

## 2 Institutional Issues Regarding Distribution and Securitization of Intellectual Property

---

*In this research study, in light of the development of systems relating to the distribution and securitization of intellectual property (IP), we aim to discuss (1) how to protect the non-exclusive licensee against the effects of the licensor's bankruptcy or the transfer of the IP rights from the licensor to a third party in cases where the license is not registered, and (2) how to solve problems arising from IP trusts in order to promote IP management and utilization by way of IP trusts.*

*Regarding the issue mentioned in (1), we propose a new system under which a statutory license shall be granted to the licensee within the scope of the existing non-exclusive license if the licensee is exploiting or preparing to exploit the IP rights at the time of the licensor's bankruptcy or the transfer of the IP rights. We discuss the requirements, effects, and legal relationships under the statutory license system as well as the relationship of the statutory non-exclusive license system with the Bankruptcy Law and with the existing registration system.*

*Regarding the issue mentioned in (2), we discuss the applicability of Section 102(1) and (2) of the Patent Law in cases where the holder of the patent rights in trust (trustee) seeks to claim damages for patent infringement, and showed directions of solution.*

### I Introduction

In recent years, as intellectual property (IP) has become increasingly important in the corporate management context, the necessary legal framework for IP utilization has been put in place through the revisions to the Trust Business Law and the Bankruptcy Law in 2004 and the enforcement of the Limited Liability Partnership Law in 2005. Meanwhile, in FY2003, the Institute of Intellectual Property (IIP) conducted research studies on "Practical Issues Arising from the Introduction of the Trust System for Intellectual Property" and "The Appropriate Protection of Intellectual Property License Agreements", and extracted practical problems concerning the use of IP trusts and licensee protection.

Against this background, the IIP conducted this research study with the aim to explore a method and design a system to protect the non-exclusive licensee against the licensor's bankruptcy or the transfer of the IP right (e.g. patent right) from the licensor to a third party in cases where the license is not registered, and discuss solutions to problems arising from IP trusts in order to promote IP management and utilization by way of IP trusts.

### II Survey on Present Status of IP Management and Utilization

#### 1 Current Status and Problems in Administration of IP Trusts

##### (1) Problems in using management-type IP trusts

In their early stage of development after the establishment of their business, small- and medium-sized enterprises (SMEs) and venture companies raise funds from various subsidies and venture capital funds invested in their stocks. They release new products as their business expands, and price competition and IP risk intensify significantly as their products penetrate the market. From the early post set-up stage through to the middle stage, SMEs and venture companies need funds to cover IP risk, but venture capital firms tend to delay investment until the target companies reach the late stage in their preparations for a new listing. Thus, SMEs and venture companies have only limited options for financing in the middle development stage when they need funds to establish IP portfolios that will have a significant influence on business management after those firms are listed. This phenomenon occurring in the course of the creation of the business is called "second death valley". A management-type IP trust is one of the most effective means to solve this problem, and if it is established as a standard means, it will enable companies to raise funds in a straight line

along with growth right through from the early stage to the middle stage and the late stage.

However, although SMEs and venture companies, facing the second death valley, have high expectations from IP trusts, they cannot easily introduce this scheme, while financial institutions that are to undertake IP trusts only perceive risks with this scheme, without seeing any advantages. Specific factors that prevent SMEs and venture companies from introducing management-type IP trusts are as follows.

(I) Most SMEs and venture companies that have the possibility of employing this scheme have filed or are planning to file patent applications. Pending patents can be specified in trust contracts but it is difficult to specify patent applications before they are filed. Lack of funds might lead to the failure to file applications. Such uncertainty must be solved. As the prerequisite for establishing an IP trust, at least prior art search or patent search should be conducted.

(II) In the case of a management-type trust, the trustor should pay commission fees in addition to management costs. Considering that international patent applications should also be filed, the trustor would have to incur considerable costs.

(III) Where the trustor is the beneficiary, the trustor only obtains a beneficial interest in trust, and needs to sell it in order to raise funds. In this case, the trustor should pay costs for economic evaluation of the entrusted IP by a third party entity. Furthermore, the sale of a beneficial interest in trust is regarded as a bond transfer instead of a stock transfer, and therefore taxable. The trustor would be required to pay royalties when using the entrusted IP for its own business.

Although most problems that may arise from the introduction of IP trusts can be solved under a "trust contract," practical problems that cannot effectively solved under a trust contract or other related contracts still remain. Also, the following issues should be taken into consideration, though they are not specific to a trust scheme alone.

(I) Earning royalty income from the trustor and the existing licensees under a licensing contract is an important method to secure cash flow for trust operations, and this will have an influence on the evaluation of the entrusted IP.

(II) It is desired for a development contract to be concluded between the trustor and the trustee. In this respect, it is necessary to

consider whether the trustee can commission development to the trustor under the contract.

(III) The value of SMEs and venture companies will also increase when they transfer their IP into trust. IP trusts should be designed so that they will be used as a favorable factor in the screening for a listing.

## **(2) Awareness of practical issues on IP trusts among trust companies and problems to be solved**

### **(i) Upon the establishment of a trust**

The first action to be taken by a trust company upon accepting IP rights into trust is to identify the IP rights to be placed in the trust, and at this point, due consideration should be given to conflicts of interest. Since patent rights and other industrial property rights become effective against a third party through registration, they can be isolated from the bankruptcy of the rights holders if the transfer of such rights is ensured. On the other hand, it is difficult to ensure the transfer of copyrights because there is no registration system for copyright licenses. In accounting and taxation procedures, in the case of a management-type IP trust, the trustor (beneficiary) is regarded as retaining the entrusted IP. In the case of a securitization-type IP trust, no problem occurs if the entrusted IP is recognized as assets, but accounting and taxation would be difficult if it is included in unlisted assets. Furthermore, the transfer of rights requires a registration and license tax, which will be a considerable amount where a business group places in trust a number of rights in bulk.

### **(ii) During the trust period**

Where a conflict of interest occurs during the trust period between the trust property and the trustee's own property or other property entrusted to the trustee, the trustee would have extreme difficulty in dealing with such a conflict.

### **(iii) Upon the termination of the trust**

Upon the termination of a management-type trust, the trust property is delivered to the trustor (beneficiary) as in the current status. In the case of a securitization-type trust by which the beneficiary invests in the IP purely for the purpose of obtaining cash flow, such delivery in the current status would not be assumed, and therefore it would be difficult to finally dispose of the trust property unless the property is finally bought by the trustor or licensee or converted into money in the market.

### **(3) Current status and problems regarding administration of IP trusts**

#### **(i) Current status regarding administration of IP trusts**

One basic financing scheme involving the use of an IP trust is to entrust movable property in combination with IP. Another scheme is to place IP into trust for investment purposes in the same way as placing money into trust, which has become possible as a result of the revision to the Trust Business Law. In addition to these basic schemes, it may also be possible to transfer IP into trust via a special purpose company when the development of the IP reaches completion.

#### **(ii) Problems regarding administration of IP trusts**

##### **( I ) Problems in taxation**

1) Where a trust is established for IP rights per se, the principle of pass-through taxation applies and therefore the trust necessarily causes losses, which cannot be reported as losses in an individual's accounting statement. Since in the case of individual investors income from IP is regarded as taxable income, they would be treated unfavorably in taxation. To avoid this situation, where an IP trust is established to raise funds from individual investors, the trust should be treated as a joint money trust or financial instrument.

2) Where the senior-subordinate structure is applied to beneficial interests in trust, taxation procedures would be extremely difficult, making it impossible to deal with IP trusts under the present conditions.

3) Where patent rights with no book value or beneficial interest therein is transferred into trust, it is necessary to clearly determine whether the transfer is taxable.

##### **( II ) Problems in distribution**

In order to use IP as an investment target for institutional investors, the IP must be of a certain size and distributable. Large securities companies seek to deal with IP, but in reality, they have to compile an IP package because the value of each IP item is small. It would be more convenient if there was an IP trust market. The existing procedures for transferring claims payable to a specific person are cumbersome.

##### **( III ) Problems in registration**

An operational problem with the registration system arises for unfinished works for which copyrights have not yet come into existence.

Drafts and scenarios can be placed into trust as works, but registration procedures would be complicated because the contents of possible copyrights will change as the works come near to completion. Another problem relates to the requirements for setting up a defense against third parties. Confusion may also occur in practice because a non-exclusive license based on patent rights cannot be claimed as effective against third parties unless it is registered, whereas this requirement is not applicable at all to a copyright in terms of authenticity.

### **(4) Current status and problems regarding IP activities**

In recent years, proactive approaches have been carried out toward IP activities. Under such circumstances, the essential concept and the practical understanding of IP activities have been established, and such activities are now at a transitional stage. Companies promote IP activities more intensively and selectively from a further strategic perspective in relation to their own businesses, while universities face a major challenge of how to secure resources for IP activities.

Along with such proactive trends in IP activities, various IP services such as patent evaluation have come onto the market but not yet achieved as impressive results as expected, being unable to gain a high reputation. In this respect, the development of IP service providers is also at a critical stage. They need to acquire the capability to provide high-level services so as to satisfy the needs of companies and universities.

One major objective of IP activities is to obtain royalty income or commercial benefits through distribution of IP. Unless a certain process is established for this dynamic activity, "distribution," it will be impossible to satisfactorily carry out static activities, such as patent evaluation and analysis as well as IP securitization and establishment of trusts or security rights for IP. SMEs and universities also need to use external support services for distribution.

## **2 Questionnaire Survey on IP Management and Utilization**

We conducted a questionnaire survey, targeting 4,982 companies chosen from among companies that filed in the past year two or more applications to obtain industrial property rights, such as patent rights, which would be managed

and utilized after they are registered. We obtained responses from 1,245 companies (response rate: 25.2%), and conducted an analysis with respect to 1,243 companies that provided valid responses.

Regarding the image of the IP trust system, 40% selected “have no knowledge” or “difficult to understand the system,” suggesting the level of understanding of the system is low. Among the advantages of IP trusts, “raise funds,” “reduce costs for IP management and utilization,” and “outsource the affairs of the IP department” were chosen by slightly less than 20% respectively. Meanwhile, among the disadvantages of IP trusts, “have a resistance to transfer IP to a third party” and “find no advantages in IP trusts” were chosen by more than 30% respectively. Regarding the objectives of IP trusts, about 20% had an interest in “centralized management within the business group,” “management and utilization by the management company,” and “fund raising through securitization.” Meanwhile, 44% showed no interest in IP trusts. Regarding legal factors preventing promotion of the use of IP trusts, “the right to obtain rights” “presumption of the amount of damages,” and “IP trusts established under foreign laws” were chosen by less than 20% respectively, whereas 73% chose no option. Regarding cost issues, a “high registration and license tax” and “high commission fees” were chosen by less than 20% respectively, while 75% chose no option.

79% of the valid respondents had experience of concluding a licensing contract. In response to the question on the registration of a non-exclusive license based on patent rights, by which the license can be claimed as effective against a third party in the event of the licensor’s bankruptcy or the transfer of the patent rights, 155 of the 957 companies chose “have registered a non-exclusive license” and 51 companies chose “will register a non-exclusive license.” Among those companies that had experience of concluding a licensing contract, 20% chose “include no particular provision to ensure protection of the license under the licensing contract” whereas about 70% took some protective measures. Among problems concerning a licensing contract and the requirements for setting up defenses against third parties, each option was chosen by less than 20%, while 67% chose no option.

### 3 Overseas Surveys on IP Trusts

#### (1) United States<sup>(\*)</sup>

- (i) Procedures for dealing with trusts, requirements for establishing a trust, requirements for setting up a defense against third parties

No special requirement for the registration of IP trusts under U.S. federal law. In the State of California, under the US Patent Act, the State Trust Act, and the Uniform Commercial Code (UCC), there are typically three requirements when transferring a patent to a trust:

- (I) Change the Assignee Record with the USPTO
- (II) Register the Trust with the State
- (III) Register the transfer and the trustee’s perfected interest under the UCC.

- (ii) Where patent rights granted under U.S. law are placed into trust under U.S. law

The trustee’s obligations and rights arising from a trust are specified by a contract concluded between the trustor and the trustee under the State Trust Act. The U.S. system of assessing damages for IP infringement, like Japan, relies heavily on the profits of the infringer. In patent cases, damages are provided by statute. Trustees are typically empowered by trust agreements to defend the IP in the trust.

- (iii) Where patent rights granted under U.S. law are placed in trust under Japanese law

A Japanese trust could own U.S. IP assets. Because there is no national IP registration system, a U.S. patent transferred to the Japanese trust would only have to follow the transfer of assignee rules. The rules governing the relationship among the involved parties would be determined according to Japanese law. All foreign owners of IP involved in patent litigation in the U.S., including foreign trusts owning U.S. patents or other IP, are governed by the same laws regardless of their country of origin.

- (iv) Where patent rights granted under Japanese law are placed in trust under U.S. law

Foreign IP assets could be placed in trusts just liked any other assets. There is no registration of IP trusts in the federal law, but many trusts must be registered with the state government in which they are located. The relationships among the parties would be determined by the state law. It can be inferred

---

(\*)1) The survey targets the State of California to investigate specific state laws.

that Japanese law will recognize the foreign trust at the owner of the IP. The provisions relating to damages would be determined by the Japanese IP laws.

## **(2) United Kingdom<sup>(\*)2</sup>**

- (i) Procedures for dealing with trusts, requirements for establishing a trust, requirements for setting up a defense against third parties

Patent rights can be held in trust. There is no registration system either for trusts generally. In the case of a patent trust, the trustee should be registered as the owner.

- (ii) Where patent rights granted under UK law are placed in trust under UK law

A trustee is the legal holder of the IP right placed in trust and has fiduciary duties towards beneficiaries under a trust and has certain rights under a trust. Section 61 Patents Act 1977 provides that the owner of a patent may bring proceedings against a patent infringer. Any damages that are assessed will be paid to the trustee. The trustee will continue to be subject to fiduciary obligations, however, and so cannot profit personally from the damages which must be applied for the best purposes of the trust.

- (iii) Where a patent right granted under UK law is placed in trust under Japanese law

If a UK patent were placed under a Japanese trust, the legal owner of a patent should be entered on the register at the Patent office. The rights of trustor, trustee and beneficiary would be governed by the terms of the Japanese trust. Damages shall be handled as in the case where a UK patent is placed in trust under UK law.

- (iv) Where patent rights granted under Japanese law are placed in trust under UK law

There is no system for trust registration under UK law. The relations between trustee, trustor and beneficiary would be governed throughout the world by the terms of the English trust. The English court could adjudicate the infringement of a Japanese patent, which is a question of Japanese national law, only if either the parties agreed that it should do so, or the defendant was domiciled in the United Kingdom.

## **(3) France**

The concept of “trust” does not exist under French law, and therefore it is impossible to place

IP into trust in France.

## **(4) Germany**

- (i) Procedures for dealing with trusts, requirements for establishing a trust, requirements for setting up defenses against third parties

Patent rights can be held by a “trust”. In German law, a “trust” is no precise legal institute. Instead, under German law a “trust” can carry very different characteristics, depending on the individual case. Registration systems neither exist for trusts in general nor specially for patent trusts. The only registration that may take place in regard to a trust is that the Patent Office register shows the registered owner of the patent.

- (ii) Where a patent right granted under German law is placed in trust under German law

The trustee is the legal holder of the patents transferred to him, and has fiduciary duties towards the trustor and also has the right to be reimbursed and indemnified for the expenses that have arisen in relation to the administration and exercise of the transferred rights. The general provisions applicable also to patent infringements are Section 249 German Civil Code. As legal owner, the trustee is then entitled to claim damages for the patent infringement. This has as a consequence that any damages that the infringer of the patent will be ordered to pay these damages to the trustee. In relation to the trustor, however, the trustee will continue to be subject to his fiduciary obligations. In general, the trustee will therefore in most cases not be entitled personally to the paid damages, but will be obliged towards the trustor to use the payment in the trustor’s interest. As German law does not provide a specific contract type and regulations for trusts, the details will depend on the terms of the specific contract between the trustor and the trustee establishing the trust.

- (iii) Where a patent right granted under German law is placed into trust under Japanese law

Where a German patent is placed into trust under Japanese law, the trustee should be registered with the German patent office as the new legal owner of the patent. Where a German patent is owned under the conditions for the Japanese trust, the legal relationships between the parties concerned shall be ruled by such

---

(\*)2) Section 209(3) of The Law of Property Act 1925 establishes that the Act extends only to England and Wales; the law shall not be applicable in Scotland.

conditions. The calculation method for damages under the German Patent Law shall also apply where a German patent is legally owned by the trustee under Japanese law.

(iv) Where a patent right granted under Japanese law is placed into trust under German law

The legal relationships between the parties concerned with a trust established under German law shall generally be governed by the conditions of the trust contract and German law. In general, Japanese law shall be applicable for infringement of a Japanese patent and claim of damages therefor.

**(5) South Korea**

(i) Procedures for dealing with trusts, requirements for establishing a trust, requirements for setting up defenses against third parties

In order to place patent rights into trust and register the patent trust, it is necessary to file an application for registration of the patent rights and trust, and at the same time, also file an application for registration of transfer of the patent rights (registration) so as to authorize the trustee to manage and dispose of the patent rights. The transfer of patent rights into trust cannot be claimed as effective against third parties unless it is recorded in the patent trust register.

(ii) Where patent rights granted under Korean law are placed in trust under Korean law

The trustee shall be regarded as the holder of the entrusted IP rights, and therefore authorized to grant a license, claim damages, and demand injunctive relief based on the entrusted IP rights. The trustee's duties are stipulated under the Trust Law and the Trust Business Law. Section 128 of the Patent Law shall apply to damages, which is also applicable to the trustee dealing with an IP trust.

(iii) Where patent rights granted under Korean law are placed in a trust under Japanese law

In accordance with the procedures for patent trusts under Korean law, a patent trust established under Korean law becomes effective when it is registered, and rights and obligations arising from such a trust shall come into existence under Korean law. Where a patent trust is registered in South Korea, the trustee may claim presumption of damages under Section 128 of the Patent Law.

(iv) Where patent rights granted under Japanese law are placed in trust under Korean law

A trust contract may be concluded with respect to Japanese patent rights in South Korea in accordance with Korean law. In this case, in order for the trust to become effective, registration of the patent trust should be validly made in Japan. The legal relationships shall be governed by Japanese law.

**(6) China**

In China, patent rights may be placed in trust under the Trust Law. A trust established with respect to patent rights shall not become effective unless the transfer of the patent rights is registered.

### **III Licensee Protection System**

In accordance with Section 99(1) of the Patent Law, a non-exclusive license shall not be effective against third parties unless it is registered. As a result of the revision to the Bankruptcy Law, the non-exclusive licensee may maintain the license in the event of the licensor's bankruptcy if the license is registered. However, in reality, contracts for licensing IP rights are often concluded behind closed doors, and it has become a common practice in some industries to conclude a blanket cross-licensing contract without specifying the patent number. Therefore, it is very rare that a non-exclusive license is registered when a licensing contract is concluded. Thus, the existing registration system is not satisfactorily used, and protection of non-exclusive licensees is still insufficient even following revision of the Bankruptcy Law. A new system to protect unregistered non-exclusive licensees is needed.

From this viewpoint, the research study committee proposed a new protection system and discussed legal matters regarding the requirements and effects of this system. We designed a new protection system under which the licensee would be able to claim a statutory non-exclusive license to the new rights holder while the new rights holder would be prevented from exercising the right, so as to enable the licensee to continue his business by exploiting the patented invention.

The results of the discussion at the research study committee are as follows.

(i) Interest to be legally protected

The interest to be legally protected, which

will provide the ground for the new licensee protection system, is the business that the non-exclusive licensee conducts by exploiting the patented invention. There may be two directions for designing a system that will enable the licensee to continue such business, (I) secure the opportunity for negotiation and (II) secure the license.

#### (ii) System designing

As a basic framework for the new system, it is desirable to design a statutory license system under which the non-exclusive licensee obtains a statutory license upon the change of the holder of the patent rights. The major requirements under this system would be as follows.

##### <Transfer of rights>

- (a) Transfer of the rights
- (b) Agreement on the establishment of a non-exclusive license (licensing contract)
- (c) Document stating the agreement with a date of notarial effect prior to the date of the transfer of the rights (written contract)
- (d) Unregistered non-exclusive license
- \* "Exploitation of the patented invention or preparation for the exploitation" and "the new rights holder's knowledge of the transfer" may be included.

##### <Cancellation of the contract due to bankruptcy>

- (a) Bankruptcy
- (b) An agreement on the establishment of a non-exclusive license (licensing contract)
- (c) Cancellation of the contract by the trustee in bankruptcy
- (d) A document stating the agreement with a date of notarial effect prior to the date of the cancellation of the contract (written contract)
- (e) An unregistered non-exclusive license
- \* "Exploitation of the patented invention or preparation for the exploitation" and "the new rights holder's knowledge of the transfer" may be included.

The details of a statutory license shall be as follows.

- Scope of license: Same as the scope of the existing non-exclusive license
- Period: Fixed as a certain period (Direction 1) or same as the period of the existing non-exclusive license (Direction 2)
- License fee: Same as the fee for the existing non-exclusive license, decided by the patent office, or determined by the court
- Succession: Only together with the business in which the patented invention is exploited,

and in the case of inheritance and other general succession cases

We will further discuss the compatibility of the statutory non-exclusive license system with the Patent Law and its relationships with the existing registration system, with the hope that this new license system will be considered as an important option for the reform of the non-exclusive license system along with the improvement and drastic review of the registration system.

## IV Problems in Relation to IP Trusts

### 1 Relationship between IP Trusts and Section 102(1) and (2) of the Patent Law

In accordance with Section 102 of the Patent Law, where the patent holder, exclusive licensee or non-exclusive licensee claims damages for lost earnings due to patent infringement by the infringer, they may estimate the amount calculated by the prescribed formula as the amount of losses (Paragraph 1) or presume the amount of profits obtained by the infringer as the amount of losses (Paragraph 2). However, since such a claim is based on the precondition that lost earnings should exist, it is construed that the claimant must be actually exploiting the patented invention.

Where patent rights are placed in trust, the trustee becomes the patent holder in legal terms. However, due to the difficulty in exploiting the patented invention, the trustee cannot argue the existence of lost earnings and therefore cannot claim damages under Section 102(1) or (2). On the other hand, the trustor becomes the beneficiary and no longer holds the patent rights in legal terms. After the patent rights have been placed in trust, the trustor needs to obtain a license to exploit the patented invention. If the license is a non-exclusive one, the amount of losses may not be calculated (Paragraph 1) or presumed (Paragraph 2). The provisions of these paragraphs shall apply where the trustor is actually exploiting the patented invention as the exclusive licensee or non-exclusive licensee. However, if it is impossible to regain lost earnings unless the trustor takes an action to claim damages from the infringer even though the trustee has been entrusted with the management and utilization of the patent rights, problems arising from the relationship between IP trusts and Section 102 of the Patent Law cannot be effectively solved.

From this viewpoint, with the aim to clearly indicate the possibility that damages for patent infringement may also be claimed under Section 102(1) and (2) of the Patent Law even after the patent rights have been placed into trust, we tried to clarify the purport of these provisions and conducted an analysis of hypothetical cases. The purport of Section 102(1) and (2) of the Patent Law is to calculate (Paragraph 1) or presume (Paragraph 2) the amount of lost earnings as the amount of losses arising from infringement of the interest based on the exclusive market opportunity vested by the patent rights, so as to reduce the burden of proof of the amount of losses borne by the rights holder who claims damages. Therefore, the important requirement for applying Section 102(1) and (2) is that “lost earnings” based on the exclusive market opportunity vested by the patent rights do exist, or in other words, that the patented invention is actually being exploited. From this reasoning, where patent rights have been placed in trust, Section 102(1) and (2) should apply if it is possible for the parties involved in the trust to substantially confirm the status of the interest arising from the trust property, and the existence of “lost earnings” based on the exclusive market opportunity vested by the patent rights is recognized.

Through discussion using five example cases of management-type trusts and financing-type trusts, we confirmed the applicability of Section 102(1) and (2) to patent rights trusts depending on the methods for establishing trusts or the contents of licensing contracts. In particular, in the case of a management-type trust that is exclusively aimed at managing the patent rights in trust, few people challenge the applicability of Section 102(1) and (2) because the beneficiary and the trustee can be deemed as an integrated party and the trust does not substantially change the status of the trust property or the property holder. Also in the case of a financing-type trust, the applicability of Section 102(1) and (2) can be supported by the purport of these provisions if the existence of lost earnings is recognized on the part of the beneficiary. Although we were unable to hold a sufficient discussion on specific circumstances where the existence of lost earnings can be conceived, we at least clearly discovered the inappropriateness of the argument that it is impossible to claim lost earnings due to patent infringement that occurs after a patent rights trust has been established and that this would eventually encourage infringement.

We hope that the trust system will be used more actively as a means to utilize patent rights and other IP rights.

## 2 Reduction of Patent Fees

“Reduction of patent fees” is applicable to individuals and corporations with limited funds, R&D-type SMEs, and university researchers if they satisfy relevant requirements. Where such parties eligible for fee reduction place a “right to obtain a patent” in trust, the title of the rights holder is transferred to the trustee or the trust company that might not be eligible for a fee reduction. This problem never happens in cases where patent rights are placed in trust, and to deal with this problem, it is necessary to understand the need to establish a trust with respect to the right to obtain a patent.

On this issue, two opinions were heard in the research study committee: “at present, it has never been heard that SMEs eligible for a fee reduction seek to establish a trust with respect to the right to obtain a patent,” and “some SMEs eligible for a fee reduction have no IP department and their president him/herself is engaged in IP management; such SMEs may seek to entrust a trust company with management of the right to obtain a patent.” Another opinion argued that in order to further discuss this issue, we should first understand and sufficiently examine “to what extent the use of the trust system is sought” and “how often companies actually receive a fee reduction,” and then discuss the main issue again.

## V Conclusion

Obstacles in the legal framework to the use of the trust system have been got rid of to a significant degree. We hope that efforts will be made to spread the use of the trust system while improving the market and other related environments and gaining the understanding of the public.

We also hope that discussion on licensee protection will be developed based on our proposal, while taking into consideration the compatibility with the existing laws and the perspective of international harmonization of principles and stimulating participation in the discussion from a wider range of researchers and practitioners, with the aim to implement specific measures necessary to achieve this objective.

(Senior Researcher: Seiji UCHIYAMA)