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# **Outline of Intellectual Property Strategic Program 2023**

**~The transformation towards a society where motivated individuals and players  
can fully utilize IP~**

**June 9, 2023**

# Basic Understanding in IP Strategic Program 2023

- **The Global Innovation Index** (WIPO Global Innovation Index) ranking for innovation has been **sluggish**. Japan ranked **13th**, South Korea 6th, and China 11th (2022).
- **The markup rate has been at a low level**, and there has been a lack of differentiation through the utilization of IP and intangible assets.
- There is **an imbalance** between the creation of patents and the ability to create new businesses with global brand value.

➡ **Need a strategy for IP that leads to competitiveness and the creation of new value.**

- Amidst the advancement of product sophistication and the shortening of product cycles, there are **limitations to relying on one's own business resources in a vertically integrated model**.

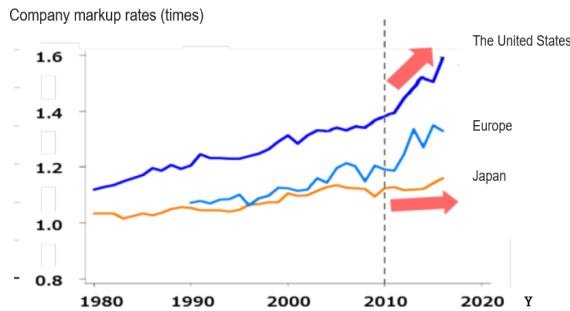
➡ **Need sustainable value creation through open innovation that actively incorporates external knowledge and technology.**

- Generative AI technologies producing images, text, etc., **have been advancing rapidly**.

➡ **The urgent challenge is to promote the use of new AI technologies and to maintain incentives for the creation of IP throughout society.**

- **Growing importance of content in the national economy** with the progress of digitization

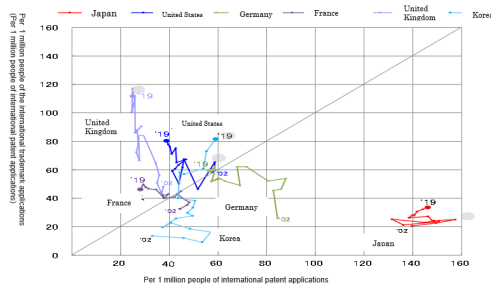
➡ **Promoting structural transformation of the content industry and strengthening of its competitiveness, expansion of compensation returns to creators, development of institutional and IT infrastructure, etc.**



"Global Market Power and its Macroeconomic Implications" by Diez Leigh and Tambunlertchai (2018)

(Souce) Compiled by the Cabinet Office, based on the source "Global Market Power and its Macroeconomic Implications" by Diez Leigh and Tambunlertchai (2018).

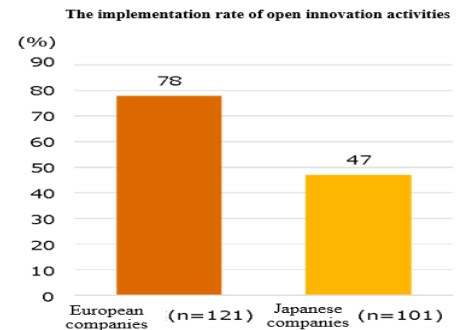
## Trademark and Patent Applications Across Borders



(Source) based on "Science and Technology Indicators 2022," Research Document-318, prepared by the National Institute of Science and Technology Policy (NISTEP) in August 2022, and compiled by the Cabinet Office.

Compiled by the Cabinet Office, based on the "Science and Technology Indicators 2022," Research Institute of Science and Technology Policy, Research Material-318, August 2022.

The percentage of Japanese companies' efforts in open innovation is low.



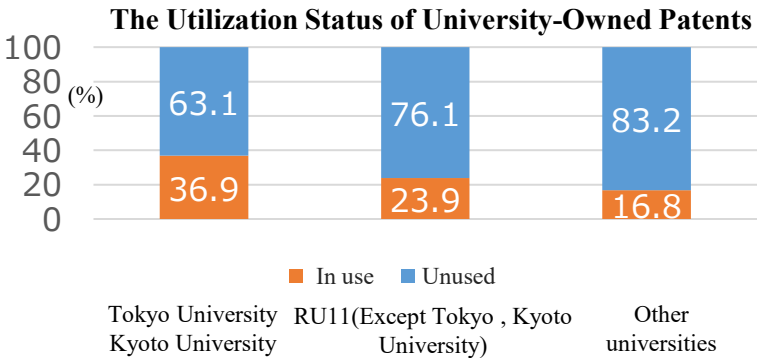
Source: Open Innovation White Paper, 3rd Edition. (NEDO, May 2020)

# Enhancing the IP Ecosystem of Startups and Universities

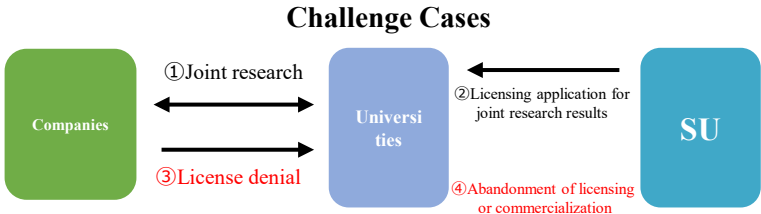
- Recognition of Challenges**
- ① Need to create an environment that facilitates the speedy societal implementation of cutting-edge university research results by startups.
  - ② Need for universities to create an environment that maximizes the societal implementation of research results.

## University IP Management Challenges and Solutions

- **In order for universities to license shared patents to startups (SU), the consent of the companies is required.** If the consent is not obtained, **the research outcomes will not be implemented in society.**
  - The universities and the collaborating companies agree in advance that **if the company fails to achieve specific objectives within a certain timeframe without valid reasons, the universities may grant a third party the right to implement it.**
- **SUs' utilization of their shares and stock acquisition rights in compensation payments to universities for licensing has not been fully optimized.**
  - The universities **actively consider using SUs' stocks or stock acquisition rights as an option for compensation payments** in cases it deems appropriate.



The Intellectual Property Strategy Promotion Office of the Cabinet Office has created this document based on the "Survey on University-Industry Collaboration at Universities, etc." by the Ministry of Education, Culture, Sports, Science and Technology (MEXT) in fiscal year 2020 (Reiwa 2).



- Under patent law, without the consent of other co-owners, each co-owner cannot grant a license to a third party.
- **The refusal of a license by the collaborating company in the joint research led to the SU abandoning its commercialization.** As a result, the research outcomes were not implemented in society.

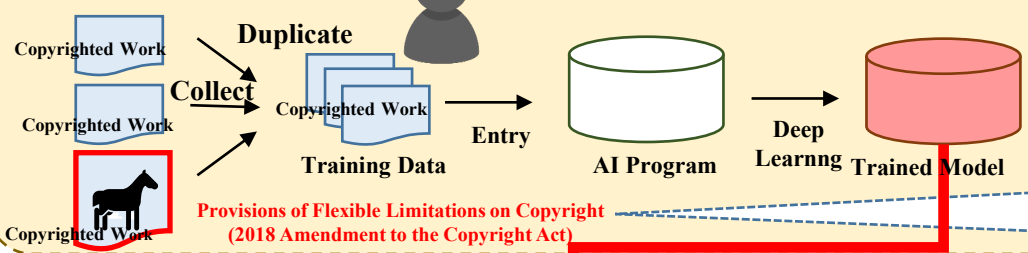
In March 2023, the Cabinet Office, the Ministry of Education, Culture, Sports, Science and Technology, and the Ministry of Economy, Trade and Industry jointly formulated and published the "University Intellectual Property Governance Guidelines," which outline the necessary aspects for enhancing IP governance at universities: quality control of patents, IP management structure, personnel qualifications, and budget allocation.

- Direction of measures**
- Disseminate the "University Intellectual Property Governance Guidelines" (formulated and released in March 2023) into universities, aligning these guidelines with positioning them as supplementary material to the "Industry-Academia-Government Collaboration Guidelines" through collaboration with the international research university system, which requires the establishment of a framework, etc., based on the "Industry-Academia-Government Collaboration Guidelines," as well as cooperation with initiatives such as the regional core and distinctive research university enhancement promotion project.

# Generative AI and Copyrights

- Recent trends in AI include **rapid development of "Generative AI" technology**. It is rapidly gaining popularity in areas such as image generation and text creation.
- Concerns were raised that AI may generate works resembling to the original, and that copyright infringement may occur in large numbers, making it difficult for individual rights holders to resolve disputes.
- It is important to consider necessary measures, **paying attention to both the advancement of AI technology development and the protection of creators' rights**.

## 【Training Phase】



**Copyright Act (Limitation on Copyright)**

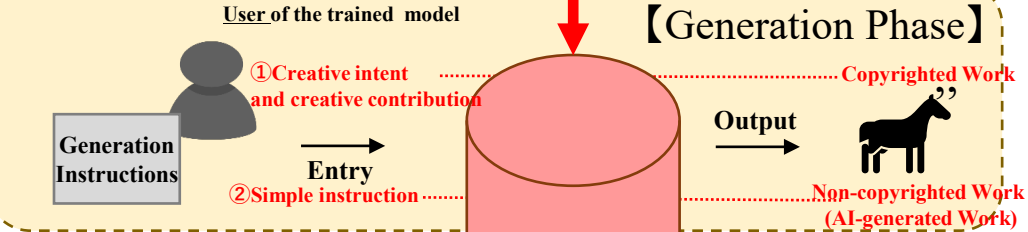
**(Exploitation without the Purpose of Enjoying the Thoughts or Sentiments Expressed in a Work)**

**Article 30-4**

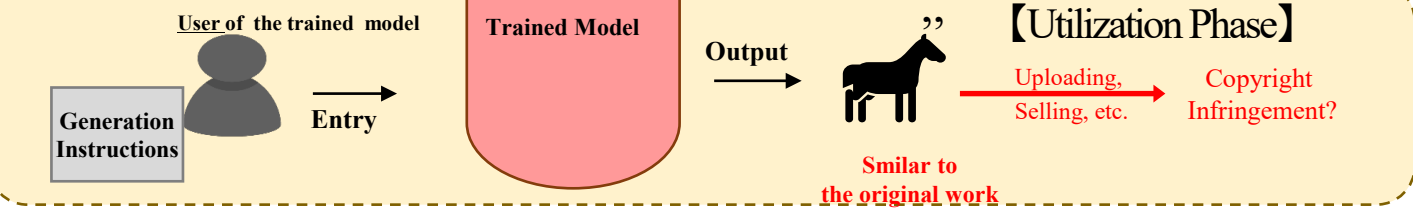
It is permissible to exploit a work, in any way and to the extent considered necessary, in any of the following cases, or in any other case in which it is not a person's purpose to personally enjoy or cause another person to enjoy the thoughts or sentiments expressed in that work; provided, however, that this does not apply if the action would unreasonably prejudice the interests of the copyright owner in light of the nature or purpose of the work or the circumstances of its exploitation:

- 1 (Abbreviated)
- 2 if it is done for use in data analysis (Abbreviated)
- 3 (Abbreviated)

## 【Generation Phase】



## 【Utilization Phase】



※ The judgment of copyright infringement for the use of products generated by AI is done as the same as that of ordinary copyright infringement.

※ Similarity to and Reliance on an existing copyrighted work are required to constitute copyright infringement.

## Issues to be discussed

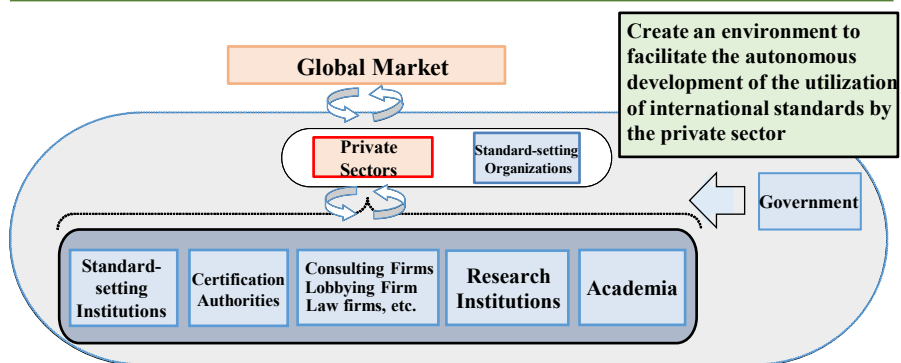
- The concept of "unreasonably prejudice the interests of the copyright owner" as stipulated in the proviso of Article 30-4 of the Copyright Act when a copyrighted work is used to create an AI (trained model).
- The concept of the user's creative contribution for an AI product to be recognized as a copyrighted work
- The concept of copyright infringement when an AI product similar to a copyrighted work used as training data.



# Development of a Standard Strategic Utilization/Environment for Data Circulation and Utilization

- Develop and promote a comprehensive standard strategy while establishing a framework for experts and specialists (Government CSOs) to assess and provide the strategy.
- **The establishment of an ecosystem is essential for enhancing our country's businesses' ability to harness international standard strategies throughout the entire business process: the formulation of business strategies, international standardization, and business expansion.**
- To address concerns and anxieties among stakeholders regarding issues: data misuse and privacy infringements, formulated the "**Implementation Guidance for Data Handling Rules on Platforms**" in March of last year, with a central focus on **ensuring controllability** and providing corresponding measures. ⇒ **Promote the establishment of platforms and the implementation of rules in priority areas** such as quasi-public sectors and collaborative fields.

## The Establishment of an Ecosystem to Enhance Companies' Ability to Manipulate International Standard Strategies



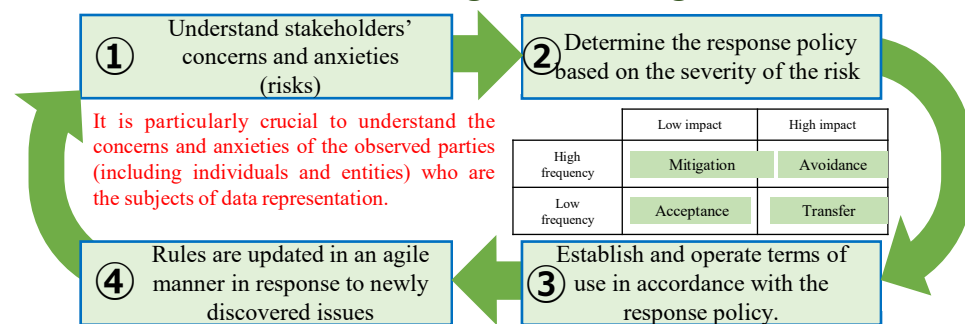
## The Enhancement of International Standard Strategies for Private Sectors Through Government-Sponsored Research and Development Projects

○ Explore opportunities for horizontal expansion beyond the following research and development projects to ensure the **clarification of international competitive strategies and international standard strategies**, as well as **the commitment of corporate management**.

- Green Innovation Fund Project
- Innovative Information and Communication Technology (Beyond 5G/6G) Fund Project(6G))
- Post-5G Information and Communication System Infrastructure Enhancement Research and Development Project
- Strategic Innovation Creation Program (SIP) Phase 3 Project
- Economic Security Important Technology Development Program Project
- Bio Manufacturing Revolution Promotion Project

## Guidance on Implementing Data Handling Rules in PF

### <Procedure for Reviewing data Handling Rules in PF>



It is particularly crucial to understand the concerns and anxieties of the observed parties (including individuals and entities) who are the subjects of data representation.

Ensuring the controllability of observed parties or data providers, especially through means appropriate to the level of risk, is crucial.

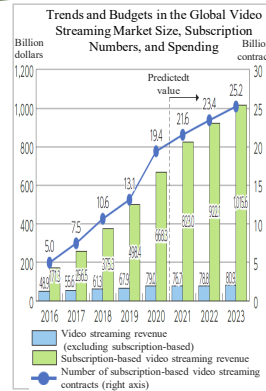
### <Examples of Ensuring Controllability in PF>

- **Notify and disclose data handling policies** to inform users about **the types of data and purposes, etc.**
- **Introduce systems to disclose the usage status of data and third-party recipients** in case of requests.
- **Declare and guarantee that data is provided while adhering to the terms** imposed by the data subjects or data providers.
- **Obtain consent from observed parties or data providers** when acquiring data or providing it to third parties. **Limit the involvement** of those who act as data users and **restrict third-party provisions** accordingly.

# Content Strategies in the Digital Age

- Due to the progress of digitization and globalization, etc., **content has become a major intermediate good in the digital economy and one of the core growth industries.**
- **Borderless market has increased the dominance of overseas platforms and intensified competition both domestically and internationally. On the other hand, it also provides opportunities to sell to the world.**
- **The Japanese content industry is dominated by business models for the domestic market; a structural shift that transcends business categories based on the premise of a global market is indispensable.**
- **Active creative activities by creators are the key. It is necessary for the public and private sectors to work together to promote strategies to create an environment in which Japan's content assets can be fully utilized.**

## Trends of change



- Structural changes in the digital age
- The advancement of digitization and network connectivity, the borderless and globalization of the content market.
- The expansion of the opportunity to "Sell Globally" in a competitive environment.
- The global content market is rapidly expanding; however the relative presence of content originating from Japan has decreased.
- Game-change driven by new technologies: metaverse, NFT, etc.

## ○ The Activation of the Creator Economy and The Increasing Influence of Platforms

- The distribution of content has shifted from being primarily led by mass media to being platform-led.
- The dissemination and monetization of individual creators' self-made works,
  - ※ contributing to the trend of independence of the creative production layer.
- Platforms play a crucial role for creators as
  - Important partners for opening up overseas markets and potentially reducing the need for production funding.
  - The lack of transparency in revenue distribution and the potential for value gaps have also been highlighted.
- The emergence of a new economic sphere (the creator economy) driven by peer-to-peer transactions has also developed.

## Content Strategies and Adaptation in The Digital Age

1. Structural transformation and strengthening of competitiveness in the content industry, and support for creators
  - **Establish a forum for public-private collaboration** to draw out the private sector's structural reform mindset and jointly promote the strengthening and restructuring of the content industry.
  - Taking into account private sector transformation policies, expand opportunities for **discovering and cultivating outstanding creators, and support human resource development** in areas: production, producing, management, and DX.
  - Specify the private sectors' initiatives to **fundamentally transform production systems** towards creating works that can "Sell Globally," **enhance international sales capabilities, and promote integrated government measures that transcend ministries and agencies.**
2. Promoting creator-driven initiatives and ensuring appropriate compensation for creators
  - **Consider necessary measures for the appropriate return of compensation to creators,** taking into consideration the role of platforms and the role of telecommunications carriers as intermediaries in content distribution.
3. Responding to the trend of new technologies such as Metaverse
  - **Develop and release guiding concept for addressing legal issues in the metaverse.**
4. Reforming copyright systems and policies
  - Realize a simplified and centralized rights processing system. [2023 Amendment to the Copyright Act]
    - **Establish a contact office organization for the unmanaged works arbitration systems**
    - **Promote the development of cross-categories rights information retrieval systems**
      - ※ Build a new social infrastructure for the digital age to activate the cycle of content creation and utilization, accelerating value enhancement.
5. . Expansion of digital archives and promotion of utilization
  - **Review and enhance the organizational structure for promoting digital archive policies.**
6. Strengthening measures against piracy and counterfeit products
  - **Promote anti-piracy measures** in cooperation with relevant ministries and agencies, **while strengthening cooperation with the private sector**

# Reform of the Copyright System and Related Policies for the Digital Age

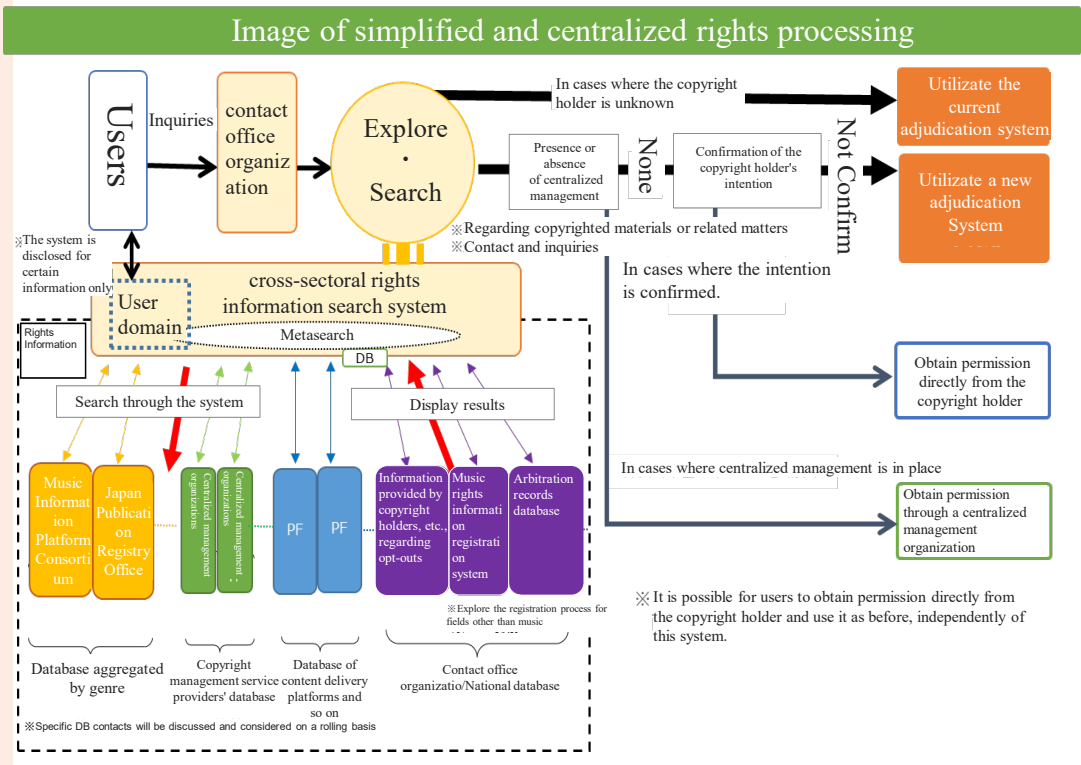
## Achieving Simplified and Centralized Rights Processing

### 【Aim of The Reform】

- ✓ **Significantly reduce procedural and time costs** associated with **rights handling** in response to **the speed of the digital age.**
  - Accelerate and expand value creation through the cycle of “Creation” and “Use.”
  - Increase compensation return to rights holders.
- ✓ **Establishing a new rights processing system utilizing a cross-genre centralized contact office organization.**
  - Allow the use of copyrighted works in cases where the copyright holders are unknown or have not expressed their intentions.
- ✓ **Establishing a cross-sectoral rights information search system** and conducting searches for rights holders and related information using this system.
- ✓ Aim for a system that can be completed as much as possible digitally.

### 【Examples of anticipated use for the new system.】

- Rights processing for digital archiving and distribution of past broadcasts, stage performances, etc.
- Rights processing for the secondary use of UGC and other digital content



- Establish a system that enables simple and centralized rights handling for a vast and diverse range of copyrighted works so that diverse individuals and players can make maximum use of the content accumulated in society and promote the creation of new value. [2023 Amendment to the Copyright Act].
- Establish a system necessary for the operation of the unmanaged works adjudication system based on the revised act.
  - Implement measures towards the smooth establishment of a front office organization for simplified and centralized rights processing
  - Promote the development of a cross-sectoral rights information search system
    - ※ Develop a new social infrastructure for the digital age to activate the cycle of creation and use of content and to accelerate the proliferation of value.

➡ Advancement of this process with the understanding and cooperation of a wide range of stakeholders (rights holders, users, telecommunication-related business operators, etc.) is necessary.




# Full-Scale Operation and Evolution of the Cool Japan (CJ) Strategy

- With the arrival of the “Post-COVID” era, there are promising signs such as the recovery of inbound tourism and increased exports of agricultural and marine products as well as a high interest in Japanese content.
- **The Expo 2025 Osaka, Kansai, Japan** is an excellent opportunity to showcase Cool Japan to the world.
- Visitors from abroad are seeking the "Real and Authentic Japan."


## Three directions to enhance Japan's attractiveness

### Unearthing Hidden Attractiveness

Failure to adapt to change will make Japan not “Cool”



- ☑ Utilization of foreigners (international students, ALTs)
- ☑ Utilization of Generation Z (university students, etc.)
- ☑ collaboration with academia



Not neglect **the innovation of existing attractiveness** and **discover and hone the “Hidden Attractiveness”**

(※ALT: Assistant Language Teacher)

### Honing an Unparalleled Attractiveness Only Found in Regions

Morioka is ranked second in “52 Places to Go in 2023” by The New York Times



### Significant Opportunities for Other Local Regions


- Local regions have unique and diverse attractiveness that has been nurtured over many years, including culture and traditions.



Leveraging the potential of local regions, while incorporating an external perspective and enhancing their attractiveness, make them **appealing destinations that people from around the world consider worth visiting.**

### Building a Network of CJ Torchbearers

**Building a network through leaders is the most critical challenge for CJ**



- ① Online Network Building
- ② Expand the network by involving a wide range of stakeholders (universities, financial institutions, broadcasters, local governments, etc.)
- ③ Form diverse communities and sustain their activities

Discover Japan's “**Hidden Attractiveness,**” hone the unparalleled attractiveness of local regions, build networks among the torchbearers of CJ and cultivate sustainable initiatives of CJ

⇒ **Unite efforts towards the Expo 2025 Osaka, Kansai, Japan and promote Japan's attractiveness to the world!**

# Overall picture of Intellectual Property Strategic Program 2023

## 1. Enhancing the IP ecosystem of startups and universities

- Maximizing opportunities for social implementation of research achievements in universities
- Promoting collaboration between large corporations and startups utilizing IP

## 2. Utilization of IP for open innovation allowing equal participation of diverse players

## 3. Role of IP in the rapidly developing era of generative AI

- Generative AI and copyrights
- Protecting inventions considering the advancement of AI technology

## 4. Strengthening the investment and utilization promotion mechanism of the intellectual and intangible assets

## 5. Promotion of strategic utilization of standards

## 6. Establishing an environment for data circulation and utilization to achieve a digital society

## 7. Content strategies in the digital age

- Structural transformation and enhanced competitiveness in the content industry, alongside support for creators
- Promoting creator-driven initiatives and ensuring compensation return for creators
- Reforms in copyright systems and policies to foster a positive cycle in content creation

## 8. Enhancing IP utilization in small and medium-sized enterprises, regions (local areas), and agriculture, forestry, and fisheries industries

## 9. Strengthening the infrastructure, operations, and personnel base for IP utilization

## 10. Full-scale operation and evolution of the CJ strategy