

Tesla's patent strategy road to sustainability for and for itself

Craig Buschmann

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What makes Tesla unique? How about everything. M
and their eyes glaze over. Worse, they think of patent

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harming American businesses. But everyone appreciates Patents, and intellectual property generally, mean valuable things.

Tesla began accepting orders on March 31 for its Model S electric sedan. The base price starts at \$35,000. But unlike companies that jealousy guard their intellectual property, Tesla's giving away its patents for free.

Why? It has a lot to do with how the company imagines it manages its world-famous brand.

Tesla's CEO Elon Musk famously announced not two years ago that "Patents Are Not Our Product." Instead, he said, "Patents Belong To You." (The sentence is an inside joke for company employees.) Musk's seemingly unusual grammar refers to a well-known Japanese phrase, "Base Are Belong to Us," a mistranslation of a Japanese video game Zero Wing.)

Musk said Tesla would "not initiate patent lawsuits against others who want to use our technology." In doing so, Tesla creates a pool of knowledge that can be used by anyone who wants to build vehicle components, battery charging, energy storage,

Why give its patents away? To build the size of the market. Tesla's vision is an electric-powered future for automotive vehicles, storage systems, so the company must change a culture that values combustion engines, and it must revolutionize the nature of

As more people buy EVs, demand for a charging infrastructure increases. As the number of charging stations increases, it's easier for drivers to purchase. Not to mention that each charging location is a point of advertisement of the Tesla brand, and a showroom for

The cultural and network effects reinforce each other, creating a feedback loop that moves Tesla toward its goal: selling all-electric vehicles to a large group of buyers — buyers confident they'll have access to them.

As the pie grows, everyone gets a bigger slice.

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Tesla's not even the first automotive manufacturer to brings it back to brand.

Consider: What name leaps to mind when thinking about people think Tesla first, and any one of the Nissan Leaf second?

Tesla's Model 3 is an EV priced to put all-electric transportation within reach of middle-class buyers, with the cachet of a market-leading innovation. A lower-cost entry point — like Apple's recent release of the Apple Watch, and its new, smaller iPhone — can help drive wider adoption.

By making its patents available for free, Tesla empowers other automakers to do the same. More cars come along and the grid gets bigger, which in turn gets a larger slice.

Why don't other automakers do the same thing? Simple: most manufacturers have focused only intermittently on the technology. Toyota, Ford and GM have focused on alternative fuel vehicles (HEVs) or other partially electrified vehicles.

Established automakers can afford to adapt to new technologies more slowly than Tesla, as many investors know already, is burning cash. The company's very survival is at stake.

Truth be told, [Toyota](#) and [Ford](#) do license their alternative powertrain technology. Toyota for its hydrogen fuel-cell vehicles (FCVs) and Ford for its electric vehicles (EVs). Both companies have different approaches to doing so.

Toyota is offering its powertrain technology patents royalty-free access to its hydrogen production and supply partners. The company is less reliant on other market players to assemble FCVs, so it needn't rely on others to help establish a fueling network. [Toyota will benefit from a larger fueling network](#), so it's encouraging companies who are interested in adding to the number of hydrog

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Ford's approach to licensing is more traditional. Some technology are available for a fee. But Ford doesn't name the conditions necessary for the relatively more mature technology to succeed. It can't be mass-marketed for nearly 20 years, to succeed. It can't be a potential new source of revenue.

Tesla wins by using its patent pool to [establish industry standards](#). In the marketplace, Tesla wins for the brand by doing what's right at the time: going against the grain. Building markets, building the brand, staying famous, all the time, for everything it does.

Technology innovators have much to learn from Tesla. They would glaze over when the topic of patents has to do with the entire world travels?

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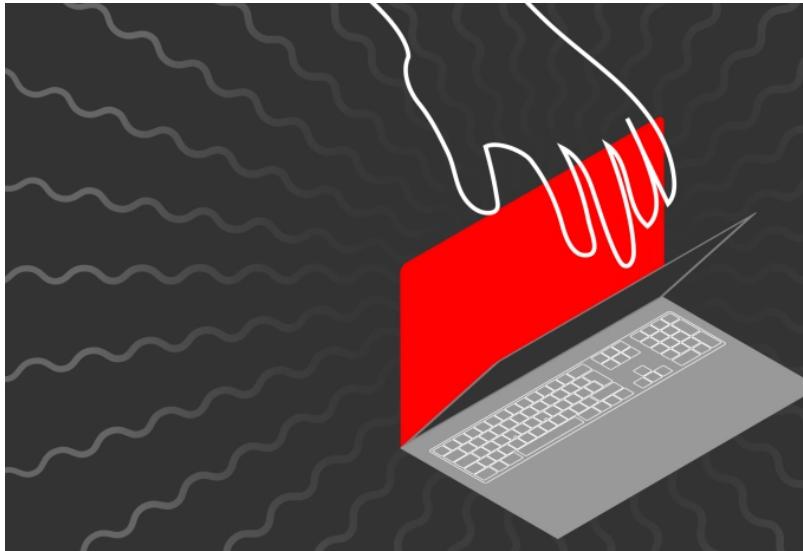
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