

## Measures for Supporting SMEs in Terms of IP Strategies

Masaki KIMURA\*

### Abstract

In this paper, the state of intellectual property with respect to small and medium enterprises (SMEs) in Japan will be discussed together with an introduction of measures for supporting SMEs in terms of intellectual property strategies and support strategies focusing on fostering human resources to support intellectual property strategies for regional SMEs.

### 1. Introduction

The Japanese economy has experienced economic stagnation resulting from the downturn in the global economy in the second half of 2008. However the acquisition of intellectual property in these conditions provides an important wellspring for future growth of corporations. A clear corporate intellectual property strategy enables corporate growth in addition to being a motive force for recovery of the Japanese economy. As a result, the Japanese Patent Office (JPO) is strengthening support for the creation, protection and exploitation of intellectual property particularly by SMEs as part of support for corporate intellectual property.

The effect of acquisition of intellectual property rights by SMEs has been reported to mean that SMEs holding patents enjoy higher operating profits per employee than corporations which do not hold patents. The acquisition of intellectual property by SMEs enhances the level of trust in SMEs, and sales are increased by the development of new customers.<sup>1</sup> It is important to provide support for strategies for intellectual property in SMEs to effectively promote the acquisition and use of intellectual property enabling improvement of corporate results of SMEs in this manner.

In this paper, the state of intellectual property with respect to SMEs in Japan will be discussed together with an introduction of measures for supporting SMEs in terms of intellectual property strategies and support strategies focusing on fostering human resources to support intellectual property strategies for regional SMEs. In this regard, please refer to the details on the home page of the JPO for intellectual property support for SMEs.<sup>2</sup>

### 2. Importance of Intellectual Property Support and Current Situation of Patent Applications by SMEs

There are 4.2 million SMEs<sup>3</sup> in Japan which represents 99.7% of the overall number of corporations in Japan. Although the majority of Japanese corporations are SMEs, the number of patent applications from SMEs represents only

---

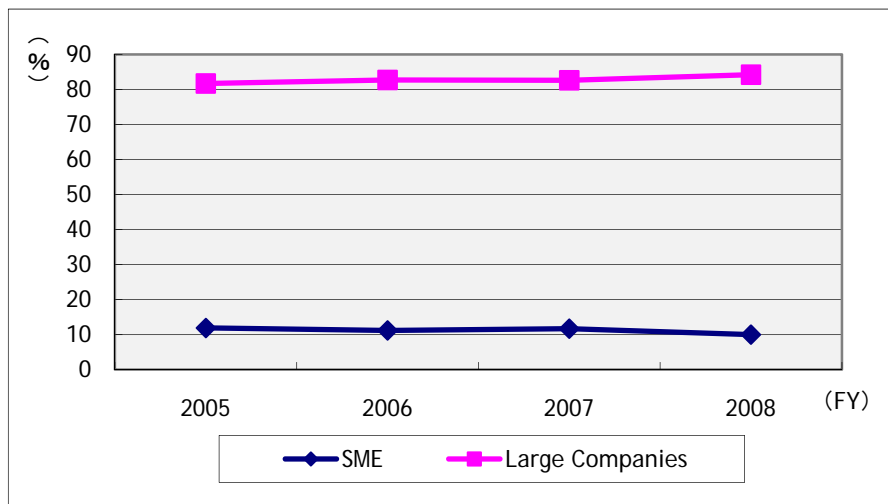
\* Deputy Director for SMEs Policy Planning Section, Japan Patent Office  
Associate Managing Specialist for Industrial Property Rights

**Note:**

*This article has been written in Japanese and the National Center for Industrial Property Information and Training (INPIT) translated into English for reference. INPIT is entirely responsible for any errors in expressions or descriptions of the translation. In the event of any discrepancy between the Japanese original and the English translation, the Japanese text shall prevail.*

approximately 11% of the total number of patent applications of 380,000 (refer to Table 1). In view of this fact, there is a need for promoting intellectual property support measures for SMEs to create a linkage between the activation of SMEs, regional regeneration and strengthening national competitiveness. In June of 2009, the “Intellectual Property Promotion Plan 2009” published by the governmental Intellectual Property Strategy Headquarters (Chairman: Prime Minister) indicated policy directions for various measures related to the support for SMEs including support for SME intellectual property strategy and support for fostering human resources in a list of initiatives or initiatives for intensive implementation.<sup>4</sup>

Table 1 Variation in the Proportion of SMEs with respect to Patent Applications



### 3. Expectations for Public Support and Awareness of Intellectual Property in SMEs

Surveys of awareness of intellectual property in SMEs show a conspicuous lack of understanding of intellectual property expressed by responses such as “intellectual property is difficult, it has no relation to our company”. We assume that even if there exists an awareness of involvement with intellectual property, there still exists a variety of concerns related to “insufficient technical or specialist opinion” such as a lack of understanding of the method of patent applications, “lack of funds” related to the high costs required for application or “problems related to the deficiencies of intellectual property awareness” such as methods of educating management and employed staff.

The results of surveys of strategic use of intellectual property, that is to say, so-called intellectual property strategies, in SMEs having a comparatively high affinity for intellectual property shows that there is a lack of understanding of the necessity for an intellectual property strategy even by approximately 1/3 of the corporations which have filed a patent application. The most common reason for not formulating an intellectual property strategy is “not required (49.2%)”, followed by “no contacts in the field (21.5%)” and the sum of these percentages accounts for the majority of about 70% of reasons and thus underscores the lack of understanding of intellectual property strategies (refer to Table 2).

On the other hand, in surveys containing questions regarding expectations for governmental support for SMEs, the most common expectation is related to costs such as “assistance with costs” and “assistance with attorneys fees”. In

addition, the results show expectations with respect to provision of information regarding various types of support followed by intellectual property consulting (refer to Table 3).

In this manner, although there is insufficient understanding of intellectual property strategies, in SMEs which understand that importance, there is a desire to receive intellectual property consulting by experts and therefore it can be said that there is a need for public support.

Table 2 Reasons for not Formulating Intellectual Property Strategies in SMEs with Patent Application Experience

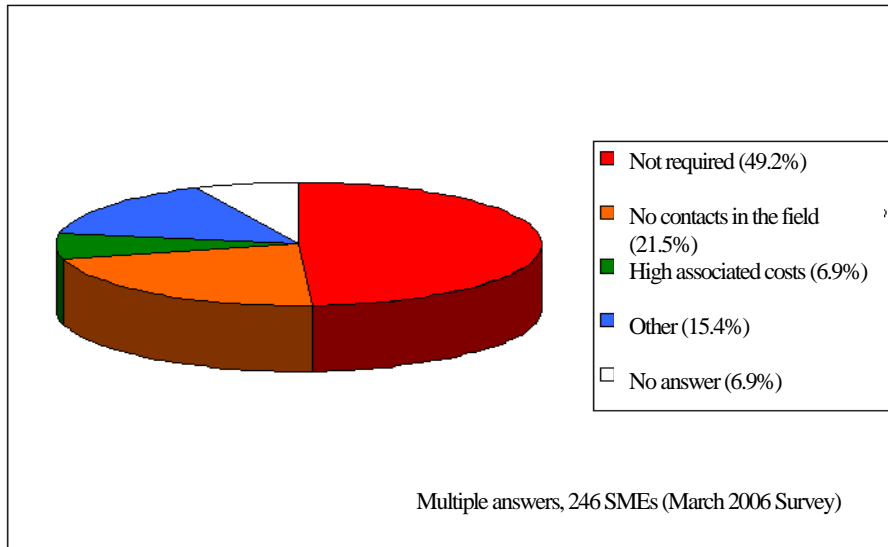
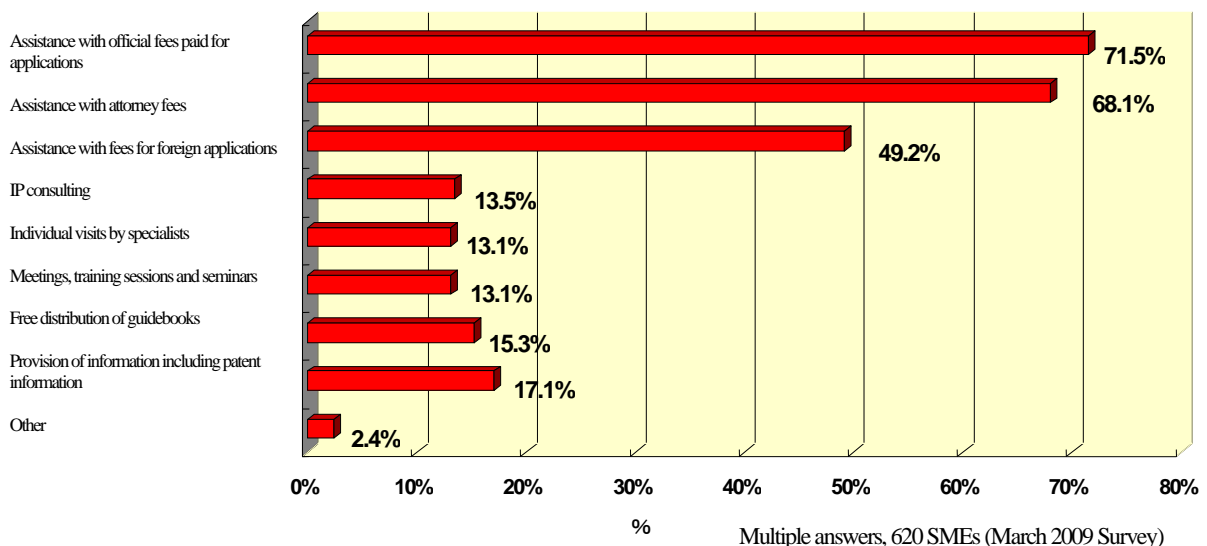


Table 3 Expectation of SMEs for Public Support



#### 4. Supporting SMEs in terms of Intellectual Property Strategies

##### (1) Consulting Activities for Intellectual Property Strategies for Regional SMEs

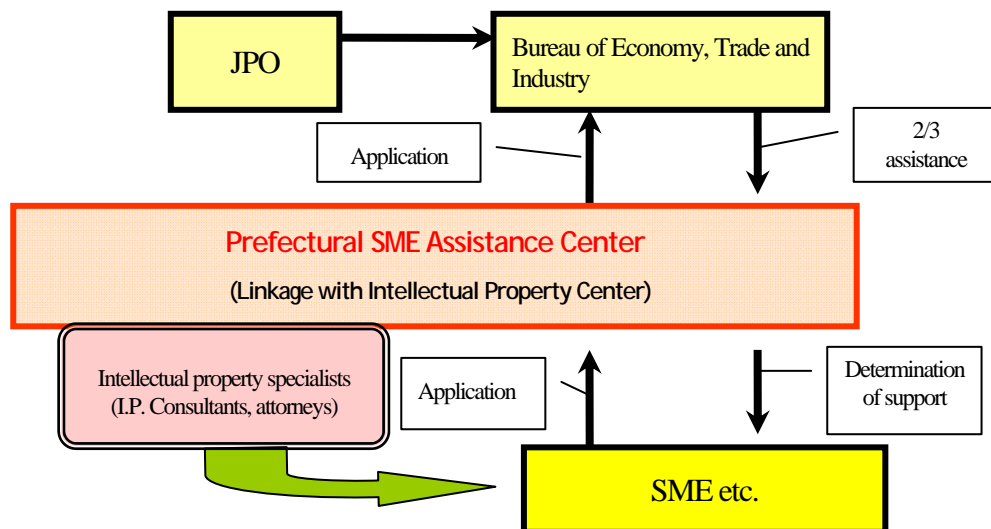
As described above, since there is a demand for promoting support for SMEs in terms of intellectual property

strategies, after 2004, the JPO dispatched intellectual property specialists over a fixed period of time to regional SMEs having a prefectural-supported SME support center to thereby assist in support activities for the strategic implementation of intellectual property by SMEs (refer to Table 4). The actual details of the support provided to SMEs included multifaceted support tailored to the needs of the company receiving support. However support was centered on patent analysis through the preparation of patent maps, patent strategic analysis and patent evaluation for the purposes of exploitation.

In the five years from 2004 to 2008, support was provided to approximately 340 companies in 21 prefectures and three cities designated by government ordinance. In 2009, similar support was provided in 17 prefectures and cities (Iwate Prefecture, Saitama Prefecture, Chiba Prefecture, Kanagawa Prefecture, Ishikawa Prefecture, Aichi Prefecture, Gifu Prefecture, Mie Prefecture, Shiga Prefecture, Kyoto Prefecture, Kyoto City, Osaka Prefecture, Hyogo Prefecture, Nara Prefecture, Wakayama Prefecture, Fukuoka Prefecture, and Kitakyushu City).

Surveys in SMEs receiving support in the three years from 2004 to 2006 regarding the results of the support showed that at least 70% of the SMEs evaluated the support received as in accordance with expectations or exceeding expectations. When the level of measures for intellectual property before and after the support is compared, although most companies were “lacking in a base for intellectual property” before the support, after the support more companies showed a typical beneficial effect which enabled “the construction of a base for intellectual property”.

Table 4 Consulting Activities for Intellectual Property Strategies in Regional SMEs (Schematic view)



## (2) Activities for Fostering Human Resources for Intellectual Property Strategies

The “Support for Intellectual Property Strategies for Regional SMEs” conducted by the JPO during 2004 – 2006 examines methodologies for the introduction and implementation of intellectual property strategies by SMEs by performing model businesses through intellectual property consulting to a total of 12 SMEs of varying size and business sector. The results are summarized in the “Manual for Intellectual Property Strategies for SMEs and Venture capital

companies 2006”.

The support for the introduction and implementation of intellectual property strategies to SMEs during the performance of the model businesses demonstrated that support personnel acquainted with knowhow related to intellectual property strategy consulting were indispensable. In particular, in regions where such support personnel are in short supply, dispatch of support personnel to SMEs in 8 regions nationally to foster such personnel through on-site training was performed in the context of the “Fostering Activities for Intellectual Property Strategy Personnel in Regional Areas” during 2007 – 2008 due to the urgency for fostering such personnel. At the same time, for the purpose of providing the intellectual property strategy personnel who are in shortage in regional areas, a “Regional and SME Corporation Intellectual Property Strategy Personnel Database”<sup>55</sup> forming a database of senior persons with experience in intellectual property in large corporations was compiled by February 2009 to provide opportunity for meetings for support personnel required for the formation of intellectual property strategies in SMEs. Currently while carrying out trial operation, examination is being performed with respect to initiatives and problem extraction by verification of the usefulness for public institutions mediating support, and users or database registered users such as SMEs.

## **5. Other Intellectual Property Strategies Support for SMEs**

Support for intellectual property strategies in other areas carried out by the JPO extends through “creation” to “protection” and “exploitation of rights” including “comprehensive” and “details” (refer to Table 5). The main policies for intellectual property strategy support are outlined hereafter.

### **(1) Prior-Art Patent Searching Free of Charge**

Patent applications made by SMEs before the request for examination may receive searching to confirm the absence of similar application without charge by a private sector searching company receiving instructions from the JPO in accordance with a request from the applicant (at 2009, 21 firms were engaged in this system) and the results of such search are provided to the SME. The SME may use the search results as materials for making the decision of whether or not to proceed with request for examination.

### **(2) Reduction and Exemption of Patent Annuities**

SMEs with limited financial resources, SMEs for the purpose of research and development and SMEs in the manufacturing sector may obtain a reduction in examination fees and a reduction in patent annuities.

#### **① SMEs with Limited Financial Resources**

Exemption from the payment of patent annuities for years 1 – 3 and reduction of the examination fee by 50% may be obtained in the event that corporation tax is not imposed or if not under the control of another corporation.

#### **② SMEs for the purpose of Research and Development**

A reduction by 50% of examination fees and the payment of patent annuities for years 1 – 3 are available for related applications by approved businesses such as subsidized businesses receiving grants under SBIR (Small Business Innovation Research) program which is a program for supporting research and development in SMEs up to

commercialization, or businesses in which the experimental research expenses rate exceeds 3% of income.

**③ SMEs in the Manufacturing Sector**

A reduction by 50% of examination fees and the payment of patent annuities for years 1 – 6 are available for applications related to plans for specific research and development approved as basic manufacturing technologies pursuant to the “Law for the Advancement of Manufacturing by Small and Medium Companies”.

**(3) Accelerated Examination System**

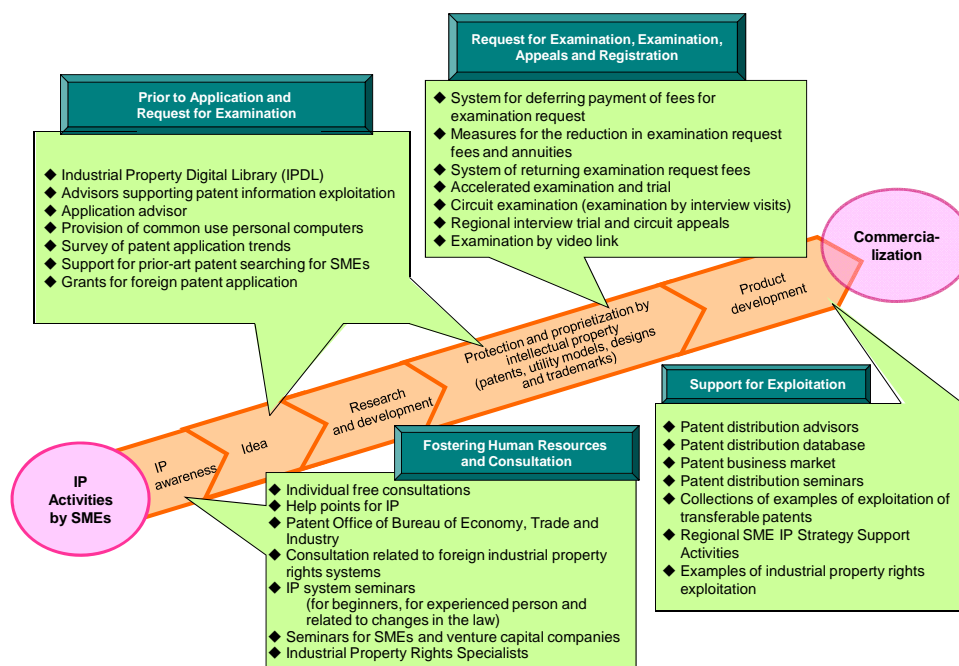
Accelerated examination is a system which, in the event that an SME want to obtain patent rights rapidly, simple application by statement of reasons for accelerated examination enables the normal period of 29 months until notification of the first examination results to be reduced to a period which is current on average 2 months.

**(4) Support Activities for Foreign Applications by Regional SMEs**

In order to promote strategic foreign application by regional SMEs, assistance from the JPO is available with respect to foreign application assistance activities for SMEs employing a prefectural SME support center. More specifically, costs associated with application fees to foreign patent offices, costs for foreign attorneys and translation costs required for application to foreign countries by SMEs may be subsidized by 1/2 respectively by the national government and the prefectural SME support center.

At 2009, eight prefectures and cities designated by government ordinance have implemented the system (Iwate Prefecture, Chiba Prefecture, Shizuoka Prefecture, Aichi Prefecture, Mie Prefecture, Toyama Prefecture, Fukui Prefecture, Wakayama Prefecture).

Table 5 Intellectual Property Support for Regional SMEs



## 6. Conclusion

As stated above, support for intellectual property in SMEs is of more importance than ever before. The various support initiatives focusing on intellectual property strategy support conducted by the JPO include dissemination of knowledge by various opportunities including seminars for beginners and persons active in the field, seminars conducted on an individual basis by visiting the SME and it is very desirable that such support is used by SMEs.

The various types of support aim to reflect the needs of users and are constantly reviewed for the purpose of improvement. In particular, since support related to intellectual property strategies which is a strategy for effective protection and exploitation of intellectual property by SMEs is required to meet various needs of SMEs in different business sectors, of different size and in different growth stages, continuous examination of the means of more effective support is necessary. From this point of view, the JPO is focusing on the internal company process in SMEs from this year, and is examining the infrastructure development for supporting intellectual property strategy by SMEs including supply of support personnel to regional areas. We are hopeful for continuous improvement for the creation of a user-friendly system which is more effective for the support of intellectual property strategies by SMEs.

(The opinions expressed in this paper are those of the author and do not represent an organization to which the author belongs.).

---

### Notes

- <sup>1</sup> Small and Medium Company White Paper 2009, refer to protection and exploitation of intellectual property in SMEs in Chapter 2, section 3.  
<http://www.chusho.meti.go.jp/pamflet/hakusyo/090424hakusyo.html>
- <sup>2</sup> Small and Medium Company, Support Information for Individuals (JPO homepage)  
[http://www.jpo.go.jp/index/chusho\\_kojin\\_shien.html](http://www.jpo.go.jp/index/chusho_kojin_shien.html)
- <sup>3</sup> A Small and Medium Company means a company within the definition of the Small and Medium Enterprise Basic Law and for example, is a company with 300 or less employees or ¥300 million or less capital if in the manufacturing sector.
- <sup>4</sup> Intellectual Property Promotion Plan 2009  
<http://www.kantei.go.jp/jp/singi/titeki2/090624/2009keikaku.pdf>
- <sup>5</sup> Intellectual Property Strategy Database for Regional SMEs  
<https://selfpage.sky-inet.ne.jp/chizai/>