consolidate a support relation with a traditional organization that offers monetary rewards should already factor the **sustainability fee** in the budget. The budget must be necessarily stored in a way that it is accessible to all network affiliates.

Concrete cases

Tibi has been approached by the European Commission to review funding proposals in the realm of the new economy. Tibi has obtained this opportunity because of his activities within the Sensorica OVN. Since the European Commission's rates are above the required amounts for subsistence, Tibi paid 5% to Sensorica's Custodian.

Background

Over the years, the OuiShare Paris network developed problems related to the perception of fairness and fair play, as trust in some of the pillars and co-funders of the network eroded in the context of paid consultancy services/contracts. In short, some of the most visible OuiShare Paris members / connectors were solicited by different organizations for consultancy services. In

some cases, the deals were transparent, in others less transparent. Some of these members were giving a portion of their earnings back to the network, others were not. The lack of structure in OuiShare led to the development of a sentiment of unfairness, for some members.

NOTE: This account was produced by Tibi, after having discussed with OuiShare members in Paris, at [OuiShare Fest in 2015](#).

Agreement templates

[Open innovation partnership agreement](#) - for support as partnership

Others

The partner / company cannot hire a Sensorican from one of the projects within 6 months. There is a 20% contingency fee on first year salary. [proposed by Lai]

{Signalization tools}



{symbol for process/status updates - use this to signal important milestones in the process}



{symbol for notes - use this to post reminders or short messages for self or to collaborators}



{symbol for important information - use this to attract collaborators' attention}



{symbol for ToDos - use this to signal to your collaborators about what they can do}



{symbol for alternatives: enumerates possible solutions to consider}



{symbol for reasoning: presents arguments about possible choices}



{symbol for Information: tells you how stuff works.}



{symbol for growing consensus: a summary of a section of this report}

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