

# **Toward Vitalizing Startup Eco-System**

**February 18, 2020  
Japan Patent Office**

# Management Resources of Startups



Employees



Facilities



Money



Market/Sales channels



Disruptive technologies/Ideas

# Significance of IP for Startups

- When obtaining funds from venture capitals (VCs) and arranging M&A transactions with large companies, IP is important consideration; and
- Insufficient IP strategies have negative impacts on financing and exit strategy.

**When making investments, IP** is “Nice to Have.”

**When technology is a differentiating factor, startups “Must Have” IP.**

**Even in IT industry, B to B business gives special priority on IP.**

(Foreign VCs\*1)

Basically, when making investments, due diligence must be conducted on corporate values and assets, including IP. (Japanese telecommunications company\*2)

When acquiring companies, making license agreements, and investing companies, the act of due diligence is mandatory required.

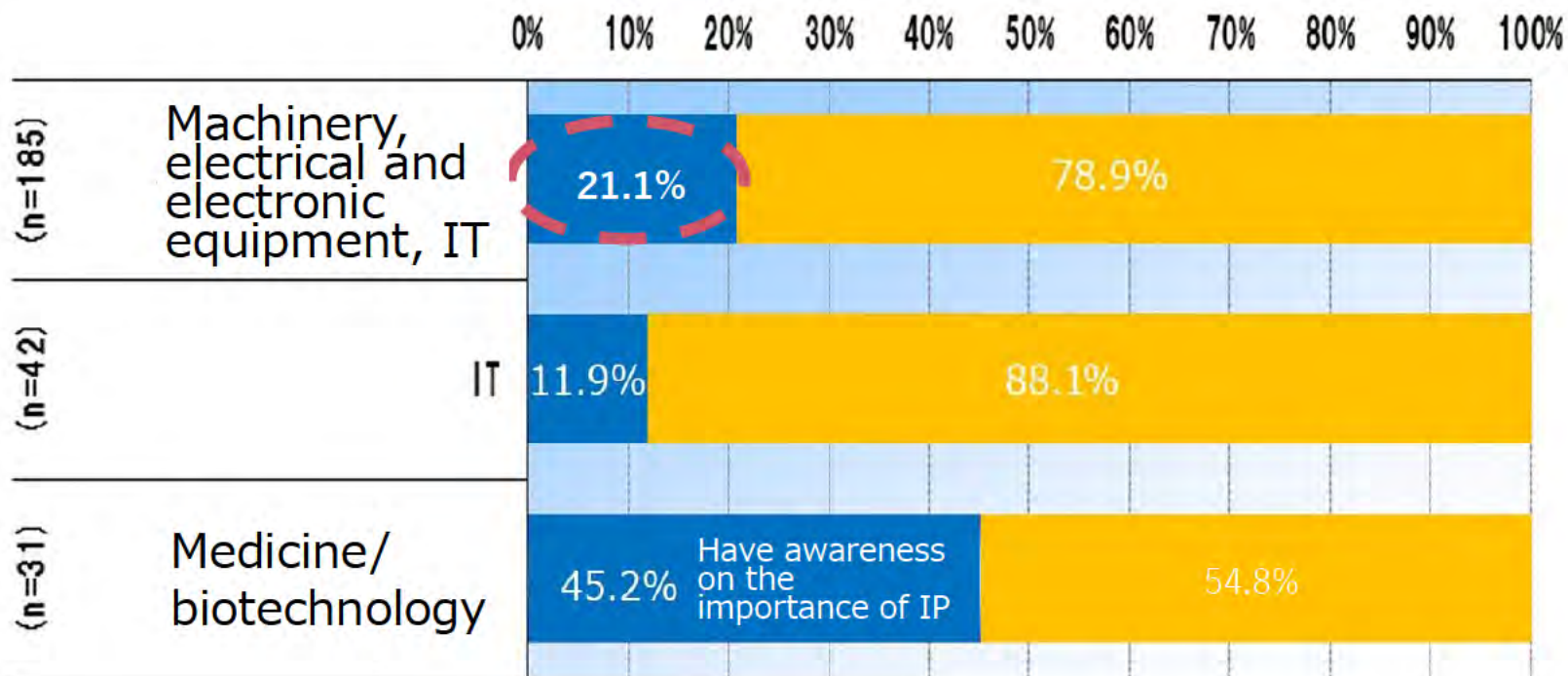
(Japanese chemical company\*2).

We have conducted many M&A deals mainly on foreign companies. In the deals, we conduct due diligence on IP, including trademarks, designs, patents, and domains. (Japanese precision equipment company\*2)

\*1 Source: FY2018 JPO's Study on Issues in the Industrial Property Rights System “Ideal way of support on Intellectual Property for Venture Companies to Be Appropriately Evaluated”

\*2 Source: FY2017 JPO's Study on Issues in the Industrial Property Rights System “Actual State of Due Diligence on Intellectual Property”

# Startups' Awareness on the Importance of IP in Japan



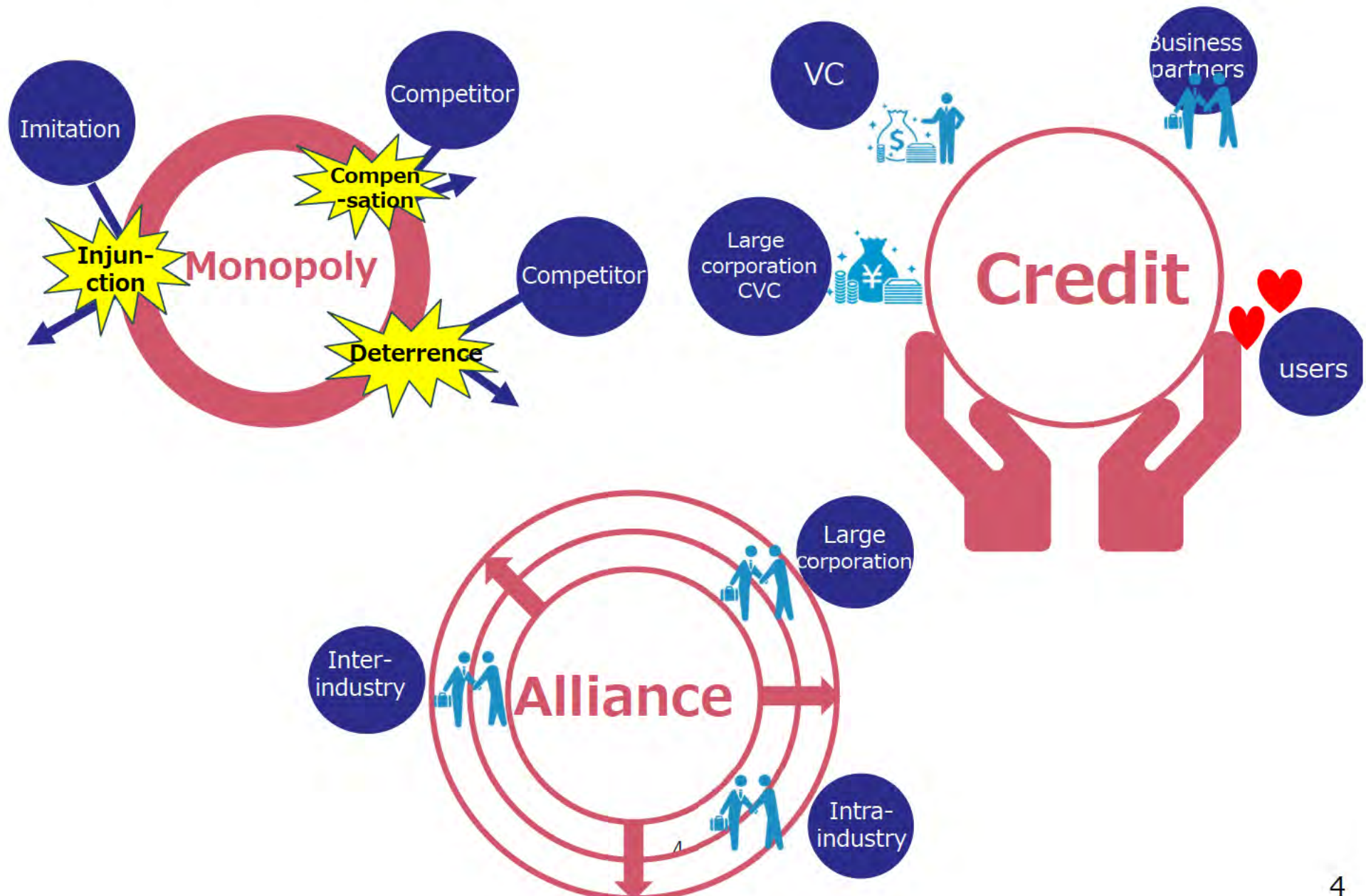
In starting a business,

- IP was involved in management strategy.
- IP was not involved in management strategy.

Source: JPO's report in FY2017 entitled "Study on Issues Startups are Facing and Ideal way of support for Startups" (March 2018)



# Three functions of **IPs**





# In July 2018 JPO Set Up Team to Support Startups

← 高層用EV | B1F・1F～10F 低層用EV

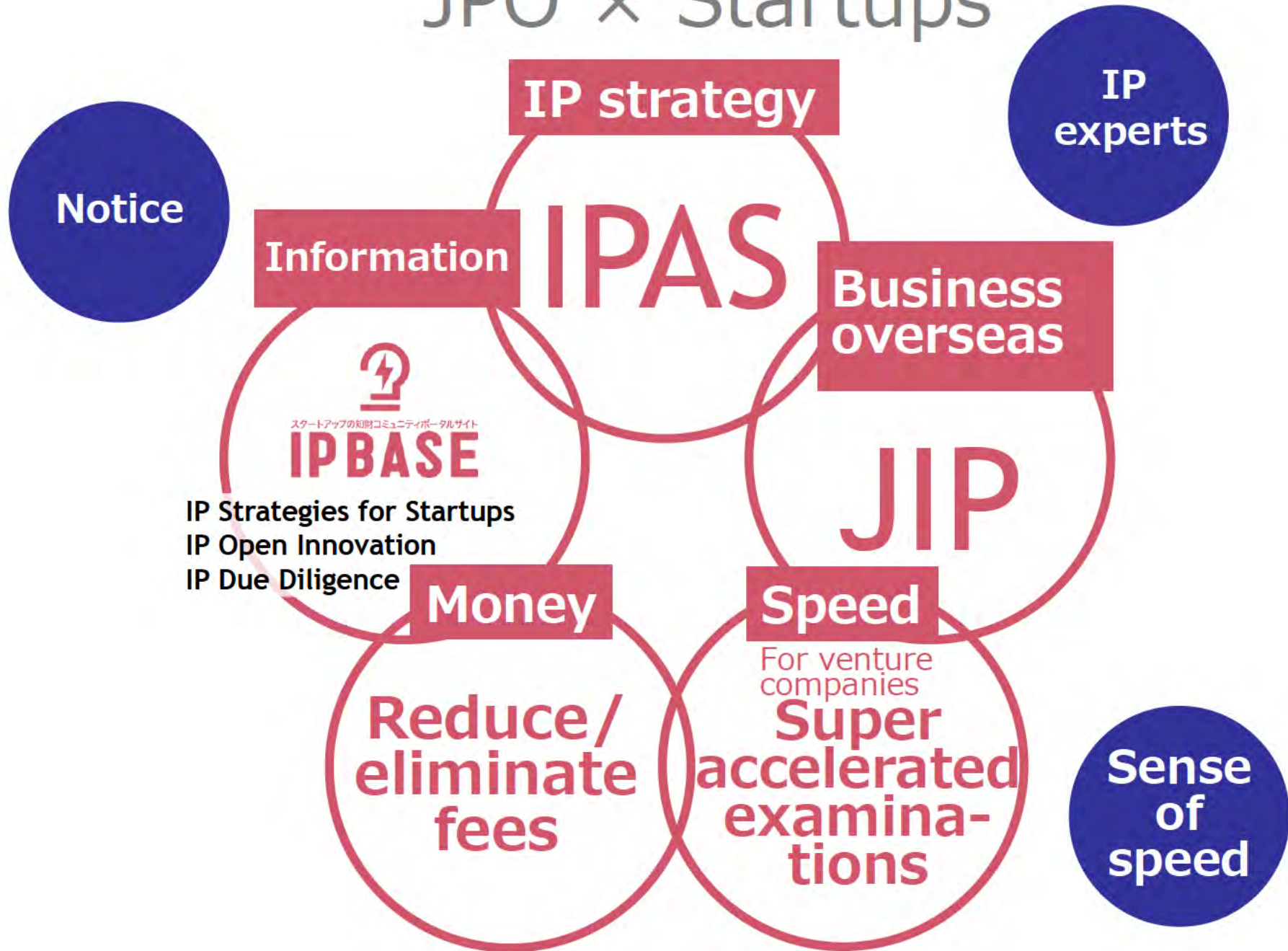


# Issues Startup Community Need to Deal with

- Not aware of the importance of IP without recognizing and evaluating IP as corporate value;
- Feel difficulties in IP and do not know what to do;
- Cannot meet IP experts who really understand the circumstances and needs of startups; and lack of such IP experts; and
- Have not developed IP strategies based on their own business models; and cannot enhance corporate value over the medium to long term.



# JPO × Startups





## IP Strategy

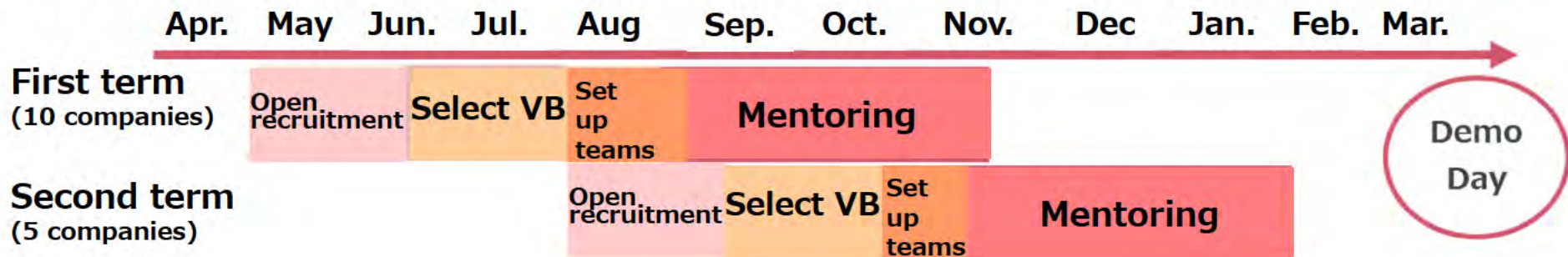
(1) IP accelerator started.

# IP Strategy

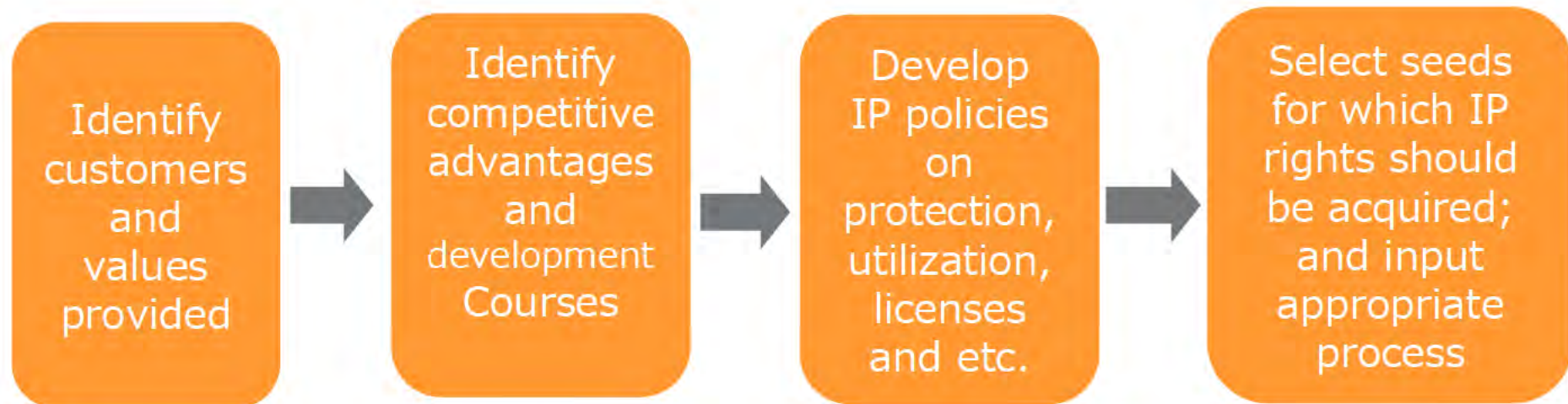
## Intellectual Property Acceleration program for Startups (IPAS)



### FY2019 Schedule



# Process and Details of IPAS Support





# Set Up IP Mentoring Team



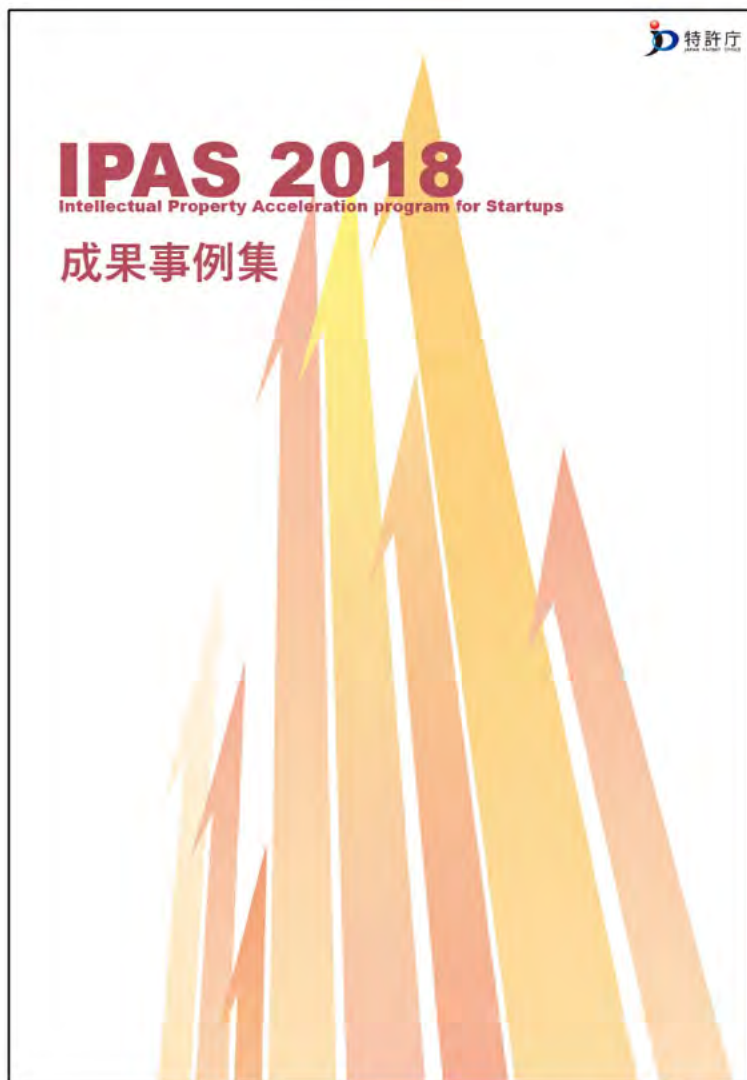
Select the most appropriate experts in accordance with individual businesses, technical fields, and support needs of startups



Business experts: Experiencer of venture capitals or management consultants  
IP experts: Patent attorneys and lawyers, who have experiences in supporting startups

Experts wishing to work as mentors were openly recruited and registered.

# Report: Successful Cases of **Intellectual Property Acceleration Program for Startups (IPAS)** in 2018



## Features of the report

- 1 Illustrate nine issues that were actually dealt with
- 2 Show points to be noted by support side
- 3 Support activities from the perspectives of both IP and business

Being published on “IP BASE,”  
JPO’s portal website for startups!



# Nine Issues of Startups Being Clarified in IPAS 2018

Issue 1: Value of products/services provided to customers is unclear.

Issue 2: The scope of IP rights is not consistent with the business model.

Issue 3: It is extremely difficult to determine whether IP should be kept secret or openly registered as IP right.

Issue 4: Companies' strategies are insufficient in terms of maximizing the period to exclusively use their technologies based on patent rights.

Issue 5: Companies do not have any medium- to long-term business plan and measures to be taken on IPs accordingly.

Issue 6: The ownership of IP rights arising from the results of joint researches or researches in university might become a problem.

Issue 7: Consideration on the wording in contracts and terms of use is insufficient.

Issue 8: Companies do not know what they should consult with experts.

Issue 9: Companies do not share information on IP internally.

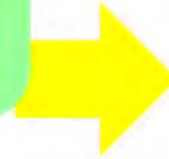


## IPAS: Case Example (1)

# Is your business surely protected by patents?



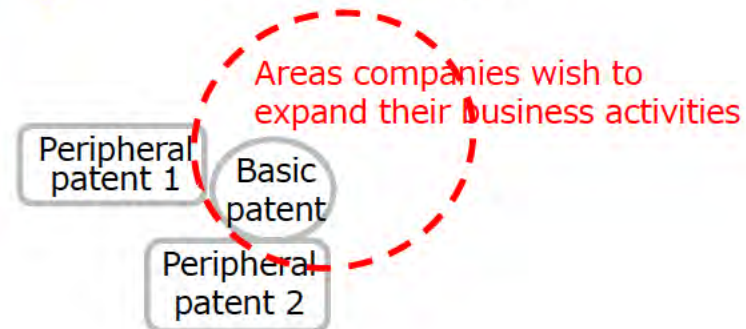
We are not worried about our business because our company has superior technologies and has already obtained patent right for them.



- ✓ Review the relation between their own business and IP rights.
- ✓ Acquire IP rights to protect potential business areas in the near future.

However, in reality...

- ✓ In most cases, the scope of startups' patent is narrow and has difficulties in exercising the right.
- ✓ Startups often lack IP rights to protect their business.



# In What Ways Should Agreements Be Concluded?



When receiving a draft of agreement on joint research, what should we check in detail?



When checking the draft of agreement on joint research, it is noted that...

- ✓ The other party of the research project can freely make license agreements on the research results;
- ✓ However, in such cases, our company will not receive any licensing fees; and
- ✓ Our company needs to pay patent fees as specified by law.

- ✓ Determine which part can be or cannot be reconciled; and
- ✓ Negotiate acceptable compromise with the other party

## Speed

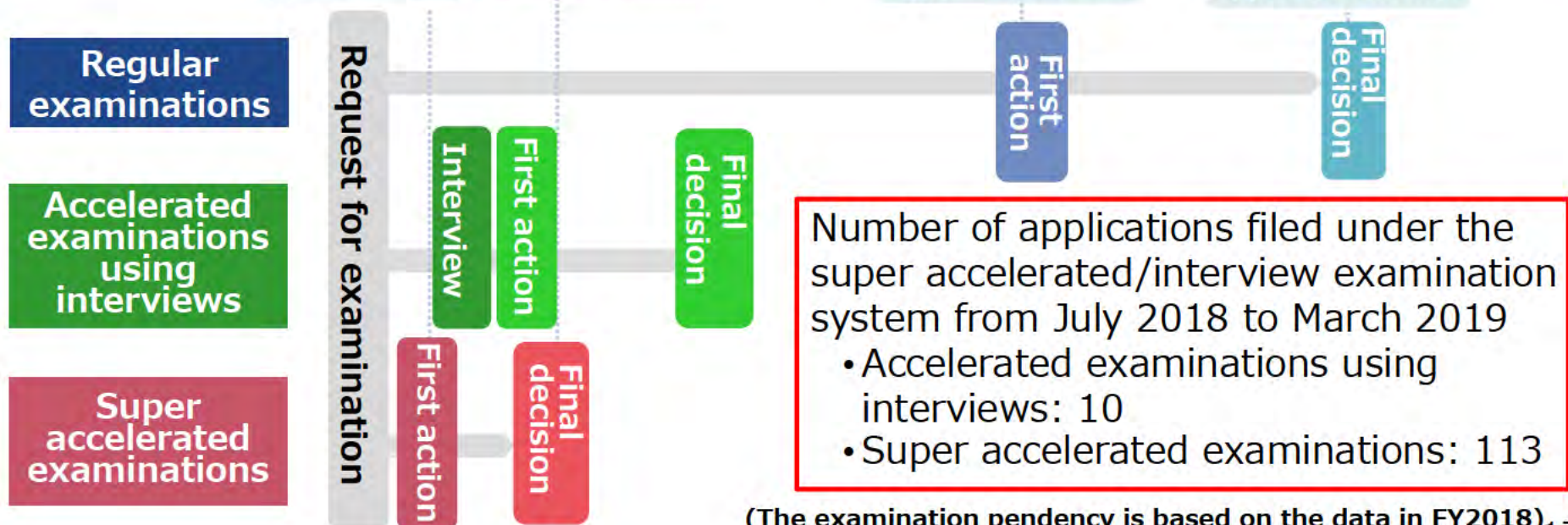
(2) *Super* accelerated patent examinations have started.



# Accelerated Examinations in Response to **the Rapid Growth** of Startups

For startups who have little experience in acquiring IP rights, the JPO...

- Closely communicates with startups, such as conducting interviews, and provides support carefully
- Has started the system of super accelerated examinations in response to startups' needs to acquire IP rights as soon as possible.



Number of applications filed under the super accelerated/interview examination system from July 2018 to March 2019

- Accelerated examinations using interviews: 10
- Super accelerated examinations: 113

(The examination pendency is based on the data in FY2018)<sub>17</sub>



# More Accelerated Examinations Started Also for Trademarks

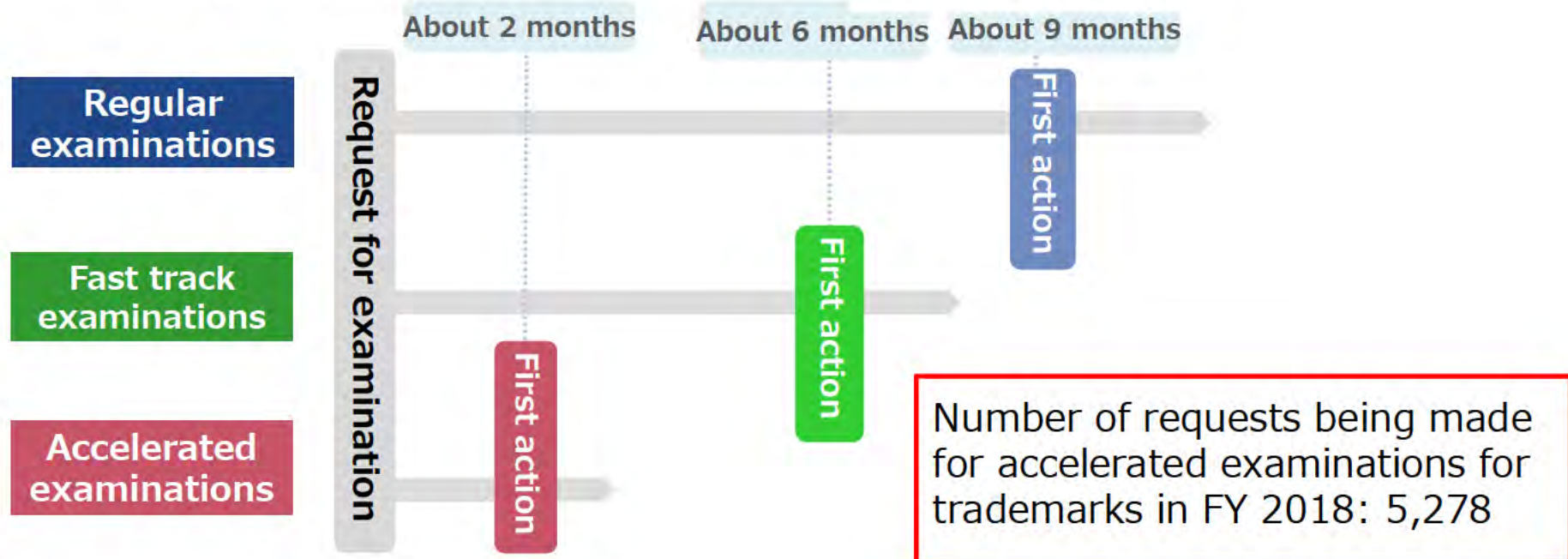
## Fast Track Examination

Fast-track examinations are applicable for trademark applications that designate only goods and/or services listed in certain guidelines specified by the JPO.\* This requires neither additional procedures nor fees!

\* "The Examination Guidelines for Similar Goods and Services", "the International Classification of Goods and Services (Nice Classification)", or "the attached table of the Trademark Act Enforcement Regulations".

## Accelerated Examination

When applicants file applications for trademarks that are already in use, they may request accelerated examinations on their trademarks! Although applicants need to submit specified documents, no additional fees are required!



## Money

(3) Reduction in fees  
for operating procedures



# Money

Fees for Startups Being Reduced to  $\frac{1}{3}$  **No Need** to Submit Certificate of Eligibility

Examination fees/Patent fees

International filing fees

Regular fees

About JPY150,000\*  
(USD 1,365)



About JPY270,000\*  
(USD 2,458)



for start-ups

About JPY50,000\*  
(USD 455)



About JPY90,000\*  
(USD 819)



\*Actual fees depend on the number of claims, the term of patent, etc..

Requirements for eligible startups :

- ✓ Entities that weren't established 10 or more years before and whose total amount of paid in capital is 300 million yen or less (Not under control of large companies);
- ✓ Sole business proprietors that did not start business 10 or more years before; and
- ✓ Entities (not under control of large companies)/sole business proprietors with 20 or less employees (5 or less in commerce or service industry)

## Expansion of Business Overseas

(4) Support Startups to  
Effectively Conduct  
Global Business Activities



# Expansion of Business Overseas

## JETRO Innovation Program

Boot Camp



Mentoring by local mentors



- Help set up booths at local exhibitions
- Participate in pitch events



Development of business model/Marketing strategy/Pitch training

Select startups that the JETRO supports

### Regions in FY2019 Program

U.S.A.: San Francisco/Silicon Valley

China: Shenzhen/Shanghai

ASEAN: Thailand





## Information provided

(5) Useful information on **IP** is being prepared.

# Information provided

## IP BASE: Website for Startups

“Website” startups “should check first to start a business”

“Website” providing opportunities to communicate with IP experts

- Present cases in which startups succeeded in utilizing IP; and provide information on support measures!



## Welcome to register for the membership!!

- Search for IP experts who are willing to support startups
- IP study group limited to the members
- Online FAQ service to IP experts



## Provide information also via Twitter!



@IP\_BASE



## Information provided

# Establishing Networks to Support Startups

◆ The JPO hosts events that provide opportunities for startups and IP experts to communicate with each other. Examples:

- Fukuoka Growth Next
- Osaka Innovation Hub
- Venture Café Tokyo

◆ The JPO participates in events where startups gather together, so as to establish human networks. Examples:

- TIS Bit & innovation
- Monthly Pitch
- CEATEC





## Information provided

# Points that Should Be Improved to Deal with IP Issues in Startup (Venture) Community

- Created a guide for startups on how to utilize and evaluate IP and obtain information on support measures; and a compilation of case examples
- Raised startup community's awareness on the importance of IP; and encourage IP experts more involved in supporting startups

### Case examples in IP Strategies for Startups

- Company's president himself took a lead in developing unique technologies and determined whether to file patent applications or protect their secrecy
- Company was able to use its IP rights as collateral to expand business activities, which contributed to obtaining funds and collaborating with large companies.

### Guidebook for Venture Capitalists

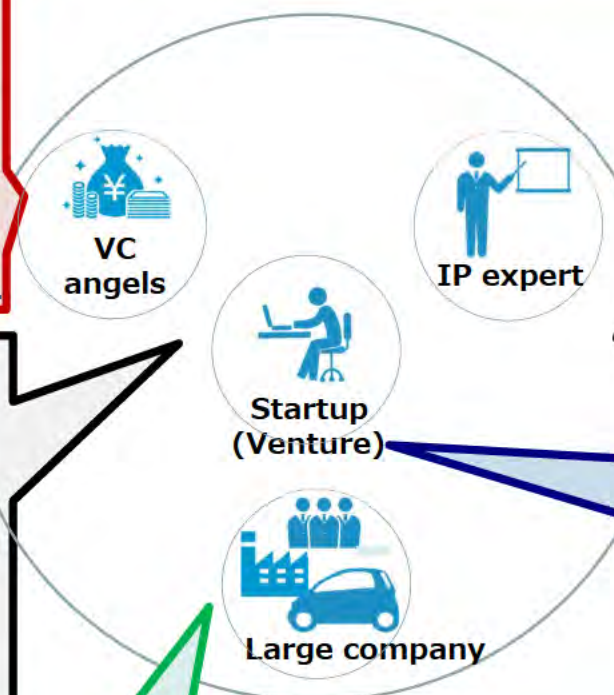
- Organize examples of failure in utilizing IP based on actual cases in and outside Japan and proposed measures by investment round
- Present IP milestones that should be set according to individual investment rounds

### FY2018 Collection of Case Examples of Successful Projects under IPAS

- IP issues of startups, which were clarified in the IPAS, and proposed measures
- Establishing IP strategies in accordance with individual businesses (including open-close strategy)

### Cases in Open Innovation × IP Strategy Model

- Company's IP department needs to be involved in exploring excellent startups, starting from the initial stage, but should not claim exclusive right to use the successful achievements.



### Standard Procedure Manual for Due Diligence on IP (IP DD)

Target: Persons or entities who are not familiar with IP DD (Including those to whom DD is conducted)  
Major points: Process of standard IP DD and points to be checked (Assessment of risk/corporate value)



スタートアップの知財コミュニティポータルサイト

**IPBASE**

**Thank you for your attention!**

**Merci pour votre attention!**