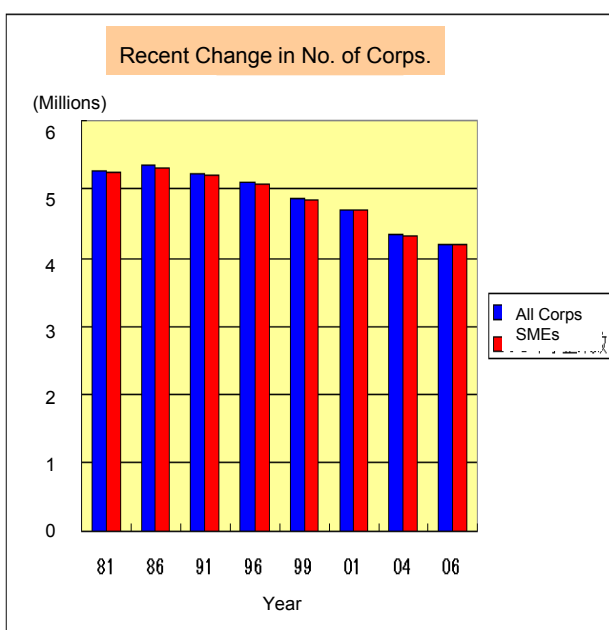


Introduction of Japan's Small and Medium-Sized Enterprise (SMEs) Support Programs

November, 2009
Information Dissemination and
Policy Promotion Division
Japan Patent Office

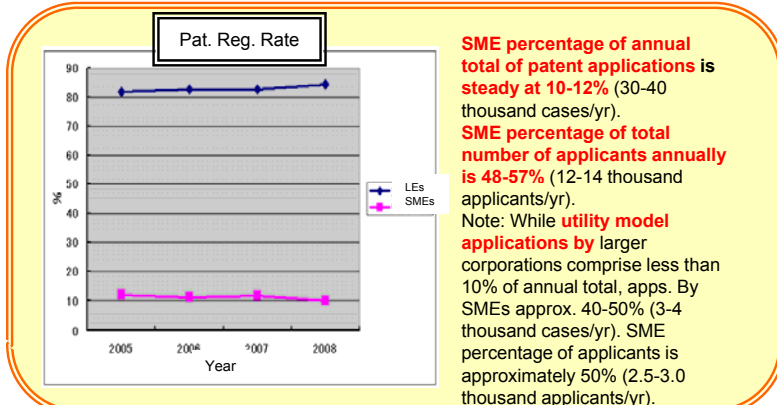
Present Status of SMEs ①

- SMEs number approx. **4.2 million** and comprise **over 99%** of all corporations of Japan.
- **Percentage of patent applications of SMEs is steady at 10-12%** of annual total.



Data: Based on 'the SME White Paper 2006', Ministry of Internal Affairs.

Definition of small and medium-sized enterprises (SMEs)
In manufacturing, corporations with capital below ¥300 million and less than 300 regular employees.



Reference: Foreign Patent Applications by SMEs

- Annual total approx. 7,500 (PCT applications 2,500; Paris Convention priority 5,000)
- Note: Reasons for foreign applications (07/12 survey)
Anti-counterfeiting (66%), market penetration (56%), competitor measures (38%), licensing (32%)

As compared with larger corporations, the SME utilization rate of patent is higher.

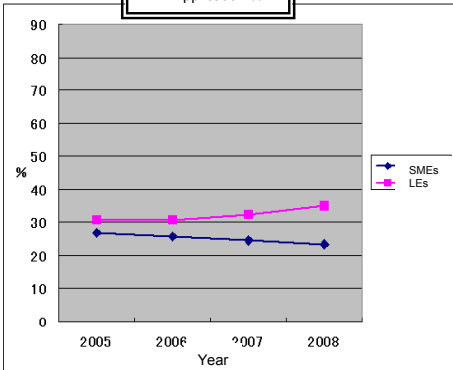
→ The number of patent applications by SMEs is low because SMEs strictly select applications. As long as SMEs obtain application rights, they tend to exploit them effectively.

Proportion of Patent Utilization by SMEs	Proportion of Patent Utilization by Larger Corps
62. 5%	46. 4%

Source: Based on the 'FY2007 Survey of IP Activities', 2008, Japan Patent Office.
Note: Utilization is the sum of the 'Self-Utilization' and 'Other-Utilization of the Domestic Utilization'.

Present Status of SMEs ②

TM Application %



SME percentage of annual total of trademark applications is steady at 23-27% (27-30 thousand cases/yr).

Note: A large number of trademark applications are filed by very small enterprises so it can't be determined whether the majority of enterprises are SMEs.

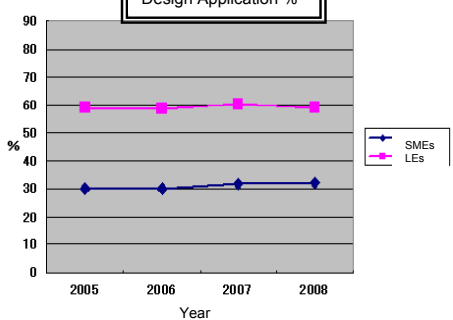
SME percentage of total number of applicants annually is 20-30% (8-12 thousand cases/yr).

Regional TM (Regional Brand)

- Started in April 2006. **440 registered** as of Sep 9, 2009.
- Responses are nationwide.

Hokkaido	Tohoku	Kanto
12	26	44
Joshinetsu	Hokuriku	Tokai
19	42	62
Kinki	Chugoku	Shikoku
114	29	21
Kyushu	Okinawa	Other
54	15	2

Design Application %



SME percentage of annual total of design applications is steady at 30-32% (10-12 thousand cases/yr).

SME percentage of total number of applicants annually is 50-58% (0.3-3.4 thousand cases/yr).

Note

○ Regional Differences in Applications

Applications for all types of IP are concentrated in urban areas.

《Breakdown of Applications in Top 5 Prefectures》

- Patents: approx. 85%
- Design/TM: approx. 72-73%

○ Regional Differences in IP Experts

Number of Patent Attorneys

- Approx. 60% in Tokyo
- Under 5 in 14 of 47 prefectures

【Reference】

Collective Regional Trademark MAP

Registered as of September 25, 2009 (Total 440)

Overseas
【イタリア産】 PROSCIUTTO DI PARMA
【カナダ産】 カナダソーウ

HOKURIKU
【Toyama】 入善ジャンボ西瓜 黒部米 高岡仏具 高岡銅器 加積りんご 富山名産昆布巻かまぼこ
【Ishikawa】 金沢山姥 七尾仏壇 加賀みそ 山代温泉 和倉温泉 大野醤油 加賀友禅 山中温泉 栗津温泉 美川仏壇 片山津温泉 牛首輪金沢箔 九谷焼 輪島塗 中島茶 能州輪 田鶴兵衛具 加賀縁結 小松瓦 加賀野梨 加賀太きゅうり 加賀りんご 能登牛 能登大納言
【Fukui】 越前漆器 越前竹人形 越前瓦 若狭かじり 若狭塗器 越前がに 若狭くし 若狭ふぐ 越前打刃物 越前織 越前和紙
【Yamanashi】 下関に 北浦うに 長門ゆずき 厚狭くり 下関く 長門湯本温泉

TOUHOBU
【Aomori】 たっごにんにく 嶺さき 大間まぐろ
【Akita】 秋田由利牛 比内地鶏 秋田錦織 合神山うど 川連漆器
【Yamagata】 平田赤ねぎ 刈屋梨 米沢織 米沢牛 山形佛壇 山形おきたま産デラウエア
【Iwate】 いわて牛 いわて短角牛 南部鉄器 江刺りんご 真崎わかめ
【Miyagi】 仙台味噌 仙台みそ 仙台牛 仙台黒毛和牛
【Fukushima】 土湯温泉 南郷トマト 会津みそ

KANTO-KOSHINETSU
【Ibaraki】 本場結城輪 笠間焼
【Tochigi】 本場結城輪 塩原温泉
【Guma】 高崎たろま 上州牛 伊香保温泉 草津温泉 十石みそ 桐生焼 群馬の地酒 鶴巻高根キヤベツ
【Saitama】 岩槻人形 草加せんべい 武州正藍染 西川材
【Chiba】 房州びわ 八街産花生 市川のなし 市川の梨 富里スイカ 矢切ねぎ 小湊温泉
【Tokyo】 稲城の梨 江戸甘味噌 江戸押除羽子板 江戸甲冑江戸衣裳着人形 江戸指物 江戸目込人形 江戸木版画 江戸切り 江戸からかみ 東京鍛冶 東京京小紋 江戸更紗 東京無地染 江戸小紋
【Kanagawa】 小田原漬物 小田原かまぼこ 松輪サバ 湯河原温泉 足柄茶 横濱中華街 小田原ひもの
【Niigata】 小千谷織 小千谷綿 新潟清酒 安田瓦 新潟茶 越後上布 加茂桐葉袴 村上木彫漆
【Yamanashi】 やはたいも 甲州手彫印章 南部の木
【Naagano】 市田柿 信州織 豊科温泉 飯山仏壇 木曾漆器 佐久麩

SHIKOKU
【Tokushima】 清東ねぎ なると金時 徳島唐木仏壇 鳴門わかめ 鳴門らっきょ 阿波しらね織 阿波山田錦
【Kagawa】 庵治石 ひけた餅
【Kochi】 土佐打刃物 四万十川の青のり 四万十川の青さのり 徳谷トマト
【Ehime】 真穴みかん 西平みかん 菊岡瓦 西条の七草 今治タール 道後温泉 宇和島じやこ 戸島ぶり

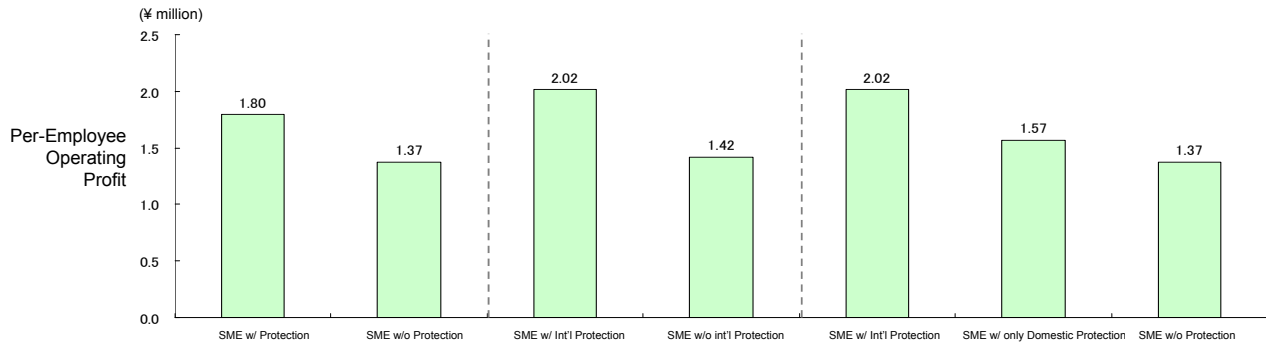
OKINAWA
【Okinawa】 石垣の塩 沖縄そば 首里織 琉球びんがた 琉球泡盛 本場久米烏糖 沖縄黒糖 八重山かまぼこ 石垣牛 壺屋焼 宮古上布 琉球かすり 琉球餅 沖縄赤瓦 読谷山花織

○ **Per-employee operating profit** for Japanese SMEs in possession of patents **are greater** than those Japanese SMEs without patents.

	Per-Employee Profit (In thousands of JP Yen)
Overseas Patent Possessing SMEs	¥2,020/employee
Patent Possessing SMEs	¥1,800/employee
SMEs w/o Patents	¥1,370/employee

→ **SMEs that developed their own patented products through independent R&D activities tend to achieve higher operating profits. Furthermore, protection that includes overseas rights prevents patent infringement and contributes to even higher profit rates of SMEs.**

Relationship among Patent Types in Per-Employee Profits



Notes: 1. A protected SME is an SME with all or some internationally and/or domestically patented products. 2. A non-protected SME is an SME without any patented products. 3. An internationally patented SME is an SME with all or some internationally patented products. 4. An internationally non-patented SME is an SME with all or some domestically patented products and without any internationally patented products. 5. The statistics used in this analysis are the combined statistics of SMEs and manufacturers.

Effect of Acquisition of IP Property Rights on SMEs

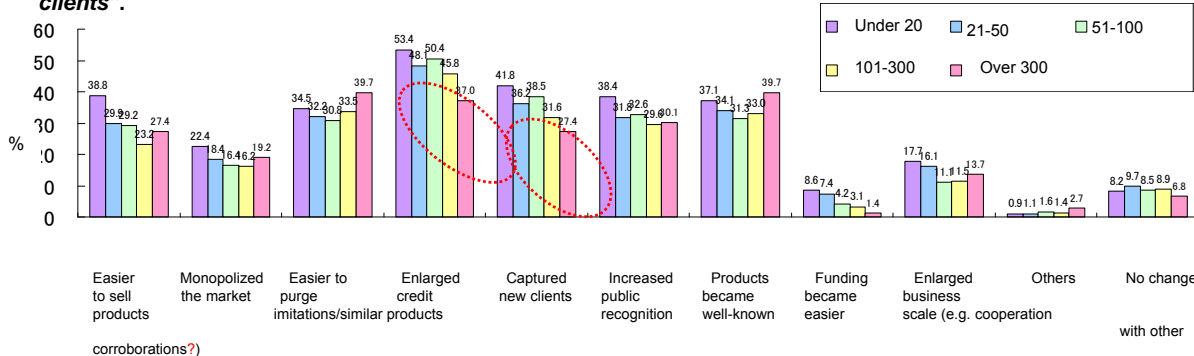
○ **Benefits of Acquisition of Patent Rights in SMEs**

- Reliability was raised.
- Won new clients.
- Product became well known.
- Public recognition of company increased.
- Employee morale increased.
- Able to stop similar goods at customs.
- Succeeded to sell their products (technology) to big companies.
- Loan became easier to obtain.
- Grants-in-aid were awarded.
- Able to hire promising human resources etc.

→ **Aggressive patent acquisition increases SME recognition and helps in sales expansion. This effect is particularly apparent in venture businesses in which IP activity exists from an early stage.**

Effects of IP Acquisition for Hit Products

The smaller the scale of operation, the higher the proportion of SMEs feeling “enlarged credit” and “easier to obtain new clients”.



Source: 'Questionnaire survey relative to market penetration and IP strategy', Mitsubishi UFJ Research & Consulting, KK, Dec 2008.

Note: 'Hit product' was defined as 'new technology, product or service developed which contributed significantly to your organization within past 10 years.'

2. Percentile figure may exceed 100 because of multiple responses.

Awareness of Intellectual Property (IP) among SMEs-1 (IP in general)

○With regard to IP, **SMEs have various worries and expectations of official assistance.**

Worries about IP

- ①SMEs think IP is "difficult to understand" or they "have nothing to do with it." **What lies at the base of their perception is the high initial hurdle.**
- ②Even if they are willing to deal with IP, they have the following worries:

Expectations of Official Assistance

Answers from 620 SMEs (surveyed in Dec. 2009)

[Due to lack of professional and technical knowledge]

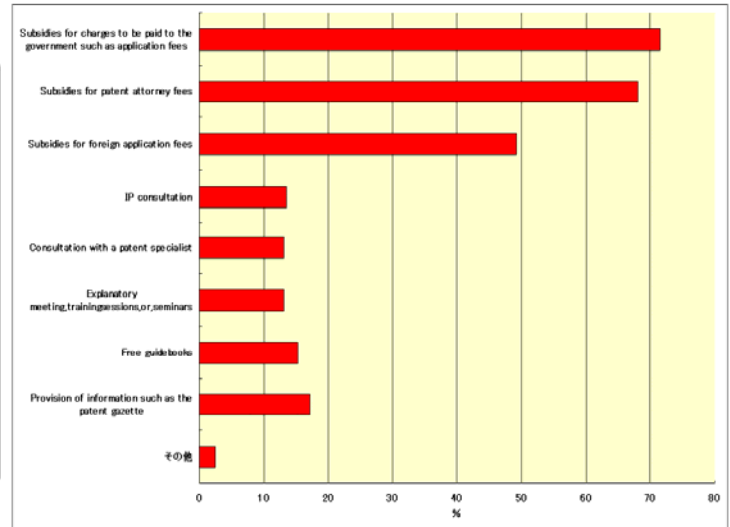
- For example, they lack the following knowledge:
- How to patent their inventions.
 - How to search prior art invented by other companies.
 - How to fill in application papers.
 - How to find a good specialist such as a patent attorney.

[Due to lack of personnel and funds]

- Expenses for patent application such as patent attorney's fees are prohibitively expensive.
- Do not know to establish office regulations on employee inventions.
- Do not know how to deal with warning letter.

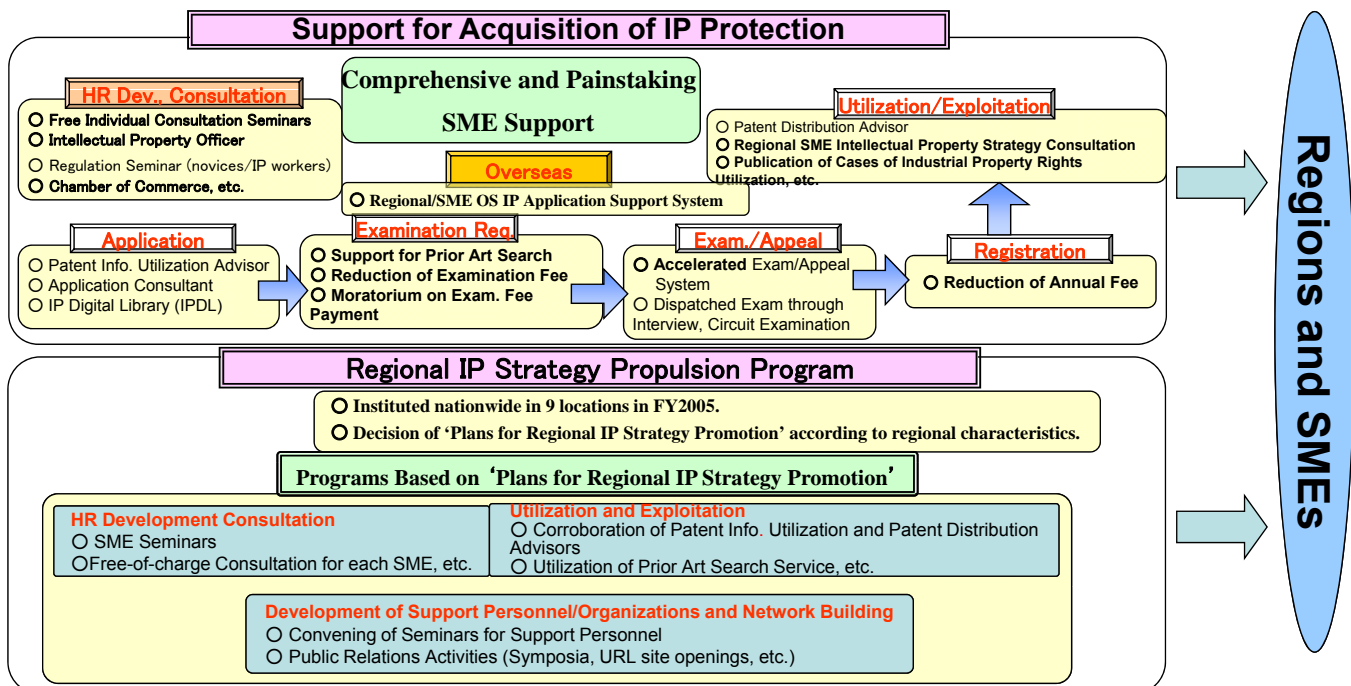
[Issues associated with the lack of awareness of IP]

- Methods for educating management and employees.
- Preventing the leakage of technical information on joint R&D and clients.



Summary of Support for Regional and SME Utilization of IP

○SME support for IP utilization includes **reduction/exemption of the examination fee in prior art search and accelerated examination.** In addition to such support, the JPO convenes regional **seminars to promote human resources development.**



IP Support Measures for SMEs

Requests for examination / examinations / registrations

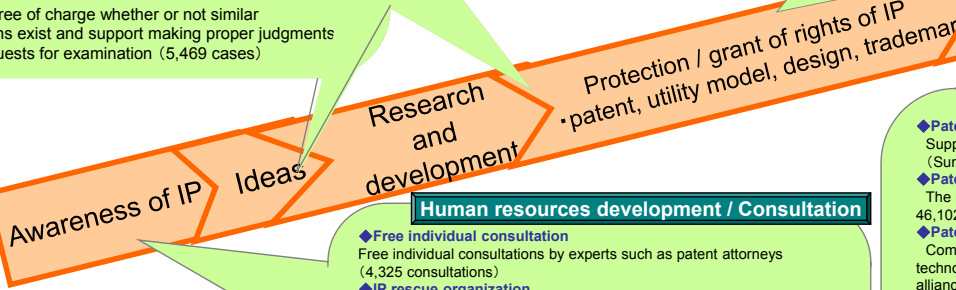
Before filing/requesting for examination

- ◆ **Industrial Property Digital Library (IPDL)**
About 71 million official gazettes, etc. are searchable.
- ◆ **Patent information utilization support adviser (54 advisers)**
Instruction on patent information searches, etc. (10,195 cases)
→ Individually visit SMEs
- ◆ **Application adviser**
Support for application procedures (74,791 cases)
- ◆ **Installation of shared PC**
The number of applications, etc. sent (17,956 cases)
- ◆ **Patent application technology trend research**
Do research on the 12 themes
- ◆ **Support of patent prior art searches of SMEs, etc.**
Search free of charge whether or not similar applications exist and support making proper judgments about requests for examination (5,469 cases)

- ◆ **Payment postponement system of examination request fees (Implemented as an emergency measure since FY2009)**
- ◆ **Reduction of examination request fees/patent fees**
Reduce examination request fees from about 200,000 yen to 100,000yen for R&D-style companies and corporations lacking in funds (4,894 cases)
Give R&D-style companies etc. a reduction of patent fees and allow payment postponement (1,302 cases)
- ◆ **Examination request fees return system**
Half amount of examination request fees is returned when an application is withdrawn or abandoned before the start of examination
- ◆ **Accelerated examinations / appeals**
Waiting period for examination: about 29 months → about 3 months from a request (8,498 cases in total)
- ◆ **Circuit examinations (visiting-style interview examinations)**
At the request of applicants, examiners can visit and directly interview them. (1,330 cases)
- ◆ **Local interview examinations / circuit appeals**
- ◆ **TV interview examinations**

Strengthened Japanese Industrial competitiveness
Regional revitalization
Commercialization

activities of SMEs



Support of utilization

- ◆ **Patent licensing advisor (106 advisers)**
Support for matching patent licenses, etc. (Sum total: 121.24 million cases)
- ◆ **Patent licensing database**
The number of registrations of licensing information: 46,102 cases
- ◆ **Patent business market**
Companies which hold seeds such as patent technologies provide for opportunities to seek various alliances.
Participants in the all 4 markets : 600 people
- ◆ **Patent licensing course**
Implementation of courses for acquiring knowledge necessary for patent licensing
Fundamental course (10 courses: 953 participants)
Practical course (3 courses: 407 participants)
- ◆ **Collection of examples of using open patents**
Put in a brochure 100 open patents which are considered to be commercialized
- ◆ **Support projects for IP strategies of regional SMEs**
Support for business plans utilizing IP and creations of IP strategies (more than 340 companies in 5 years)
- ◆ **Collection of examples of companies using industrial property rights**

Foreign related matters

- ◆ **Consultations on foreign IP rights systems**
Consultations on industrial property rights systems in foreign countries and domestic and foreign infringements of industrial property rights (899 cases)
- ◆ **Projects of measures for the protection of SMEs' IP rights**
Utilize the JETRO foreign research organization and do research on infringements
- ◆ **Support for foreign applications of patent**
Promote projects through support centers for SMEs (8 institutions / FY2009)

Human resources development / Consultation

- ◆ **Free individual consultation**
Free individual consultations by experts such as patent attorneys (4,325 consultations)
- ◆ **IP rescue organization**
Support for consultations at 2,400 Chambers of Commerce and Industry (2,690 cases)
- ◆ **Patent office of the Bureau of Economy, Trade and Industry**
Consultations on basic issues of applications etc. from filing to registration (18,621 cases)
- ◆ **Explanatory meetings on IP systems**
Beginners (54 meetings: 7,239 people)
Practitioner (44 meetings: 15,804 people)
Law revision (21 meetings: 7,227 people)
- ◆ **Specialist for industrial property rights**
Individual visits to SMEs (300 companies)
- ◆ **Seminar for SMEs/venture companies**
Holding seminars on strategic obtainment of IP rights corresponding to regional needs (291 seminars: about 10,000 people)

Reference: Regional/SME IP Support Budget (Summary)

FY2009 Budget: ¥2.94 Billion

○ **Strengthening of SME Support: "From Application to Exploitation," "From Region to Overseas," "Painstaking and Comprehensive Support"**

1. Regional Development of Policies in IP Foundation and Strategies

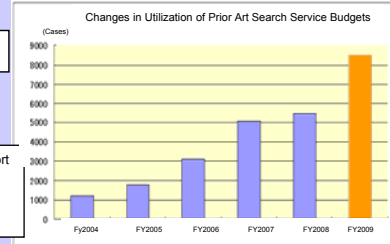
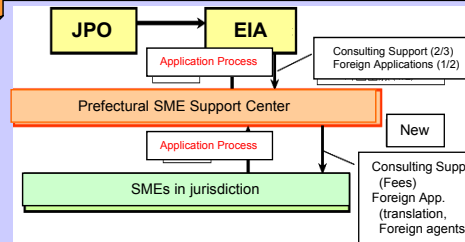
- (1) **Strengthening of Consultation Service in Regions: ¥850 million**
 - Implementation of **on-site consultation**
 - Convening free consulting seminars by IP experts (over 4,000 meetings/FY)
- (2) **Policy Implementation by Regional IP HQs: ¥630 million**
 - Seminars, etc. directed to meet the needs of regional, commercial-industrial-agricultural bodies.
 - Implementation of JPO/local government cooperative model projects.

Commercial, Industrial and Agricultural Projects

- Strengthening of consulting service through corroboration of regional agricultural and economic agencies
- Consultation seminars to meet local needs; onsite consultations suitable for each region
- Free prior art search service in agriculture-forestry-fishery fields
- Corroboration with local governments in agriculture-commercial-industrial fields

2. SME Support in IP Rights Acquisition

- (1) Implementation of **Free Prior Art search Service: ¥640 million**
 - Approx. 8,500 applications before exam request.
- (2) Promoting **Regional SMEs in IP Strategy Development** by supporting Prefectural and other SME support center activities
 - Supporting **IP strategy consulting: ¥900 million**
 - Aiding **foreign applications: ¥130 million**



3. SME IP Specialist Development

- (1) **Institution of IP strategy-based management** in regional SMEs: ¥220 million
 - Establishment of IP-based management by supporting SME HR development
 - **Provision of info. on IP Professionals** for SMEs through database
- (2) Offering **IP seminars for novices** on a nationwide basis: ¥90 million
 - Convening of IP seminars in all Prefectures



Support for Free Prior Art Searches

- At the request applicants, 21 private research companies conduct prior art searches **free of charge**.
 【Propose of this program】 This program offers information for making a decision on whether to make a request for examination of SMEs' applications.
 - ① SMEs: It will allow SMEs to save examination request fees for patent applications unlikely to become patents. Improvement of the ratio of applications becoming patents (the ratio of applications becoming patents for which examination requests were made by using this support program: **about 62%** (overall mean about 50%))
 It will be also possible to utilize the system for preparing the statement of reason required when applying for an accelerated examination.
 - ② The Patent Office: It allows the Patent Office to eliminate useless examinations devoid of novelty and progress, thus contributing to speedier and more appropriate examination and processing.

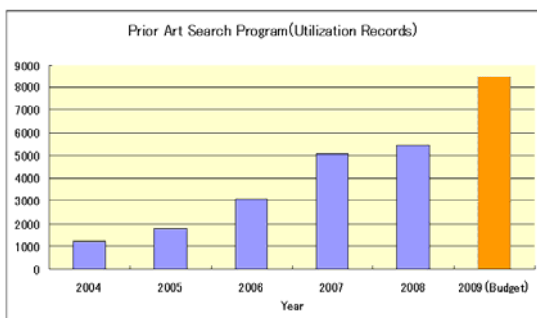
Target Patent Applications

Patent applications submitted on or after April 1, 2006 and **not yet requested for examination**.



Research companies conduct prior art searches **free of charge**

Selecting a research company
Submitting an application directly to the research company



Note that some patent applications, such as those with the examination request period less than two months, may not be eligible.

Patent documents were easy to fill and they were sent by mail.

They were useful as information for making an examination request.

Users' opinions

They became underlying data for deciding whether to make a foreign application or not.

The results were very clear. With the search methods available, they were quite helpful.

Reducing Measures Including Patent Fees

- The fee reducing measures including patent fees are available.
 For **poorly-funded SMEs**, **R&D-type SMEs**, and **manufacturing SMEs**, reduction in examination request fees. (from 200,000 to 100,000 yen) as well as patent fees or grace for their payment are available
- With the ease of requirements and the simplification of procedures to promote the use of this program, **the use of the reducing measures has been on the rise (a five-fold (2003~2007) increase in five years and reducing the SMEs' financial burdens by roughly 350 million yen per year).**

Eligible SMEs for the Fee Reducing Measures

- Poorly-funded SMEs:** Corporation tax-exempt corporations not governed by other corporations. (Patent Law)
- R&D-type SMEs:** If the experiment and research expenses in the previous business year exceeded 3% of the amount of revenue and the applications are related to certified programs such as SBIR grant. (Industrial Technology Enhancement Act)
- Manufacturing SMEs:** If the applications are related to the certified specific R&D program.

<New Small and Medium Enterprise Basic Law >

Implementing the **"expansion of target companies"** and the **"relaxation of operation"** in light of SMEs' needs

○ Poorly-funded SMEs

- Relaxing the years in business from "within five years" to "Within 10 years" after company formation (Apr. 2004)
- Relaxing the documents to be submitted (capital 300 million yen or below, tax exemption certificates, etc.) (Jan. 2005)
- The requirement of the years in business "within 10 years" after company formation was abolished. (Aug. 2006)

○ R&D SMEs

- Expanding eligible companies by adding applications related to certified programs such as SBIR grants. (Apr. 2004)
- Relaxing the documents to be submitted (certificate of the ratio of and research expenses.) (Dec. 2005)

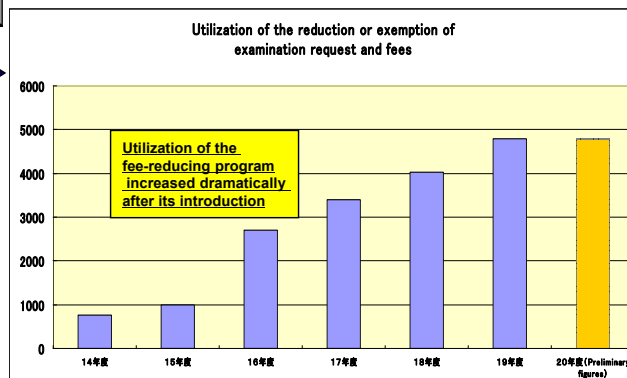
○ Manufacturing SMEs

- Introducing a new system (Jun. 2006)

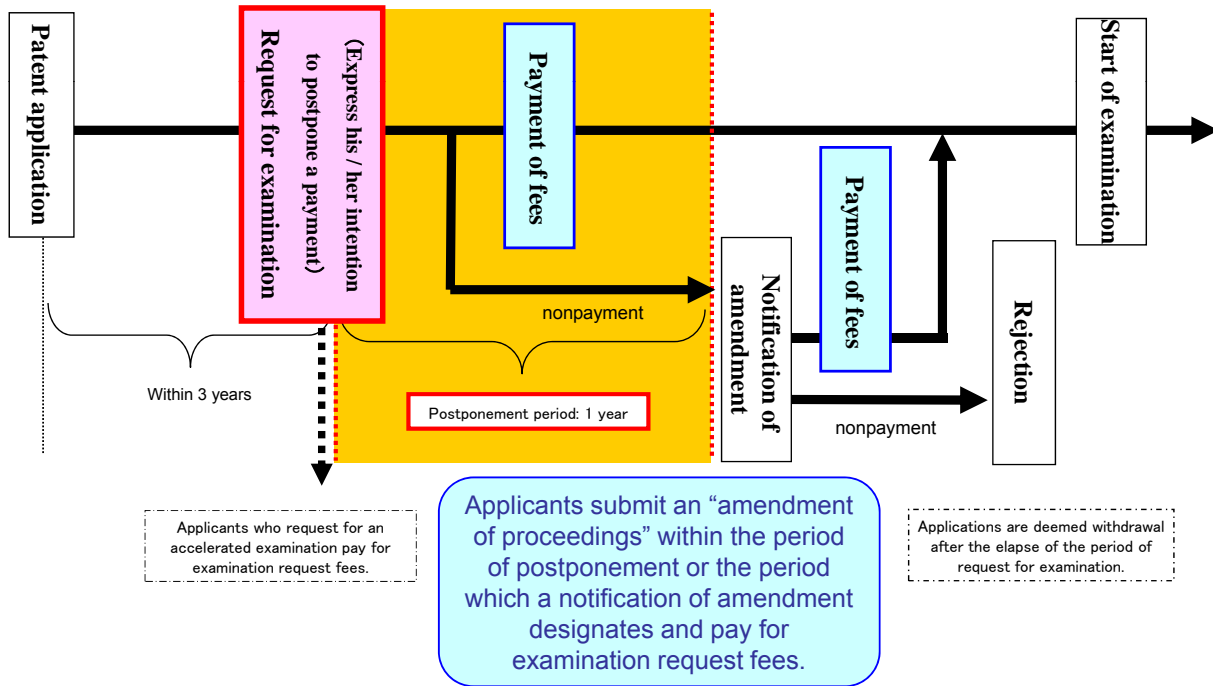
At first I heard the procedures were complicated, but once you used the system you will find them easy

I didn't know this system is available. The half-priced examination request fee is indeed attractive.

User's opinions!



In response to the recent recession, as an emergency measure to reduce the financial burden on companies, etc., applicants became able to **postpone the payment of examination request fees** only for **one year** from the submission date of the examination request, as for examination requests of application which are submitted after April 1, 2009.

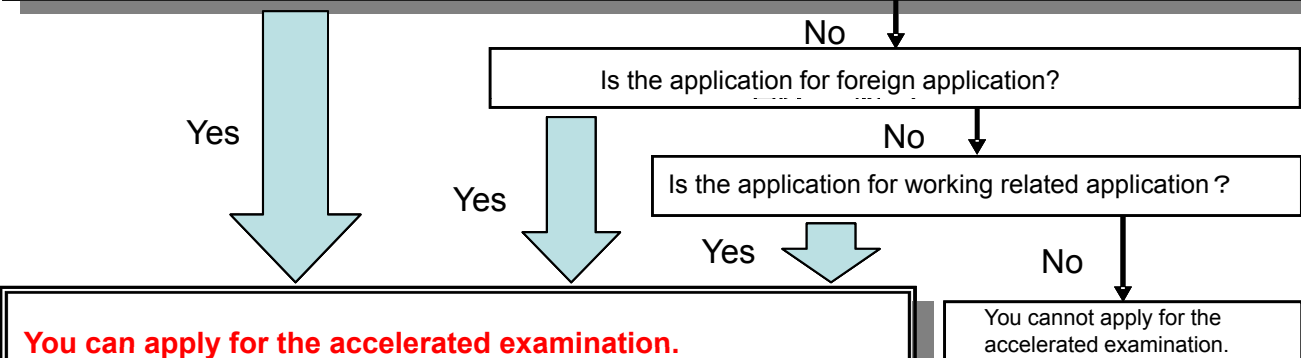


Accelerated Examination System

For SMEs wishing to obtain a patent as soon as possible, an easy-to-use system is available.

- Time required for the notice of the initial screening results: **2.0** months from the application for accelerated examination (normally 28.5 months)
- SMEs and individuals can use the system with just one document in principle.
 - ※The procedure was simplified in July 2006 so that SMEs themselves can apply for a patent.

Is the application made by a SME, individual, university, public research organization of TLO?



You can apply for the accelerated examination.

It's a good system because you can offer a prototype model to your customer after obtaining a patent.

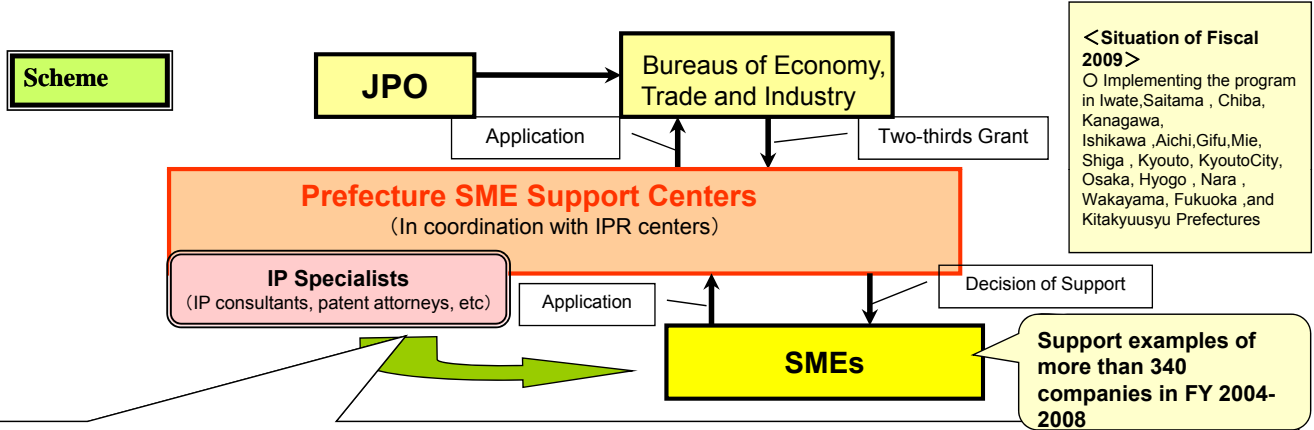
We obtained the patent in half-year after the application and it helped our business.

Please submit a “statement of reason for the accelerated examination” to the Patent Office.

Users' opinions

SME IP Strategy Support Program

In order to promote the strategic utilization of regional SMEs' IPs, we support the following program implemented by the SME Support Centers located in each prefecture.



[Details of support by IP Specialists dispatched]

1. Support for patent analysis

- Patent map creation (Depending on intended use of collecting, the map is modified, analyzed, and shown in charts and tables so that users find it easy to make use of it.)
- Citation analyses (relationship between cited and citation patents)
- Support for utilization of the patent support chart

2. Patent strategy formulation

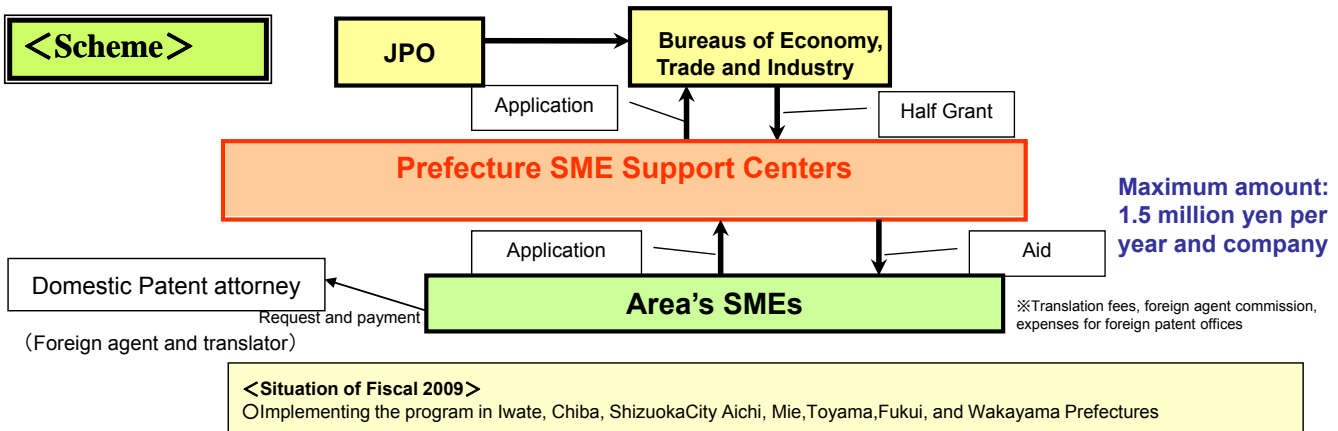
- R&D strategy formulation (review and formulation of R&D plans based on market trends and comparison with the patents of other companies)
- IP strategy formulation (comparison of profit and cost, the trend of overseas market trends and company's manufacturing, market development, and sales capabilities, and know-how on IP protection.)

3. Support for patent evaluation for business purposes

- Support for business plan formulation and financing based on the evaluation of the patent.

Grant for Foreign Applications

- It is crucial to accelerate innovation by encouraging SMEs' foreign applications.
- By taking advantage of regional SME support centers, it is possible to realize a finely-tuned response to regional characteristics, an appropriate judgment on business potential, and the upgrading of regional policy making.



To provide efficient and effective assistance, this program is focused on the following viewpoints.

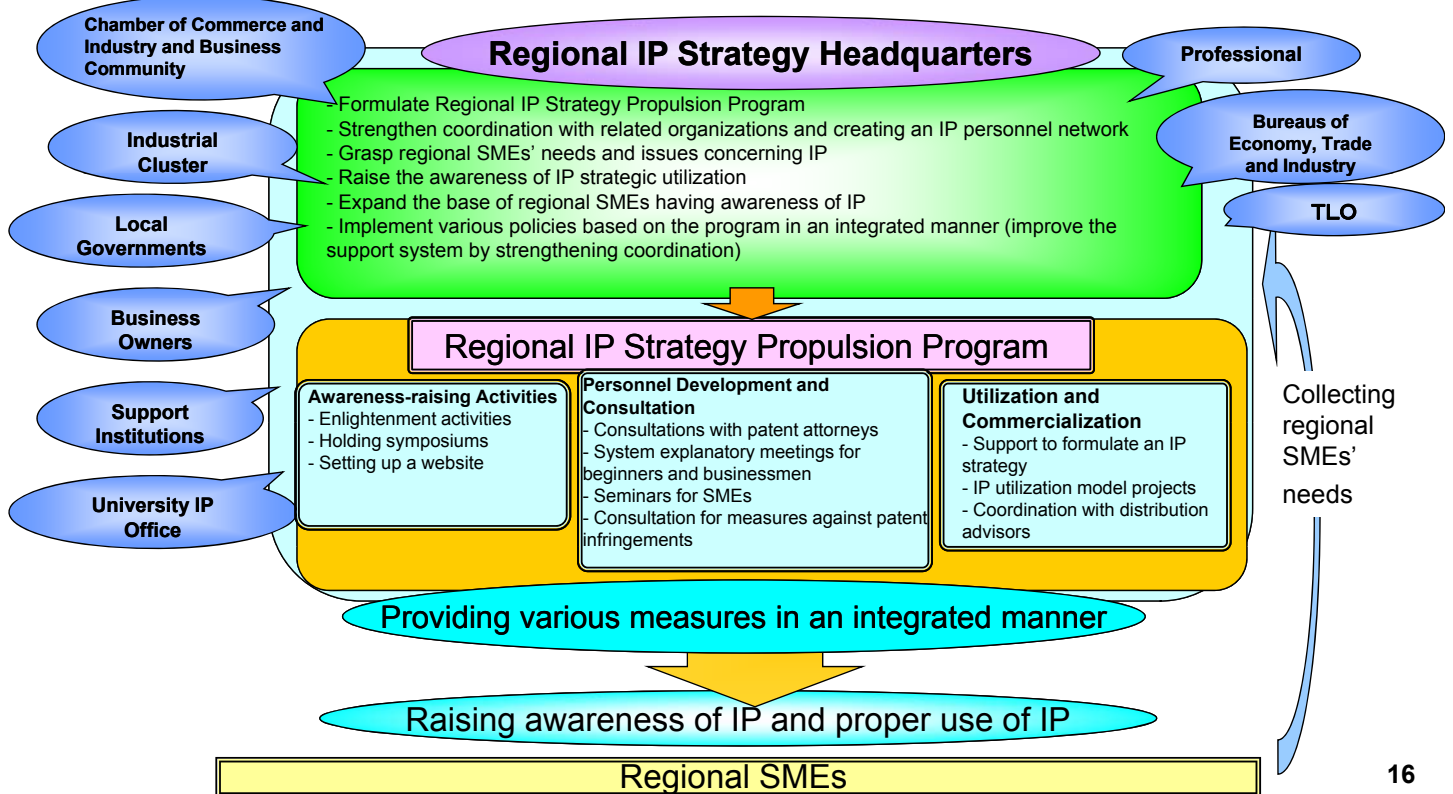
○ Selecting patent applications that have a high chance of obtaining patents overseas (pre-screening investigation)

A support system that conducts technology evaluation (prior art search) and market evaluation by setting up a panel of experts

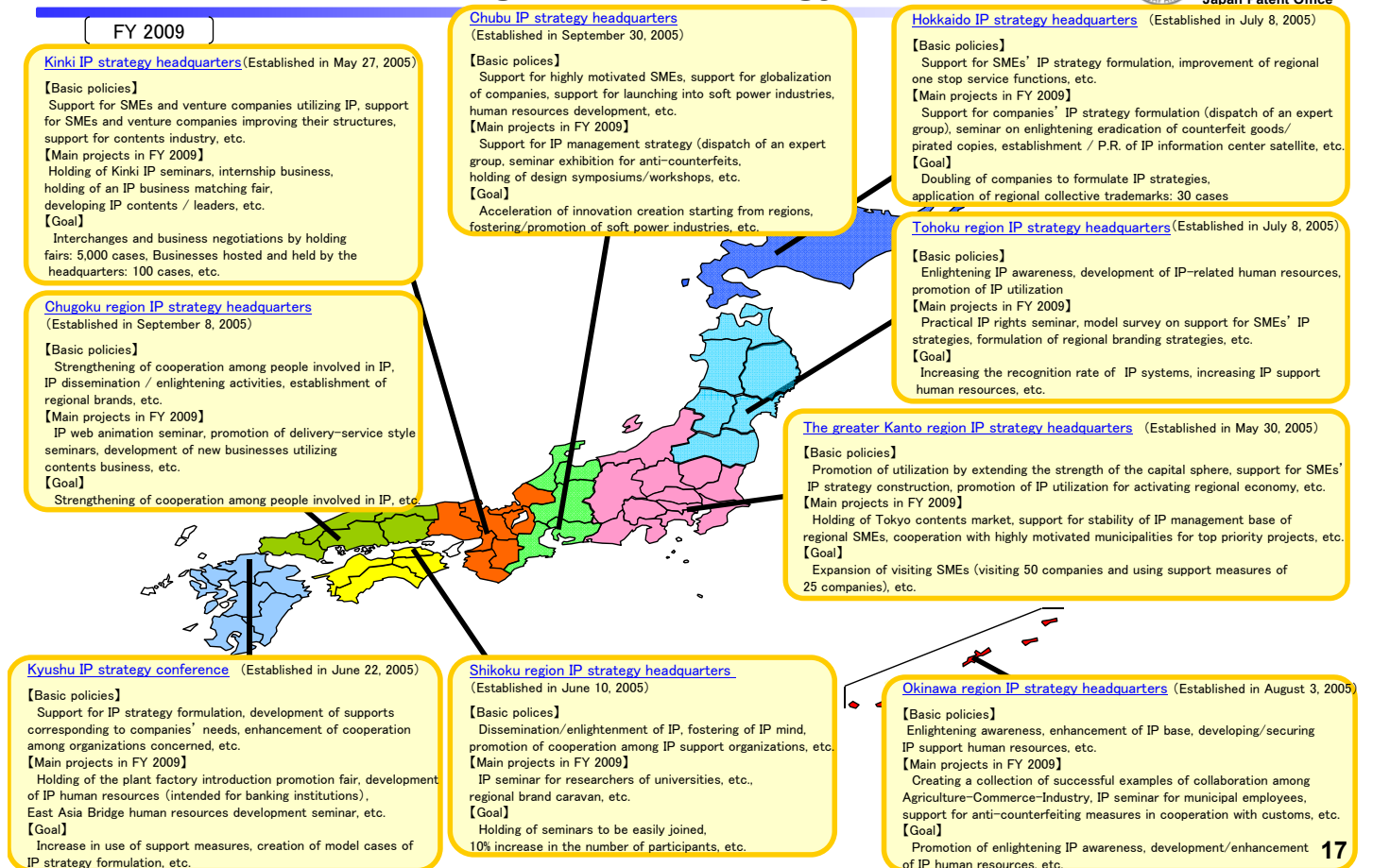
○ The status of foreign applications is confirmed in an ex-post report (ex-post follow-up)

Regional IP Strategy Headquarters

Establish the IP Strategy Headquarters (Chief of Headquarters: Prime Minister)
Formulate the "Propulsion Program Concerning IP Creation, Protection, and Utilization"



Development of the Regional IP Strategy Headquarters



Consultation for SMEs

Free Consultations Held for SMEs Concerning Industrial Property Rights
 ■ Hosted by: Prefecture branches of Japan Institute of Invention and Innovation (sponsored by the Patent Office)

○ No. of Counseling Fairs: about 4,000 (FY2009)

○ No. of Visited Consultation: about 2,000 (FY2009)



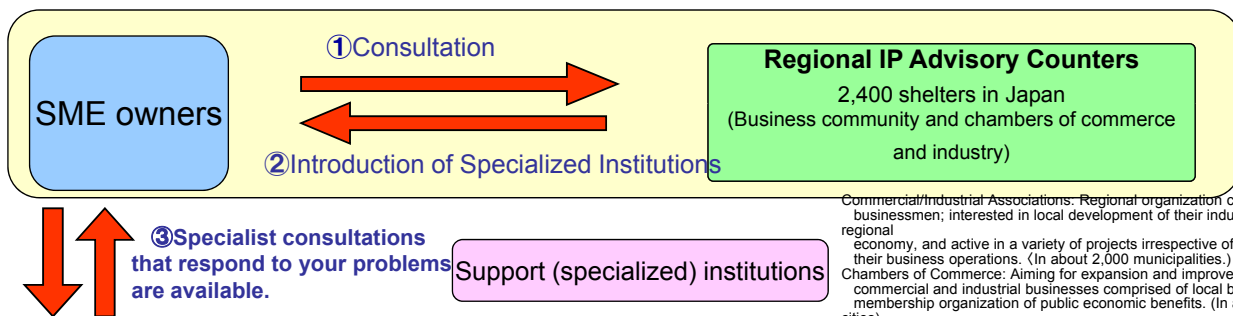
Free consultations on industrial property rights (patent consultations) are held with industrial property rights counselors, including well-experienced patent attorneys versed in industrial proper rights (patents, utility models, designs, and trademarks).

Regional IP Advisory Counters

○ In July 2006, an **“Regional IP Advisory Conyers,”** an IP inquiry counter for SMEs, was set up at Business community and the Chambers of Commerce and Industry across Japan.

Inquiry Counter: Offers counseling on IP or refer you to support institutions.

Seminars: Holds local-needs oriented seminars or IP consultations with IP specialists.



Commercial/Industrial Associations: Regional organization comprised of businessmen; interested in local development of their industry and regional economy, and active in a variety of projects irrespective of the field of their business operations. (In about 2,000 municipalities.)
 Chambers of Commerce: Aiming for expansion and improvement of local commercial and industrial businesses comprised of local businessmen; membership organization of public economic benefits. (In about 400 cities.)

- JPO ● Bureaus of Economy, Trade and Industry ● National Center for Industrial Property Information and Training
- Organization for Small & Medium Enterprise and Regional Innovation (SME and Venture Total Support Center)
- Prefecture SME Support Centers ● Japan Institute of Invention and Innovation ● Japan Federation of Bar Associations
- JETRO ● Japan Patent Attorneys Association ● Intellectual Property Rights Centers and others

Popular consultation topics

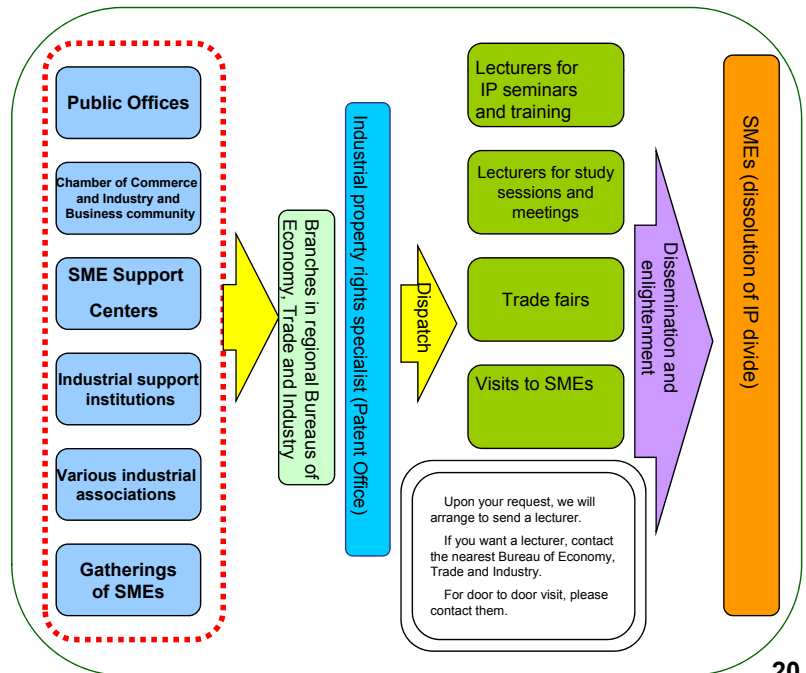
- (1) Patenting inventions and ideas
- (2) Patenting trademarks and brands

Appointment of Industrial Property Rights Specialist

In April 2005, the Patent Office appointed industrial property rights officials as specialists for IP-related assistance for SMEs, offering various kinds of support services in the IP field.

Free Support Services

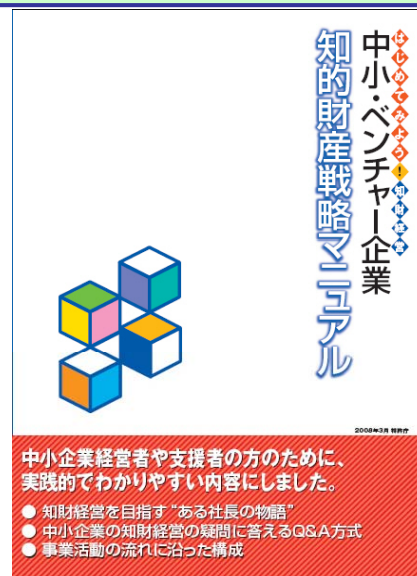
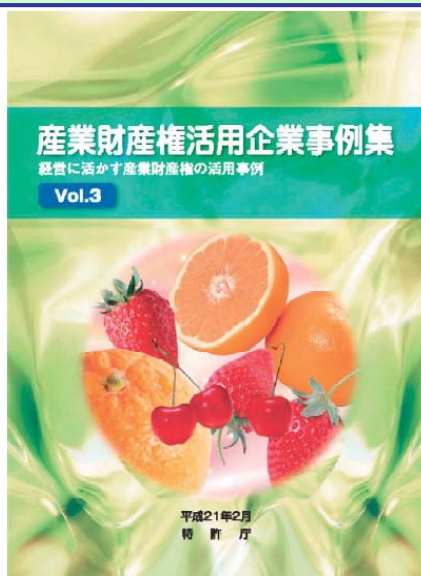
- Lecturers for IP system and related support measure seminars, study meetings, and training hosted by IP-related institutions
- Introducing IP-related support measures at trade fairs
- Lecturers for study sessions and meetings attended by SME owners.
- Visiting SMEs and introducing IP-related support programs to them



20

Sharing of Successful Examples

- “Example Collection of Companies Utilizing Industrial Property Rights” introduces the examples of SMEs nationwide which have actively utilized industrial property rights while positioning those rights as their business strategies.
- “IP Strategy Manual for SMEs and Venture Companies – 2007,” with its easy-to-understand contents also for SME owners, is a practical IP guidebook for every SME.



21

Thank You