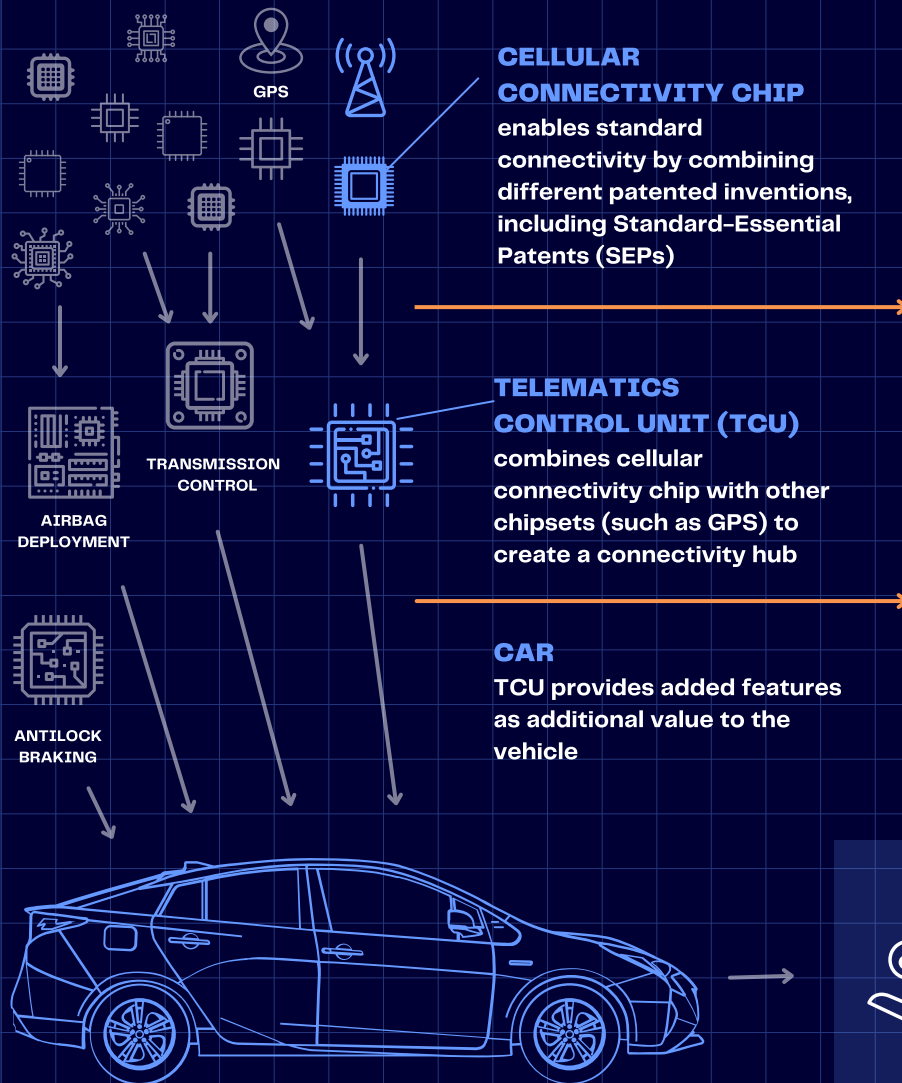


# Standard-Essential Patents in a Product Value Chain

Technical standards are common platforms that enable innovators to develop – and consumers to utilize – products that can reliably work together. Ensuring that the patented inventions deemed essential to these standards are licensed on fair, reasonable, and non-discriminatory (FRAND) terms is critical for innovation, product compatibility and consumer choice.

## INNOVATION



## KEY PLAYERS



### SEP OWNER

compensated through the licensing of their invention to innovators who utilize it to build functionality



### INNOVATORS

including component manufacturers compensated by the sale of that functionality to auto manufacturers.



### CONSUMERS

benefit from enhanced safety, convenience and innovation at lower prices

While it is important to ensure that the owner of a Standard-Essential Patent (SEP) receives reasonable compensation for the value of their patented invention, it is equally important to **guard against them profiting from other inventions which are not their own**. That is why under FRAND terms the valuation of an SEP must be based on the value of the essential patented invention incorporated in the smallest salable unit. In the case of the connected vehicle, that means that the royalty rate to license the SEP should be based on the value it adds to the cellular connectivity chip, rather than the value of the end vehicle which itself benefits from many other inventions.