
IP Measures Contributing to SME Management

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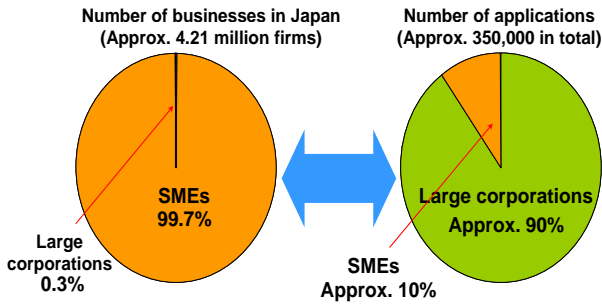
December 16th, 2011

**Regional Workshop for the Least Developed Countries of Asia and the
Pacific Region on the Use of Intellectual Property for Enhancing Economic
Competitiveness and Development**

Present Status of SMEs

Present Status of SMEs I

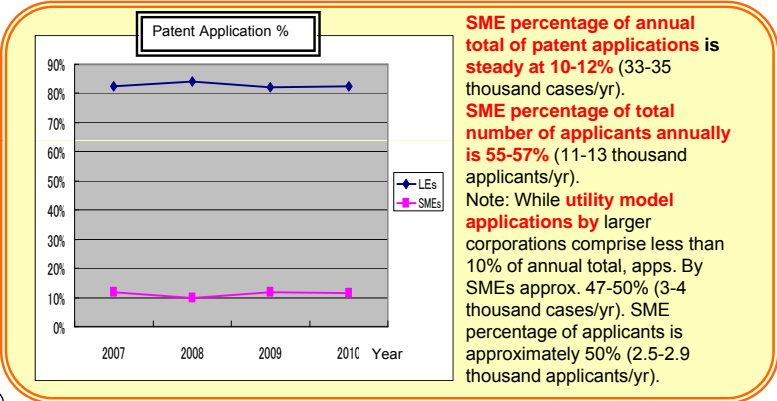
- SMEs number approx. 4.2 million and comprise over 99% of all corporations of Japan.
- Percentage of patent applications of SMEs is steady at 10-12% of annual total.



Source: 2009 White Paper on Small and Medium Enterprises in Japan, Japan Patent Office Annual Report 2009

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. 6,500 (PCT applications 2,500; Paris Convention priority 4,000)(in 2009)
Note: Reasons for foreign applications (07/12 survey)
Anti-counterfeiting (66%), market penetration (56%), competitor measures (38%), licensing (32%)

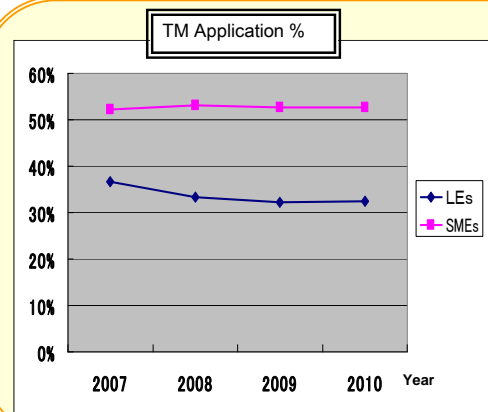


As compared with larger corporations, the SME utilization rate of patent is higher.
→ The number of patent applications by SMEs is low because SMEs strictly select applications. As long as SMEs obtain application rights, they tend to exploit them effectively.

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 II



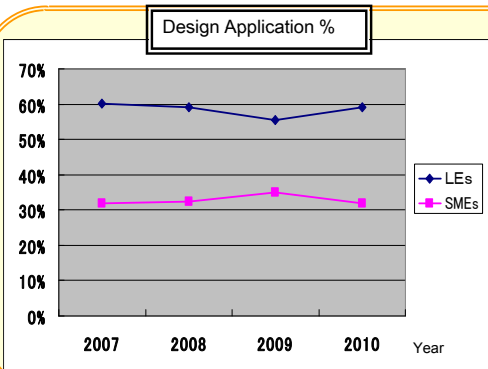
SME percentage of annual total of trademark applications is steady at 52-53% (48-62 thousand cases/yr).

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 65-70% (21-26 thousand cases/yr).

Regional TM (Regional Brand)
□ Started in April 2006. 478 registered as of June30, 2011.
□ Responses are nationwide.

Hokkaido	Tohoku	Kanto
15	28	51
Koshinetsu	Hokuriku	Tokai
21	47	67
Kansai	Chugoku	Shikoku
122	32	21
Kyushu	Okinawa	Other
59	15	2



SME percentage of annual total of design applications is steady at 32-35% (9-10 thousand cases/yr).

SME percentage of total number of applicants annually is 55-58% (3.0-3.2 thousand cases/yr).

Note

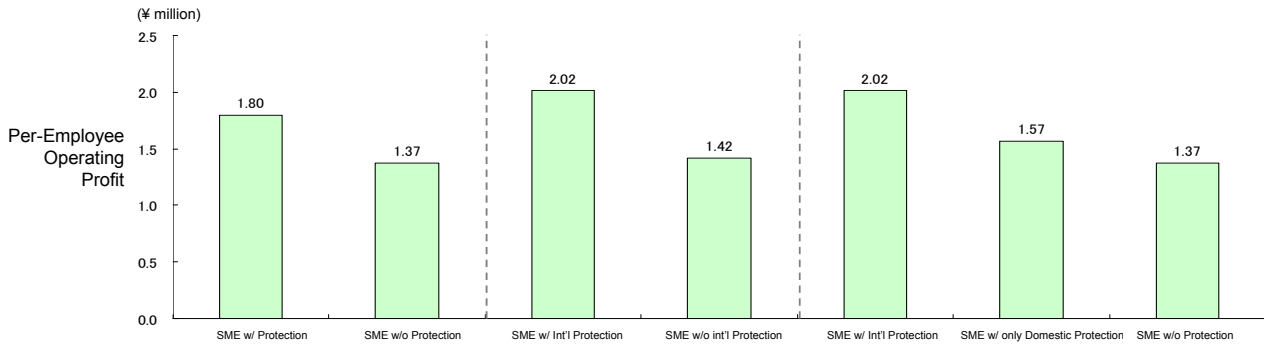
- **Regional Differences in Applications**
Applications for all types of IP are concentrated in urban areas.
<Breakdown of Applications in Top 5 Prefectures>
 - Patents: approx. 85%
 - Design/TM: approx. 69-73%
- **Regional Differences in IP Experts**
Number of Patent Attorneys
 - Approx. 60% in Tokyo
 - Under 5 in 11 of 47 prefectures

□ **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

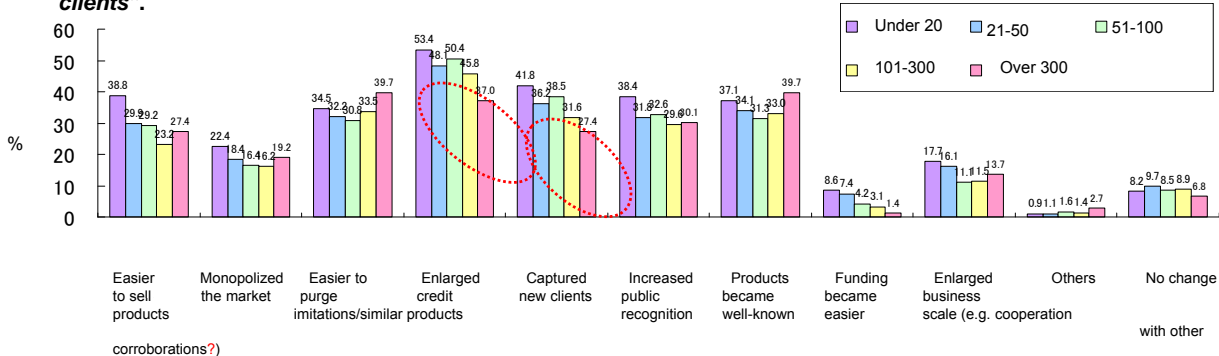
□ Benefits of Acquisition of Patent Rights in SMEs

- 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: 1. '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.

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

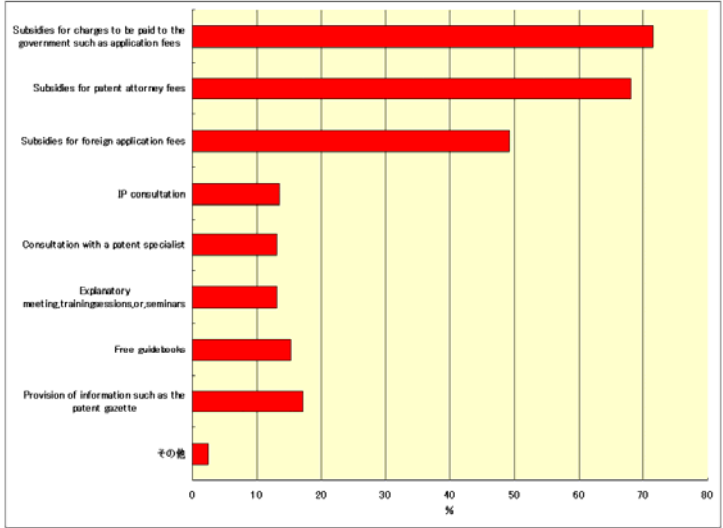
Worries about IP

(1) SMEs 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.**
 (2) Even 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.



❑ Small- and medium-sized enterprises have a weak framework for intellectual property.
 ❑ In the present state, awareness and knowledge concerning intellectual property is not always high.
 → Eliminating the intellectual property divide is important.

IP Management Framework

The IP management framework of small- and medium-sized enterprises that have applied for 5 or more cases (Approx. 1800 responses in Sep. 2006 study)

- ❑ **Number of IP Representatives: Average 0.9**
 (Overall average 3.7)
- ❑ Operation expenses: Average of 9.8 million yen
 (Overall average of 96 million yen)

IP management framework of small- and medium-sized enterprises with limited application experience. (1052 responses in Dec. 2004 study)

- ❑ **Enterprises with IP personnel: Approx. 39%**

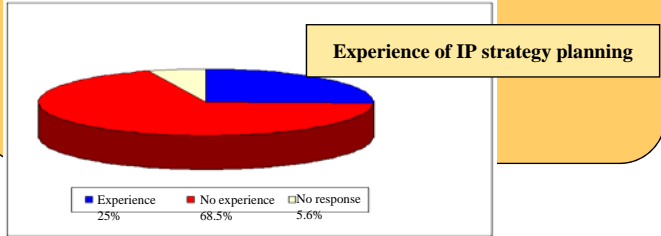
IP Awareness

Approx. 84% of small- and medium-sized enterprises have an interest in intellectual property.
 (1074 responses in Dec. 2004 study)

However, **the reasons for disinterest** given by uninterested small- and medium-sized enterprises (165 enterprises) are:

- ❑ **No technology or idea to protect (36%)**
- ❑ **Insufficient knowledge of the IP system (32%)**
- ❑ **Considers IP irrelevant to business operation (29%)**

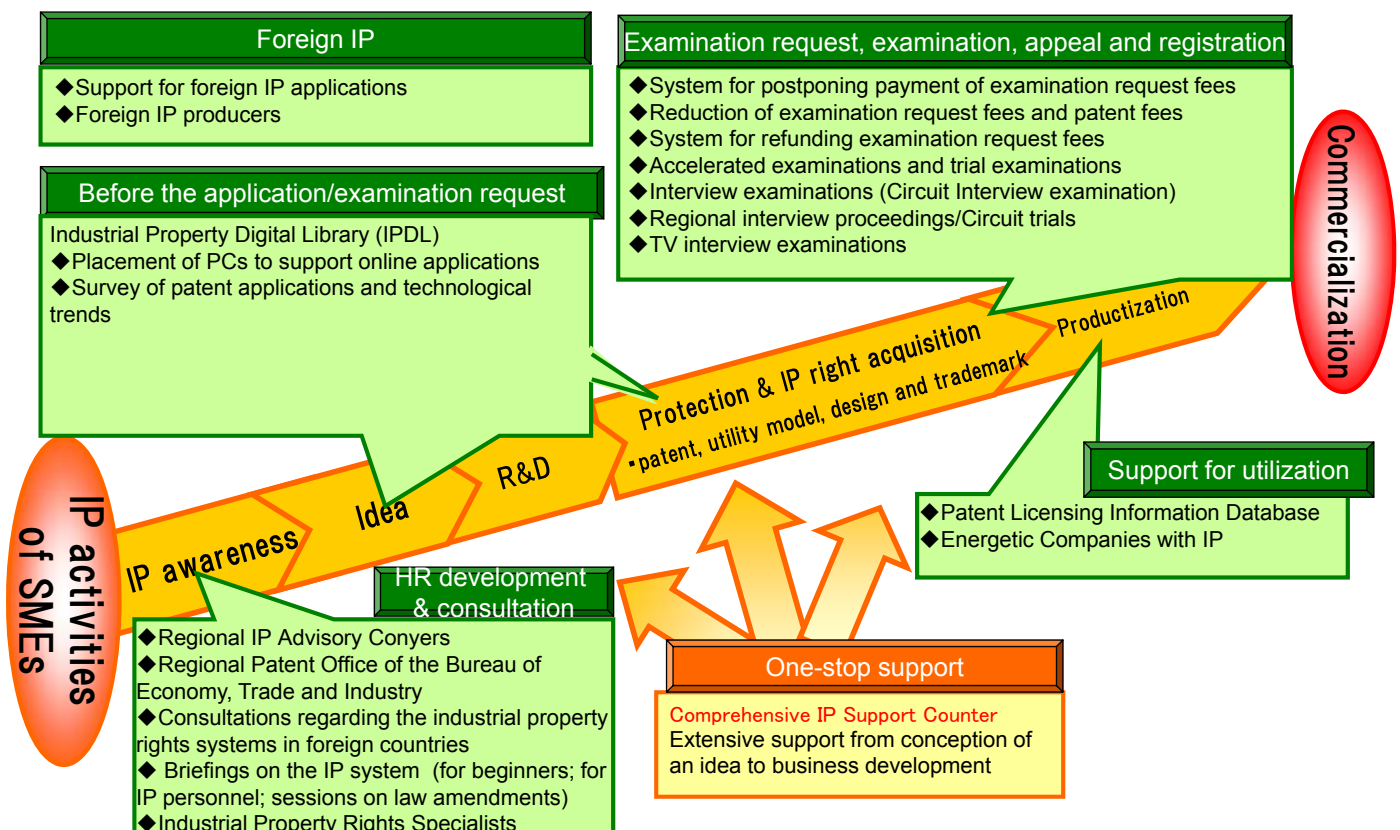
Approximately 25% of small- and medium-sized enterprises have IP strategy planning experience. (360 responses from enterprises that used small- and medium-sized enterprise support plan - Nov. 2006 study)



Comprehensive Support Measures for SMEs

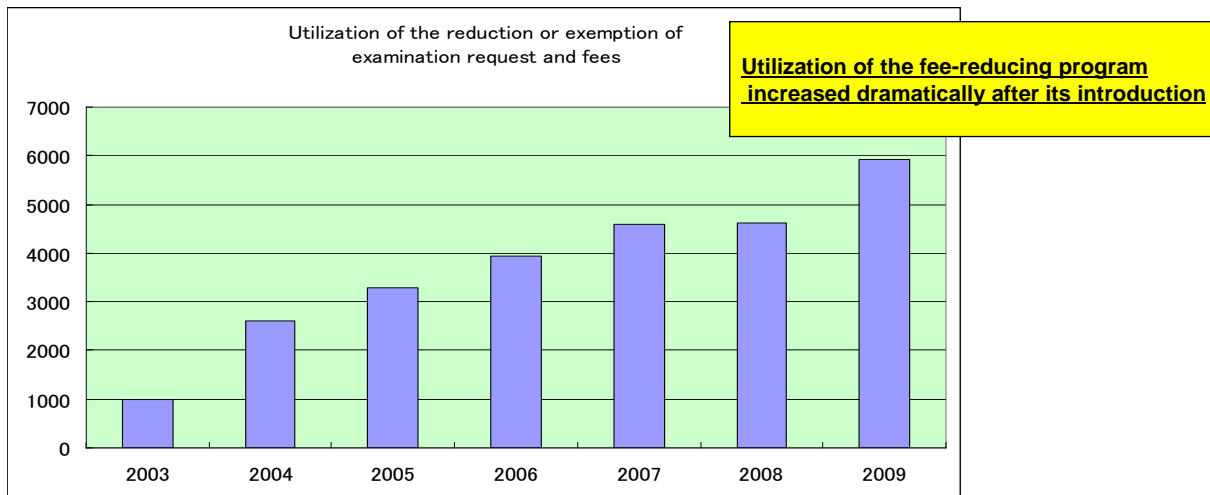
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Present Status of IP Support Measures for SMEs



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- 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 as well as patent fees 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

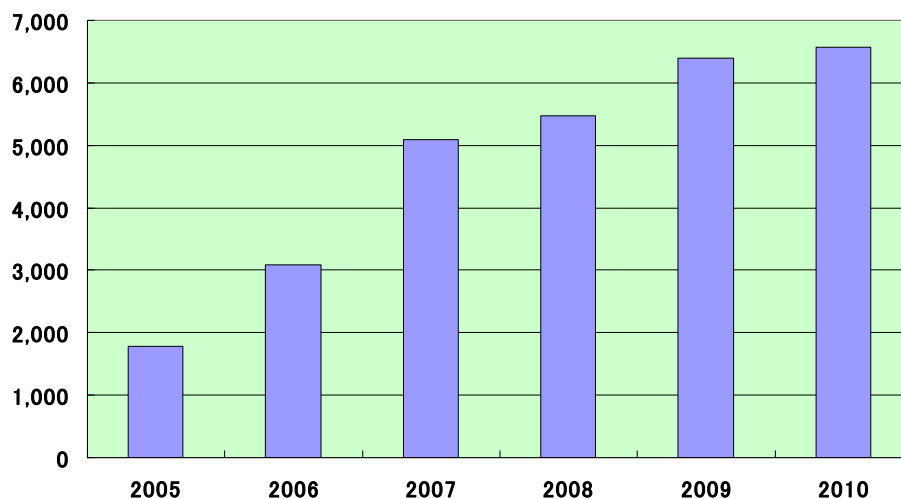


-At the request applicants, private research companies conduct prior art searches free of charge.

This program offers information for making a decision on whether to make a request for examination of SMEs' applications.

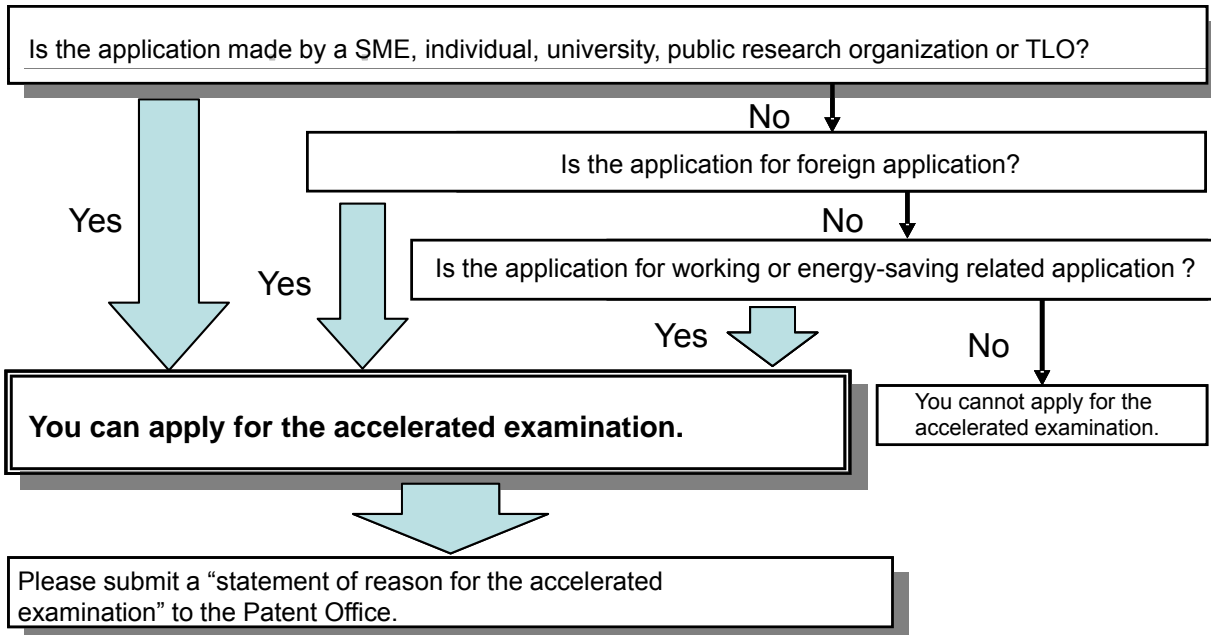
- SMEs can save examination request fees for patent applications unlikely to become patents.
- JPO can eliminate useless examinations devoid of novelty and progress, thus contributing to speedier and more appropriate examination and processing.

Prior Art Search Program(Utilization Records)



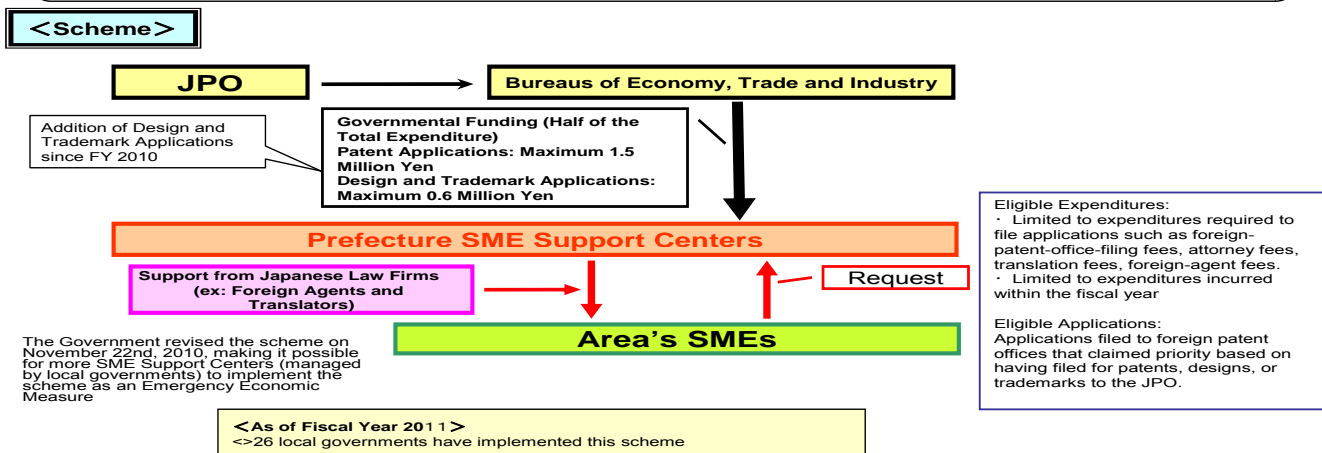
➤ For SMEs wishing to obtain a patent as soon as possible, an easy-to-use system is available.

Time required for the notice of the initial screening results: 2.0 months from the application for accelerated examination (normally 28 months)



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.

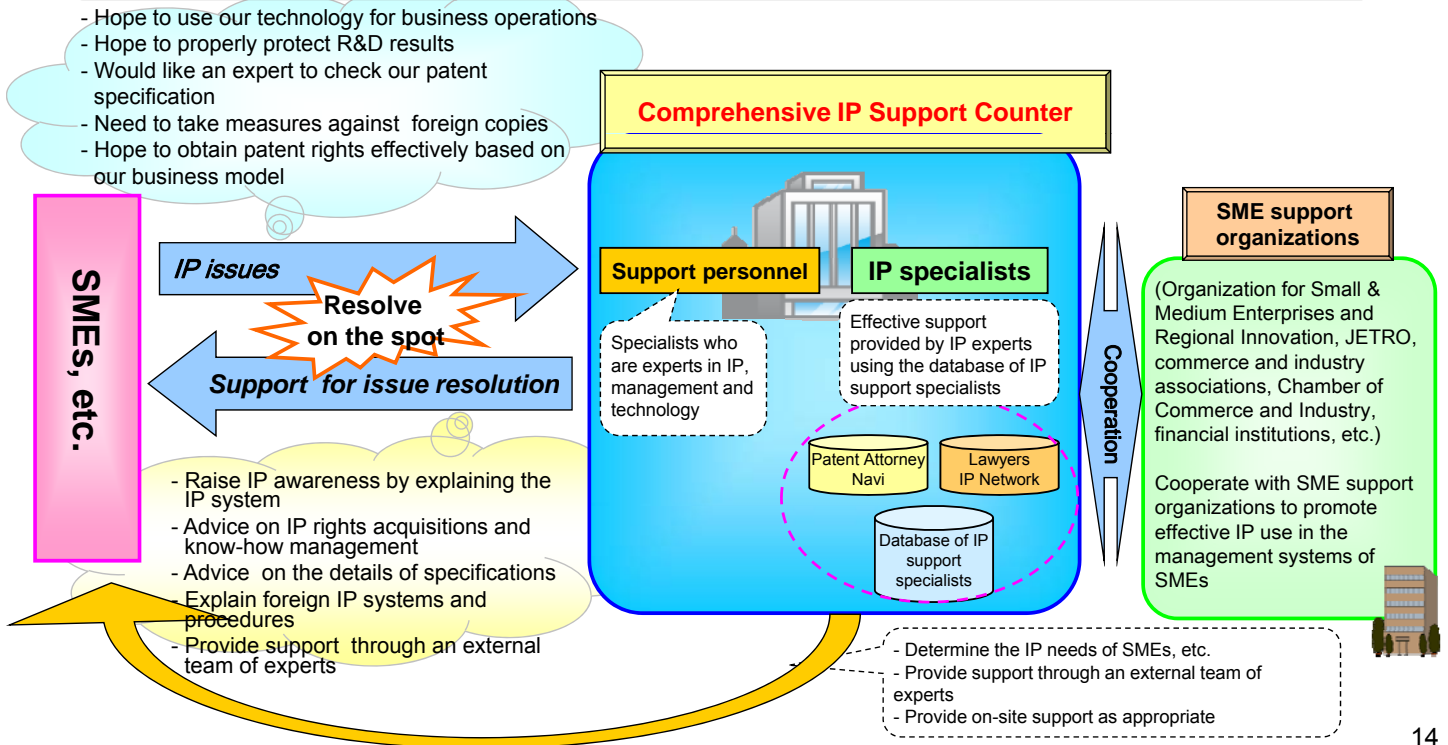


To provide efficient and effective assistance, this program is focused on the following viewpoints.

- ❑ **Selecting patent applications that have a high chance of obtaining patents overseas**
 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)

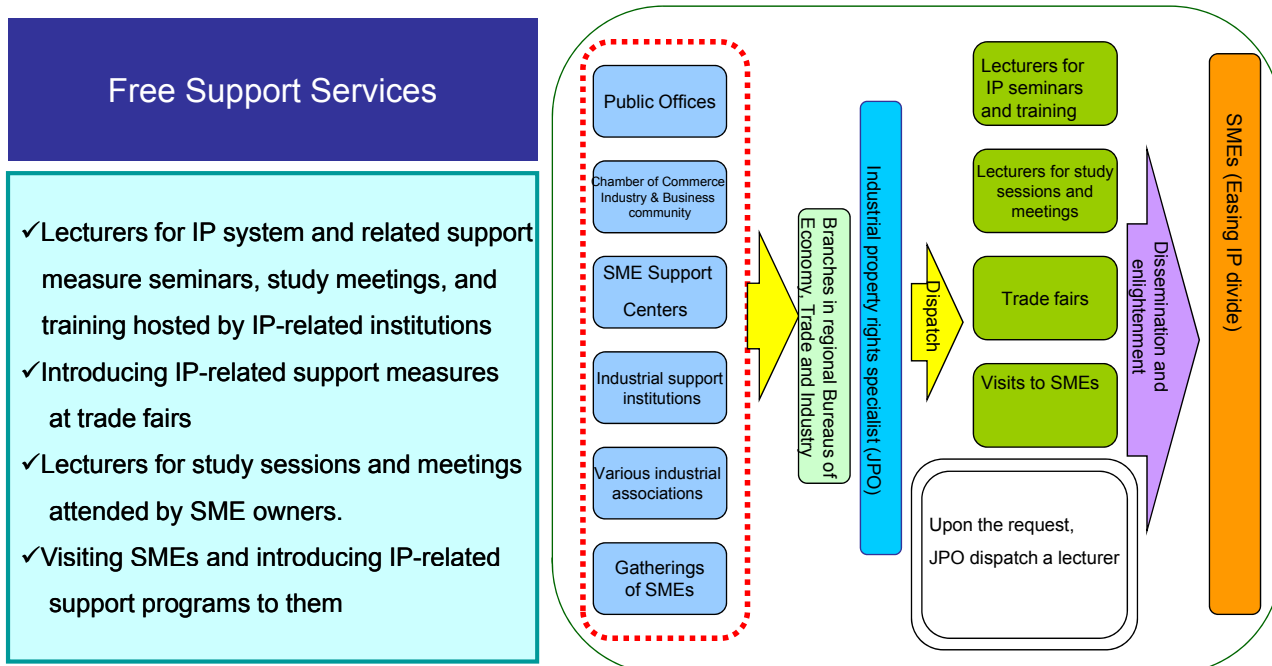
Comprehensive IP Support Counter

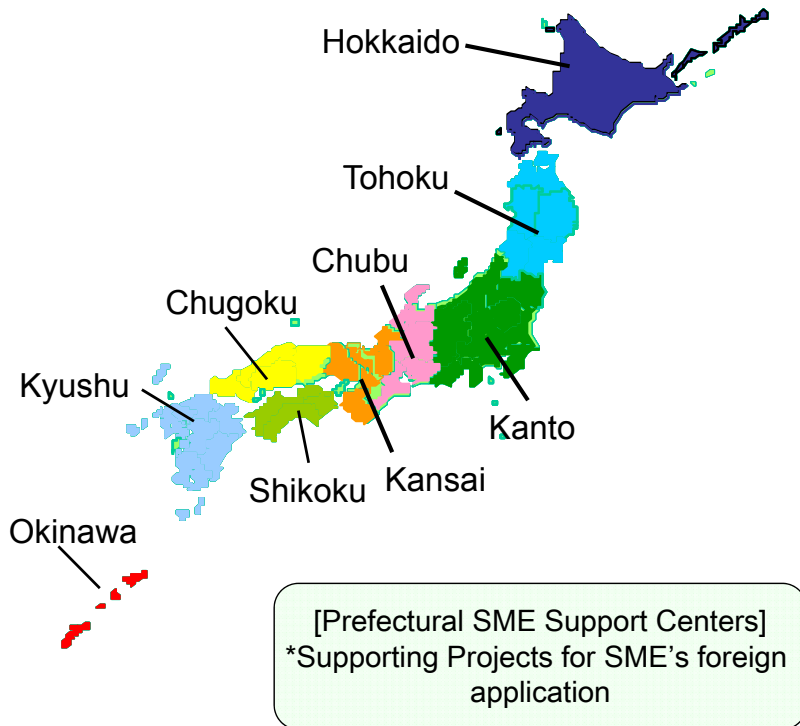
- ◆ **“Comprehensive IP Support Counters”** have been set up in 47 prefectures as integrated IP centers that provide SMEs with support regarding IP-related issues
- ◆ Support personnel resolve issues on the spot as well as support IP utilization and commercialization in cooperation with a variety of experts and support institutions.



Industrial Property Rights Specialist

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





Thank you.

Ari gato.