

6 Promotion of Intellectual Property Strategies of Companies^(*)

It has been pointed out that, Japanese companies still overemphasize acquisition of domestic IP rights rather than foreign IP rights compared to companies in major western countries, consequently reducing their international competitiveness through involuntary outflow of technical information overseas. One possible cause is the malfunctioning of Japanese companies' IP strategies. In particular, experts on IP-based business management have indicated that companies may not have been capable of formulating individual IP strategies suiting their own circumstances (internal/external environment) and that the IP division and other divisions within a company may not have been sufficiently coordinated in formulating and implementing IP strategies.

In this study, with an aim to look into the progress status of promotion of Japanese companies' IP strategies, mainly the coordination between the IP division and other divisions, and to consider the desirable forms of the various measures implemented for further promoting IP strategies, questionnaire and interview surveys were conducted, and the results were deliberated and summarized by the committee established for this study.

I Introduction

1 Background and purpose of this study

Recognizing the importance of promoting the intellectual property (IP) strategies of Japanese companies in order to strengthen their competitiveness, the Japan Patent Office (JPO) has implemented various measures that have been formulated in the FY2003 Patent Strategic Plan and the FY2006 Patent Examination Reform Acceleration Plan for Innovation Promotion, such as holding opinion-exchange meetings between companies and the JPO and formulating and disseminating a document titled "Moving Towards Strategic Intellectual Property Management—To enhance technology management: A Compilation of Intellectual Property Cases."

However, it has been pointed out that, looking at the current status of IP activities of Japanese companies, these companies still overemphasize acquisition of domestic IP rights rather than foreign IP rights compared to companies in major western countries, consequently reducing their international competitiveness through involuntary outflow of technical information overseas. One possible cause is the malfunctioning of Japanese companies' IP strategies. With regard to the coordination between the IP division and other divisions, in particular, experts on IP-based business management have indicated that companies may not have been capable of

formulating individual IP strategies suiting their own circumstances (internal/external environment) and that the IP division and other divisions within a company may not have been sufficiently coordinated in formulating and implementing IP strategies. In addition, users have pointed out that the question of how the coordination between the IP division and other divisions should be promoted is a matter that needs to be studied in the future.

In this manner, further promotion of IP strategies, mainly the coordination between the IP division and other divisions, is an urgent issue for preventing the outflow of technical information caused by Japanese companies' overemphasis on domestic patent applications and to strengthen Japanese companies' competitiveness. On this basis, this study first looks into the progress of promotion of Japanese companies' IP strategies, mainly the coordination between the IP division and other divisions, and considers the desirable forms of the various measures implemented for further promoting IP strategies, such as the opinion-exchange meetings between the JPO and companies, as well as summarizes the case examples obtained in that process, with an aim to create basic materials for promoting companies' IP strategies.

2 Method for implementing this study

In order to obtain information on the above-mentioned matters, a questionnaire survey

(*) This is an English translation of the summary of the report published under the Research Study Project on Issues with Industrial Property Rights System FY2010 entrusted by the Japan Patent Office. IIP is entirely responsible for any errors in expression or description of the translation. When any ambiguity is found in the English translation, the original Japanese text shall be prevailing.

and an interview survey were conducted. A committee was set up for this study to deliberate on the methods and results of the questionnaire survey and the interview survey.

(1) Questionnaire survey

A questionnaire survey was conducted on the following five items, targeting 1,071 domestic companies:

- I. Basic information on the company and its IP division
- II. Coordination between the IP division and other divisions
- III. IP activities responding to the filings of foreign applications
- IV. Involvement of the management team (the board of directors/the director in charge) in IP activities
- V. Opinion-exchange meetings, etc. with the JPO

(2) Interview survey

An interview survey was conducted mainly on the following four items, targeting 30 domestic companies:

- Outlook on the global IP strategy
- Strengthening of the IP management system
- Involvement of the management team in the IP activities
- Desirable form of exchange of opinions, etc. between companies and the JPO

(3) Committee for this study

As a group that can discuss, analyze, and give advice on the contents of this study from an expert viewpoint, a study committee consisting of academic experts, lawyers, and industrial experts was established, and three committee meetings were held.

(4) Analysis of the correlation between the JPO measures and the questionnaire survey

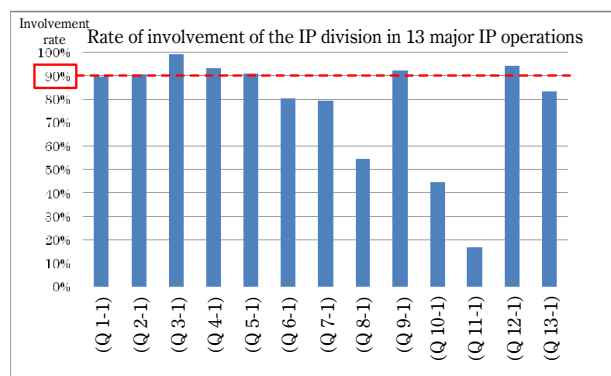
The results of the domestic questionnaire survey and the data of the patent rate, etc. of each company, borrowed from the JPO, were combined to investigate their correlation, and the correlation was quantitatively analyzed.

II Results of the Questionnaire Survey and the Interview Survey

1 Coordination between the IP division and other divisions

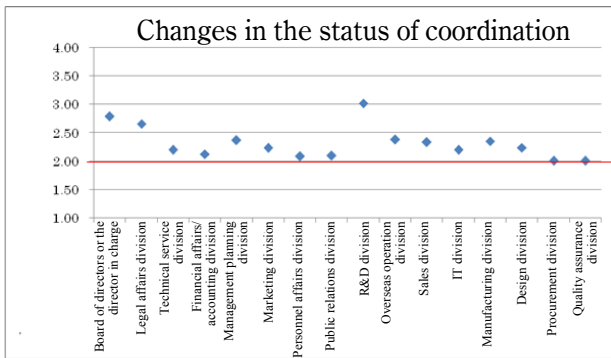
According to the questionnaire survey

results, more than 90% of the companies (exceeding the red dotted line in the figure below) responded that their IP division was involved in the following seven operations from among a total of 13 major IP operations of IP divisions indicated in this study: "formulation of IP strategies (Q 1-1)," "cultivation of in-house technology seeds (Q 2-1)," "implementation of activities for patent filing and registration (Q 3-1)," "assessment of the company's own and other companies' patents (Q 4-1)," "disputes with other companies (Q 5-1)," "IP operations relating to joint R&D with other companies (Q 9-1)," and "activities/education for raising employees' IP awareness (Q 12-1)." Also, about 80% of the companies responded that their IP division was involved in "introduction of technology from other companies (Q 6-1)," "licensing of technology to other companies (Q 7-1)," and "development of in-house infrastructure for increasing the efficiency of IP activities, etc. (Q 13-1)."



While the degree of coordination with the IP division differed between the major IP operations, the divisions with the highest degree of coordination were the "R&D division" and the "board of directors or the director in charge," followed by the "management planning division," "marketing division," "overseas operation division," "manufacturing division," and "design division."

Compared to ten years ago, the degree of coordination with the IP division had increased for all divisions, excluding the "procurement division" and "quality assurance division." The degree became notably stronger for the "R&D division," "board of directors or the director in charge," and "legal affairs division," while the degree also became stronger for the "management planning division," "marketing division," "overseas operation division," "sales division," and "manufacturing division."



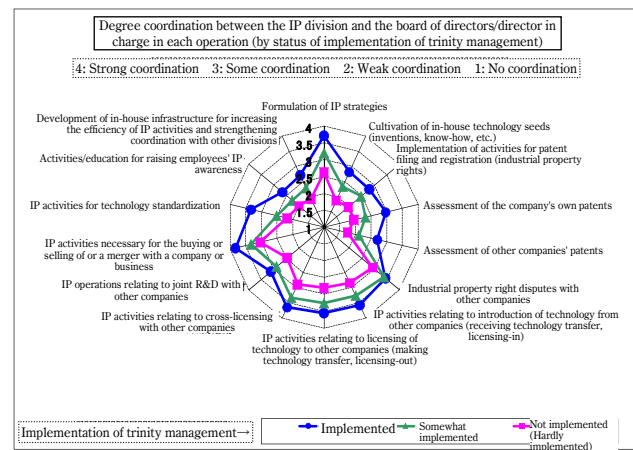
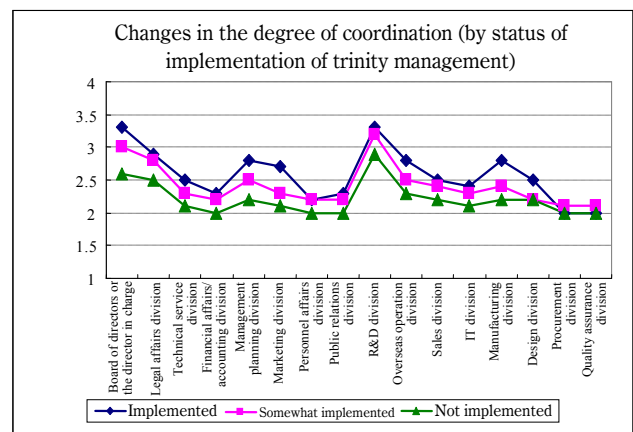
An analysis from the viewpoint of trinity management shows that the degree of cooperation between the IP division and other divisions tended to be higher for companies claiming to be implementing trinity management. The committee saw a consensus that there is a correlation between the status of implementation of trinity management and the degree of coordination between the IP division and other divisions. While the three components of the trinity are said to be the IP division, the R&D division, and the operating division, the committee indicated that, in actuality, the IP division needs to promote coordination not only with those divisions, but with all other relevant divisions in processes from upstream to downstream in the value chain. Furthermore, the committee concluded that the divisions with which the IP division needs to coordinate must be assessed after sufficiently analyzing the company's external and internal environments.

However, since some companies may be sending IP experts into other divisions that require stronger IP ability and strengthening its structure so that such divisions can independently carry out IP-related operations, it should be noted that the status of implementation of trinity management cannot be fully assessed by the degree of coordination between the IP division and other divisions.

For example, the questionnaire survey result showed a low degree of coordination even for companies claiming to be implementing trinity management with regard to coordination between the IP division and other divisions, such as the procurement division. This result contrasted the interview survey result in that the awareness of patent clearance was rising in business-to-business transactions. Since it is unclear whether this is because companies are aware of the need for coordination but are still in the process of establishing such structure, or because experts are already allocated to other

divisions where there is no need for coordination, there is room to conduct a more in-depth survey.

In any case, in order to implement trinity management, individual divisions need to share the direction of their respective goals with each other as well as to tune the direction of their goals toward the direction of the company's management goal. To this end, the IP division must assume a role that can contribute to other divisions' achievement of goals, and a desirable coordination between the IP division and other divisions should be pursued by sufficiently analyzing the company's internal and external environments.

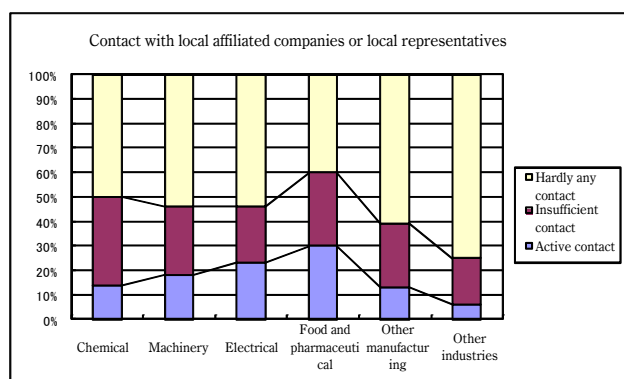


2 IP activities responding to the filings of foreign applications

According to the questionnaire survey¹, many companies (77%) indicated the growing importance of acquiring patent rights in foreign countries, and 85% of the companies were actually filing foreign patent applications. All such companies were filing patent applications in both advanced and developing countries, with a majority of the applications filed in Europe and the United States in the case of advanced

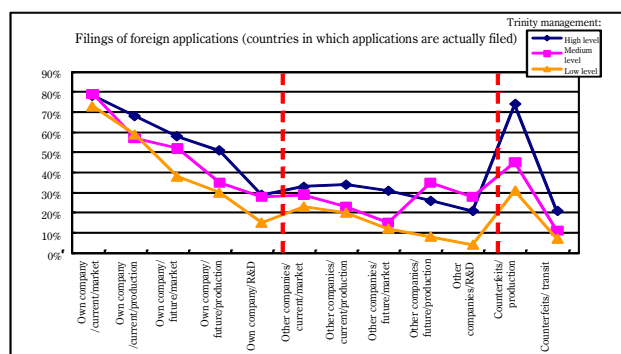
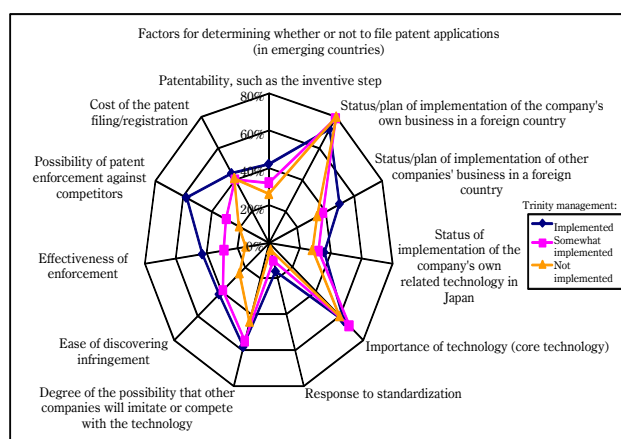
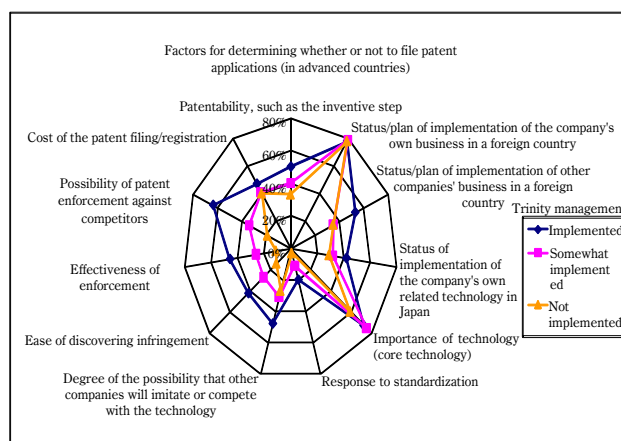
countries and in China in the case of emerging countries (90%).

The most frequently mentioned purpose of filing foreign applications was "to block competitors" for both advanced and emerging countries, followed by "to enforce patents against competitors" in the case of advanced countries and "as a measure against counterfeits" in the case of emerging countries. As for the factors for determining the filing, companies focused on the "status/plan of implementation of business in a foreign country" and the "importance of technology (core technology)" for both advanced and emerging countries, and tended to prioritize the status of the company itself over the status of other companies. Another frequently mentioned determination factor for the filings in emerging countries was the "degree of the possibility that other companies will imitate or compete with the technology." Also, there were differences between industries with regard to how actively companies make contact with local affiliated companies or local representatives. Industries that placed more focus on patent enforcement against competitors in foreign countries tended to make such contact more actively.



Analyzing from the perspective of trinity management, the gap between "countries in which applications should ideally be filed" and "countries in which applications are actually filed" in selecting the countries in which applications are to be filed tended to be smaller for companies claiming to be implementing trinity management. Assumable reasons for this include that companies are formulating foreign patent application strategies compliant with their overseas operation strategies, and have a budget secured for foreign filings with the understanding of the management team. It was also found that companies claiming to be implementing trinity management were giving more consideration to the trends of other companies and the

effectiveness of enforcement when determining foreign filings.



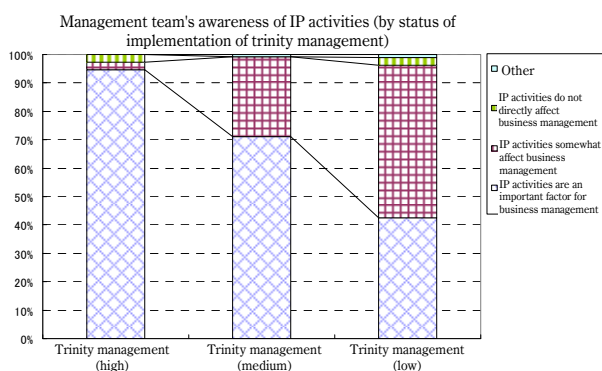
In the interview survey, some countries indicated that, when determining the countries in which foreign applications are to be filed, they consider such factors as the countries in which the company carries out production, the contractual relationships, the countries in which their clients carry out sales, the market size, the countries in which counterfeits are produced, and the countries in which the company carries out sales, and decides whether or not to file foreign applications and the countries in which foreign applications are to be filed after consultation between the operating division and the IP

division.

3 Involvement of the management in IP activities

(1) Management team's awareness of IP activities

According to the questionnaire survey results, in more than 90% of the companies claiming to be implementing trinity management, the management team was considering IP activities to be an important factor for business management. This fact suggests that there is a correlation between the fact that the management team considers IP activities to be an important factor for business management and the status of implementation of trinity management.



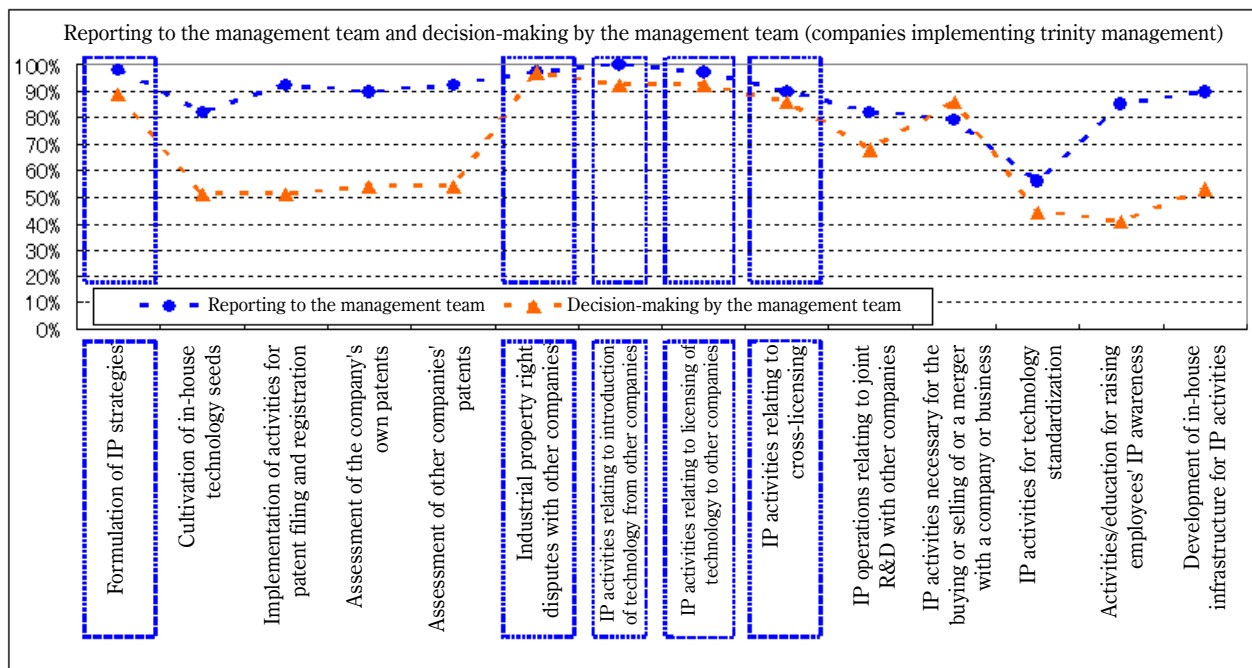
In the interview survey, some companies mentioned that the management team's IP awareness was raised as a result of the IP division conducting active IP awareness-raising activities to manufacturing divisions when the company experienced IP lawsuits or technology transfer, or as a result of the IP strategy office (a cross-divisional organization consisting of those in charge of IP, those in charge of R&D, and those in charge of management planning) making a report to the management team on strategic issues concerning the operating companies. This indicates that actions by the IP division to other divisions such as the operating division could effectively trigger the management team's IP awareness-raising.

(2) Status of implementation of reporting to the management team and decision-making by the management team

The questionnaire survey revealed that, for many of the companies implementing trinity management, the operations for which "reporting to the management team" and "decision-making by the management team" are frequently made

are likely to be operations for which involvement of the management team needs to be promoted in the process of implementing trinity management.

Meanwhile, for the companies implementing trinity management, operations for which reporting to the management team and decision-making by the management team are both being made by more than 80% of companies (specifically, "formulation of IP strategies," "industrial property right disputes with other companies," "introduction of technology from other companies," "licensing of technology to other companies," and "cross-licensing") are considered to require special bi-directional coordination between the IP division and the management team.



In the interview survey, some companies indicated that they create occasions to make direct reports to the president and vice-president in order to increase their understanding of IP. Direct coordination between the IP division and the management team is considered to be one method for promoting the management team's understanding of IP.

4. Opinion-exchange meetings, etc. between companies and the JPO

Many companies mentioned that the opinion-exchange meetings with the JPO "served as a trigger to review the company's patent filing and examination requesting behavior" or "served as an opportunity to examine the company's desirable IP strategy." In this manner, the meetings are likely to have had an effect of upgrading companies' patent-filing and examination-requesting practices as their IP strategies.

More than 90% of the companies responded that they would like to hold opinion-exchange meetings with the JPO again if they have the chance, and many companies said that the meetings provided a good opportunity to explain IP to or to raise the IP awareness of the management team or a good opportunity to communicate with the JPO.

Many companies indicated that the information they obtained in the meetings with

the JPO included information on policies and services, answers to their questions, and information the company did not have. Many companies said the statistical data, etc. provided by the JPO at the meetings were highly reliable and beneficial.

However, some companies with operating divisions extending to a wide range of technical fields voiced their hope that the JPO's data be sorted by technical field. Also, many companies said, because the companies can acquire statistical data on their own, they preferred to obtain comments from the JPO's perspective and to hold bi-directional discussions based on such comments. Moreover, more than a few companies opined that the JPO should not only introduce its policies and present statistical data, but should also exchange opinions about medium- and long-term prospects of Japan's patent administration (a desirable patent system and the future direction of the system) from an international perspective, or that the JPO should provide information on the status of multilateral discussions on IP.

There were extremely strong calls for an increase of opportunities to exchange opinions with patent examiners on a working level, and also hopes to cooperate with the examiners' understanding of technology through factory tours.

With regard to the frequency of the opinion-exchange meetings with the JPO, some companies said once a year would be desirable

also from the viewpoint of periodically reviewing their own IP activities, while other companies said once a year would be too frequent given the workload related to the preparation. Some companies also said that the JPO should actively hold such meetings with companies that have yet to hold such meetings with the JPO.

Many companies said that, as an effort to hold more effective opinion-exchange meetings, good preparation should be made in advance and sufficient consideration should be made on the selection of the meeting participants (industry, company, department, and staff in charge of the practical business) and the themes for exchanging opinions.

Based on the above, the committee held a discussion on how the opinion-exchange meetings with the JPO should be held in the future, and summarized the following opinions:

- (i) Since many companies consider the opinion-exchange meetings with the JPO to be beneficial, the meetings should continue to be held in the future. In particular, by actively holding such meetings with companies which have yet to hold such meetings with the JPO (particularly medium-sized companies with insufficient IP activities), efforts should be made to raise the IP awareness and the IP activity levels of those companies.
- (ii) When holding an opinion-exchange meeting, sufficient work should be carried out in the advance preparation, selection of the participants, selection of the discussion themes while communicating with the company side, and a greater effort should be made than in the past so that the meeting would be satisfactory for both parties.

(Senior Researcher: Yasuhiko Suzuki)

¹ Since the questionnaire survey has targeted samples including the 1,000 top-ranking companies in patent filings, it should be noted that the survey is based on companies with more than a certain level of IP activities. For reference, the foreign application filing rate of Japanese applicants was 23% (filings in 2008), with the rate being 31% for the first to tenth ranking companies, 24% for the 11th to 30th ranking companies, 24% for the 31st to 100th ranking companies, and 19% for the 101st to 300th ranking companies (see *Japan Patent Office Annual Report 2010*).