

Intellectual Property Policy Vision

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Intellectual Property Strategy Headquarters

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Introduction

Japan has a long history and rich culture, as well as a wide variety of cutting-edge technology, and with these strengths our country should take on a global leadership role in intellectual property. Above all, intellectual property plays a greatly important role in fields in which Japan is highly competitive and thus should be promoting to the world. With regard to our energy technology that offers a solution for the world as it faces limitations on natural resources, our technology for safety and security that supports health and disaster prevention, and the soft power that can transmit Japan's attractiveness, through maximizing the value of these strengths as intellectual property, it is important for us to incorporate global economic growth by acquiring global markets or expanding trade in technology and services.

In the midst of the rapid advance of information technology through the construction of today's global networks, Japan is now partway through its transformation to an IP-based society, and thus we have not yet reached the point where "intelligence" is fully utilized. Furthermore, various issues are occurring as international society is changing, including the rise of emerging countries, the changing energy situation, and the rapid progress of the declining birthrate and aging population. However, if we want to maintain and improve our industrial competitiveness, and to continue to be a major player in international society, we should seize upon such changes in society as a golden opportunity. Now, an excellent economic and social system is needed in which Japanese people can demonstrate their creativity fully in a wide variety of fields, including science and technology and culture, with results that will lead to advancing Japanese industries and improving the people's lives. It is necessary to build an intellectual property system to serve as the essence of such a system.

As we work to build up an intellectual property system that meets such a demand, Japan is also expected to develop human capital endowed with creativity and strategic capabilities, who can be the bearers of "intelligence," and to cultivate a social climate for such development. In addition, as society becomes more global, more flat, and more open, borderless economic activities are accelerating. As an advanced intellectual property nation, Japan needs to take the initiative in building a global intellectual property system that will become the foundation for such a newly emerging world. At just this opportunity, Japan has demonstrated its strong intention to participate in building a new global economic system by participating in economic partnership agreements including the Trans-Pacific Partnership (TPP).

In view of the rapid changes in the past ten years, we can predict that we will experience various paradigm shifts and changes in the coming decade, and that many previously unimagined new technologies and ideas will come into being. Directly confronting the current situation once again, as we engage in discussions from totally new perspectives, we need to construct an intellectual property policy while constantly incorporating new perspectives in response to changing situations and promptly dealing with such changes.

1. Summary of previous intellectual property policy

Since the Prime Minister's proclamation of an "IP-based nation" in 2002, Japan has been tackling important policy challenges through establishing a cross-ministerial system, which includes enforcing the Intellectual Property Basic Act, revising over fifty relevant laws, and establishing the Intellectual Property Strategy Headquarters, which is attended by all cabinet ministers.

The Intellectual Property Cycle, consisting of the creation, protection, and utilization of intellectual property, was positioned as the pillar of previous intellectual property policy, along with the enhancement of content and human capital development in the content industry.

In order to enhance the Intellectual Property Cycle, the Government of Japan has worked to strengthen industry-academia-government collaboration by setting up an intellectual property headquarters in each university; established the Intellectual Property High Court as a court specializing in intellectual property dispute resolution; and shortened the examination period by employing a large number of examiners on a fixed-term contract basis. In addition, at a G8 summit the Government of Japan proposed the Anti-Counterfeiting Trade Agreement (ACTA), which aims to enhance countermeasures against counterfeits and pirated goods, and we have become the first contracting state. Furthermore, various mechanisms have been established toward advancing the content industry, including the Audiovisual Rights Management Association (aRma), which aims to accelerate the electronic distribution of broadcast programs; All Nippon Entertainment Works, Inc. (ANEW), which supports the overseas expansion of Japanese content; and Screen Authority Sapporo, which promotes attracting film location shoots and the like in the Sapporo Special Content Zone. The development of human capital for intellectual property has been also enhanced through the establishment of professional graduate schools.

In this manner, much progress has been made in the field of intellectual property through the various efforts made during the past decade. In the meantime, the social conditions that form the basis of intellectual property policy have been rapidly transforming, such as the increased presence of emerging countries, the advance of globalization involving small and medium sized enterprises

(SMEs) and venture companies, and the diversification of content media. Henceforth, in the reconstruction of intellectual property policy, it is necessary to deepen some parts of the policy pursued thus far, while also including a review of its basic principles.

2. A view of the current status of the industry

With the introduction of digital network technology and the globalization of the world economy, the industrial structure and business models are radically changing. The source of the competitiveness of many highly competitive companies is not only “improvement” of the conventional business model but also “innovation” that creates a new business model or shifts the business model itself. In order to promote such innovation, it is important to incorporate the value created by many entities all over the world, by making use of the open environment for “intelligence” activities, and to connect this value to businesses.

In addition, the definition of the term “world market” is changing. We now need to promote businesses targeting not only a segment of high-income countries, but also all nations and all income layers. We also need to develop the soft power rooted in our unique traditions and culture, and, on the other side, to incorporate people and technologies from overseas.

To respond to such a global business environment, companies need to establish their own strategic intellectual property management according to their business strategies, and to develop their business activities by making the most of intellectual property. Intellectual property management involves a wide variety of activities, varying from simple licensing of intellectual property to monopolization through trade secrets, and from the expansion of markets through standardization to the reduction of procurement costs. The wave of globalization is now spreading not only to large companies, but is also widely encompassing SMEs and venture companies. On the other hand, some SMEs depend solely on subcontracted work provided through existing relationships with large companies. It is necessary for SMEs and venture companies to develop their own management strategies as independent entities, with intellectual property management positioned in such a strategy.

3. A view of the current status of the intellectual property system

The role of intellectual property in business has been changing. For example, when the intellectual property system was first introduced, the business model it envisaged was to monopolize products by claiming a small number of patents. However, as products with many patents have become popular, the premise of the former business model has collapsed. In addition, the content industry ecosystem on the basis of which the copyright system was established is also significantly changing. The relationships among content, service providers, and devices are now

shifting from a field-based vertical integration model, which is represented by a straight distribution line of broadcast programs to TV stations to TV sets, to a cross-sectoral horizontal fusion model, where various kinds of content are provided via various routes to multiple kinds of devices. As is seen in network-based cloud computing, or digital fabrication utilizing 3D printers, etc., it can be said that there is a need for an intellectual property system that will sustain a wide variety of intellectual property management strategies to cope with the current industrial structure, in which there is a complex cross-sectional intertwining of manufacturing and craftsmanship with content.

Whereas the global economy involves neither geographical nor temporal limits on business and creative activities, intellectual property systems are designed one-by-one by each country's government, and intellectual property rights are basically granted one-by-one by each country. Under these circumstances, we need to recognize that countries are now competing with each other to make their own intellectual property systems more user-friendly and more capable of stimulating innovation, from the perspective of enhancing their international competitiveness. Furthermore, with the expansion of the global market, governments around the world are enhancing their efforts in the field of content, but the Japanese content market and our country's budget for content policy has remained flat or has even tended to decrease. In view of these situations, much greater enhancement of our efforts is desired.

In making Japan's intellectual property policy, we are expected to review the system not only from the perspective of domestic legal consistency, but also to enhance competitiveness, and to advance improvement of the system. Furthermore, moving beyond the conventional sectionalism in policy making—such as industrial property rights and copyrights, or international standardization and intellectual property rights—the government needs to consider intellectual property policy while aiming for harmonization with science and technology policy, cultural policy, and information technology policy.

4. Efforts focusing on the next decade

In light of the current status of industry and of intellectual property policy, this Intellectual Property Policy Vision has been developed based the four points described below as pillars. In particular, with regard to content-related measures, in order to strongly promote effective measures with the whole nation sharing the same vision, by declaring Japan to be a “content creation nation,” the Government of Japan intends to enhance the international competitiveness of the content industry through unified efforts by the public and private sectors.

It should be noted that when new policies are needed as situations change in the future, this will be reflected in the Intellectual Property Strategic Program formulated as an annual action plan according to the Intellectual Property Policy Vision, and a review of the Vision itself will be

considered when necessary, along with continuous policy evaluations.

1. First pillar: Building up a global intellectual property system for enhancing industrial competitiveness

In order for Japanese companies to perform smooth global business operations, it is necessary to encourage emerging countries to build up high-quality intellectual property systems, in cooperation with other countries that already have advanced intellectual property systems. Meanwhile, some IP-advanced countries are considering how to harmonize the intellectual property systems of emerging countries that companies from their own country are interested in as markets with their own intellectual property system. Observing this, while continuing to take the initiative in cooperative relationships with advanced countries, Japan needs to intensively approach emerging countries that can be deemed to be important markets, and by causing our intellectual property system to become a standard that these emerging countries will comply with, when Japanese companies advance into these countries, they will be able to implement their intellectual property strategies in a business environment which has an even higher affinity with the Japanese business environment.

To this end, it is necessary to make Japan's intellectual property system attractive to companies in Japan and overseas, so as to make it a highly unifying force internationally that can draw users and innovation investment. We should have a sense of the danger that Japanese industry and our technology development may become hollowed-out if we fail to optimize the intellectual property system and global expansion as mentioned above.

Moreover, in order to support such global business operations of Japanese companies, Japan will work to improve the environment such that Japan will attract talented global IP human capital to build and implement intellectual property management from a business strategy perspective, not only from Japan, but also from all over the world, and to nurture and make use of this human capital.

2. Second pillar: Support for enhancing intellectual property management by SMEs and venture companies

SMEs and venture companies play an important role as sources of Japan's industrial competitiveness in creating innovative technologies and in supporting local economies. The revitalization of their business activities is absolutely necessary for the growth of the Japanese economy.

In the management strategy of SMEs and venture companies, intellectual property management to effectively utilize the excellent intellectual property rights they hold is extremely

important in dealing with economic globalization. However, due to a lack of funds, know-how, and human capital, the intellectual property management that is essential to secure competitiveness in the current business environment is not necessarily being conducted in an appropriate manner.

Therefore, there is an expectation that, while raising awareness about the importance of intellectual property management among SMEs and venture companies, the Government of Japan will provide detailed support for intellectual property activities according to the individual needs of companies, and remove various obstacles that hinder the intellectual property activities of these companies. The Government of Japan will make efforts including enhancing incentives for the intellectual property activities of SMEs and venture companies, and establishing a system that will provide thorough support from the acquisition of rights to their utilization overseas.

3. Third pillar: Improving the environment for adjusting to the digital network society

In recent years, new markets such as smart TV are emerging as media innovation takes place, including multiscreen display by various devices, cloud networks, and social network services. The usage of content has been diversified, and content itself has become a platform; that is, content is accessible in the cloud every time it is to be used. On the basis of such changes, new business models are now being established. Furthermore, the range of content is expanding to include not only conventional content produced by professional creators, but also user-generated content, educational content, public data held by the public sector, and content contained in big data. Moreover, content is coming to be used more and more in various settings such as education, medical treatment, and e-commerce, indicating a transformation and expansion from the conventional fields of literature and entertainment.

However, with the development of cloud computing as the background, Japan is behind other countries in the global competition to build up platforms for content circulation, and therefore it is necessary for us to intensify our efforts, looking ahead at building up the world's highest-level platforms. In addition, there is also a demand to create an environment toward expanding the market of the content industry, where the ratio of SMEs and venture companies is characteristically higher than in other industries.

Due to the development of big data use, a huge amount of data is now used in various industries, and the amount of machine-to-machine content distribution is rapidly increasing. In such a situation, content policy is directly linked to industrial competitiveness. Therefore, it is becoming essential to adopt a perspective that takes in the big picture of all affiliated industries. In order to stimulate the creation of new industries and to continue the development of culture, it is necessary

to create a cycle of content reproduction and use by overcoming the conflicting interests of rights-holders and users, and by designing a flexible system that would promote new business creation.

4. Fourth pillar: Strengthening soft power focusing on the content industry

As represented by term “Cool Japan,” the responses our country receives from around the world do not stop with manga, anime, and games, but also include our unique culture, from fashions, food, and traditional arts and crafts to tourism. In order to connect such soft power to economic growth, it is important to acquire overseas markets by coordinating cross-sectoral cooperation, utilizing a comprehensive power combining the cultural power that produces content and design with the power of manufacturing and craftsmanship.

Firstly, it is important to work towards an outbound approach, which aims to enhance the provision of information via the media or at events. Further stressing the importance of overseas expansion, the Government of Japan needs to strategically promote improving the system for big sales in targeted countries or regions, cross-sectoral cooperation, and the utilization of SMEs and venture companies.

In addition, an inbound approach that aims to establish a cultural center that actively draws human capital and technology from overseas is also important, not only to create new consumption, but also to further develop new industries and culture. Gaining many more fans of Japan through an inbound approach would contribute to overseas expansion of the Japan brand, which would create a virtuous circle, leading to further inbound flows.

Furthermore, from the perspective of protecting and developing the intellectual property rights of Japanese content, it is necessary to enhance countermeasures against internal and external counterfeits as well as pirated products, and to develop human capital for content creation.

First pillar: Building up a global intellectual property system for enhancing industrial competitiveness

1. Building up a global intellectual property system to support the overseas business activities of Japanese companies

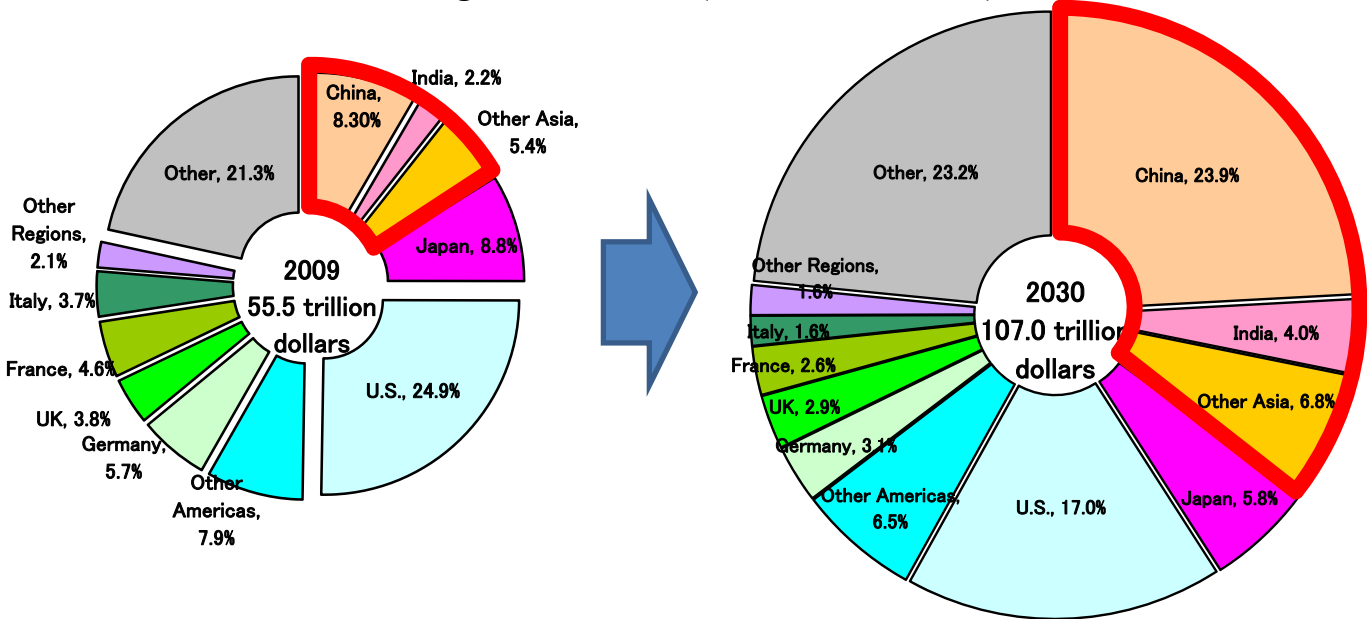
(1) Support for obtaining intellectual property rights overseas (building up an environment in which Japanese companies can obtain intellectual property rights in emerging countries in Asia, etc. in a similar way as they can in Japan)

Current status

<<Emerging markets in Asia that are becoming increasingly important>>

Emerging countries in Asia, including China, the ASEAN countries, and India, will prospectively become even more important for Japanese companies.

Changes in GDP Share (Market Trade-Based)¹



<<Status of intellectual property in emerging countries in Asia>>

As the importance of emerging countries in Asia increases, the number of patent applications, etc., filed in these countries by Japanese applicants is likely to increase.

Meanwhile, with regard to the status of the improvement of the intellectual property system,

¹ From Cabinet Office, "Trend of the World Economy 2010." The category of "Other Asian Countries" includes Indonesia, Malaysia, the Philippines, Thailand, Singapore, Hong Kong, South Korea, and Taiwan.

² Annual Report on Patent Administration 2012 (June 2012, JPO).

some issues have been pointed out,^{2,3} including that the legal systems and examination systems in many emerging countries in Asia are insufficient.

Status of Patent Filings by Japanese Companies in Emerging Countries in Asia⁴

Year/Nation	China	India	ASEAN ⁵
2003	20,020	370	3765
2011	39,231	5,048	4,537

<< IP-advanced countries' efforts for cooperation with emerging countries >>

Japan has been providing emerging countries, etc., with various kinds of support and cooperation, including dispatching intellectual property experts, and provides various kinds of training and education concerning intellectual property.⁶

Meanwhile, the importance of the markets of emerging countries in Asia and the issues concerning their intellectual property systems are well understood not only by Japan, but also by Europe, the U.S., Korea, etc. Various countries are actively promoting support for emerging countries in Asia to improve their intellectual property systems so that companies from their own country can develop their businesses more advantageously there.

For example, the European Union is running a program on the protection of intellectual property rights called ECAP, designed for the ASEAN countries. South Korea is also actively promoting its cooperation and support programs through the overseas expansion of examination services, by increasing the number of countries for which its national patent office can act as a competent authority for PCT search reports, and through providing intellectual property education.

³ "A Proposal toward the 'Intellectual Property Policy Vision'" (February 2013, Japan Business Federation).

⁴ From the WIPO (World Intellectual Property Organization) website.

⁵ The number for ASEAN is the total of the number of filings from Malaysia, the Philippines, Singapore, Thailand, and Vietnam which are available on the WIPO website. Regarding Thailand, it joined the PCT (Patent Cooperation Treaty) in 2009, and Thai applicants began filing through the international application system in 2011. Thus, it should be noted that the data from 2010 to 2011 show a decrease in the number of filings.

⁶ Since 1996, Japan has invited a little under 4,000 trainees in total, including IPO staff from emerging countries and employees of law-enforcement agencies.

●Europe

EC-ASEAN Intellectual Property Rights Co-operation Programme (ECAP)

ECAP implements support for enhancing IP registration capacity and strengthening IP law enforcement in ASEAN countries.

●Korea

Expansion of Korean IP administration (Korea-IP Wave)

➤ Promoting the expansion of exporting examination services

Expanding exporting PCT international search services and promoting deputizing services for examinations for emerging and developing countries

➤ Introducing IP administration know-how to foreign countries, aiming to build an IP environment friendly to Korean companies

➤ Inviting IP officials from Vietnam and Thailand (June 2012) and China (October 2012) and offering education

➤ Disseminating a Korean-style IP information system overseas and participating in WIPO's IT projects

Building IP information systems: Mongolia (3.35M dollars, 2009-2011), Azerbaijan (4.2M dollars, 2011-2013), the African Regional Intellectual Property Organization (580M dollars, planned for 2013)

Source: JETRO Seoul IP News, "KIPO shortened patent pendency to 14.8 months," December 28, 2012.

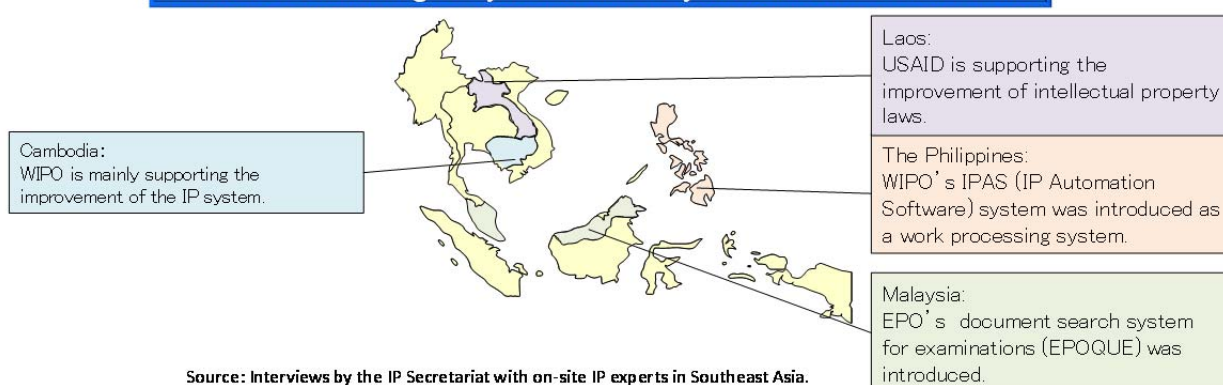
<<Status of the improvement of intellectual property systems in the ASEAN countries>>

Moving toward economic integration in 2015, ASEAN formulated the ASEAN IPR Action Plan 2011–2015 in August 2011, following the ASEAN IPR Action Plan 2004–2010, and is working to enhance the protection of rights in the field of intellectual property, such as by introducing characteristics as indicators to show the degree of quality improvement of intellectual property-related administrative services, or by having the IP offices of each country share best practices.⁷ At the national level, each country is improving its intellectual property legal system and introducing information systems in its intellectual property office, in cooperation with other countries, and including the WIPO. In this way, there is momentum among the ASEAN countries to improve their intellectual property systems.

The scale (the number of examiners, etc.) of the national intellectual property offices in India or the ASEAN countries is extremely small, compared with the Five IP Offices (Japan, the U.S., Europe, China, and Korea). Therefore, if good programs for training examiners are provided, we can expect high outcomes (the number of examiners in India is about 150 [as of the end of March 2013]; see the following table for details about ASEAN).

⁷ Mid-Term Review of the Implementation of AEC Blueprint Executive Summary(Oct. 2012) より

Status of Considering IP Systems and IT Systems in ASEAN Countries



- WIPO's IPAS (IP Automation Software) system is penetrating IP offices in Southeast Asian countries including the Philippines as a work processing system.

Source: Interviews by the IP Secretariat with on-site IP experts in Southeast Asia.

The Number of IPO Staff and Examiners in ASEAN Countries

Number of Staff	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	The Philippines	Singapore	Thailand	Vietnam
Total	22	61	575	12	304	12	252	136	405	275
Patent Examiners	1	5	132	2	70	-	41	-	42	42
Design Examiners	1	5	74	-	7	-	-	-	25	10
Trademark Examiners	4	5	145	5	27	-	26	-	52	53

Challenges

In order to strategically promote global business activities, it is indispensable for companies to be able to obtain and utilize intellectual property rights properly and smoothly in the countries where they develop their business. For emerging countries in Asia that will prospectively become increasingly more important markets, a number of issues have been pointed out, including the fact that the examination systems in their intellectual property offices are not yet sufficiently organized.

Therefore, in order for Japanese companies to develop the business activities more strategically in emerging countries in Asia, etc., and to gain an advantage in competition, it is necessary to build an environment such that Japanese companies can obtain intellectual property rights in emerging countries in Asia, etc., in a similar way as in Japan, through utilizing the framework of the Trilateral Patent Offices (Japan, Europe, and the U.S.), and the Five IP Offices (the Trilateral Patent Offices plus China and Korea).

Measures to be taken

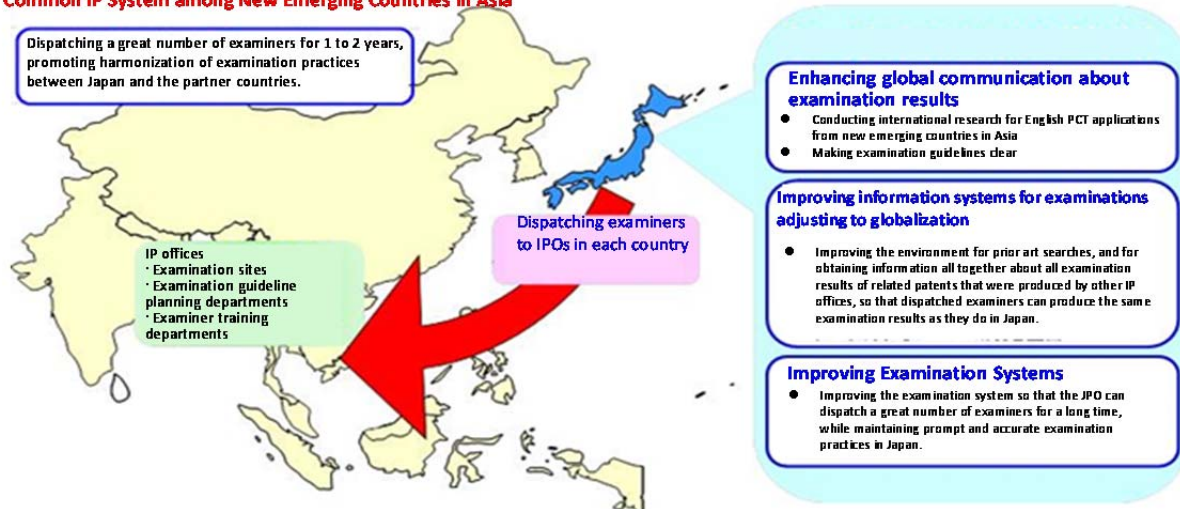
- In order to improve the environment in which Japanese companies can obtain intellectual

property rights in emerging countries in Asia, etc., in a similar way as in Japan (a common intellectual property system among emerging countries in Asia), the Government of Japan will dispatch a large number of Japanese examiners to intellectual property offices in emerging countries in Asia, promoting the harmonization of practices among Japanese examiners and examiners of emerging countries in Asia (Ministry of Economy, Trade and Industry [METI]).

- For building and improving infrastructure toward the global development of the intellectual property system, the Government of Japan will enhance the infrastructure of the Japan Patent Office (JPO), including expanding its PCT search competency, expanding the framework of the Patent Prosecution Highway (PPH), accelerating examinations and improving their quality, clarifying major points of the examination guidelines, unifying the examination results form, improving the information systems for examinations to support globalization, and improving the examination system (METI).
- The Government of Japan will support the advancement of the intellectual property systems of emerging countries in Asia, through human capital development and dispatching experts, as well as support for information technology, through close cooperation with the WIPO, which has a great influence on emerging countries in Asia (METI, Ministry of Education, Culture, Sports, Science and Technology [MEXT]).
- In order to facilitate support for improving the intellectual property systems of emerging countries in Asia, through close cooperation with the WIPO, which has a great influence on emerging countries in Asia, the Government of Japan will facilitate dispatching human capital from the JPO (METI).

Efforts for Building Common IP Systems among New Emerging Countries in Asia

Common IP System among New Emerging Countries in Asia



(2)Support for intellectual property activities overseas (enhancing the support system for enforcement, etc. based on intellectual property rights in emerging countries in Asia, etc.)

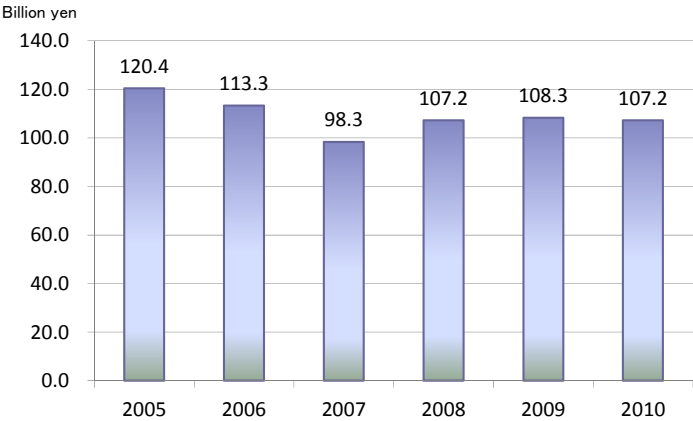
Current status

<<Status of counterfeit circulation in Asia>>

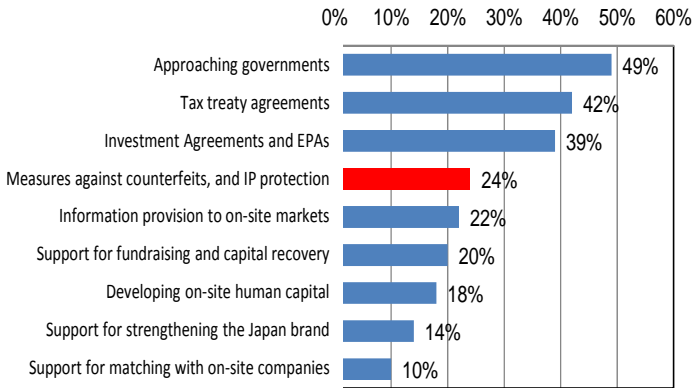
Regarding the status of counterfeit circulation in Asia, the most prominent pattern is that of products that are manufactured in China being sold and supplied all over the Asian region.

The total amount of damage caused by counterfeiting has remained flat over the past few years. However, since the number of reports on counterfeit damage in Asia is extremely small, an analysis also says that the statistics do not reflect the whole picture of counterfeit damage.⁸ In addition, there is a great demand for the government to take measures against counterfeiting and to work to protect intellectual property to support the overseas expansion of companies.

Trend in the Total Amount of Counterfeit Damage⁹



Measures Expected to Support Overseas Expansion¹⁰



* The total amount of damage is based on the known reports.

<<The support system for overseas IP activities>>

In order to support the intellectual property activities of companies in foreign countries, the Government of Japan appointed intellectual property officers for all diplomatic missions (March 2005), to provide consultation services on damage caused by counterfeits and pirated goods, and to promote enhancing private sector-government collaboration. In 2011, the entire Ministry of Foreign Affairs (MOFA) dealt with 250 cases in total.¹¹

In addition, JETRO has appointed intellectual property consultants in Beijing, Seoul,

⁸ From materials by JETRO Bangkok (June 2013)
⁹ “Survey Report on Counterfeiting Damages” (JPO, FY2011).
¹⁰ “Issues and Responses Concerning Pioneering Emerging Markets” (interim report) (July 2012, Trade Policy Committee under the Industrial Structure Deliberation Council); made based on the results of a survey conducted among 403 companies that are advancing their business into emerging countries.
¹¹ From the “Annual Report on Consultation Services Regarding Counterfeits and Pirated Goods” (June 2012).

Bangkok, and New Delhi, as part of the support program for companies expanding their overseas business. In other offices in Asia, JETRO staff hold intellectual property consultant posts. Furthermore, JETRO provides grants-in-aid to assist infringement surveys (it covers two-thirds of the cost [the upper limit is three million yen]; the budget in FY2012 was approximately 30 million yen, and twelve surveys were conducted), and engages in information exchange activities among Japanese companies abroad through the Intellectual Property Group (IPG). It is also building up relationships with government offices and agencies.

<<Efforts of governments in other countries>>

The Korean Intellectual Property Office (KIPO) has established an IP-DESK in nine cities, in the U.S., China (Beijing, Shanghai, Guangzhou, Tsingtao, Shenyang), Thailand, Vietnam, and Indonesia, as points of contact to provide consultation services, and provides support for Korean companies in cooperation with the KOTRA (Korea Trade-Investment Promotion Agency) and the Korean Intellectual Property Protection Association (KIRRA). In November 2012, KIPO held an Intellectual Property Strategic Meeting for the China Region, and discussed how to enhance Korean companies' competitiveness in intellectual property rights in China.

Challenges

- Japanese companies' business activities will prospectively be revitalized in emerging countries in Asia, including the ASEAN countries, which are becoming more and more important in terms of the market due to an increasing share of GDP, etc. On the other hand, it has been pointed out that the status of counterfeit damage might not be fully and precisely understood yet. Therefore, it is necessary to ascertain the actual status of this damage.
- In order to build an environment in which Japanese companies can effectively utilize their intellectual property rights, including exercising rights, in emerging countries in Asia, it is necessary to enhance the support system for Japanese companies' utilization of their intellectual property rights overseas.

Measures to be taken

- As part of its efforts to strengthen comprehensive support for the overseas business expansion of Japanese companies, including SMEs and venture companies, the Government of Japan will enhance the support system for global expansion, providing thorough support from the acquisition to the utilization of rights overseas, in affiliation with relevant agencies including the JPO, the National Center for Industrial Property Information and Training (INPIT), JETRO, and others (see "Improving the support system for the global expansion of SMEs and venture

- companies,” on page 53) (METI).
- With regard to emerging countries in Asia that are becoming more and more important in terms of the market, the Government of Japan will enhance the support system and strengthen efforts at the embassies in these countries and by JETRO, through utilizing patent attorneys or former business people from Japanese companies. In addition, while approaching each country to encourage it to operate its intellectual property system appropriately, and while making efforts to ascertain the current actual status of the damage caused by counterfeiting, the Government of Japan will further enrich support for intellectual property activities, including enhancing support for intellectual property enforcement in these countries and promoting the Japan brand (METI, Ministry of Foreign Affairs [MOFA]).
 - In order to promote improving the environment surrounding the copyright system, the Government of Japan will further facilitate establishing a centralized control system of copyrights, developing human capital, and supporting public awareness raising activities, in light of the needs of emerging countries in Asia and their progress in establishing a copyright system (MEXT).

(3) Utilizing trade related agreements toward smoothing intellectual property activities

Current status

<<Intellectual property protection efforts in economic partnership agreements and investment agreements, etc.>>

Among the trade-related agreements concluded with many countries, the provisions in the field of intellectual property are stipulated in the chapters on intellectual property or investment in Economic Partnership Agreements (EPAs), or in investment agreements, according to the counterpart country’s intellectual property system and its needs.

- The chapters on intellectual property in EPAs¹²

<1> Securing the proper and prompt protection of intellectual property

- Appointment of the JPO as a designated office in the modified substantive examination system (Singapore).

Applicants can only obtain a right through a formal check with the submission of a gazette that proves that the right has been granted by the JPO (uniformity of the scope

¹² Made based on “Agreements in the Intellectual Property Field Regarding Japan’s Economic Partnership Agreements (EPAs)” (by Takashi Koyama) in the monthly *Patent* (September 2010).

of rights).

- Introduction of an early examination system (Indonesia).

Applications can be examined preferentially to other applications by submitting the results of an examination made by the JPO, etc.

- Introduction of a prioritized examination system (Malaysia, Vietnam)

When early granting is needed, such as in a case in which a third party is exploiting an invention that is related to a pending patent application, applicants can request a prioritized examination in which applications are examined preferentially to other applications in certain cases.

<2> Simplifying procedures and enhancing transparency

- Introduction of the publication of patent applications 18 months after the filing date (Malaysia)
- Introduction of a collective entrust system in which an applicant can entrust patent attorneys to file multiple applications collectively (Indonesia, Vietnam)

<3> Intensifying law enforcement

- Expanding the scope of criminal punishments (Indonesia, Philippines, Thailand)

The scope of criminal punishments has been expanded to include infringements of patents, utility models, designs, etc., in addition to trademarks and copyrights as mandated in the TRIPS Agreement.

- Expanding the scope of customs prohibitions (Philippines)

The scope of prohibiting the import of infringing goods has been expanded to include infringements of patents, utility models, designs, etc., in addition to trademarks and copyrights as mandated in the TRIPS Agreement.

● The chapters on investment in EPAs or Investment Agreements

Intellectual property rights are stipulated as being one kind of investment asset, and are deemed to be rights to be protected under the agreement.*

(*Treating foreigners and locals equally, most-favored-nation treatment, fair and equitable treatment, prohibitions on specified performance requirements, prohibition of expropriation in general, freedom of money transfer, etc.)

<<Requests from industry concerning trade agreements>>

Industry and academic circles have pointed out a number of issues concerning the protection of intellectual property rights stipulated in investment agreements, including unjust restrictions on royalty rates in technology licensing agreements and royalty fee transmissions, the confidentiality period for know-how and trade secrets stipulated in service contracts, etc.¹³

¹³ From the "Survey Report for Analysis of International Up-to-Date Trends Concerning Investment Agreements" (Japan Machinery Center for Trade and Investment,

For example, in China, technology license royalty rates may be set to a maximum of 3 to 5% according to administrative guidance, and the rate varies depending on the region and the person in charge. According to the Regulations on the Administration of Technology Imports and Exports that came into effect in 2002, administrative guidance by municipal governments, etc., to limit a contract period to up to ten years remains active even if there are no such stipulations in the contract itself.

In Brazil, registration with the National Institute of Industrial Property (INPI) is required when making a technology licensing agreement, but it usually takes a long time to examine the registration. In addition, there are other problems including that the royalty rate is set to a maximum of 5% of the sales of goods; that the period of know-how provision is set to a maximum of five years in service contracts; and know-how is automatically transferred after the termination of a contract. Moreover, registration with the Central Bank of Brazil is required to make overseas remittances for royalty payments, and various taxes are charged on money transmissions.

Challenges

- Industry has requested the Government of Japan to encourage counterpart countries in inter-governmental negotiations to improve their intellectual property systems and to ensure effective enforcement, and to achieve higher levels of protection of intellectual property in their countries than the standards stipulated in the TRIPS Agreement, etc.
- A number of international issues have been pointed out, such as the royalty rates for technology licensing agreements, limits on royalty remittances, etc. Since a business environment in which Japanese companies would have difficulty in making the most of their intellectual property could cause a reduction in their international competitiveness, it is necessary to deal with such problems.
- In order to enhance Japan's international competitiveness, it is necessary to bring the Anti-Counterfeiting Trade Agreement (ACTA) into force, and to consider specific measures toward expanding participation in ACTA (see "Promoting ACTA" on page 107).

Measures to be taken

- Through bilateral and multilateral agreements including Free Trade Agreements (FTAs), Economic Partnership Agreements (EPAs), and investment agreements, the Government of Japan will work to solve international problems in the field of intellectual property that hinder the global business operations of companies, and will make improvements in this area.

Specifically, taking into consideration the needs of Japanese industry, etc., the Government of Japan will encourage counterpart countries to improve their intellectual property systems and to ensure effective enforcement, and to actively work toward achieving higher levels of protection of intellectual property in their countries than the standards stipulated in regulations such as the TRIPS Agreement. In particular, with regard to the Trans-Pacific Partnership (TPP) Agreement, the Government of Japan will pursue the best outcome for the sake of our national interests, taking into consideration opinions and comments from interested parties, including industry (MOFA, METI, Ministry of Agriculture, Forestry and Fisheries [MAFF], MEXT, Ministry of Finance Japan [MOF]).

- In particular, with regard to currently occurring issues such as royalty rates for technology licensing and restrictions or upper limits on the transfer of royalty payments, the Government of Japan will consider whether to raise these issues as agenda items in trade negotiations or inter-governmental discussions (MOFA, METI).

2.Improving the infrastructure for success in international competition in the field of intellectual property systems

(1) How the employee invention system should be

Current status

- The major points of the current employee invention system are as follows.
 - In principle, employee invention compensation is entrusted to a “voluntary agreement” between the employer and employee.
 - If the compensation determined through the “voluntary agreement” is considered to be unreasonable, a court will calculate “appropriate compensation.” The judgment of unreasonableness shall be made with particular emphasis on the procedural elements from among the whole process from determining to paying compensation.
- The rights of employee inventors (the right to obtain a patent) in major countries are classified as follows, depending on to whom employee inventions originally belong, as well as the stipulations on compensation and remuneration. The system varies among countries, but many countries have adopted a rule that inventions shall belong to employers and that compensation and remuneration should be paid to employee inventors.

Inventions belong to employers	There are no stipulations on compensation or remuneration (Switzerland).	The Swiss Code of Obligation stipulates that employers shall be granted all rights of inventions created by employees under a contract of employment. It does not stipulate additional remuneration for employees in such cases.
	There are stipulations on compensation or remuneration (UK, France, Russia, the Netherlands, China)	A rule that employees’ inventions shall originally belong to employers has been adopted. However, each country gives employee inventors a right to claim remuneration for their inventions, etc., to make a balance between employers and employees.
Inventions belong to employees	There are no stipulations on compensation or remuneration (U.S.).	There are no stipulations on employee inventions. The right to obtain a patent always originally belongs to the inventor. Succession of a right to obtain a patent from employees to employers is entrusted to contracts, etc. In general, employment agreements include an article

		stipulating that compensation for transferring a right is included in the salary.
	There are stipulations on compensation or remuneration (Germany, Korea)	As in Japan, the rights to employee inventions originally belong to employees. In Germany, there are detailed guidelines about how to calculate the compensation that should be paid to employees.

Challenges

- There is an opinion that the current system still has low predictability, and it has been pointed out that the system should be changed to make employee inventions originally belong to employers, or that the system itself should be abolished to entrust the issue of employee inventions to employment agreements between employers and employees. In addition, there is an opinion that we should consider how the system should be on the basis of basic research on its relationship with the Labor Law.
- With regard to the issue of how inventions made by students who are not in an employment relationship with a university, etc., should be handled, it needs to be clarified in contracts for universities, etc., to succeed to rights from students, and it is important for the government to facilitate universities, etc., handling student inventions properly.

Measures to be taken

- When reviewing the Japanese employee invention system regarding how to avoid making the system become an obstacle to companies' global activities, taking into consideration the results of analysis of domestic and international operations and the greatly changing situation in the industrial structure and the labor environment, the Government of Japan will consider the employee invention system from the perspectives noted below, and take necessary measures that can contribute to industrial competitiveness, including whether employee inventions should belong to corporations or whether this issue should be entrusted to agreements between employers and employees (METI).

Perspectives:

- Increasing the predictability of payments to inventors.
- Whether payment to an inventor should be regarded as value equivalent to transferring ownership of an invention or as additional remuneration for the invention.
- Whereas an employee's remuneration is generally defined according to the Labor Law, the value of an invention is defined under the provisions of Inventions by Employees in

the Patent Act; therefore, the employee invention system needs to be reviewed again from the perspective of the Labor Law.

- Global harmonization.
- Providing an attractive system and environment for inventors.
- The Government of Japan will investigate the facts regarding how universities and other academic organizations are handling freely made inventions other than employee inventions (such as inventions by students who are not in an employment relationship), and will facilitate proper handling of such inventions in academia through the dissemination of the investigation results (METI).

(2) Improving the infrastructure for examinations

Current status

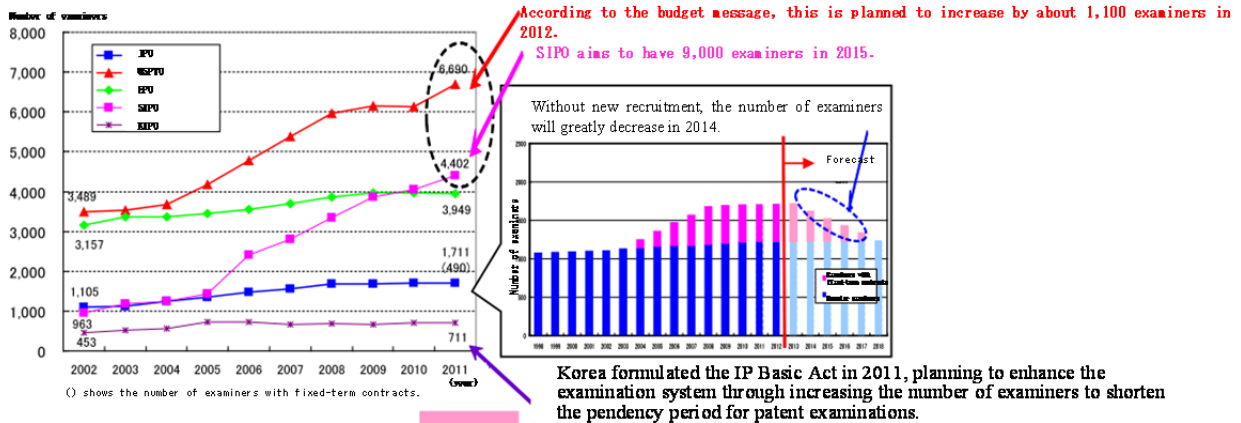
<<The importance of prompt examinations>>

In order to support Japanese companies smoothly obtaining intellectual property rights overseas, it is necessary to promptly release high-quality examination results to the world, and to promote their use in intellectual property offices in foreign countries.

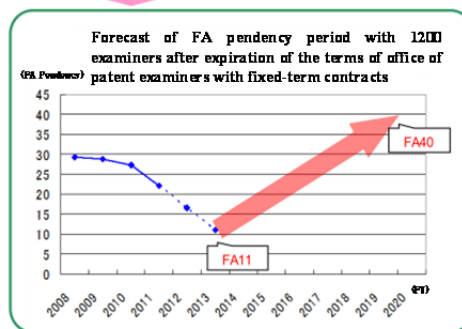
However, while the intellectual property offices in other advanced countries are enhancing their systems, such as by increasing the number of examiners, Japan will face a substantial decrease in the number of examiners after 2014 when examiners with fixed-term contracts will leave office at the expiration of their terms. According to some estimates, the pendency period for patent examinations will become prolonged again if the employment of examiners is not secured.¹⁴

¹⁴ An estimate by the Japan Patent Office

The Trend in the Number of Examiners in the Five IP Offices¹⁵



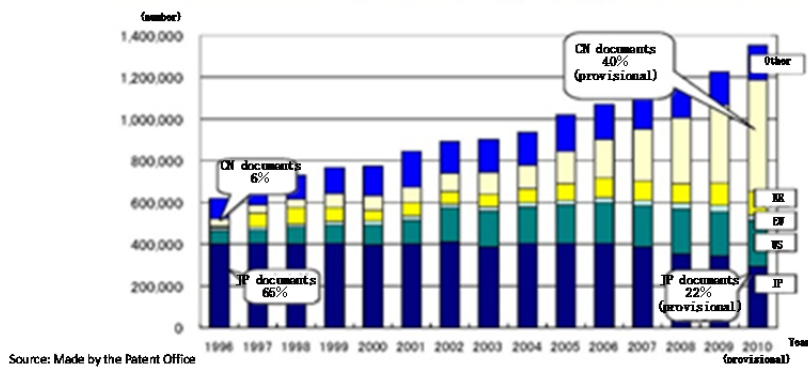
The Pendency Period for Examinations



<<Rapid increase in Chinese patent documents>>

The proportion of Chinese patent documents among the world's patent documents, etc., is rapidly increasing. As of 2010, Japanese documents accounted for 22%, while Chinese documents accounted for 40%.

Rapid Increase in Chinese Documents



Notes: Patent and utility model documents published worldwide were grouped by language and overlapping documents were excluded. Regarding published patent documents filed with multiple countries with the same content, these were counted as Japanese patents if there was a Japanese document among them. If there was not a Japanese document, it was counted as a patent in the corresponding country/region (language), in the order: U.S (English), Europe (English, French, German), Korea (Korean), and China (Chinese).

¹⁵

“The International Situation Surrounding Intellectual Property Rights and Future Issues” and “New Challenges and Responses toward the IP-Based Nation” (JPO, 2012).

Challenges

- In order to support Japanese companies in smoothly obtaining rights overseas, it is necessary to promote harmonizing Japan's examination practices with those of other countries through the long-term dispatch of examiners. In addition, it is necessary to shorten the pendency period for the first examination report and the total pendency period, and to release Japanese examination reports earlier to the world.
- Furthermore, for world-class, high-quality examination results, it is necessary to thoroughly conduct prior art searches, taking into consideration changes in the international situation, especially by improving the infrastructure for prior art searches of Chinese patent documents and by investing in human capital.

Measures to be taken

- The Government of Japan will improve and enhance the examination system, including maintaining and securing the employment of examiners with fixed-term contracts, with a view to accelerating the examination process including the whole process up to the granting of rights, maintaining and improving the quality of examinations through expanding and enriching foreign document searches, and dispatching examiners to emerging countries in Asia for a long period of time (METI).

(3) Protecting trade secrets

Current status

<<International comparison of criminal punishments for trade secret infringement¹⁶>>

Criminal punishments for trade secret infringement under the Unfair Competition Prevention Law of Japan have become partially equal to or above the international standard through several revisions (2004 through 2011) after the 2003 revision (punishment of a person, punishment of a corporation).

Furthermore, criminal punishments for trade secret infringements have reached the highest level of severity in comparison with other crimes (theft under the Penal Code: imprisonment for not more than 10 years, etc.).

On the other hand, there is an opinion that there is still room for consideration regarding making punishments even more severe, since criminal punishments for the use and disclosure of trade secrets overseas have not been made severe enough in comparison with other countries'

¹⁶ Source: "Survey Report on Trade Secret Protection in the Litigation Procedures of Foreign Countries" (Feb. 2010), a project commissioned by the Ministry of Economic, Trade and Industry in FY2009.

criminal codes, and so on.

	Japan	U. S.	UK	France	Germany	Korea	China
Law	Unfair Competition Prevention Act	Economic Espionage Act	Statute of Frauds and Perjuries	Code du Travail, Code Penal	UWG (Unfair Competition Prevention Act)	Unfair Competition Prevention and Trade Secret Protection Law	Criminal Law
Scope of Penalty Charge	Theft, reproduction	Theft, reproduction, attempted, conspiracy	Theft, reproduction, attempted	Disclosure, attempted	Theft, reproduction, attempted	Theft, reproduction, attempted, plotted	Theft, reproduction
Former executive/former employees		○	※i	○ (precedent)	※ii	○	○
Perpetrator penalty (1): imprisonment	Not more than 10 years	Not more than 10 years	Not more than 10 years	Not more than 2 years	Not more than 3 years	Not more than 5 years	Not more than 3 years
Perpetrator penalty (2): fine	Not more than 10 million yen	No limit ※iii	No limit	3 million euros	No limit	No less than 100 million won, not more than 10 times, several profits	No limit
Maximum perpetrator penalty for (1)&(2)	○	○	○	○	×	○	○
Penalty for a corporation	○	○	○	×	○ (Administrative penalty)	○	○
Penalty for a corporation: fine	Not more than 300 million yen	Not more than 5 million dollars	No limit	×	Not more than 100 million euros	Same as a perpetrator	No limit
Use and disclosure outside the country	○To be punished under the criminal law	○To be punished under the criminal law		○To be punished under the criminal law	○To be punished under the criminal law	○To be punished under the criminal law	○To be punished under the criminal law
Offense prosecuted without complaint from victims	×		×	×	○ Not more than 5 years imprisonment	○ Not more than 10 years imprisonment	×
Offense prosecuted without complaint from victims	×	○		○	○To be punished under the criminal law	○	○

※i Not yet clarified in statements in the legislative process. Precedents are being awaited.

※ii In Germany, instigating or offering the disclosure of trade secrets are to be punished regardless of whether such actions are performed by former executives or employees (not more than 2 years imprisonment or a fine).

※iii There is no explicit statement of an upper limit in the report that was referred to.

<<Current status of criminal actions relating to trade secret infringement under the Unfair Competition Prevention Law of Japan¹⁷⁾>>

There have been eleven cases in which the defendants were convicted of trade secret infringement, and the sentences included up to two and a half years of imprisonment (suspended in all cases), and up to two million yen in fines.

<<Current status of measures for civil actions and criminal actions relating to trade secret infringement>>

Under the Unfair Competition Prevention Law, stipulations regarding a presumption of damage amount, simplifying proof of income loss, mandatory clarification over specific conditions, confidentiality protection orders, in-camera inspection procedures, etc., were introduced for civil action procedures, through revisions made from 1993 to 2004. Stipulations regarding decisions of concealment, decisions of designating other names, etc., were introduced for criminal action procedures as measures for enhancing the protection of victims' trade secrets. However, it has been pointed out that there is still more room to take further measures to reduce the burden of proof with regard to court procedures for trade secret infringements.¹⁸⁾

<<Overseas trends>>

¹⁷⁾ From national newspaper reports (as of April 1, 2013), researched by the Intellectual Property Secretariat.

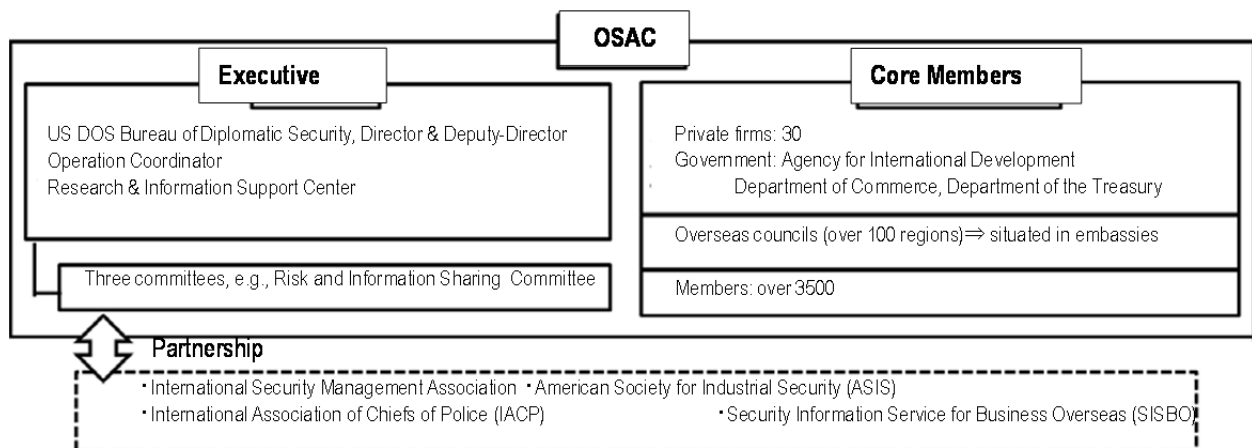
¹⁸⁾ "A Proposal toward the 'Intellectual Property Policy Vision,'" by the Japan Business Federation (Material 5 of the 2nd Working Group Considering the Intellectual Property Policy Vision).

<1> Promoting domestic crackdowns on counterfeits illegally manufactured overseas (U.S.)

In the U.S., in order to realize an environment in which U.S. companies can compete properly with companies from emerging countries on a fair level playing field, the government is promoting domestic crackdowns on actions to manufacture goods cheaply through IT (software, hardware, trade secrets, etc.) illegally obtained in emerging countries, and illegally manufactured (cheap) products, by using federal law, new state laws, existing state laws, and the United States International Trade Commission (ITC). For example, see the TianRui Group Co. Ltd v. ITC case (October 11, 2011).^{19,20}

<2> Promoting the management of technology information and trade secrets through public-private forums, etc. (U.S.)

In order to improve the security environment of U.S. companies in foreign countries, the U.S. government has established the Overseas Security Advisory Council consisting of the government and companies, which promotes public-private information exchange and discussion, issues guidelines and reports, and gives advice to companies regarding measures that they should take overseas and provides the trend of threats in the field.²¹



<3> Promoting counterintelligence by the government (U.S.)

As an agency for counterintelligence and national security, the Office of the National Counterintelligence Executive (ONCIX) has been established. ONCIX is making strategies for

¹⁹Source: CAFC (U.S.) website.

²⁰In the system for the suspension at the border of goods that violate the Unfair Competition Prevention Act of Japan, goods that constitute an action that would cause confusion by displaying the mark of a well-known product, etc., an act of acquiring illicit gain by using the reputation of famous goods, an act of imitating the configuration of another person's goods, and an act of providing a circumvention device against technical protection measures are stipulated as contraband goods, but goods constituting acts infringing on trade secrets are excluded.

²¹Source: "Report of the Study Group on the Proper Management of Information Technology, etc." (July 2008). It should be noted that there is a suggestion that "the government should create a cross-ministerial, public-private forum to exchange and share information on the leakage of trade secrets and technology information, and conduct public awareness raising activities for society" in "A Proposal toward the 'Intellectual Property Policy Vision'" by the Japan Business Federation (Material 5 of the 2nd Working Group Considering Intellectual Property Policy Vision).

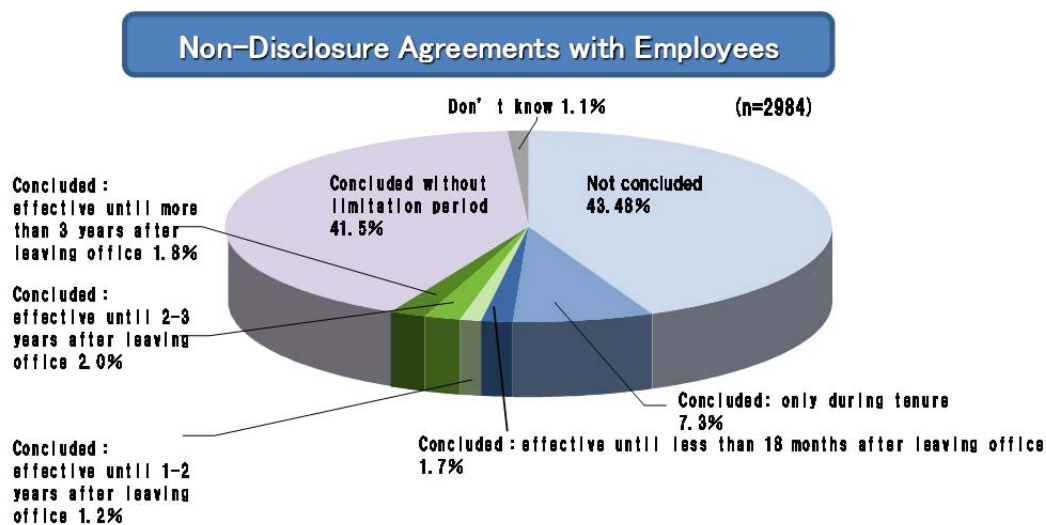
counterintelligence and providing support to the U.S. government, the U.S. intelligence community (including the Director of National Intelligence and consisting of six departments and fifteen agencies [the CIA, FBI, etc.]), and the private sector in the U.S.²²

<4> Providing one-stop support services at the Trade Secret Protection Center (Korea)

On June 22, 2012, the Korean Intellectual Property Office and the Korean Institute of Patent Information established the Trade Secret Protection Center, which provides general support for the protection of trade secrets and the management activities of Korean companies. This center provides one-stop support services, covering the whole process of trade secrets, starting from their generation, to their management and proof (e.g., a service to certify original documents).²³

<<Status of trade secret management by companies>>

According to a survey conducted to study the status of trade secret management by companies,²⁴ 43% of the companies surveyed (approximately 66% of SMEs surveyed) had not concluded non-disclosure agreements with employees (see below), which reveals that effective management using the Guidelines for Trade Secret Management and the Guidelines for Technology Outflow Prevention²⁵ has not yet fully permeated companies.



Challenges

- With regard to court procedures for trade secret infringements, it is important that while studying and conducting research on the system, and the trend and efforts concerning trade

²²Source: ONCIX (U.S.) website.

²³Source: JETRO Report; "Report on Launching Seminar for Trade Secret Protection Center," by a participant.

²⁴Source: "Survey on Actual Conditions of Trade Secret Management" in the "Report on Research and Study Concerning Technology Outflows through Human Resources (extra issue)" (March 2013); made based on the results of the survey.

²⁵The international standardization body related to telecommunications.

secrets in foreign countries, the Government of Japan will consider efforts toward realizing effective management of trade secrets and improving necessary systems, if necessary, and we will take necessary measures, taking into account that it has been pointed out that there is still room to take measures for reducing the burden of proof, and that other countries are making efforts such as the point-of-entry control operations in the U.S.

- On the basis of the suggestion to work to share information or views on the leakage of trade secrets and technology information through founding cross-ministry, public-private forums, and for public awareness raising activities, the Government of Japan needs to build a system where industry and government will share information, and will consider effective trade secret management through united efforts, while studying the systems, trends, and efforts in foreign countries, including the public-private forums in the U.S.
- On the basis of the results of the factual investigation showing that effective management of trade secrets has not fully permeated companies, it is necessary to provide urgent support for the companies that have not yet taken any basic measures.

Measures to be taken

- In order to reduce the burden of proof in trade secret infringements (especially proof of usage or disclosure in foreign countries, etc.), etc., the Government of Japan will study and conduct research on specific issues and the systems and trends in foreign countries concerning trade secret protection systems, will consider from a wide perspective not only the Unfair Competition Prevention Law but also how procedures in civil and criminal actions should be, and will take necessary measures (METI, etc.).
- With regard to how international cooperation should be and what measures should be taken to prevent the global circulation of goods that are illegally manufactured through actions that infringe upon trade secrets, the Government of Japan will study and conduct research on the systems and trends in foreign countries such as the point-of-entry control operations in the U.S., and will take necessary measures (METI, etc.).
- In order to promote efforts for protecting technologies and trade secrets, the Government of Japan will consider building a system in which industry and government can share information and will consider effective trade secret management through united efforts involving industry and government at public-private forums, etc., referring to other countries' efforts, including OSAC and ONCIX in the U.S. (Cabinet Secretariat, METI, etc.).

- As a response based on the results of a factual investigation on technology outflow through employees, the Government of Japan will provide urgent support for companies (especially SMEs) and universities that have not yet taken basic measures for trade secret management, for example, by further dissemination of the existing policies and guidelines, and by making a reader-friendly brochure that contains various cases (METI).

(4) Appropriate exercise of rights

Current status

<<Opinions from users concerning rights to request suspension>>

There have been discussions on whether rights to request suspension are needed in various cases, including the exercise of a patent right by a person who does not run a business, the exercise of a patent right concerning a technology standard (standard essential patents, etc.), and the exercise of a patent right that contributes less to making a product. In all such cases, there are some opinions supporting restrictions and others taking a cautious attitude toward restrictions.

- **Restrictions are necessary** Regarding the exercise of patent rights by those who are not conducting a business
An action to demand high compensation for damages or high licensing fees based on rights for injunction by those who do not use their inventions themselves is unjust, and hinders innovation. Therefore, rights for injunction should not be approved in such cases.
- **Cautious toward restrictions**
The Patent Act of Japan allows only a few deterrence actions. In addition, the success rate for patent right holders winning patent infringement litigation cases is low. If rights for injunction are restricted under these circumstances, Japanese patent rights may be further weakened.
- **Restrictions are necessary** Regarding the exercise of rights for standard essential patents (SEPs)
SEP rights hinder the formulation and utilization of standard technology, which would damage not only participants in technology standardization but also society. Therefore, rights for injunctions based on SEPs should not be approved.
- **Cautious toward restrictions**
If injunction rights were restricted, licensees of patented inventions (users of standardized technology) would not be afraid of receiving an injunction. As a result, licensees may avoid negotiations, or negotiations may be prolonged, which could cause disadvantages to patent right holders.
- **Restrictions are necessary** Regarding the exercise of rights based on a patent that contributes less to making a product.
If a request for an injunction is approved, even though the patent contributes less to making a product, the manufacturing and sale of the product itself would be suspended, which would create a great impact.
- **Cautious toward restrictions**
It is easy to avoid injunctive patents if a certain period of time is allowed. Thus, even if injunction rights are approved, it would not create a great impact. On the other hand, if it is not easy to avoid an injunctive patent by changing the design, it means that such a patent contributed highly to making the product. Such a case is deserving of an injunction.

Source: Report on "Legislative Issues Concerning the Patent System," by the Intellectual Property Policy Committee under the Industrial Structure Deliberation Council (February 2011).

<<Movement toward restricting requests for suspension concerning standard essential patents>>

In order to carry out considerations toward improving current patent policy²⁶ with regard to the problem of potential patent hold-ups,²⁷ etc. that could hinder innovation and competition, the International Telecommunication Union (ITU)²⁸ has been continuing intensive discussions on

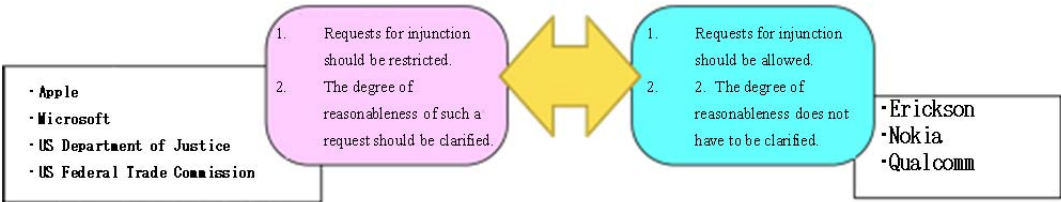
²⁶ The international standardization body related to telecommunications.

²⁷ Regarding SEPs, this is a problem in which a patent right holder restricts a third party's use, or charges a high licensing fee.

²⁸ A common patent policy between the ITU, the International Organization for Standardization, and the International Electrotechnical Commission.

patent issues related to standard specifications, including whether or not to approve rights to request suspension concerning standard essential patents that have been subject to a RAND²⁹ declaration and how to interpret the word “reasonable” in the RAND terms (reasonable and non-discriminatory terms), in its Ad Hoc Group,³⁰ with the participation of major large companies in the field of information and communications as well as the competition authorities and patent offices in Europe and the U.S. and the international standardization organizations.

Major Opinions at ITU Discussions³¹



*(2) was not explicitly mentioned in the discussions.

<<Opinions of authorities and companies related to rights to request suspension, etc., concerning standard essential patents³²>>

- EU Commission (December 20, 2012)

The European Commission sent a “preliminary opinion” to the effect that Samsung’s request for an injunction against Apple Inc.’s sales on the basis of a standard essential patent may raise antitrust concerns in Europe (an abuse of the dominant market position) (Samsung withdrew, in advance, only the requests that were relevant to the SEP-based injunction requests in its lawsuit against Apple Inc.).

- The U.S. Federal Trade Commission, etc. (January 3, 2013)

Although Google Inc. requested an injunction on the basis of standard essential patents that had been subject to a FRAND declaration³³ from among all the patents held by Motorola Mobility that Google Inc. had acquired, Google Inc. decided to maintain its FRAND licensing commitments as Motorola had done, agreeing to withdraw its request. Meanwhile, the U.S. Department of Justice and the United States Patent and Trademark Office are seeking greater certainty in the significance of a FRAND declaration.

²⁹ Reasonable And Non-Discriminatory.

³⁰ The ITU-T TSB Director’s Ad Hoc Group on IPR was established in November 2007.

³¹ From METI materials.

³² From METI materials.

³³ Fair, Reasonable And Non-Discriminatory.

- Tokyo District Court³⁴ (February 28, 2013)

In a lawsuit filed by Apple Inc. seeking to request the court's judgment to confirm that Samsung, as a patent holder, does not have the right to demand that Apple Inc. pay compensation for damages based on an illegal act (patent infringement) with regard to standard essential patents relating to communication methods including smartphones, the Tokyo District Court ruled to the effect that, while admitting the validity of the said patent right, Samsung had abused its rights, and did not have the right to claim damages based on an illegal act (decision to approve the request), taking into account various situations comprehensively, including: that Samsung violated its obligation to negotiate in good faith as a good faith obligation to Apple's request for licensing on FRAND terms; that Samsung still maintains a petition for provisional disposition for suspension under such conditions; and that it took about two years to disclose the patent (the international application number) to the standardization organization after Samsung's technology pertaining to the patent was adopted as a standard.

Challenges

- A request for injunction is an effective and direct countermeasure against rights infringements. On the other hand, in the current system, a request for injunction could be approved in a uniform manner without considering individual situations, including the nature of a right (whether it falls under a standard essential patent or not, etc.), the purpose or aspect of exercising rights, and the form of business of the patent holder. It has been pointed out that if such a request is approved, the business of a company sued for infringement will be affected to more than a little extent, which could lead to hindering promoting innovation. Therefore, it is necessary to consider from multiple perspectives how rights, including rights to request an injunction, should be exercised, taking into account the nature of a patent as an exclusive right.

Measures to be taken

- In light of a factual investigation on how rights are exercised, and judicial precedents and discussions in Japan and overseas, the Government of Japan will continue to consider the appropriate exercise of rights (METI).
- The Government of Japan will be actively involved in formulating international rules regarding the limits of injunction demands concerning standard essential patents, or the handling of RAND conditions (reasonable and non-discriminatory terms) (Ministry of Internal Affairs and Communications [MIC], METI).

³⁴ Prepared by the Intellectual Property Secretariat based on court decisions.

(5) Enhancing dispute settlement functions

Current status

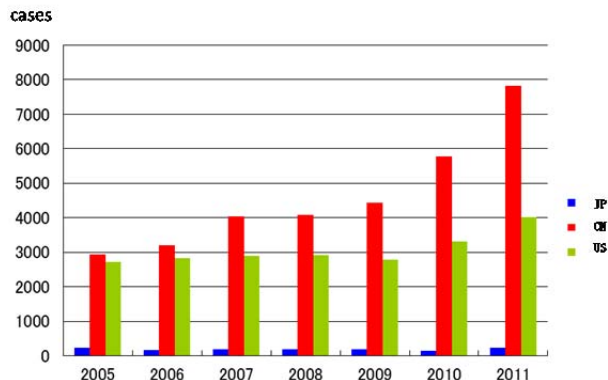
<<Current status of dispute settlement functions>>

The number of lawsuits in Japan is small in comparison with that in China and the U.S. In addition, the rate of patent holders winning lawsuits over patent right infringements (based on decisions) in Japan is low in comparison with that in the U.S. and France.

On the other hand, the number of lawsuits and the winning rate may depend on various factors, including the social background, pre-negotiations or settlements, the number of cases terminated through withdrawal, differences in legal systems, establishing proof of the claims of the party concerned, positioning in terms of the market, and patent examinations.

Furthermore, the trial period for intellectual property lawsuits has been shortened to a level that is not inferior to that of other countries.

**The Trend in IP Lawsuits
in U.S. Patent Infringement Lawsuits (1995-2008)**



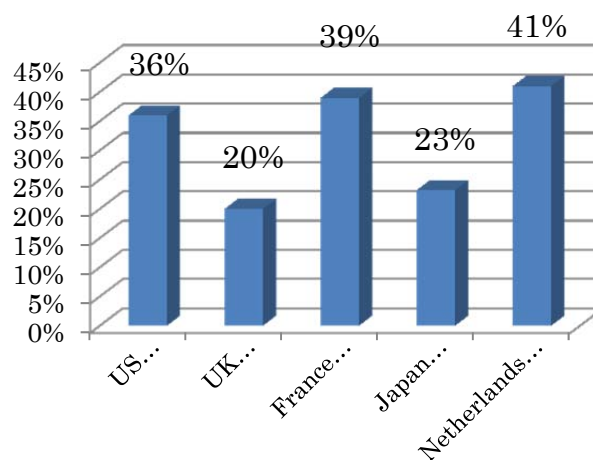
•The number of U.S. cases includes plant patents.

**For Japan and China, from Jan. to Dec., and for the U.S., from Oct. to Sep.

Source: "New Issues and Measures toward the IP-Based Nation" (JPO, June 2012).

Japanese data for 2011 made by the Intellectual Property Secretariat based on "General Situation of Civil and Administrative Cases Concerning Intellectual Property in the Year 2011."

The Winning Rate for Patent Holders



Source: Made by the Intellectual Property Secretariat based on "Aron Levko, 2009 Patent Damages Study - Preliminary Results, FTC Panel Discussion, February 2009" and "Finnegan's Global IP Project Managing IP, September 2010."

<<Examples of intellectual property litigation systems in other countries>>

<Stipulations on the presumption of validity>

The U.S. Patent Act (35 USC §282) stipulates a provision for a "presumption of validity" on the basis of the belief that a judgment of the invalidity of a patent should be made in a humble manner in the United States Court of Federal Claims. The Act also stipulates that "clear and

convincing evidence” is needed to overturn the presumption of validity.

<Triple Damages>

The U.S. Patent Act (35 USC §284) stipulates that “the court may increase the damages up to three times the amount found or assessed.” According to precedents, triple damages are deemed to be punishment, and therefore can be exercised only in a case of willful or bad-faith infringement.³⁵

<Discovery System>

In civil litigation proceedings in the U.S., a party can demand that the counterpart or a third party disclose all the facts and evidence through the discovery system. In launching an action for patent infringement, it is enough to have information and evidence sufficient to make the plaintiff believe that the counterpart is infringing on the patent, since clear and convincing evidence concerning infringement can be obtained through the discovery system after the litigation is filed.³⁶

<<Information provision by the Intellectual Property High Court>>

The Intellectual Property High Court is providing information on decisions in intellectual property cases, statistics, and activities of the Intellectual Property High Court via its website. In addition, it continues international exchange through participating in international conferences, symposiums, etc.

- Decisions (full text of decisions for almost all cases), statistics (the average trial period of the Intellectual Property High Court, etc.), and activities (study groups in Japan and overseas, status of conferences, summaries of meetings with visitors from legal circles abroad, articles by judges who are in charge of intellectual property cases, etc.) are uploaded and continually upgraded.
- The summaries of cases that are worthwhile for being referred to as precedents are translated into English (full text of some of the Grand Panel’s cases), and some content (outline of the Intellectual Property High Court, statistics, etc.) is also translated into English, French, German, Chinese, and Korean to provide the information to the world.
- The Intellectual Property High Court continues to participate in the international conferences hosted by the Fordham University School of Law (U.S.), the international conferences and Patent and Intellectual Property Law Summer Institute hosted by CASRIP at the Washington University School of Law (U.S.), the biennial European Patent Judges’ Symposium (Europe), and research at the Max Planck Institute (Germany).
- The Intellectual Property High Court holds meetings with visitors from overseas (U.S., Germany, China, Korea, Australia, Russia, Indonesia, Malaysia, Vietnam) to exchange

³⁵ “The Legal Principle of Triple Damages in the U.S. Patent Act,” by Katsuya Tamai.

³⁶ “Dictionary for U.S. Patent Practices,” by AIPPI JAPAN.

opinions.

<<The industry's request for dispute settlement functions>>

The industry has requested that the government establish a system in which intellectual property is properly protected, deeming that companies, universities, the Japan Patent Office, and the courts constitute the intellectual property ecosystem. Since the presence of the Intellectual Property High Court of Japan is not strong in the world, the industry also has requested that the government enhance information provision to the world and promote judges' international exchanges, especially requesting that the judicial presence of Japan in Asia be increased.³⁷ Furthermore, there is an opinion that it is necessary to train judges specialized in the field of intellectual property by having them intensively proceed with litigation cases in the field of intellectual property.

Challenges

- It has been ten years since the Intellectual Property Strategy Headquarters was established, and the official announcement of the importance of intellectual property protection, including the enhancement of handling intellectual property litigation. During this period of time, the situation surrounding intellectual property litigation has greatly changed, including China becoming a major country in terms of litigation. Under such circumstances, it is necessary to review whether or not Japan's entire system for dispute settlement is appropriately functioning, and to consider how the system should be to make it more attractive. Furthermore, since the presence of the Intellectual Property High Court of Japan is not necessarily strong in the world, it has been pointed out that the government should make efforts to enhance Japan's judicial presence in Asia, and therefore it is necessary to consider how to improve and enrich Japanese global communication power.

Measures to be taken

- In light of the globalization of intellectual property disputes, the Government of Japan will conduct a study on the whole system for the settlement of intellectual property disputes in foreign countries, including settlement by courts and patent offices, out-of-court conflict resolution, and reconciliation between both parties, and take necessary measures (METI, Ministry of Justice [MOJ]).
- The global communication power for decisions on intellectual property litigation in Japan is expected to be enhanced and improved.

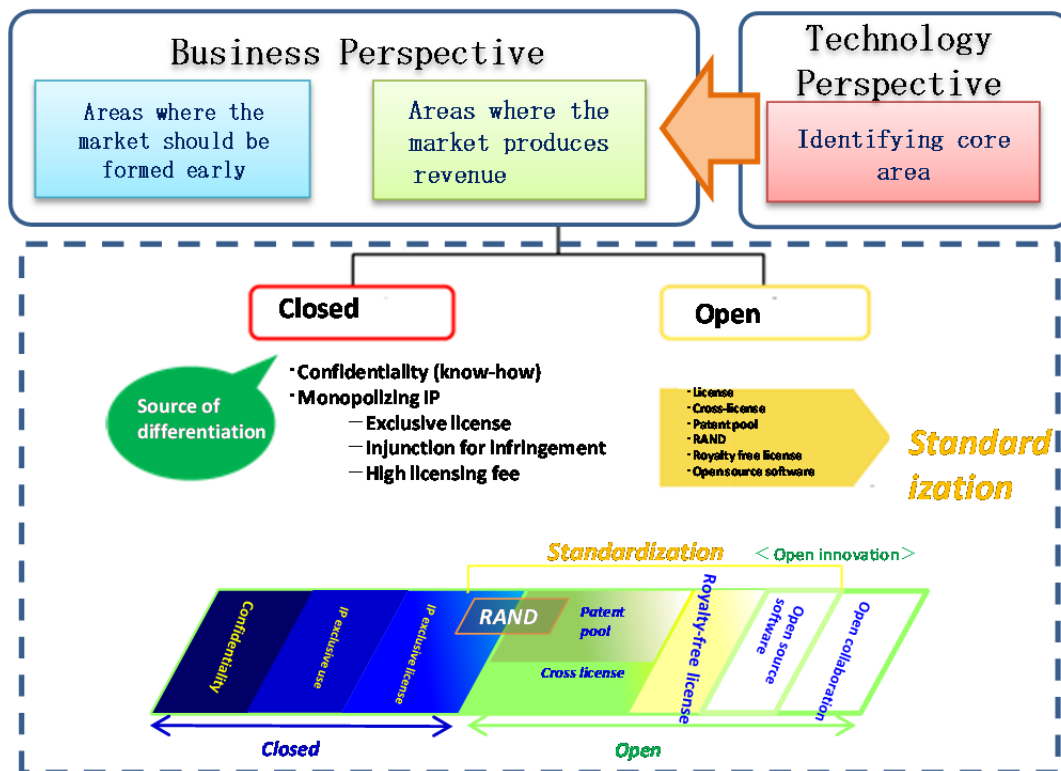
³⁷ "A Proposal toward the 'Intellectual Property Policy Vision'" (February 2013, Japan Business Federation).

(6) Enhancing a strategic approach to international standardization and certification

Current status

- With regard to de jure standards, the number of proposals by Japan has doubled and the number of international standardization organizations headed by Japan has reached the same level as major developed countries in Europe and the U.S. On the other hand, in order to connect the technological power of Japan to business success, it is extremely important for each company and each industry to take a leading role in international standardization on the basis of judging open and closed patents strategically, not only from the perspective of technology, but also from a business viewpoint, looking ahead at changes in the global value chain and the competition environment.
- The history of Japanese certification bodies is short in comparison with certification bodies in Europe and the U.S. In addition, many of these bodies were established as executive agencies for government-ordered inspections based on mandatory laws, and their scale (number of employees, scale of sales, and number of countries that adopt their standards) is small due to the fragmentation of their operations.

Examples of Open and Closed Strategies³⁸



³⁸Source: METI materials, arranged by the Intellectual Property Secretariat.

Major Certification Bodies in Japan³⁹

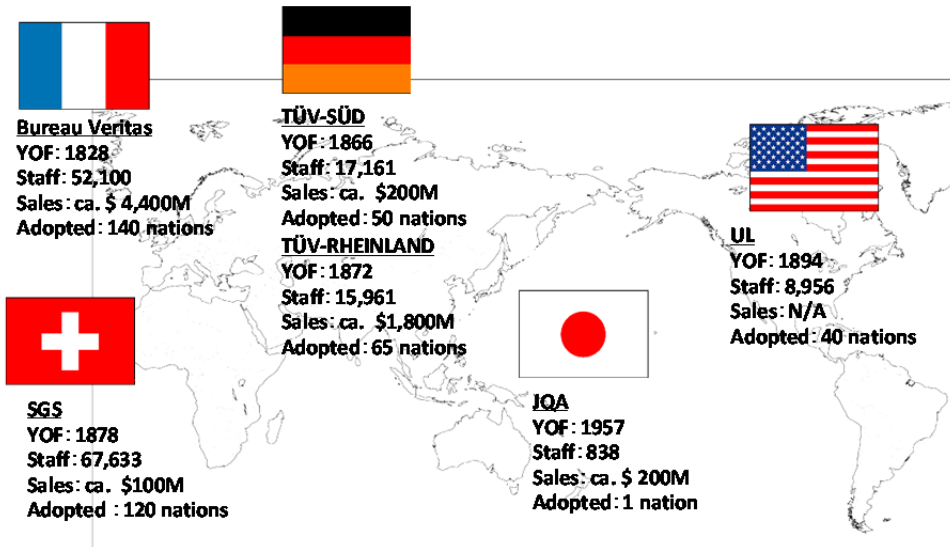
	Product Certification		Management System Certification	
Certification Body	METI, etc.	MAFF	JAB (Quality, Environment, etc.)	JIPDEC (Information Security, etc.)
Certification System	(JIS Mark)	(JAS Mark)		
Number of Certification Bodies	25	Over 100	47	26

<Major Certification Bodies>

- Japan Quality Assurance Organization
- Japan Electrical Safety & Environment Technology Laboratories
- Japan Electric Meters Inspection Corporation
- Japan Testing Center for Construction Materials
- Japan Food Research Laboratories
- Japan Frozen Food Inspection Corporation
- Japan Accreditation Board, etc.

Major Certification Bodies in Other Countries⁴⁰

³⁹Source: Websites of each agency; researched by Intellectual Property Strategy Promotion, Cabinet Secretariat.
⁴⁰Source: Each firm/agency's website (as of the end of FY2011, which varies according to each firm's fiscal year).



Challenges

- There is a need to promptly and precisely take the lead in standardization through united efforts involving the public and private sectors, on the basis of appropriate open and closed strategies with the strength of Japanese companies positioned as the core used for their differentiation, leading to effective international business expansion.
- Japan's certification system remains stagnant, since the operations of Japanese certification bodies originate in legally mandated certification duties. Therefore, they are not yet ready to conduct certification flexibly based on performance requirements (safety and security, etc.) that are anticipated in the fields of new industries. Furthermore, they do not have the ambition to run a certification body as a business, as is seen in Western countries, etc. Therefore, consideration toward enhancing and reviewing the certification system (including cooperation with Europe and the U.S.) is necessary.

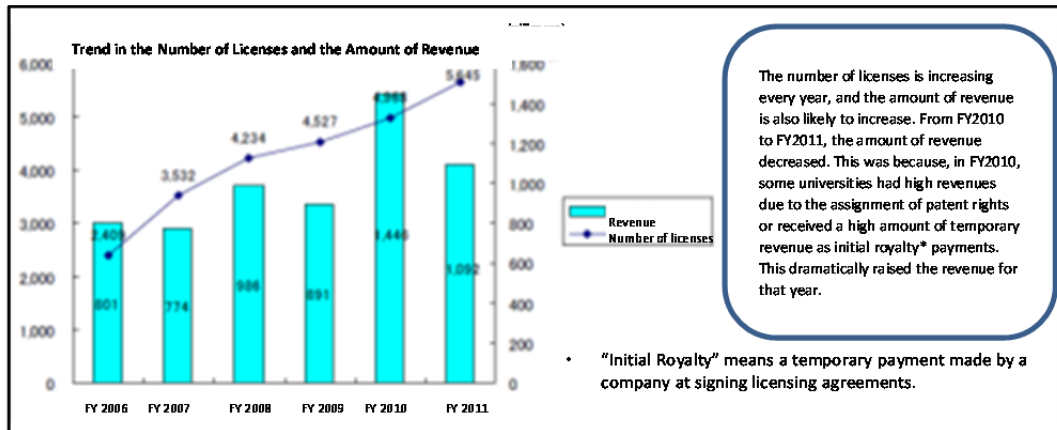
Measures to be taken

- From the perspective of maintaining Japan's superiority and supporting global expansion in new industries that are expected to grow internationally and where Japan can play a superior role, the Government of Japan will work to improve Japan's certification system to the world level, for example, through enhancing strategic efforts for international standardization, enhancing and nurturing national certification bodies including strengthening mutual cooperation, building cooperative relationships and affiliations with certification bodies in foreign countries, and promoting the overseas expansion of national certification bodies (METI).
- In existing industrial fields, in order to make procedural requirements consistent with those in foreign markets through the streamlining of certification procedures under mandatory laws, the Government of Japan will review the system, consider how the system should be, and take necessary measures (METI).

(7) Enhancing the functionality of industry-academia-government collaboration

Current status

- Through support for universities, etc., and technology licensing organizations (TLOs), the building-up of the industry-academia-government collaboration system has been advanced to some extent, and the number of patent licensing agreements and the amount of revenues are increasing.



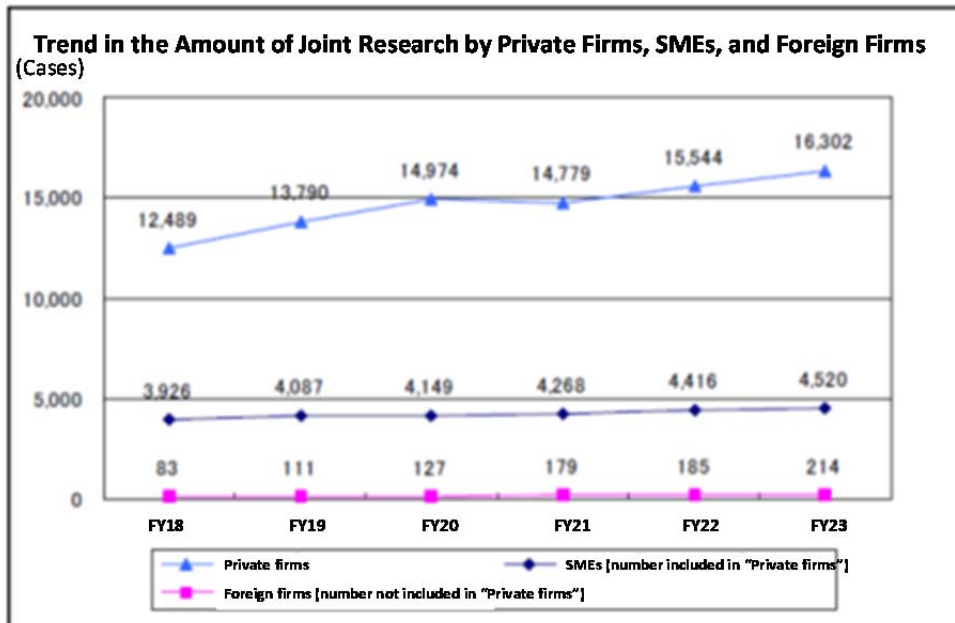
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- On the other hand, while the number of joint research projects between universities, etc., and private companies is increasing, the rate of increase for joint research projects involving SMEs is relatively low. Furthermore, the number of joint research project between universities, etc., and foreign companies remains small.

42

⁴¹Source: "FY2011 Implementation Status of Industry-Academia-Government Collaboration in Universities, etc.," by MEXT.

⁴²Source: "FY2011 Implementation Status of Industry-Academia-Government Collaboration in Universities, etc.," by MEXT.



- In order to make efforts to appropriately assess the effectiveness and efficiency of industry-academia-government activities under the cooperation between the Ministry of Education, Culture, Sports, Science and Technology and the Ministry of Economy, Trade and Industry, a pilot assessment was conducted and evaluation indexes were consolidated in FY2012. It is anticipated that universities and TLOs will conduct self-assessments based on the consolidated evaluation indexes, starting in FY 2013.
- Furthermore, comments have been made by experts, as follows.
 - In comparison with the U.S., the number of patent applications filed by universities, etc., has reached a sufficient level, but the number of patents, the number of licensing agreements, the amount of licensing revenues, the amount of productization, and the number of university-originated venture companies compare very unfavorably.
 - Depending on their policies, some universities are actively involved in industry-academia-government collaboration efforts and others are not, and differences between universities have been emerging.
 - Japanese companies do not have much interest in industry-academia-government collaboration. In particular, the number of collaboration projects between SMEs and venture companies and universities, etc., is small in comparison with those between large companies and universities, etc.
 - From the perspective of effectively utilizing the intellectual property of universities, etc., it is necessary to make efforts for smoothing the circulations of patents, etc., by the public-private partnerships intellectual property fund (see Second Pillar [3])

Activating the intellectual property market [effective utilization of non-use patents]).

- With regard to how to handle joint patents, some experts agree with the current system, where a patent cannot be licensed to a third party without the consent of all joint owners. Others suggest that the system should be changed so that the licensing of patents to third parties can be determined based on free agreements among joint owners.

Challenges

- SMEs and venture companies are the source of Japan's industrial competitiveness, and they are facing harsh international competition with the recent advance of globalization. Nevertheless, in comparison with large companies, they are in a situation in which they have insufficient resources, such as R&D facilities and human capital, in both qualitative and quantitative terms.
- On the other hand, universities are rich in excellent R&D outcomes. In order to connect the "intelligence" of universities, etc., to further innovation, and to global expansion, it is necessary to make efforts for SMEs and venture companies to create innovative technologies through active collaborations with universities, etc., and to play an active role not only in Japan but also globally.
- In addition, in order to effectively connect excellent research outcomes to innovation, and to solve social problems and to enhance Japan's industrial competitiveness, it is necessary to utilize the "intelligence" of various global R&D bodies, including the world's leading advanced companies and human capital overseas.
- In order to more effectively utilize intellectual property held by Japanese companies and universities, etc., it is necessary to secure human capital who will support promoting the circulation of open intellectual property held by companies and universities, etc., which is available for other companies to utilize.
- With regard to the evaluation of industry-academia-government collaboration in universities and TLOs, it is anticipated that they will perform self-evaluations of their collaboration activities, starting in FY2013. From now on, it will be important to enhance efforts for the discovery of new "intelligence" and the development of practical applications.

Measures to be taken

- The Government of Japan will make further efforts to facilitate collaboration between universities, etc., and SMEs and venture companies, including joint research involving

universities, etc., and SMEs and venture companies, or technology transfer from universities, etc., to SMEs and venture companies (MEXT, METI).

- The Government of Japan will consider efforts for promoting international industry-academia-government collaboration, such as through cooperation and technology transfer not only with Japanese companies but also with the world's leading advanced companies, and through attracting excellent human capital from overseas, and will take necessary measures (MEXT, METI).
- In order to more effectively make use of intellectual property owned by companies or universities in Japan which is available for other companies, the Government of Japan will consider recruiting experts who can assist in facilitating the circulation of intellectual property, including global expansion, with a good ability to judge technology and to assess the value of intellectual property (METI).
- While promoting making public the results of evaluations of universities and TLOs on the basis of evaluation indexes of industry-academia-government collaboration activities, the Government of Japan will create a model base concerning evaluating industry-academia-government collaboration activities. While paying close attention to the evaluations of each university and TLO, the Government of Japan will utilize evaluation indexes as a tool for policy making through making further efforts to promote the utilization of the indexes, and will enhance the efforts of each university and TLO to actively utilize evaluation indexes, and the efforts made on the basis of such evaluation results, to discover new “intelligence” or develop practical applications by voluntary self-evaluations using the PDCA cycle (MEXT, METI).
- On the basis of the science and technology innovation policy of the Council for Science and Technology Policy, the Government of Japan will continue to accelerate the creation of innovation by promoting industry-academia-government collaboration, through the cooperation of the Cabinet Secretariat and related ministries (Cabinet Secretariat, Cabinet Office, MEXT, METI, etc.).

(8) Measures for promoting the utilization, etc. of intellectual property resulting from R&D in private companies

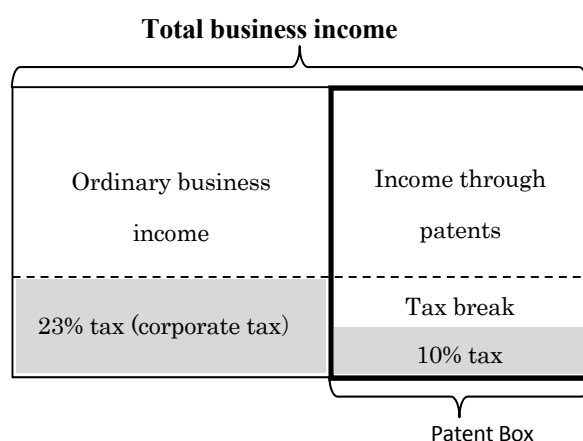
Current status

- In order to enhance Japan's growth power and international competitiveness through accelerating innovation, the Government of Japan is now taking measures to support the R&D activities of private companies, including expanding and enriching the R&D tax system,

creating a tax system to promote capital investment for manufacturing, etc., and budgetary measures for R&D subsidies. Furthermore, from the perspective of supporting not only R&D itself, but the creation and utilization of intellectual property as a fruit of post-R&D activities, the Government of Japan is now taking measures to provide various kinds of support including financial aid, such as the patent fee reduction/exemption system for SMEs and venture companies.

(Reference) Overseas Example: Patent Box System

There is a movement in which foreign countries, especially countries in Europe, introduce a patent box system,⁴³ which is expected to be effective for employment creation through attracting high added-value industries, and in facilitating the creation and utilization of intellectual property as R&D outcomes. This is a tax reduction system for revenue made through intellectual property (royalty revenue, capital gains, a portion of product sales, etc.).



<<Overview of Patent Box (UK)>>

Overview of the Patent Box System in Other Countries

Country	Corporate Tax Rate (%)	Year Introduced	Assets Used as the Basis of Income Calculation	Tax Rate (%)
The Netherlands	25.00	2007	Patents, intangible assets created by R&D, etc.	5.00
Luxembourg	29.22	2008	Patents, trademarks, designs, software copyrights, etc.	5.76
Belgium	33.99	2007	Patents, intangible assets created by R&D, etc.	6.80
Spain	30.00	2008	Patents, drawings, designs, know-how, etc.	15.00
France	33.33	2001	Patents, etc.	15.00
UK	23.00	2013	Patents, etc.	10.00
Hungary	19.00	2003	Patents, know-how, trademarks, copyrights, etc.	9.50

⁴³ This has been introduced in the Netherlands, Luxembourg, Ireland, Belgium, Spain, France, Switzerland, Hungary, China, and the UK.

Challenges

- In order to enhance Japan's growth power and international competitiveness through accelerating innovation, the Government of Japan needs to deepen considerations on how the support program should be for private companies' creation of intellectual property as R&D outcomes and promotion of its utilization, while referring to the systems in other countries.

Measures to be taken

- Gaining cooperation from industry, the Government of Japan will study and conduct research on practical examples of patent box systems in foreign countries, and consider how support programs should be for the creation of intellectual property and the promotion of its utilization in Japan, taking into account various elements such as the effect of introducing a patent box system and the burden companies must bear when the system is introduced (METI).

3. Developing and securing global human capital for intellectual property

(1) Developing human capital who can play an active role in the world

Current status

<<The plan for human capital development for intellectual property>>

(Background)

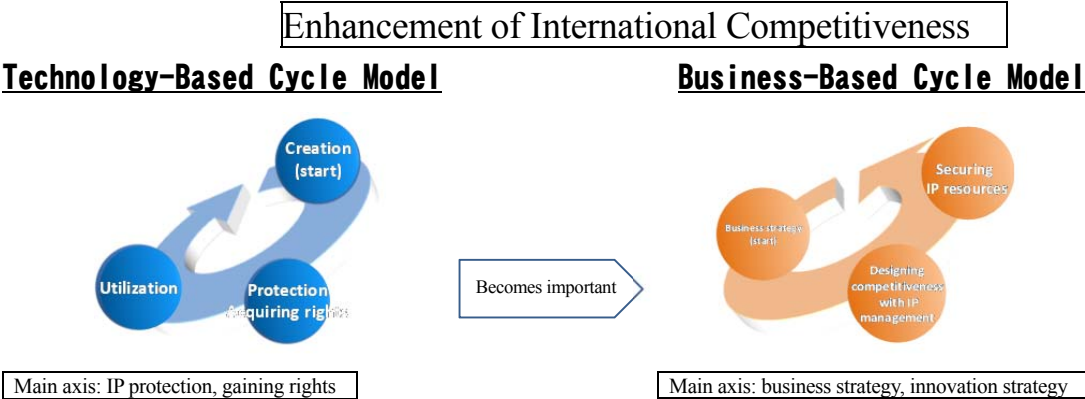
As global competition is intensifying and as the demanded innovation is changing, the Government of Japan formulated a plan for IP human capital development in January 2012, in light of the urgent need to develop and secure human capital who can strategically utilize international standardization and intellectual property (human capital for intellectual property management), and human capital for intellectual property who can be active in the world (global human capital development for intellectual property), in order to strengthen our competitiveness. In addition, the government took measures to create sites for developing human capital for business-strategic intellectual property management, and measures to expand the base of IP human capital.⁴⁴

(The direction for human capital development for intellectual property)

As intellectual property management is changing and diversifying, the Government of Japan will make efforts to develop "IP-utilizing human capital" (human capital for intellectual property

⁴⁴It should be noted that, as an effort to expand the base of IP human capital, there is an innovative example in the case of Yamaguchi University mandating IP education as a required subject.

management), who are not just “IP-specialized human capital” whose main job is to directly deal with the acquisition, maintenance, and management of domestic intellectual property rights, but who can create global innovation, and utilize intellectual property for strategizing business in a leading and practical manner in a form that can contribute to enhancing international competitiveness, on the basis of innovation strategy to skillfully perform comprehensive IP management where a “technology-based cycle model” or a “business-based cycle model,” or a combination of the two, are used in a proper and leading manner depending on the situation.



Strategic use is necessary, such as selecting the model depending on the situation.

(Points of the plan for IP human capital development)

Human capital development for IP management

- Creating sites to develop human capital with business-strategic IP management skills
The Government of Japan will create sites toward developing and securing human capital for IP management who have excellent innovation strategies that can contribute to enhancing international competitiveness through the creation of innovation.
- Promoting research on IP management
As the global management environment and business environment are rapidly changing, the Government of Japan will store and analyze the most up-to-date business strategies and intellectual property-related information from Japan and overseas, and establish a base where people can study cutting-edge IP management strategies that can contribute to making business strategies.
- Developing and securing IP human capital development in SMEs and venture companies
Toward enhancing competitiveness by making full use of global development and IP management, the Government of Japan will develop and secure IP human capital by utilizing the Comprehensive IP Support Counters, etc., for SMEs and venture companies, which

generally have difficulty in securing IP human capital within their companies.

Global IP human capital development

- Building the examination system adjusting to the global network era
The Government of Japan will facilitate establishing a system that can contribute to the technology, design, and brand strategies of Japanese companies, including examinations in English, in order to adjust to the global network era.
- Education and recruiting to secure professional human capital who can contribute to the business activities of companies in the global competition era
The Government of Japan will educate potential experts and recruit professionals, including patent attorneys, who can contribute to the business activities of companies in the global competition era.

Expansion of the base of IP human capital

- Enriching intellectual property education
The Government of Japan will enrich intellectual property educational programs, aiming to expand the base of IP human capital.

Improving the plan for IP human capital development

- On the basis of the Comprehensive Strategy 2006 formulated toward promoting IP human capital development in the global network era, the Promotion Council for IP Human Resource Development was founded and has conducted certain activities. The Government of Japan, however, will make efforts to expand its functions of providing training and making policy proposals, aiming to establish a new system toward IP human capital development that is suitable for the global network era.

(Current status of efforts)

As a specific effort, the Japan Patent Office conducted a study and an analysis of the intellectual property strategy and management of companies in Japan and overseas under the Strategic Promotion Program for Acquiring International Intellectual Property Rights in FY2012⁴⁵ (commissioned to the Institute of Intellectual Property), and consolidated the results of the study in March 2013.

⁴⁵ In FY2012, the JPO conducted studies and research on the following five themes: IP resources procurement strategy; IP rights acquisition design strategy; IP rights acquisition implementation strategy; strategy for securing IP creation human capital and management strategy; and IP strategy combined with international standardization strategy.

<<Efforts of intellectual property offices in other countries>>

<Efforts of the United States Patent and Trademark Offices (USPTO)>

The Global Intellectual Property Academy (GIPA) is providing intellectual property educational services mainly for government officials in foreign countries, but also for SMEs and U.S. government officials. In addition, the Office of Innovation Development, under the Office of the Commissioner for Patents, is mainly providing educational programs about intellectual property (especially patents) for individual inventors and domestic universities.

<Efforts of the European Patent Office (EPO)>⁴⁶

The European Patent Academy (EPA) provides educational and training programs about intellectual property for EPO member nations, universities, companies, judges, etc. In 2011, the EPA conducted training sessions under the theme of “Intellectual Property and Innovation Management,” providing classes including “Intellectual Property Information for Business Success,” “Intellectual Property Business,” and “Strategy for IP Dispute Settlements.”

<Efforts of the Korean Intellectual Property Office (KIPO)>⁴⁷

The International Intellectual Property Training Institute (IIPTI) provides intellectual property education, aiming to train experts in the field of intellectual property. The courses are classified according to the characteristics of the trainees. For example, there are programs for government officials and for the private sector.

<Efforts of China’s State Intellectual Property Office (SIPO)>⁴⁸

The China Intellectual Property Training Center (CIPTC) provides training programs not only for examiners, but also for patent attorneys, applicants, local IP officers, local government leaders, judges, educational institutions, and IP-related parties from countries in Southeast Asia and east-central Africa. Furthermore, the CIPTC is providing overseas training courses in cooperation with training organizations and law schools in other countries.

Challenges

In January 2012, the Government of Japan formulated the Plan for IP Human Capital Development, taking a proactive look toward the next five years, and even the next decade, which

⁴⁶ Source: EPO website; “Report on Research and Study Concerning How Human Resource Development Should Be, Adjusting to New Situations Surrounding the Intellectual Property Rights System” (Mizuho Information and Research Institute) (in “JPO Report on Research and Study on Issues Concerning the Industrial Property Rights System FY2011”).

⁴⁷ Source: International Intellectual Property Training Institute (under KIPO) materials.

⁴⁸ “Tokugikon No. 266” (Journal of the Patent Office Society of Japan).

indicates what the directions should be for the government's medium-term and long-term efforts. Efforts to improve the environment toward such directions have just begun. With regard to improving the base for intellectual property management strategy, research themes are not sufficient in quality and quantity, and therefore they need to be enhanced. Meanwhile, it cannot be said that the system to provide sites for disseminating the results of the surveys and research and for developing human capital for business-strategic IP management is sufficiently organized.

Under such circumstances, the Government of Japan should carry out the plan for IP human capital development in a steady and sturdily built manner, and accelerate the development of global IP human capital who can be active on the world stage, referring to efforts made by intellectual property offices in other countries, including the USPTO.

Measures to be taken

- In order to develop global human capital for intellectual property who can play an active role on the global stage, and to develop human capital for intellectual property management including the top management of companies, it is necessary to have sites that comprehensively provide various kinds of information on intellectual property in foreign countries, legal knowledge about intellectual property, and knowledge and know-how regarding intellectual property strategy aligned with business strategy. Referring to the efforts made by the USPTO, the Government of Japan will establish sites for the development of IP human capital who can be active on the world stage, with government agencies taking the initiative in cooperation with the private sector (METI).
- Furthermore, the Government of Japan will nurture the human capital of government agencies for the global expansion of Japan's intellectual property system, especially in emerging countries in Asia, and make efforts to expand the base of IP human capital (METI, MEXT).

(2) Building a system that attracts talented intellectual property human capital from overseas

Current status

In other countries, there are research institutions that attract excellent IP human capital.

<<Max Planck Institutes (Germany)>>⁴⁹

The Max Planck Institutes were founded by the Max Planck Society, and include

⁴⁹Source: Munich Intellectual Property Law Center website.

approximately eighty member research institutes. Intellectual property related research is conducted at the Max Planck Institute for Intellectual Property and Competition Law, which is the most prominent research institute in the field of intellectual property. With researchers gathering together from all over the world, many well-known researchers from Japan have studied there.

(Parallel Agency) Munich Intellectual Property Law Center (MIPLC) (Germany)

In 2003, the MIPLC was founded by the Max Plank Institute in collaboration with Augsburg University, Munich Institute of Technology, and George Washington University. The LLM program attracts foreign students from all over the world.

Challenges

- In other countries, there are research institutes or educational institutions like the Max Plank Institute that gather excellent IP human capital from around the world. Seeing this, Japan needs to depart from the principle of self-sufficiency, and to gather and utilize excellent IP human capital from around the world.

Measures to be taken

- With regard to research institutes for intellectual property, the Government of Japan will consider how to gather excellent researchers in the field of intellectual property, etc., from around the world, and will take necessary measures. With regard to educational institutions for intellectual property, the Government of Japan will start an IP education program (English-based lectures), aiming for the global expansion of Japan's intellectual property system and for securing global IP human capital, and will establish a system to steadily implement this IP educational program (METI).

Second pillar: Support for enhancing intellectual property management by SMEs and venture companies

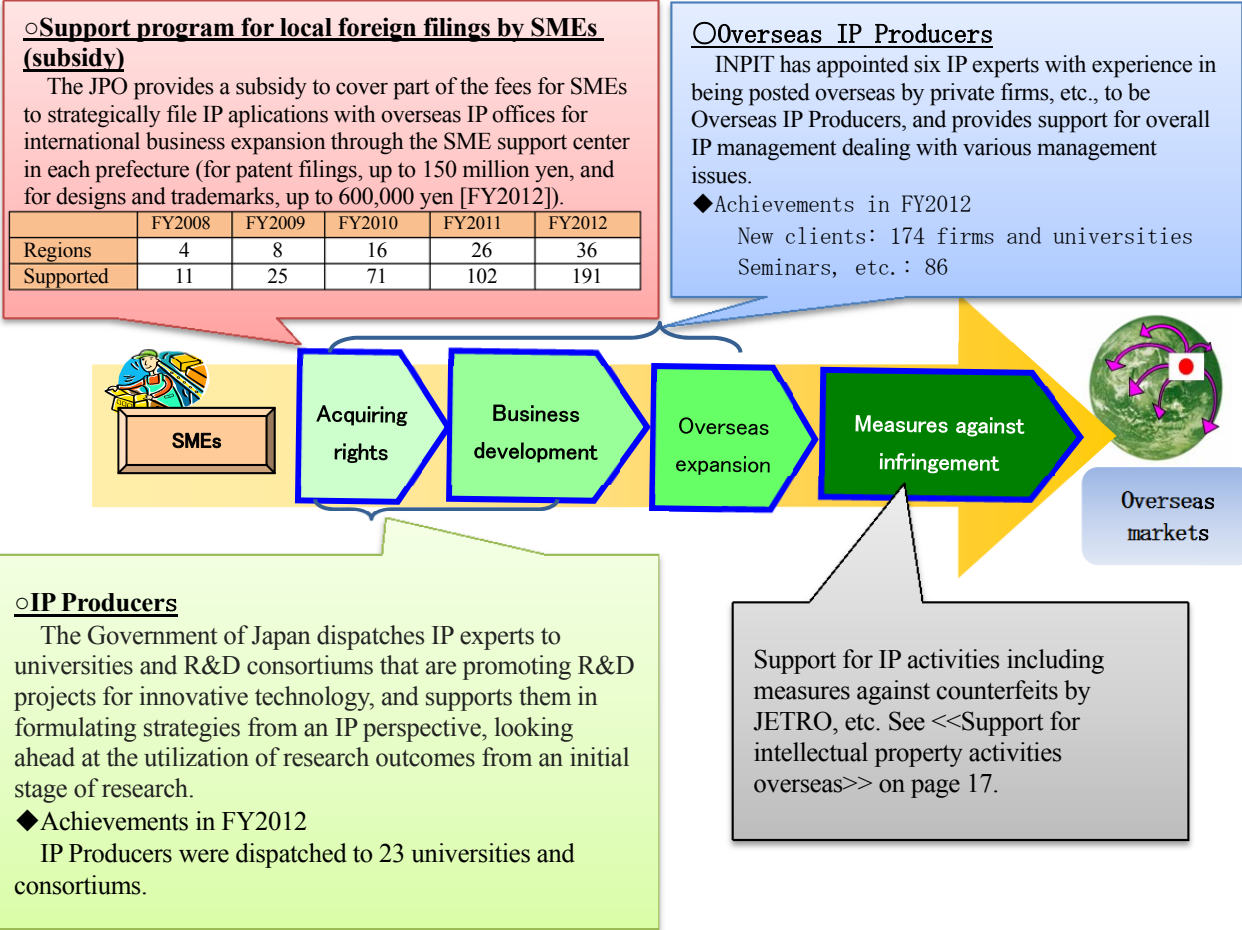
Detailed support for intellectual property activities by SMEs and venture companies

(1) Improving the support system for the global expansion of SMEs and venture companies

Current status

<<Support program for the global expansion of SMEs/venture companies and universities>>

Currently, the Government of Japan is implementing various measures for global expansion, beginning with financial aid for fees to file foreign applications, support by IP producers and overseas IP producers, and countermeasures against counterfeits provided by JETRO.



Challenges

- Global expansion by SMEs and venture companies will prospectively accelerate further, and support in the field of intellectual property will become more and more important. The

government is now implementing various support measures for facilitating global business expansion by SMEs and venture companies through supporting them in the field of intellectual property. However, there is a great need for further improvement of support measures. Considering such circumstances, the Government of Japan needs to further enhance support for the intellectual property activities of SMEs and venture companies in foreign countries.

Measures to be taken

- As part of its strengthening of comprehensive support for the business expansion of Japanese companies, including SMEs and venture companies, the Government of Japan will improve the environment of providing thorough support for Japanese companies from the acquisition to the utilization of rights overseas, in affiliation with the Japan Patent Office (JPO), the National Center for Industrial Property Information and Training (INPIT), the Japan External Trade Organization (JETRO), and other relevant agencies (METI) .
- With regard to emerging countries in Asia that are becoming more and more important in terms of the market, the Government of Japan will enhance the support system and strengthen efforts at the embassies in these countries and by JETRO, through utilizing patent attorneys or former business people from Japanese companies. In addition, while approaching each country to encourage it to operate its intellectual property system appropriately, and while making efforts to ascertain the current actual status of the damage caused by counterfeiting, the Government of Japan will further enrich support for intellectual property activities, including enhancing support for intellectual property enforcement in these countries and promoting the Japan brand (METI, MOFA).

(2) Expanding the fee reduction/exemption system for SMEs and venture companies

Current status

<<Expansion of the fee reduction/exemption system for SMEs and Universities, etc. (after April 2012)>>

With regard to the fee reduction/exemption system, considering the opinions received from SMEs, etc., the fee reduction/exemption system has been expanded and enriched since April 2012. For example, the fee reduction period has been extended, the procedure has been simplified, and the financial requirements for fee reduction have been eased. In FY2011, before the fee reduction/exemption system was expanded, the number of cases that received fee

reduction/exemption benefits for requesting examinations was 8,996.⁵⁰

(Before March 2012)	(After April 2012)
<p>● Who is Eligible</p> <ul style="list-style-type: none"> • SMEs with no corporate tax imposed • R&D-based SMEs with R&D ratio over 3% • Universities and university researchers, etc. 	<ul style="list-style-type: none"> • SMEs with no corporate tax imposed • R&D-based SMEs with R&D ratio over 3% • Universities and university researchers, etc. • <u>SMEs that have been in business not more than 10 years</u>
<p>● What is Reduced</p> <ul style="list-style-type: none"> • Half of the fee for requesting an examination • <u>Half of the annual patent fee for the first 3 years</u> 	<ul style="list-style-type: none"> • Half of the fee for requesting an examination • <u>Half of the annual patent fee for the first 10 years</u>
<p style="text-align: center;">(Total patent maintenance fees for 10 years)</p> <div style="border: 1px solid black; background-color: #f8d7da; padding: 5px; width: 150px; margin: 0 auto;"> <p style="text-align: center; font-weight: bold;">221,000 yen</p> </div> <p style="text-align: center;">5,000 yen reduction</p>	<p style="text-align: center;">(Total patent maintenance fees for 10 years)</p> <div style="border: 1px solid black; background-color: #f8d7da; padding: 5px; width: 150px; margin: 0 auto;"> <p style="text-align: center; font-weight: bold;">113,000 yen</p> </div> <p style="text-align: center; color: red;">113,000 yen reduction</p>
<p>● Procedures</p> <ul style="list-style-type: none"> • SMEs are required to submit a Certificate of Employee Invention and a Document for Proof that SMEs, etc. Have an Agreement to Succeed to the Right of an Employee Invention. 	<ul style="list-style-type: none"> • These documents are not required to be submitted.

<<The fee reduction/exemption system in the U.S.>>⁵¹

In the U.S. Small Entity system, any business where the number of employees, including those of its affiliates, does not exceed 500 persons, and non-profit organizations such as universities, can enjoy the benefit of a 50% fee reduction on the condition of meeting certain requirements. Furthermore, through the Patent Reform Act of 2011, the Micro Entity system was introduced in order to provide further reduced-fee benefits for smaller business and universities with less experience in filing patent applications. According to the statistics, 120,888 cases utilized the Small Entity system in FY2008 (the number of patent applications filed in the U.S. in FY2008 was 468,669).⁵²

Who is Eligible	<p>【Small Entity】</p> <p>A business where the number of employees, including affiliates, does not exceed 500 persons.</p> <p>However, there are the following exceptions: a case in which the right was assigned to a third party that does not fall into the Small Entity category, or a case in which one of the co-owners does not fall into the Small Entity category.</p>	<p>【Micro Entity】</p> <p>In addition to the requirements for the Small Entity system:</p> <p>(1) A business that fulfills the following requirements:</p> <ul style="list-style-type: none"> • Neither the applicant nor the inventor nor any joint inventor has been named as an inventor on more than four previously filed patent applications; and • Neither the applicant nor the inventor nor any joint inventor has been paid a gross income exceeding three times the median household
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⁵⁰ Annual Report on Patent Administration 2012. The breakdown of cases is as follows. For SMEs, support based on Article 109 and 195 (2) of the Patent Act was provided for 1,347 cases; support based on Article 18 of the Industrial Technology Enhancement Act and Article 9 of Enhancement of Further Advancement of Monozukuri (Manufacturing) Technology for SMEs was provided for 3,867 cases. For universities and TLOs, support based on Article 13 of the TLO Act and Articles 56 and 57 of the Act on Special Measures for Industrial Revitalization were provided for 279 cases; support based on Article 17 of the Industrial Technology Enhancement Act was provided for 3,503 cases.

		income, etc. (2) Universities, etc.
What is Reduced	50% reduction of the application fee, patent registration fee, patent maintenance fee, etc.	75% reduction of the application fee, patent registration fee, patent maintenance fee, etc.

Challenges

- The current fee reduction/exemption system for SMEs and venture companies has strict requirements for eligibility, and thus the scope of those who can enjoy such benefits is narrow. In addition, SMEs and venture companies, etc., with less experience in filing patent applications are not well aware of the value of intellectual property, and therefore such strict requirements could cause valuable intellectual property to be buried. Reducing the cost for obtaining rights could become a trigger for facilitating SMEs and venture companies, etc., filing patent applications, and to raise their awareness of intellectual property. From such a perspective, it is necessary to further review the fee reduction/exemption system.

Measures to be taken

- The fee reduction/exemption system will be reviewed to become more user-friendly for SMEs and venture companies, and for universities, etc., and to become a more effective system which can further contribute to facilitating innovation (METI).

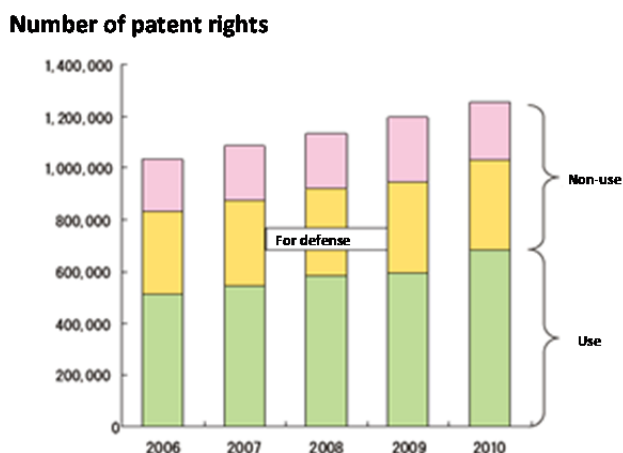
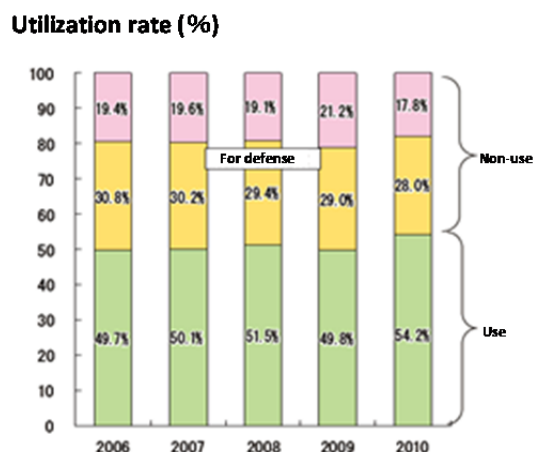
(3) Activating the intellectual property market (effective utilization of non-use patents)

Current status

<<The number of patents in Japan and their utilization rate>>

According to the annual survey on Intellectual Property Activities conducted by the Japan Patent Office, the number of patent rights is increasing along with an increase in examinations. In addition, the rate of utilization of patent rights (the number of utilizations of patent rights⁵¹ divided by the number of patent rights) remained at around 50% for the five years from 2006 through 2010.

⁵¹ “The number of utilizations” includes the number of patent holders using their patents themselves and the number of patent holders licensing their patents to others.

Trend in the Number of Patent Rights⁵²Trend in the Utilization Rate⁵³

<<Current status of measures for promoting the circulation of patents>>

<Providing open patent information, etc. (since April 1997)>

INPIT has built the Patent Licensing Information Database, which contains patent information available for licensing⁵⁴ to provide such information free of charge. Anyone who wants to license or assign patent rights can register in the database free of charge. The number of registrations in the Patent Licensing Information Database is 40,045: 65% from universities and research institutes; 30% from companies; and 5% from individuals (as of April 11, 2013). It can be inferred that the number of signed agreements remains low, although there are no accurate data.

<Dispatching patent circulation advisers (April 1997 to March 2011)>

Experts who supported the circulation of patents (patent circulation advisers; peaked at 114 people) were dispatched across the country, and served as mediators between patent right providers and patent right users, and supported the development of human capital employed by municipal governments who were involved in patent circulation and technology transfer. The number of patent licensing agreements made through support from patent circulation advisers was 14,699 in total from April 1997 to March 2011 (the average number was 1,050 per year).

*Evaluations of the program of dispatching patent circulation advisers

According to a survey (“The Report on the Survey Concerning the Outcomes of the Patent Circulation Promotion Program in FY2009,” by the Institute of Intellectual Property), 87 out of 118 companies answered that consultation services provided by patent circulation advisers had produced the expected or more than the expected effect, while more than half of the companies

⁵² Source: JPO Annual Report on Patent Administration 2012.

⁵³ Source: JPO Annual Report on Patent Administration 2012.

⁵⁴ WIPO is also operating a database that stores information about environmental technology owned by companies in developed countries, etc., under the project called WIPO GREEN, which aims to promote environmental technology transfer from developed countries to developing countries.

surveyed answered that their awareness of intellectual property improved.

<The project to hold the IP Business Matching Mart (since 2011)>

The Kinki Bureau of Economy, Trade and Industry has hosted an IP Business Matching Mart since FY2011, to provide opportunities where SMEs having strong technological power can meet large companies having open intellectual property, and to provide support toward making license agreements between them, so that SMEs can develop new products or new business by utilizing open patents, etc., held by large companies (four times in FY2011). In addition, in FY2012, matching marts were held by the Hokkaido Bureau of Economy, Trade and Industry (once), Tohoku Bureau of Economy, Trade and Industry (once), Kinki Bureau of Economy, Trade and Industry (five times), Shikoku Bureau of Economy, Trade and Industry (twice), and the regions where matching marts are held can be seen to be expanding.

<<Intellectual property fund for public-private partnerships>>^{55,56}

An intellectual property fund was established by the Innovation Network Corporation of Japan (INCJ) as a public-private investment fund. Bundling unused patent rights from universities or public research institutes with potential for future business development so as to make them a package, the INCJ facilitates assigning or licensing such packaged rights to a third party, aiming for the development of industry or the creation of ventures.

(Reference)

<<Other funds>>

<Fund for Japanese Industrial Competitiveness>⁵⁷

The Development Bank of Japan established this fund in March 2013, aiming to strengthen industrial competitiveness, for example, through investing risk money in businesses that have the potential to grow, by effectively utilizing technologies or businesses buried inside companies or value chains to create new value.

Challenges

- As open innovation accelerates, the necessity of utilizing intellectual property held by others is increasing. In order to strengthen Japan's industrial competitiveness, it is necessary to further promote the circulation of patents. Under such circumstances, the Government of Japan is

⁵⁵ Source: Innovation Network Corporation of Japan website.

⁵⁶ Source: Intellectual Property Strategy Network, Inc. website.

⁵⁷ Source: Development Bank of Japan website.

implementing measures for utilizing open intellectual property held by Japanese companies or universities and which is available to others, including providing open patent information through the Patent Licensing Information Database, and holding IP Business Matching Marts. In addition, the intellectual property fund for public-private partnerships has been established, aiming to create new businesses.

However, it can hardly be said that intellectual property is fully utilized in Japan through licensing or assigning rights, since there are many unused patents. Therefore, it is necessary to promote the circulation of intellectual property, including patents, such as by utilizing “matching human capital” who play a role in bridging seeds and needs globally and in a wide range of industries, and to combine this with dynamic strengthening of Japan’s industrial competitiveness. In addition, it is necessary to support the intellectual property fund for public-private partnerships so that it contributes to creating innovation or new industries through smoothing the circulation of patents.

Measures to be taken

- In order to more effectively make use of intellectual property owned by companies or universities in Japan which is available for other companies, the Government of Japan will consider recruiting experts who can assist in facilitating the circulation of intellectual property, including global expansion, with a good ability to judge technology and to assess the value of intellectual property. From the perspective of attracting foreign businesses to establish bases in Japan and for inviting active investment from overseas, the Government of Japan will consider developing a multilingual database of open patent information, and take necessary measures (METI).
- In order to make the intellectual property fund for public-private partnerships more feasible, which can contribute to the creation of innovation and new industries through promoting the smooth circulation of intellectual property, including patents, the Government of Japan will analyze its current issues and effectiveness, and take necessary measures (METI).

(4) Enhancing the functionality of the Comprehensive IP Support Counter

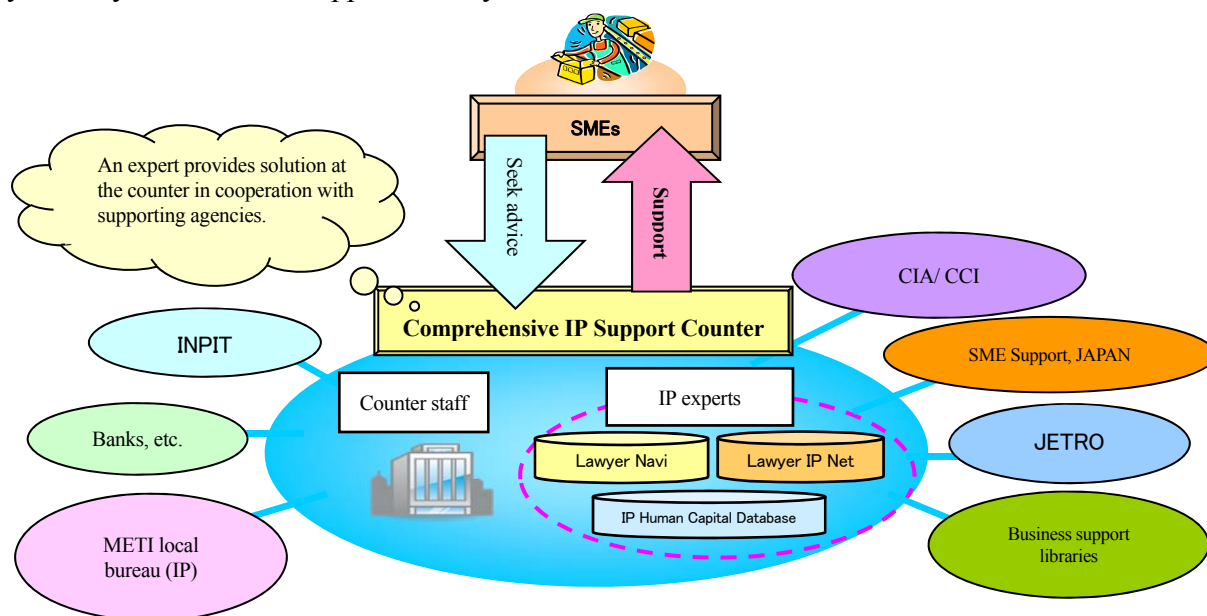
Current status

<<Achievements of the Comprehensive IP Support Counter>>

- As of FY2012, Comprehensive IP Support Counters were situated in 56 locations in 47 prefectures.
- In FY2011, approximately 130 staff were based at the Comprehensive IP Support Counters,

and consultation services were provided for 100,910 cases, utilizing a cumulative total of 11,000 experts including patent attorneys and lawyers.

- In FY2012, approximately 140 staff were based at the Comprehensive IP Support Counters, and consultation services were provided for 118,685 cases, utilizing a cumulative total of 7,600 experts including patent attorneys and lawyers. The number of cases supported showed a year-on-year increase of approximately 18%.



<< Program for Enhancing the Support Network for SMEs; “New/Retiree Matching”>>

In the “New/Retiree Matching” component of the Program for Enhancing the Support Network for SMEs run by the Small and Medium Enterprise Agency, traveling advisors with expertise in SME support and a wealth of experience, who were recruited by the Offices of Regional Bureaus of Economy, Trade and Industry, chose former business people from Japanese companies who were the most appropriate choices to provide solutions for SME management issues, and conducted matching. In FY2011, through the Program for Enhancing the Support Network for SMEs, consultation services were provided for 81,153 cases, and experts were dispatched in 44,304 cases. This program was terminated at the end of FY2012, and a new program called the Support Program for Creating New Businesses, etc. of SMEs and Small Businesses, which was designed to use new information technology in dispatching experts, began in FY2013.

Challenges

- As the global expansion of SMEs and venture companies is accelerating, intellectual property management is now dealing with not only industrial property but also copyrights and the Unfair Competition Prevention Law. As a result, the scope of IP management has expanded

and become more complicated. In addition, there is a great need among SMEs and venture companies for one-stop consultation services that are not only related to intellectual property issues, but also the overall general management issues that SMEs and venture companies are facing. It is necessary to enhance the functionality of the Comprehensive IP Support Counters toward realizing further detailed support for SMEs and venture companies.

Measures to be taken

- Along with enhancing the functionality of the Comprehensive IP Support Counters, the Government of Japan will enhance exploring efforts to reach out to new clients through visiting companies, etc. (METI).
- At the Comprehensive IP Support Counters, consultation functions regarding global expansion, copyrights, the Unfair Competition Prevention Act, etc., will be comprehensively enhanced, including providing support in cooperation with other relevant agencies. In addition, each ministry will enhance its public awareness raising activities, including holding seminars (METI, MEXT).
- The Government of Japan will establish a one-stop consultation service system where SMEs and venture companies can receive consultation services regarding various management issues they are facing through deepening the cooperative relationship between the Comprehensive IP Support Counters and the relevant agencies and experts, and through effectively utilizing former business people from Japanese companies having various kinds of experience and knowledge (METI).

(5) Stimulating intellectual property activities among local SMEs, venture companies, and universities

Current status

<<Branch offices of intellectual property offices in other countries>>

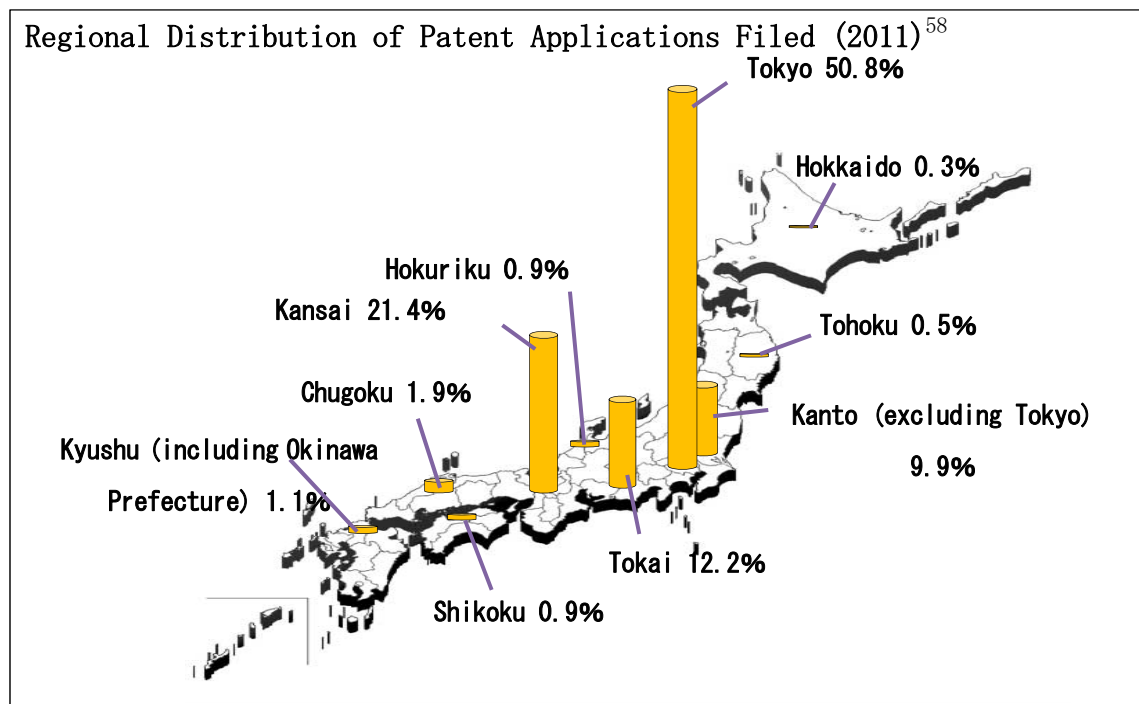
The intellectual property offices in various other countries have branch offices as follows.

- The United States Patent and Trademark Office (headquarters: Alexandria, Virginia) has a satellite office in Detroit. It is planning to open additional satellite offices in Dallas, Denver, and Silicon Valley.
- China's State Intellectual Property Office (headquarters: Beijing) has Patent Examination Cooperation Centers in Beijing, Guangdong Province, and Jiangsu Province, and is planning to open more centers in Henan Province, and Hubei Province.

- The German Patent and Trademark Office (headquarters: Munich) has branch offices in Berlin and Jena.
- The European Patent Office (headquarters: Munich) has branch offices in The Hague, Berlin, and Vienna.

<<The regional distribution of the number of patent applications filed>>

According to the regional distribution of the number of patent applications filed, the number is high in the central urban areas, while the level of intellectual property activity seems to be relatively low in local regions.



<<Results of interviews with patent attorneys⁵⁹>>

(The situation surrounding patent attorney offices and patent attorneys)

In the view of patent attorney offices, large companies are good clients, since they bring in stable business, although the unit price is low. On the other hand, patent attorney offices can characteristically receive orders from SMEs or medium-scale companies at a relatively higher unit price. In recent years, as SMEs have a heightening awareness of intellectual property, it can be predicted that patent attorney offices will also have to be able to provide consultation services for SMEs (for example, explaining how important intellectual property is for the business of a client company, or what risks could be anticipated, etc.).

Challenges

- SMEs and venture companies do not have sufficiently functioning internal IP divisions, and therefore it is difficult for them to conduct IP management by themselves. In addition, although the IP divisions of universities have been improved to some extent, some universities are not yet conducting adequate IP management. Therefore, they need support from external experts and relevant agencies. However, the support systems of external experts and relevant agencies

⁵⁸ Made based on “Statistics and Appendixes: Applications by Province (filed by Japanese applicants)” in the Annual Report on Patent Administration 2012. Note: due to applications from overseas and the processing of decimal points, percentages do not add up to 100.

⁵⁹ Source: “Report on Research and Study Concerning How Human Resource Development Should be Adjusting to New Situations Surrounding the Intellectual Property Rights System” (Mizuho Information and Research Institute) (in “JPO Report on Research and Study on Issues Concerning the Industrial Property Rights System FY2011”).

are not yet sufficient for local regions. In order to revitalize the intellectual property activities of SMEs and venture companies and universities in local regions, it is necessary to promote enhancing the support network for intellectual property in local regions.

Measures to be taken

- In order to stimulate intellectual property activity among local SMEs, venture companies, and universities, the Government of Japan will take necessary measures to establish a system whereby local businesses and universities can easily receive consultation services regarding how to obtain intellectual property rights, as well as regarding examination procedures and utilization of obtained rights, taking into consideration local industrial structures and specific regional needs (METI).
- While enhancing local intellectual property networks among relevant agencies, which include local financial institutions, municipal governments, and experts and which are centered on the Regional Bureaus of Economy, Trade and Industry, the Government of Japan will promote efforts for intellectual property support according to the needs of each region (METI).
- The Government of Japan will develop intellectual property human capital who can provide consultation services from the perspective of business strategy to SMEs and venture companies. In addition, the Government of Japan will promote enhancing cooperation among intellectual property human capital and regional experts as well as support agencies for SMEs and venture companies, and will establish a strong support system to provide support as a team for various management issues that SMEs and venture companies are facing (METI).

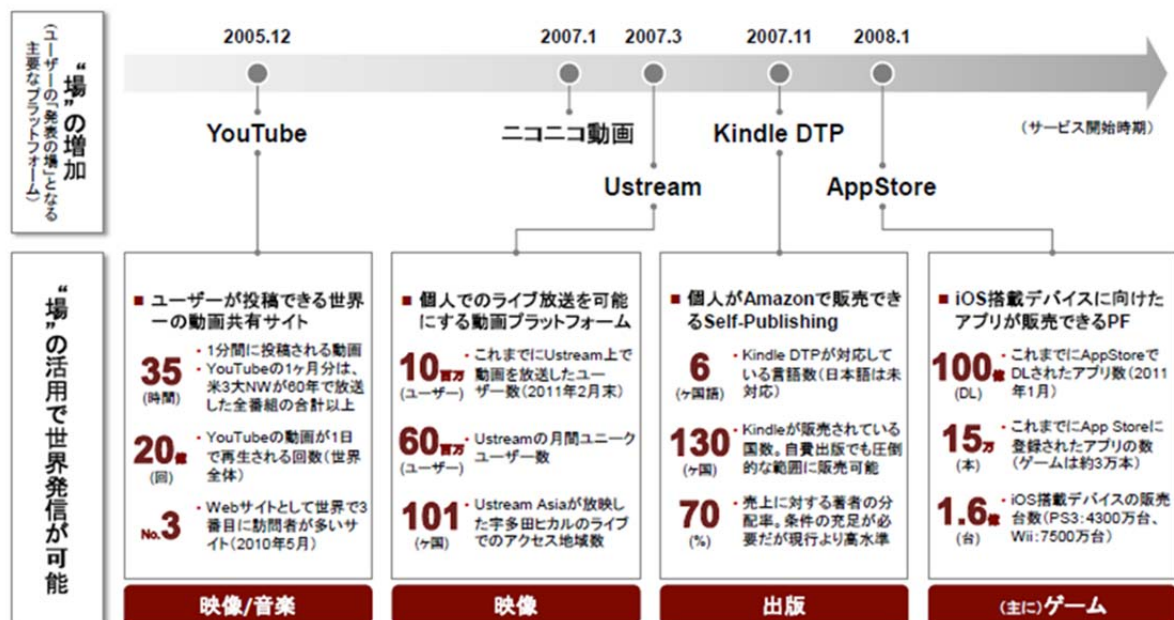
Third pillar: Improving the environment for adjusting to the digital network society

1. Handling the changing content industry ecosystem

Current status

- As the media are being transformed, such as through cloud networking or social network services, content is not just literature or entertainment, but its range is expanding to include user-generated content, educational content, public data held by the public sector, and the content contained in big data, which has brought expectations for the creation and expansion of new industries.

○The History of UGC (User-Generated Content)⁶⁰



○Overview of e-administration open data strategy (abstract)⁶¹

I. Basic direction

<Basic principles>

- The government will actively disclose public data.
- The data will be disclosed in a machine-readable form.
- The utilization of public data will be promoted whether it is for profit or non-profit purposes.
- Taking specific measures, such as immediately starting to disclose available public data, the government will steadily accumulate achievements.

II. Specific measures

⁶⁰Source: METI website (Final Report on FY2010 Cool Japan Strategy Promotion Program: Strategy Building in the Field of Media Content and Its Pervasive Effect on Other Fields) (May 20, 2011).

⁶¹Source: E-Administration Open Data Strategy (adopted by IT Strategic Headquarters on July 4, 2012). <http://www.kantei.go.jp/jp/singi/it2/denshigyousei.html>

The following measures were implemented.

1. Promoting the utilization of public data

- <1>Understanding needs for the utilization of public data
- <2>Discussing and considering challenges concerning the utilization of public data
- <3>Developing private sector services

2. Improving the environment for the utilization of public data

- <1>Formulating rules, etc., necessary for the utilization of public data

Formulating rules necessary for the utilization of public data, with due consideration given to ensuring user-friendliness and protecting rights holders' rights, regarding, for example, how to handle copyrights when disclosing the public data of each ministry, terms of use, rules for machine access, how to share the responsibility between users and providers, and how to handle machine-based information.

- <2>Improving data catalogs
- <3>Promoting standardization of data form and data structure, etc.
- <4>Considering support for the agencies that provide data

Challenges

- With the development of media such as cloud networking or social network services, the concept of content is being transformed. For example, the range of content is expanding, including User-Generated Content (UGC). As a result, the relevant systems and the scope of the systems for the creation of content and the promotion of its use have deviated somewhat from actual conditions.

Measures to be taken

- In light of the development of cloud networking and social networking services and the expansion of user-generated content, the Government of Japan will consider the popularization of public licenses, such as creative commons licenses, from the perspective of facilitating new creation of user-generated content and its free utilization on the Internet, and will take measures necessary to promote the use of content not only for non-profit purposes but also for industrial uses (MEXT).
- From the perspective of promoting a wide range of secondary uses of public data in the electronic administration open data strategy, with regard to the public data held by public institutions, the Government of Japan will consider improvements to the basis of data use, such as by establishing unified rules for promoting the utilization of public data not only in business and education but also in public services, and will take the necessary measures (Cabinet Secretariat).

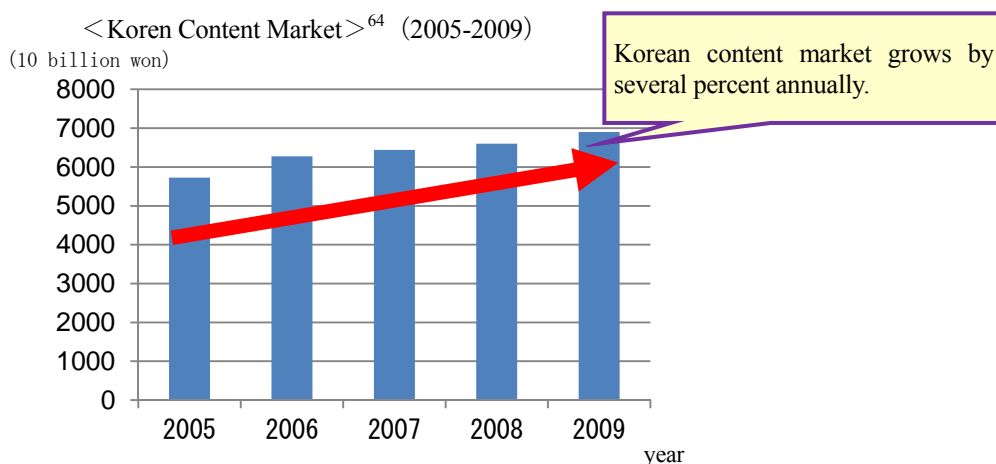
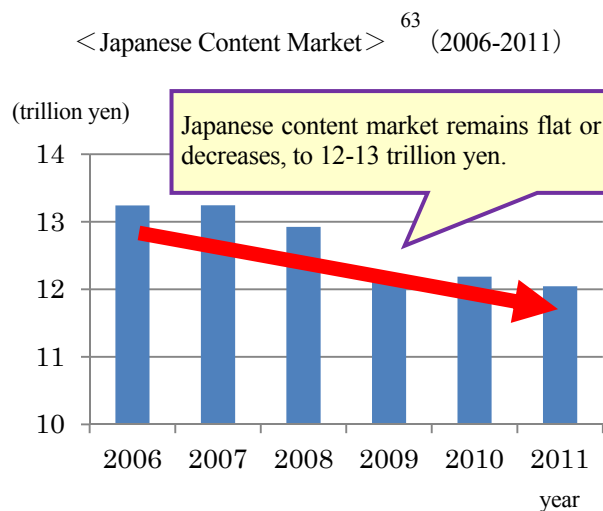
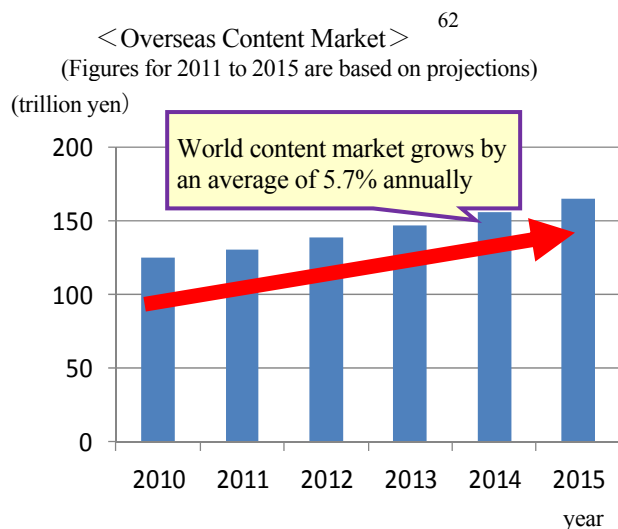
2. Increasing the priority of content policy

Current status

- The Japanese content market remains flat or is decreasing, in comparison with other countries

around the world, and the content-related budget is also tending to decrease.

○Relevant Data Concerning Market Scale in Japan and Overseas



(Reference 1) Japanese content market (2006-2011) (content-based breakdown)⁶⁵

- Movies and games remain flat, while music and sound, and still images and text, are decreasing.
- In movie media, packaged software is decreasing, while network distribution and feature phone distribution are increasing.
- In music and sound media, packaged software, karaoke, and radio broadcasting and related services are decreasing.
- In game media, packaged software, arcade games, and operations are decreasing, while online games, operation service-based games, and feature phone-based games are increasing.
- In still image and text media, books, magazines, free papers and free magazines, and newspapers are decreasing.

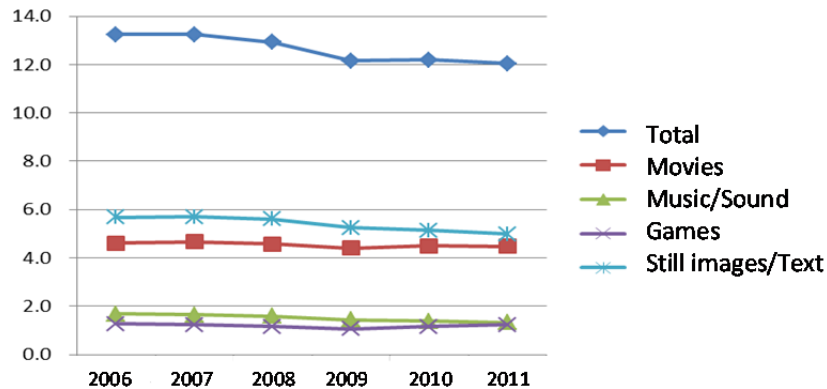
(trillion yen)

⁶² Source: MIC materials. All data were calculated based on the 2010 average currency exchange rate (US\$1 = 88.09 yen; from MOF Trade Statistics).

⁶³ Source: Digital Content White Paper 2012.

⁶⁴ Source: Website of the NPO Visual Industry Promotion Organization.

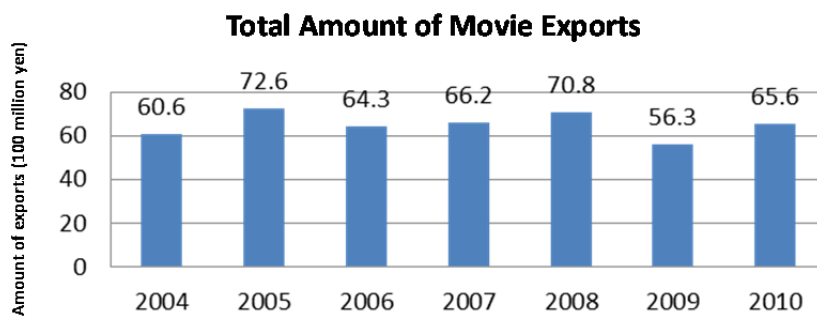
⁶⁵ Source: Digital Content White Paper 2012



(Note) Types of Content Media

Movies: packaged software, network distribution, feature phone distribution, movies in theaters, TV broadcasting and related services, entrance fees for stage events.
 Music and sound: packaged software, Internet distribution, feature phone distribution, karaoke, admission fees for concerts, radio and related services.
 Games: packaged software, online games, operation service-based games, feature phone-based games, arcade games, operations.
 Still images and text: books, magazines, free papers and free magazines, newspapers, packaged software, Internet distribution, Internet advertising, feature phone distribution, mobile advertising.

(Reference 2) Status of Overseas Expansion of Japanese Content (2004-2010)⁶⁶



○Trend in content-related budgets in Japan and overseas

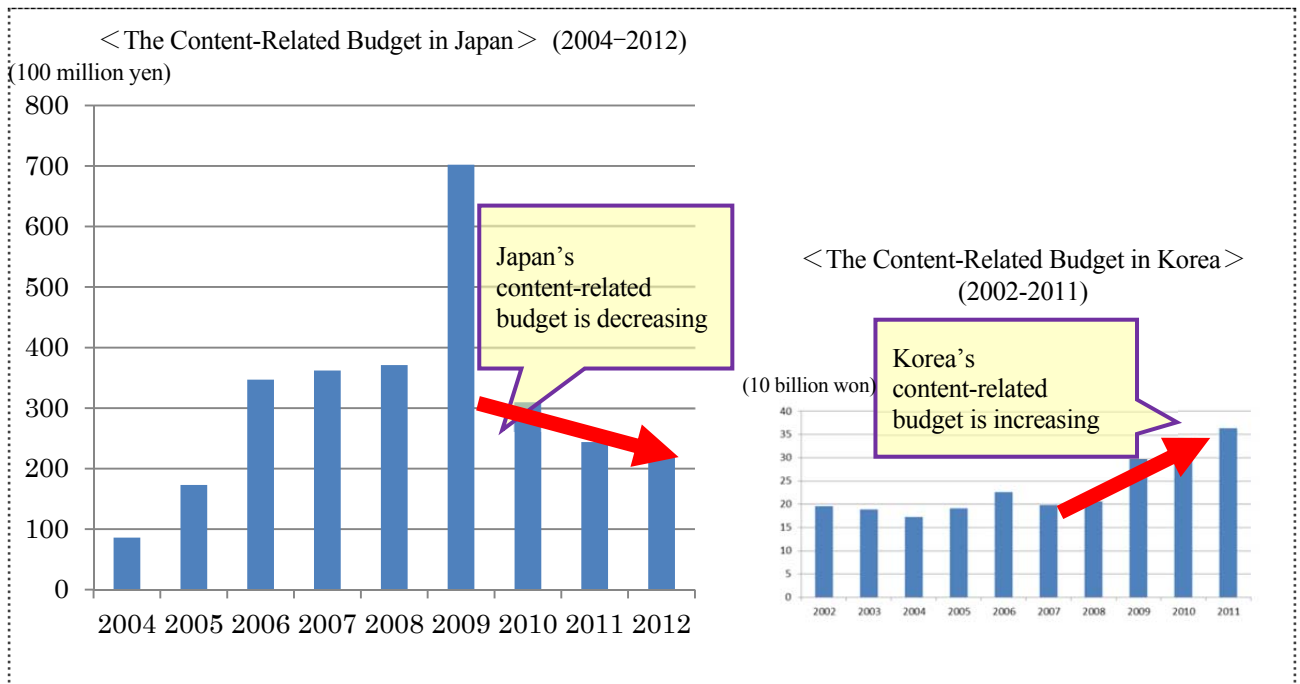
* The content-related budget in Japan is decreasing, with 31 billion yen in FY2010, 24.4 billion yen in FY2011, and 21.8 billion yen in FY2012.

(It should be noted that a supplementary budget of 43.5 billion yen was added to the content-related budget in FY2009. [In FY2012, a supplementary budget of 17 billion yen was adopted for overseas expansion of content, etc.]

In Korea, the content-related budget is increasing, with 22 billion yen in 2009, 25.8 billion yen in 2010, 26.2 billion yen in 2011. Korea's 2011 content-related budget surpassed that of Japan.

⁶⁶The total amount of film exports is from the Motion Picture Producers Association of Japan, Inc.

The amount of terrestrial broadcasting TV broadcast program exports is from "Actual Conditions of Production and Circulation of Media Software" by the Institute for Information and Communication Policy.



Challenges

- Effective budget implementation is increasingly needed, considering the status of the content market and the content-related budget.

Measures to be taken

- For the content industry, which has a great spillover effect on other industries including the consumer industry and the tourism industry, and which can contribute greatly to enhancing Japan’s presence, the Government of Japan will place special emphasis on resource allocation, and make efforts to enrich the resources for measures (Cabinet Secretariat).

3. Creating an environment toward the expansion of the content industry market

In making efforts to implement the following measures, it is necessary to establish a general and comprehensive system beyond the conflicting interests of rights-holders and users, in order to create new industries and to ensure that the compensation-distribution system is made to function properly for creators.

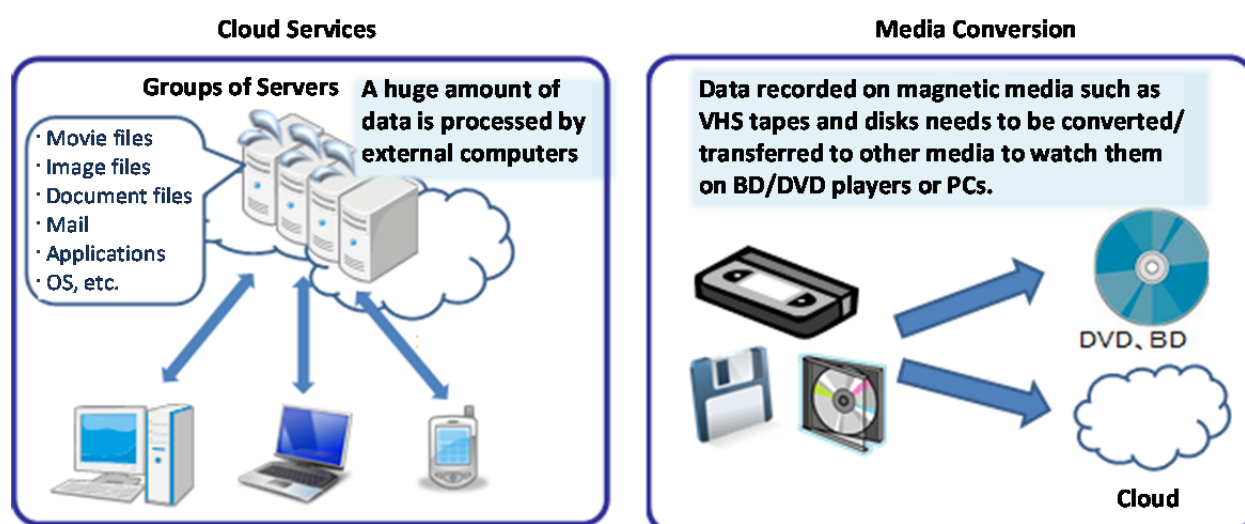
(1) Establishing a system toward building up the environment for the creation of new industries

Current status

- Along with the emergence of new service forms, including cloud services and media

conversion, expectations are growing for the creation and expansion of new industries. On the other hand, the relationship between these services and copyright law is causing problems.

○Overview of cloud services and media conversions



Note: Regarding media with technological protection measures, the act of reproduction by the circumvention of technological protection measures is a copyright infringement, even for private use purposes (Copyright Act Article 30 [1] 2).

Challenges

- In order to promote cloud services, media conversion, and so on, which can contribute to the creation and expansion of new industries, it is necessary to consider how the necessary systems should be, for example, reviewing restrictions on rights in cases in which businesses participate in reproduction for private use purposes, and establishing a smooth licensing system toward business operations.

Measures to be taken

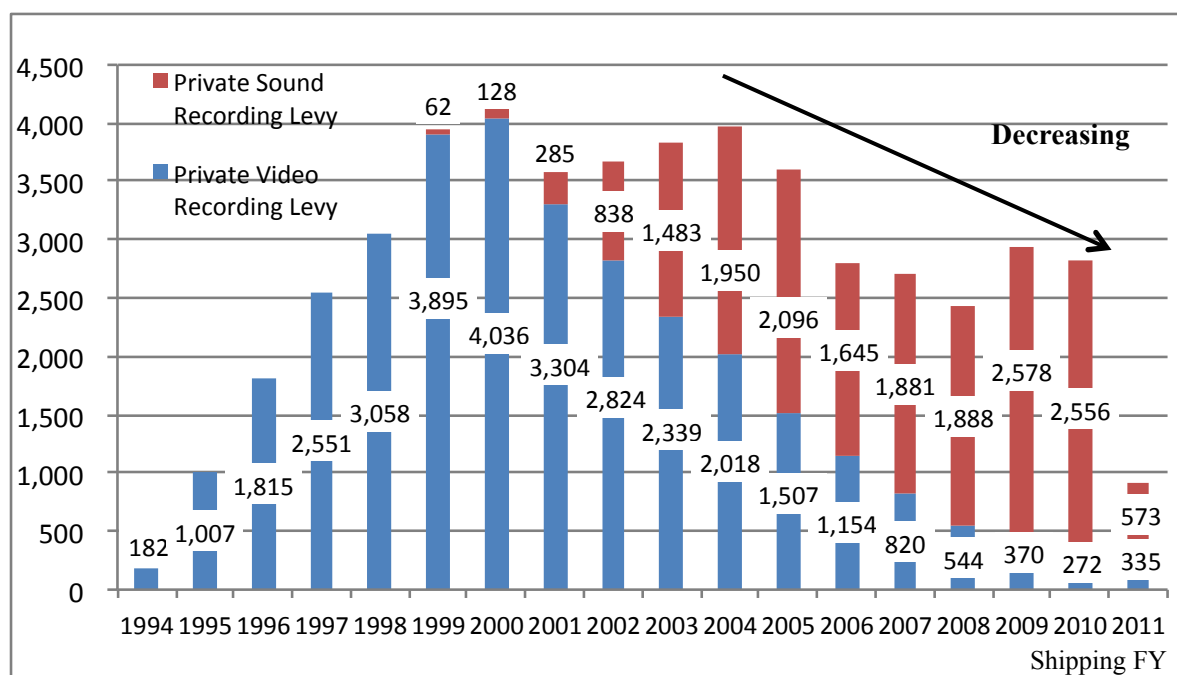
- In order to harmonize the fair use of works with their proper protection, and to continue new industry creation and cultural development, it is necessary to improve the overall legal environment promoting the creation and expansion of new industries, including cloud networking services. To this end, the Government of Japan will review the restrictions on the copyrights of works, consider how the system should be, including establishing a smooth licensing system, and will take the necessary measures (MEXT).

(2) Establishing a system toward the payment of proper compensation to creators

Current status

- According to the Copyright Act, “Any person who, for private use purposes, makes sound or visual recordings on a recording medium used for digital sound and visual recordings (as specified by Cabinet Order) by means of a machine possessing functions to make digital sound or visual recordings (as specified by Cabinet Order) shall pay a reasonable amount of compensation to the copyright holders concerned.” In the specification of the range of sound or visual recordings by Cabinet Order, the state of the spread of sound or visual recordings, the state of their use, the status and degree of technological protection measures, etc., were considered. At present, some of the machines used for private sound or visual recordings are not covered by the current Cabinet Order. It should be noted that the total amount of the said compensation has been decreasing recently.

○Trend in the Amount of Compensation for Private Sound or Visual Recordings⁶⁷



Challenges

- It is necessary to consider what would be a proper system for the distribution of compensation to creators, based on which the compensation for private sound and video recording system was established.

⁶⁷Source: Private sound recording levy, from the sarah website; private visual recording levy, from the SARVH website.

Measures to be taken

- In order for creators to receive proper compensation, the Government of Japan will continue to review the Private Copyright Levy (PCL) system while conducting radical considerations including the introduction of a new system to replace the PCL system, establishing a system for the creation of a linked content reproduction cycle (MEXT, METI).

(3) Smoothing licensing procedures toward the creation and expansion of new industries

Current status

- Although the number of broadcast programs distributed electronically is increasing every year, the monetary value of terrestrial broadcast program exports has tended to decrease in recent years, and most recently has remained almost flat. With regard to broadcast content, broadcast contracts do not usually contain provisions for secondary uses such as overseas expansion and electronic distribution, and so licensing permission from rights holders is needed again after broadcasting. This causes delays in the licensing procedure for the distribution of a regular version before a pirated version is circulated, which is one of the reasons why the overseas expansion of content is not advancing.
- Furthermore, the judgment system to be used in the case of using broadcast programs, etc., when the copyright holder, etc., is not known has made little progress.
- Moreover, it is becoming more and more important to build business models to expand the market by promoting the secondary use of not just broadcast program content, but also any kind of content, and to monetize content, including the peripheral consumer goods industry, etc. Thus, there is a high demand for measures for further smoothing of the licensing procedure for content.

○The Trend in the Number of Electronically Distributed Broadcast Programs (Major Programs Only)

<NHK On Demand>

	FY2008 (*)	FY2009	FY2010	FY2011
Missed Programs	1,705	7,233	7,826	7,119
News Programs	522	1,552	1,528	1,523
Special Libraries	1,740	2,752	4,084	4,727
Total	3,967	11,537	13,438	13,369

(*) The figures for FY2008 include from December 2008 to March 2009.

<TBS On Demand>⁶⁸

As of February 2010: 309 titles; 1,153 downloads

As of February 2011: 487 titles; 2,001 downloads

As of February 2012: 700 titles; 3,622 downloads

○The Trend in aRma's Licensing Processes⁶⁹

<Number of Cases of Consent to Secondary Use of Broadcast Programs>

FY2010 (internet distribution only): approximately 1,150 (after July 29)

FY2011 (internet distribution, videograms, sales of broadcast programs): approximately 4,400

FY2012 (internet distribution, videograms, sales of broadcast programs): approximately 3,400
(as of October)

<The Number of Searches for Unknown Rights Holders>

Approximately 300 cases (from FY2011 to the end of October 2012)

○The Trend in the Number of Cases Judged through the Judgment System⁷⁰

FY2008: Rulings made in 5 cases (covering 553 works)

FY2009: Rulings made in 15 cases (covering 556 works)

FY2010: Rulings made in 27 cases (covering 67,912 works)

FY2011: Rulings made in 20 cases (covering 60,230 works)

Challenges

Based on the need to speed up processing for overseas expansion and the trend of increasing electronic distribution of content, etc., it is necessary to consider what the licensing procedure should be based on the actual situation, as well as copyright-related systems and their operations.

Measures to be taken

- In order to promote the secondary use of broadcast programs, etc., the Government of Japan will establish a contact organization where complex licensing procedures are centrally managed. Specifically, for performers, it will deal with the whole process from receiving applications for licensing to collecting licensing fees. For recorded sound, the Government of

⁶⁸Source: Material 5 from the 61st Study Committee on Promoting the Circulation of Digital Content, etc., under MIC.

⁶⁹Source: Reported by aRma

⁷⁰Source: The list of Past Decisions in "Judgment System for Cases where Copyright Holders are Not Known" on the website of the Agency for Cultural Affairs

Japan will facilitate efforts to improve the environment for smoothing licensing procedures, including establishing a contact organization to deal with licensing procedures concerning the sound sources used in broadcast programs (MIC, MEXT).

- In order to promote the utilization of the enormous amount of past content properties, including orphan works, by smoothing the related rights management, the Government of Japan will review how the judgment system should be for orphan works, and will facilitate simplifying and accelerating procedures by reducing the burden of proof in demonstrating that a rights owner cannot be contacted and by shortening the standard processing period (MEXT).
- In response to the development of cloud computing, in order to smooth licensing procedures concerning the distribution of broadcast content via the Internet, the Government of Japan will consider the issues surrounding contracts and relevant legal systems, such as how the contracts should be, including license agreements for secondary use in producing broadcast programs, and how licensing procedures should be concerning the distribution and webcasting of broadcasted programs via the Internet during a certain period of time after they are broadcasted, and will take necessary measures (MIC, MEXT).
- In order to smooth the utilization of content made in the context of industrial property, the Government of Japan will consider creating a new system which would contribute to ensuring legal security and smoothing secondary use through the protection of licensees who have centralized all the copyrights of their works, etc., by making licensing agreements, etc., and will take necessary measures (MEXT).
- In order to promote the global circulation and the proper protection of content, the Government of Japan will facilitate establishing a content database in which all items of content are given ID numbers, and all the information concerning licensing status is consolidated so that anyone can refer to it in the cloud and other such networks, and will improve the system of collecting and distributing fees for content use (MCI, MEXT).
- At the Comprehensive IP Support Counters, consultation functions regarding global expansion, copyrights, the Unfair Competition Prevention Act, etc., will be comprehensively enhanced, including providing support in cooperation with other relevant agencies. In addition, each ministry will enhance its public awareness raising activities, including holding seminars (shown again) (METI, MEXT).

(4) Utilizing trade related agreements toward the smoothing of intellectual property activities

Current status

- Among the trade-related agreements concluded with many countries, the provisions on

intellectual property in Economic Partnership Agreements are stipulated based on the intellectual property system and the IP-related issues in the counterpart country.

○Examples of provisions in the field of intellectual property (the field of copyrights) in Economic Partnership Agreements⁷¹

- To authors, performers, and producers of recordings, the rights to permit the use of, respectively, written works, performances contained in recordings, and recordings (Indonesia, the Philippines, and Malaysia).
- In order to prevent the circumvention of technological protection measures, appropriate legal protection and effective legal remedies are stipulated (the Philippines).
- With regard to rights management information that specifies authors, performers, and producers of recordings, appropriate and effective legal remedies are stipulated with regard to any act that is made to remove or change electronic rights management information by a person without any authorization, who knows such an act will invite, make possible, foster, or hide infringement of copyrights and related rights (Indonesia and the Philippines).
- With regard to the treatment of Internet service providers concerning the information transmitted via the Internet network, appropriate measures are taken to restrict their responsibility when certain requirements are satisfied (Malaysia).

Challenges

- Industry has requested the Government of Japan to encourage counterpart countries in inter-governmental negotiations to improve their intellectual property systems and to ensure effective enforcement, and to achieve higher levels of protection of intellectual property in their countries than the standards stipulated in the TRIPS Agreement, etc.

Measures to be taken

- Through bilateral and multilateral agreements including Free Trade Agreements (FTAs), Economic Partnership Agreements (EPAs), and investment agreements, the Government of Japan will work to solve international problems in the field of intellectual property that hinder the global business operations of companies, and will make improvements in this area. Specifically, taking into consideration the needs of Japanese industry, etc., the Government of Japan will encourage counterpart countries to improve their intellectual property systems and to ensure effective enforcement, and to actively work toward achieving higher levels of protection of intellectual property in their countries than the standards stipulated in regulations such as the TRIPS Agreement. In particular, with regard to the Trans-Pacific Partnership (TPP) Agreement, the Government of Japan will pursue the best outcome for the sake of our national interests, taking into consideration opinions and comments from interested parties, including industry (MOFA, METI, MAFF, MEXT, MOF) (shown again).

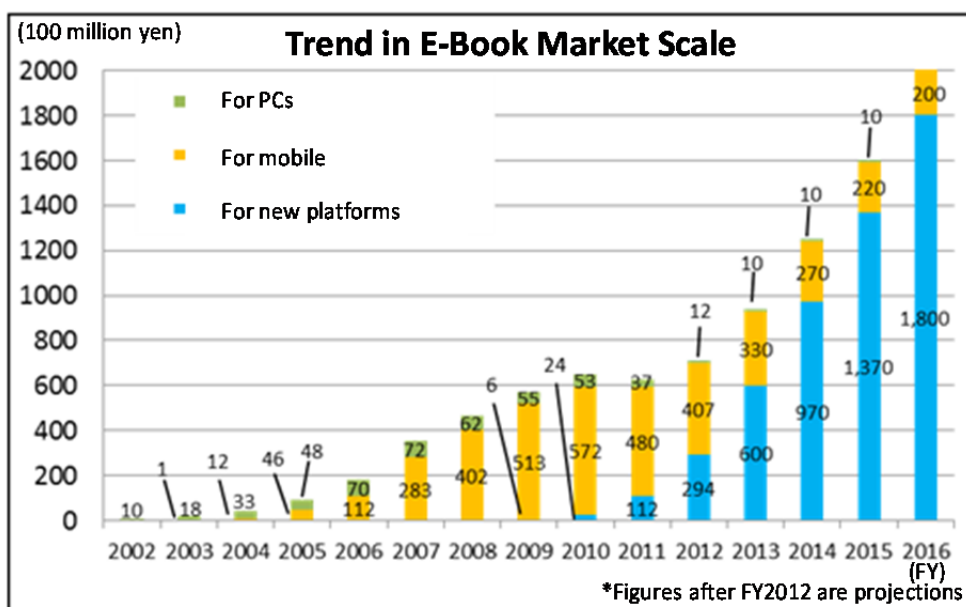
⁷¹“Agreements in the Intellectual Property Field from Japan’s Economic Partnership Agreements (EPAs)” (by Takashi Koyama) in the monthly “Patent” (September 2010).

(5) Facilitating full-scale dissemination of e-books

Current status

- The e-book market has been rapidly growing in recent years, and foreign companies have advanced into the Japanese market. The rate of use of domestic e-book stores is low in comparison with that for foreign e-book stores.

- It has been pointed out that although e-book terminals are becoming popular in Japan, the quantity of content for e-books is not sufficient (950,000 e-books available in the U.S.,⁷² 100,000 e-books available in Japan⁷³).
- U.S.-based Amazon.com has started to sell their Kindle series in Japan, and has entered Japan's e-book market.
- Overview of the E-Book Market⁷⁴



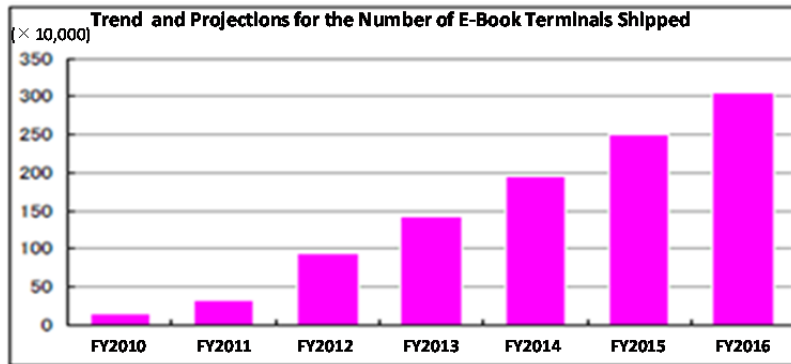
- Overview of the E-Book Market⁷⁵

⁷²Source: "Current Situation of the E-book Market and Its Future Business Chances" (magazine: Education Business) (NRI, October 2011)

⁷³Source: BookLive website (as of December 2012)

⁷⁴Source: Survey Report on the E-book Business, by Impress R&D.

⁷⁵Source: MM Research Institute website.



*Figures after FY2012 are projections

Challenges

- Many users are demanding that the quantity of content be improved, and therefore it is necessary to consider specific measures to support efforts for the promotion of e-books.
- From the perspective of protecting rights holders along with the dissemination of e-books, it is anticipated that negotiations with companies, etc., and taking countermeasures against counterfeits and pirated goods would be difficult in dealing with individual rights holders.
- It has been pointed out that the Internet service platform field is more likely to allow a few companies to dominate the market. Currently, foreign e-book stores, which have a relatively higher rate of use in Japan's e-book market, could continue to grow and dominate the market.

Measures to be taken

- In order to improve our bargaining power with overseas giant platform service providers, etc., and as countermeasures against counterfeits and pirated goods, the Government of Japan will consider at an early stage the issues surrounding licensing to publishers, including the establishment of e-book publishing rights, and contracts concerning the publishing and electronic distribution of books, and will take necessary measures (MEXT, METI).
- With the aim of expanding the spread of e-books, the Government of Japan will support the private sector's efforts to expand the base of e-book users by increasing the quantity of e-book content, with a wide variety of publications including individual works and technical books (METI).
- In order to realize an open electronic publishing environment, the Government of Japan will make efforts to standardize the conversion format for e-books and to promote it in Japan and overseas. In addition, with regard to next-generation browsers which would be platforms for electronic publications, the Government of Japan will support efforts to become involved in

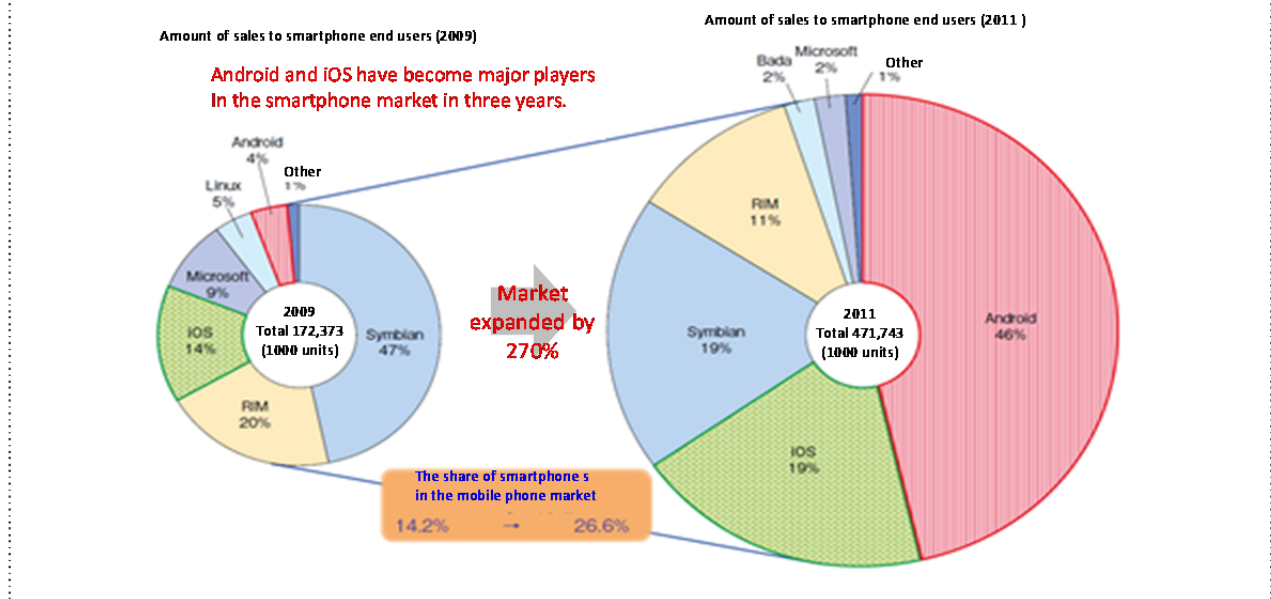
international standardization activities for vertical layouts corresponding to Japanese, promoting the succession of the culture of vertical writing and the transmission of Japanese culture to the world (MIC, METI).

(6) Promoting platform establishment

Current status

- Based on the development of digitalization and networking, major U.S.-based companies built a global ecosystem joining together the technologies and businesses of other companies, and shifted their business strategy to gain profits within the whole ecosystem. The foreign platforms that got a head start with such a strategy shift in the field of online music and movie distribution are dominating a large share of the world market.
- As the smartphone market grows, there is fierce competition for a share of the OS market for this platform. Many smartphone functions depend on groups of service platforms in the cloud that can be accessed from applications on a smartphone. The growth of smartphone sales is a main cause of the growth of the sales and market share of foreign platforms.
- With regard to the industry's self-regulation, there may be cases in which Japanese companies are forced to engage in more disadvantageous competition than foreign companies. For example, it has been pointed out that Japanese companies take measures to prevent customers from copying music from CDs to their mobile phones, although foreign companies do not take such measures.
- In order for Japanese content holders to secure profits in the digital network society, it is absolutely necessary not only to sell content, but also to develop the surrounding businesses in the relationship with customers. However, it has been pointed out that platform providers monopolize customer information and marketing methods, which is an obstacle for other companies to develop their businesses.

○Global Smartphone Market Shares⁷⁶



Challenges

- In the field of OSs, browsers, other platform services, and cloud services, U.S.-based companies have already advanced into the Japanese market with overwhelming development capability and financial power.
- With regard to platforms, there are problems with industry self-regulation that cause Japanese companies to be disadvantaged with respect to foreign companies, and non-disclosure agreements (NDA) that bind content holders not to disclose disadvantageous terms in their contracts with foreign platform providers. It is necessary to deal with these problems.
- It has been pointed out that content holders do not have a method to develop new platform-based industries, and that new platform-based businesses totally depend on platform providers. It is necessary to take measures for this.

Measures to be taken

- The Government of Japan will support the realization of an ecosystem in which content will lead platforms, through support for establishing platforms which will provide various kinds of content, including books and magazines, music, photography, movies, anime, TV broadcast programs, and games (MIC, METI).
- To avoid a situation in which Japanese companies are placed in a disadvantageous position through the domination of the market by a number of foreign companies, the Government of

⁷⁶Source: 2012 White Paper on Information and Communications in Japan, by MIC.

Japan will consider measures to promote the growth of platform-related industries, including OSs, browsers, and data centers, which are expected to develop into core Japanese industries, and will take necessary measures (MIC, METI).

- So that the freedom of expression of creators does not wither away, the Government of Japan will consider the necessity of creating transparency in and formulating rules for agreements between platform service providers and content providers. With regard to platforms, the Government of Japan will support the industry's efforts to review self-regulation and customary practices in the industry, so that the competitiveness of the industry is not degraded through self-regulation or customary contract practices which would cause disadvantages to Japanese companies (METI).

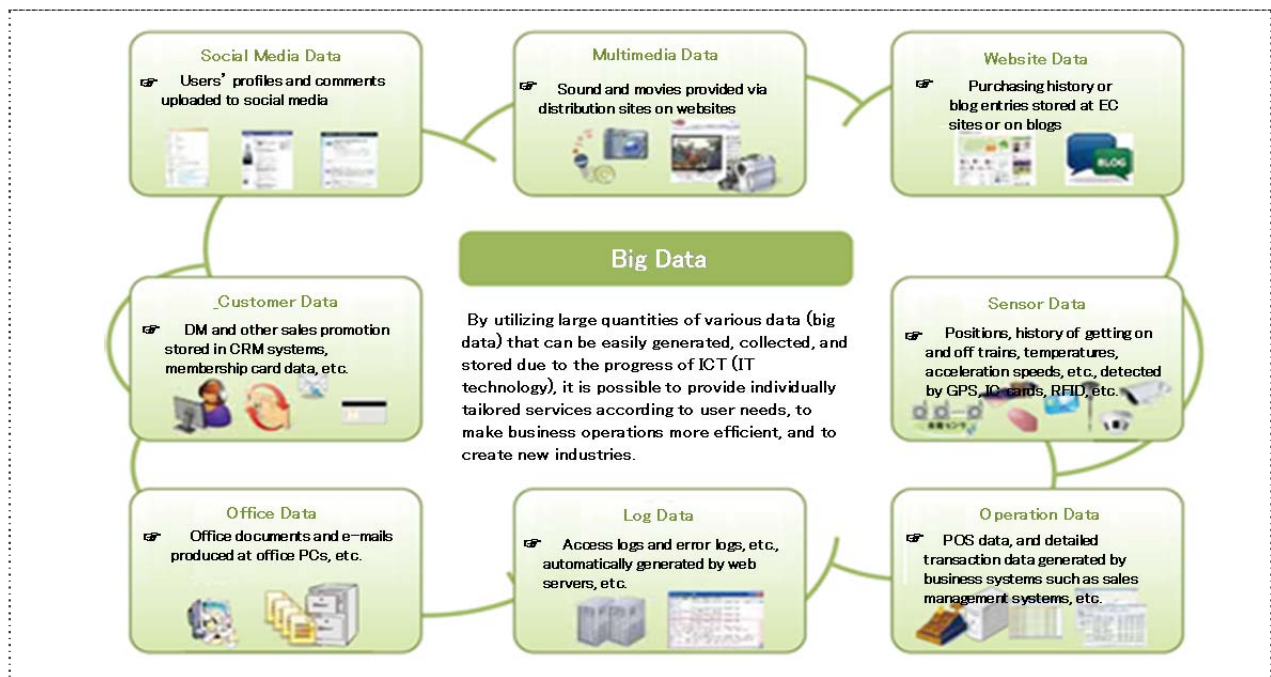
(7) Promoting big data businesses

Current status

- With the development of the digital network society, huge amounts of diverse digital data are generated, circulated, and stored on networks, which has increased the presence of what is called "big data."
- According to a survey, it is estimated that the utilization of big data will produce 300 billion dollars annually in the U.S. health care sector, and 250 billion euros annually in the EU public sector. The utilization of positioning information data is expected to produce 600 billion dollars in consumer value annually.

○Overview of Big Data⁷⁷

⁷⁷Source: 2012 White Paper on Information and Communications in Japan, by MIC.



Challenges

- In the digital network society, it is necessary to treat big data, including social media data, website data, and multimedia data, as a management resource, and to utilize it effectively to develop the content industry.

Measures to be taken

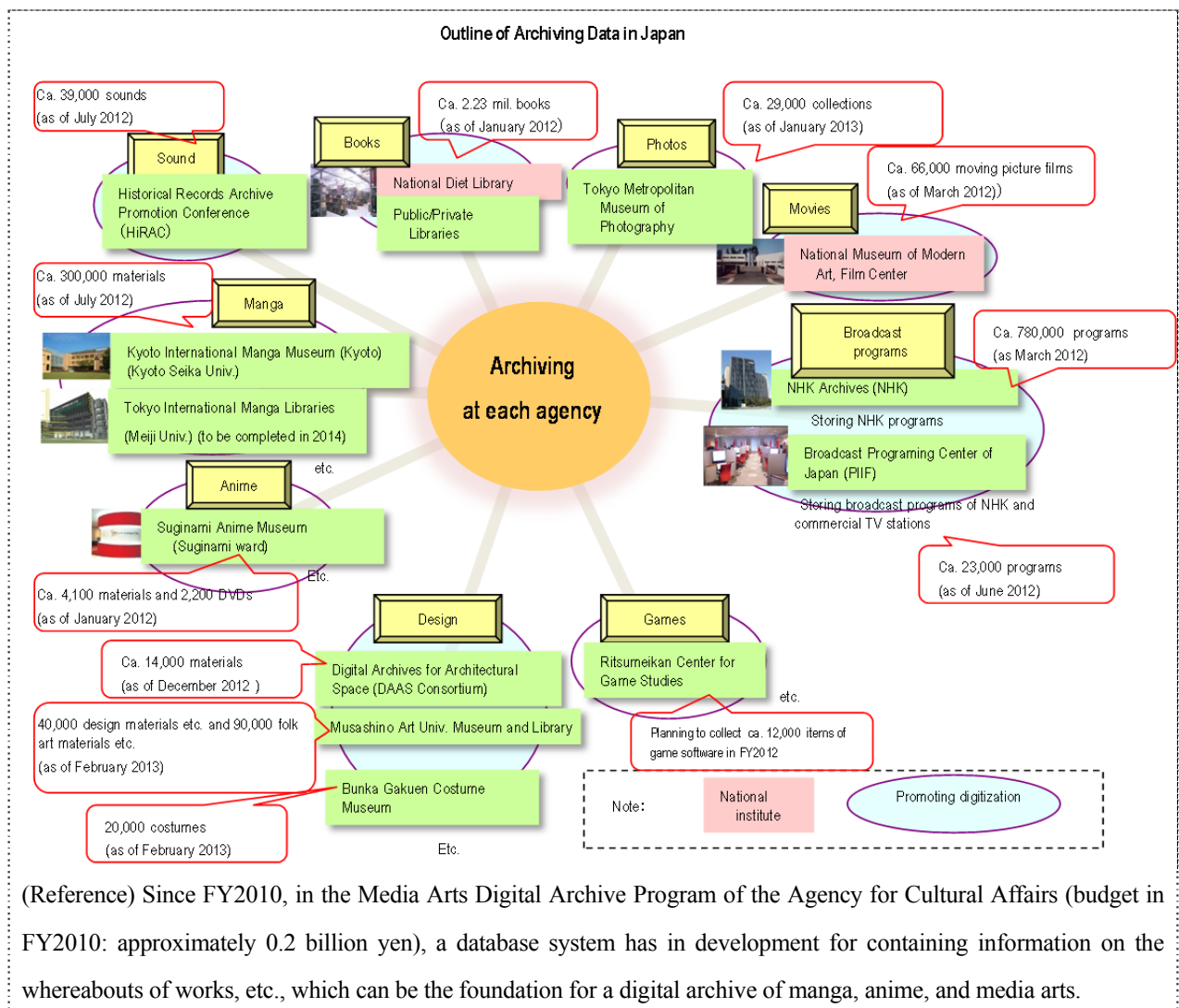
- Big data is a source of business that could produce valuable intellectual property, including user information, video and sound recordings, and information obtained from sensors, all of which are mass-produced in each business field accompanying the progress of information technology. In order to create new businesses by utilizing and adding value to big data, the Government of Japan will improve the business environment, including formulating rules concerning the handling of personal information, through a careful consideration of the balance between privacy protection and information utilization, and will conduct research and development which could contribute to creating various kinds of added value through the collection, storage, and analysis of data, including social infrastructure and technology utilizing data, while trying to reduce risks (MIC, MEXT, METI).

4.Improving the infrastructure for promoting the digital network environment

(1) Facilitating the digitizing and archiving of cultural assets

Current status

- It has been pointed out that digital archives are effective for building infrastructure for new “intelligence” assets, since digital archives make it possible to store and utilize cultural assets. Efforts such as Europeana in Europe and the World Digital Library in the U.S. are being advanced in foreign countries.
- In Japan, the public and private sectors are respectively making efforts with regard to the digital archiving of various kinds of content.
- With the progress of the digital network society, the presence of cloud content such as web services, social games, etc., has been increasing and their market is expanding. However, it is technically difficult to archive these kinds of content, and therefore it is hardly being done.



Challenges

- It is necessary to consider the further development and coordination of digital archiving toward further development of the content industry, and the utilization of digital archives including

making them available overseas. In addition, it is also necessary to consider the preservation of hardware for utilizing content, digital archiving as a cultural asset, and how to record new types of cloud-based content.

Measures to be taken

- In order to build up an “intelligence” infrastructure that could be a foundation for the creation of new industries and culture, the Government of Japan will facilitate the digitizing and archiving of cultural assets, such as books, movies, broadcast programs, music, anime, manga, games, design, photography, and cultural properties of Japan, as well as relevant reference materials, together with considering the establishment of an environment to realize collaboration among archives and the enhancement of information provision to the world, and will take necessary measures (MIC, MEXT, METI).

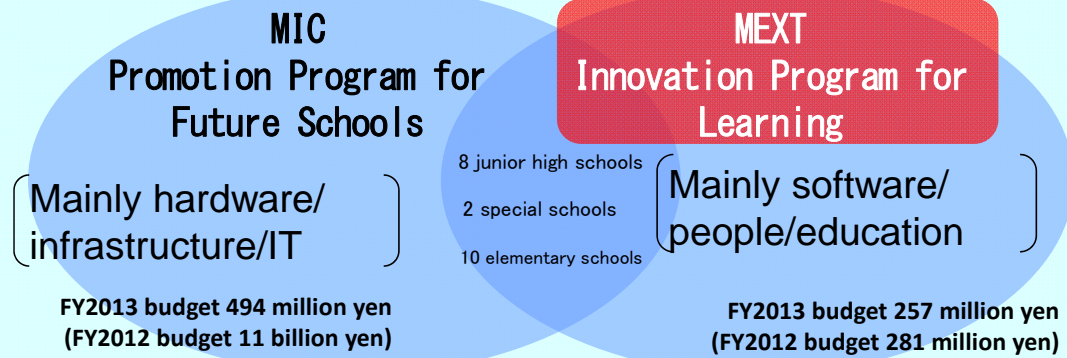
(2) Facilitating IT-oriented education

Current status

- The Ministry of Education, Culture, Sports, Science and Technology (MEXT) and the Ministry of Internal Affairs and Communications (MIC) will make efforts toward developing information technology in education, under close cooperation between both ministries, with MEXT approaching mainly from the software and human aspect, including developing educational content and teaching methods, and with the MIC approaching mainly from the IT technology aspect, including introducing information and communications technology (ICT) related to the development of information technology in education, taking into consideration various types of schools, different developmental stages of children, subjects, etc.

Establishing Infrastructure for Promoting Learning

In order to realize education that can nurture children who have the abilities required for living in the 21st century, considering various kinds of schools, developmental stages of children, and curriculums, the government will conduct experimental studies including reviewing the effect and impact of education utilizing digital textbooks and materials in a classroom environment with one information terminal per student, electronic whiteboards, and wireless LAN, developing teaching methods, and developing model content.



Experimental Study on IT Utilization in Schools

- Reviewing effects and impacts based on kinds of schools, developmental stages, and curriculums
- Developing teaching methods utilizing digital textbooks, materials, computer terminals, etc.
- Developing model content
- Selection and extraction of functions necessary for one information terminal per student

Establishing Intelligence Infrastructure for Learning

In order to realize teaching that is easy to understand and deepens students' understanding through teachers sharing teaching materials, the government will conduct surveys and research on the informatization of education, and will disseminate the results.

Improving the IT Promotion System for Education

- Collecting, disseminating, and promoting good domestic examples of utilizing IT in education

Challenges

- Toward promoting the development of information technology in education, there are issues to be solved, including providing students with information terminals and reviewing relevant systems, and there is also a demand for empirical research, giving consideration to easy access to various kinds of information.

Measures to be taken

- The full-scale development of IT-oriented education is urgently needed, which includes every student at every elementary and middle school having access to digitized textbooks and materials on information terminal devices, with one terminal device per student. Considering the status of experimental studies and so forth, the Government of Japan will discuss and consider how digital textbooks and materials should be positioned in the context of the textbook authorization system, and how the textbook authorization system, etc., should be in relation to this issue, including copyright issues, and will take necessary measures (MEXT, MIC).

Fourth pillar: Strengthening soft power focusing on the content industry

1. United efforts toward strengthening soft power focusing on content

(1) Unified government efforts toward strengthening soft power focusing on content

Current status

- The Government of Japan has been communicating the attractiveness of Japan through inter-ministerial cooperation at the Japan Expo and the World Economic Forum, etc., but further united governmental efforts are being demanded.

○Japan Expo (MOFA, MEXT, METI, MLIT)

The Japan Expo is the world's largest event featuring a comprehensive introduction to Japanese culture, including Japan's pop culture such as manga, anime, games, and music, and traditional culture such as martial arts and the tea ceremony.

Various events were held at Japan Expo 2012, including an event introducing Harajuku fashions; an introduction to traditional local culture; the Visit Japan tourism campaign including a seminar on Japanese castles and Okinawan folk songs, etc.; a photo exhibition on the recovery from the Great East Japan Earthquake; live J-pop performances; and a lecture meeting and demonstration about Paro, which is the world's most therapeutic robot, as officially recognized by a Guinness World Record. It had approximately 210,000 visitors.



○World Economic Forum (Davos Meeting) (Cabinet Secretariat, MOFA,

MOF, MAFF)

This forum aims to set agendas for the world, regions, and industries, and to make efforts to improve the world situation through the cooperation of leaders in the worlds of business and politics. Through the Japan Night held at the Forum, Japan has been communicating the strengths and attractiveness of Japan, and Japan's merits, to the world.

The Summer Davos Forum was held in Tianjin, and the regular meeting was held in Davos, 2013.



China in September 2012, Switzerland in January 2013.



(Reference) Korea Creative Content Agency (KCCA)

In 2009, multiple promotional organizations that had been run separately for broadcasting, games and anime, characters, pop music, etc., were integrated into one organization, and the KCCA was established as a government-based agency specializing in comprehensively promoting the Korean content industry.

Challenges

- Currently, each ministry has been holding events in cooperation with other ministries toward the promotion of strengthening soft power focusing on content. However, it is necessary to build an all-Japan system involving the public and private sectors in order to further increase the effectiveness of these efforts.

Measures to be taken

- From the perspective of developing measures for enhancing soft power focusing on content in an integrated manner according to the fields of jurisdiction of each ministry and agency, the Government of Japan will prioritize resource allocation to content-related measures, consider how the government-based comprehensive promotion system should be, and take necessary measures (Cabinet Secretariat).

2. Discovering and creating attractive content and products rooted in Japan's traditions and culture

(1) Support concerning the production of content and goods to be sold in targeted countries and regions

Current status

- In some countries, inter-governmental policy dialogue has triggered government efforts for the private sector entering overseas markets.
- Regarding international co-production projects that can facilitate entry into the counterpart's market, it had been pointed out that success is difficult due to cultural and language barriers.

○Private Sector Efforts Based on Creative Industry Cooperation and Policy Dialogue with India

- In commemoration of sixty years of India-Japan diplomatic relations, on April 30, 2012, the Ministry of Economy, Trade and Industry of Japan and the Ministry of Commerce and Industry of India agreed to cooperate in the field of creative industries. Based on this agreement, the commissioners of both ministries held a policy dialogue in October 2010, and confirmed the progress of the cooperation projects.

(Examples of Cooperation Projects)

Experts were dispatched and trainees were received toward the establishment of the India Design Mark.

An animation co-production project was conducted. *Suraj The Rising Star* (a cricket version of the anime *Kyojin-no-Hoshi* [Star of the Giants]) was broadcasted on a major cable TV network in India in December 2012.

○Current Status of International Co-Production Projects

Since FY2011, Japanese movies that are certified* as “international co-productions” by UNIJAPAN (a public interest incorporated association) have been receiving production support after investigation by the Agency for

Cultural Affairs (ACA).

* UNIJAPAN Co-production Certification Program (UNIJAPAN Certificate)

This program is designed to examine the international co-production projects that Japanese producers are participating in, and certify: (1) whether a movie can contribute to Japanese producers acquiring an overseas market; and (2) whether a movie can contribute to the globalization of the industry and the improvement of cultural quality through cultural and interpersonal exchanges.

(Adopted Works)⁷⁸

	FY2011		FY2012	
	Movies (Theater)	Animated Movies	Movies (Theater)	Animated Movies
Number Accepted	3 (CN, TW, FR)	2 (HK, US)	2 (CN, KR)	1 (US)
Number of Applications	8	3	5	3
Amount of assistance	Approximately 80 million yen	Approximately 100 million yen	Approximately 100 million yen	Approximately 50 million yen

Challenges

- With increased expansion into more countries and more regions, recognition of the Japan brand will increase. On the other hand, it has not been sufficiently determined which content and goods would be easily accepted in targeted countries and regions, and thus our country cannot display its full potential. Therefore, it is necessary to conduct a survey of the relevant systems and to provide support for the production of content and goods that will be easily accepted in targeted markets, so as to create successful examples.
- It is necessary to consider the utilization of international co-production projects, with the aim of acquiring markets in targeted countries and regions.

Measures to be taken

- In order to promote the sale of content and goods in targeted countries and regions, the Government of Japan will provide support for the production of attractive content and goods, through united efforts involving the public and private sectors, and the government's support for efforts made by businesses, by utilizing a combination of characteristically Japanese cultural power and technological power, and the extensive communicative power of the Japanese people (METI, MEXT, MAFF).
- In order to actively send information out to the world through producing content that is

⁷⁸Source: Agency for Cultural Affairs

acceptable in overseas markets, the Government of Japan will take measures to improve the quality of content and accumulate know-how by supporting international creation and communication activities, such as international joint production projects, etc. (METI, MEXT, MIC).

(2) Developing human capital and creation hubs that will take a leading part in the global content industry

Current status

- The Agency for Cultural Affairs has now initiated a program toward constructing creative hubs to receive artists from overseas, etc., and the program is currently in progress. Enriching such activities is expected to make Japan a creative hub for global content.

○Status of Support for Constructing Hubs under the Artist-in-Residence Program⁷⁹

- Since FY2011, by strongly supporting distinctive international cultural exchange programs rooted in local regions, including actively accepting foreign artists as bridge builders in cross-cultural exchanges and incorporating international cultural and artistic creation, the Government of Japan has been promoting the construction of hubs for cultural creation and international exchange nationwide.
- Achievements (the number of projects approved [including continuing projects])
27 projects in FY2011; 27 projects in FY2012

Challenges

- In light of the fact that there are foreign students who aim to study in Japan as the home of manga, anime, and fashions, it is necessary to actively consider the development of human capital as global content suppliers, and the establishment of creation and communication hubs.

Measures to be taken

- In order to fully connect the excellent technology and creativity of Japan's content industry to business, the Government of Japan will support developing human capital and constructing creative hubs to create and produce world-class content according to the dissemination of content accumulated in each field, and its combination with Japanese traditions and culture (MEXT, METI).

(3) Establishing local brands

Current status

⁷⁹Source: Agency for Cultural Affairs.

- Efforts are being made to establish local brands by using local resources in various regions, including the Creative Tokyo concept and the Culture and Art Creative Cities initiative. In addition, there are high expectations for establishing the Japan brand through a system of protecting geographical indications and a regional collective trademark system.

○ CREATIVE TOKYO

- This is a concept designed to revive the Tokyo brand, to revitalize Tokyo's neighborhoods and stimulate consumption, and to attract tourists, involving cooperation among relevant ministries including the Ministry of Economy, Trade and Industry, shopping districts, department stores, developers, universities, related event promoters, and nonprofit organizations, aiming to construct a creative hub in Tokyo, which is a showcase of Japan's creative industries.

[Efforts toward Creative Tokyo]



1. To convey the sensibility of Japan domestically and internationally through citywide promotion campaigns.
To attract people, information, and funds, and to establish a position as a creative hub, through such efforts.
2. To promote new cross-industry linkages, and to boost domestic demand and the overseas expansion of businesses through the creation of new businesses related to Japanese culture and lifestyles.
3. To bring together talented human capital from around the world, and to create opportunities where young talent can grow through friendly competition in a diversified culture, with the aim of developing human capital and businesses that can play an active role in the world.
4. To secure places and opportunities for international activities through promoting exchanges of human capital and information, and carrying out joint projects, etc., in cooperation with domestic and international creative cities.
5. To clear the way for a new future by accepting new values and creating an environment for free creative activity through unified citywide efforts.

○ Promoting the Culture and Art Creative City Project (Agency of Cultural Affairs)

- This project works to revitalize local regions by means of the power of culture and art, to acknowledge local municipalities that are making especially outstanding achievements, and to support voluntary efforts in local regions, including enriching and enhancing the network among municipal governments that are making efforts for Culture and Art Creative Cities. In January 2013, the Creative City Network Japan was founded, which serves as a national platform for Culture and Art Creative Cities.

○ East Asian Cultural City Program (Agency of Cultural Affairs)

- The East Asian Cultural City program, which is a Japan-China-Korea joint project agreed on in the framework of the Japan-China-Korea Ministerial Meeting on Cultural Affairs, will begin in 2014.

○ Overview of the System for the Protection of Geographical Indications⁸⁰

- Systems for the protection of geographical indications are mainly classified into two types: (1) the EU-type

⁸⁰Source: Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries.

system based on native characteristics (sui generis); and (2) the US-type system based on a trademark verification system. Foreign countries have respectively adopted unique systems according to the circumstances of their historical experience, and the status of their economic partnership agreements.

(Reference 1) More than 70 countries have adopted a sui generis system for the protection of geographical indications for agricultural and fishery products and foods, including countries in Asia and the EU which are important countries for Japanese exports.

(Reference 2) The major countries that have adopted a trademark verification based protection system are the United States, Canada, Australia, etc.

(Reference 3) The Geographical Indications System in Korea⁸¹
According to the Ministry of Agriculture, Forestry and Fisheries, which conducted a survey on the geographical indication system in Korea, geographical indications are protected in parallel under three laws (the Management of Agricultural Products Act, the system for the protection of geographical indications based on the trademark system, and the Unfair Competition Prevention and Trade Secret Protection Act). It should be noted that Korea has concluded Free Trade Agreements (FTAs) with both the EU and the U.S. In the Korea-EU FTA, concluded in October 2009, it was stipulated that both Korea and the EU should clearly show a list of the geographical indications that should be protected, with a clear statement to the effect that the geographical indications on the list should be protected.

○The Regional Collective Trademark System⁸²

- The regional collective trademark system was introduced in April 2006, with the aim of enhancing competitiveness by maintaining trust and to support the revitalization of local economies through the proper protection of local brands. There were 536 registrations as of the end of FY2012. Applicants are required to be a business cooperative association or another association established based on special laws.

Challenges

- In order to incorporate overseas markets, it is necessary to establish and improve a system as a “home” that gathers global human capital and technology in Japan, and to develop branding. Furthermore, along with the utilization of attractive Japanese content, including cultural heritage in local regions (including cultural properties of Japan, anime, fashions, and food), it is necessary to make efforts to promote the revitalization of local regions by enriching a receptive environment.
- It is necessary to promote specific measures toward protecting the brand images of high-quality agricultural, forest and fishery products, and foods, and to realize the promotion of exports.

Measures to be taken

- With regard to excellent regional products or technologies, cultural assets (including Japanese cultural properties, anime, fashions, food, etc.), etc., the Government of Japan will establish world-class brands by making them further attractive, and will engage in united efforts with

⁸¹Source: Made by the Intellectual Property Secretariat based on materials for the 4th Study Group on Geographic Identification under the Ministry of Agriculture, Forestry and Fisheries.

⁸²Source: JPO website.

regions to advance overseas expansion, tourism promotion, and regional revitalization (METI, MEXT, MAFF).

- In order to communicate the attractiveness of culture and art with regional roots, and to promote international exchange, the Government of Japan will implement efforts for the East Asian Cultural City program scheduled to be held in 2014. In addition, we will enhance the ability of local brands to communicate their appeal, through support for the Creative City Network Japan, which is a national platform for information consolidation and provision for Culture and Art Creative Cities, which works to revitalize areas through the power of culture and art (MEXT).
- The Government of Japan will introduce a system to protect Geographical Indications (GI) that can contribute to adding value to high-quality Japanese agricultural, forest, and fishery products, and to increasing the power of these brands, and will work to facilitate exports (MAFF).
- The Government of Japan will expand and enrich the trademark system such that local chambers of commerce and industry, which are actively involved in regional revitalization by promoting local brands such as local delicacies, can register collective regional trademarks (METI).

(4) Promoting content production by utilizing Japanese high technology

Current status

- Programs are being carried out for content production utilizing the high technology that is a particular strength of Japan, including technology development to support the production of content, and human capital development to enhance cooperation between cutting-edge technology and content businesses.

○ Efforts for Technology Development to Support the Creation of Content (Example)

- Foundations of Technology Supporting the Creation of Digital Media Content, by the Japan Science and Technology Agency (FY2004 to FY2011)

The study was conducted regarding movies, animation, and game software that are produced with the full utilization of electronic technology, and also including the CG art on which they are based; the technology for inputting, processing, editing, and displaying footage and images for the purpose of elevating the quality (including high dimensionality) of network artworks, etc.; interface technology; and network technology, etc.

○ Efforts to Promote the Fusion of Content Creation with Science and Technology

- Industry-Academia Collaborative Educational Program for Content Creation Science (Commissioned to the Japan Science and Technology Agency [JST] [FY2004 to FY2009])

This program aims to develop a content industry with international competitiveness and human capital such as producers who have a high level of expertise in high technology and the content business. Through this program, education that fuses natural sciences backed by advanced researches with the humanities and social sciences is provided at Tokyo University.

Challenges

- It is necessary to produce Japanese content that is differentiated from foreign content in an effective and efficient manner. From the perspective of maintaining high competitiveness and further enhancing competitiveness in the production of content, it is also necessary to consider measures to utilize the high technology that is a particular strength of Japan, both for stimulating the creativity of creators and for improving the technological infrastructure to sustain their creations.
- It is necessary to raise public awareness of the science and technology that stimulates the creativity of creators, in light of the successful works based on cutting-edge science and technology.

Measures to be taken

- The Government of Japan will support efforts for the effective and efficient production of content, for example, by facilitating the development of technology that is effective for advancing and optimizing content production, including three-dimensional film technology and digital fabrication (manufacturing an object with a 3D printer, etc., based on digital data) (MIC, METI).

3. Global communication of the Japan brand

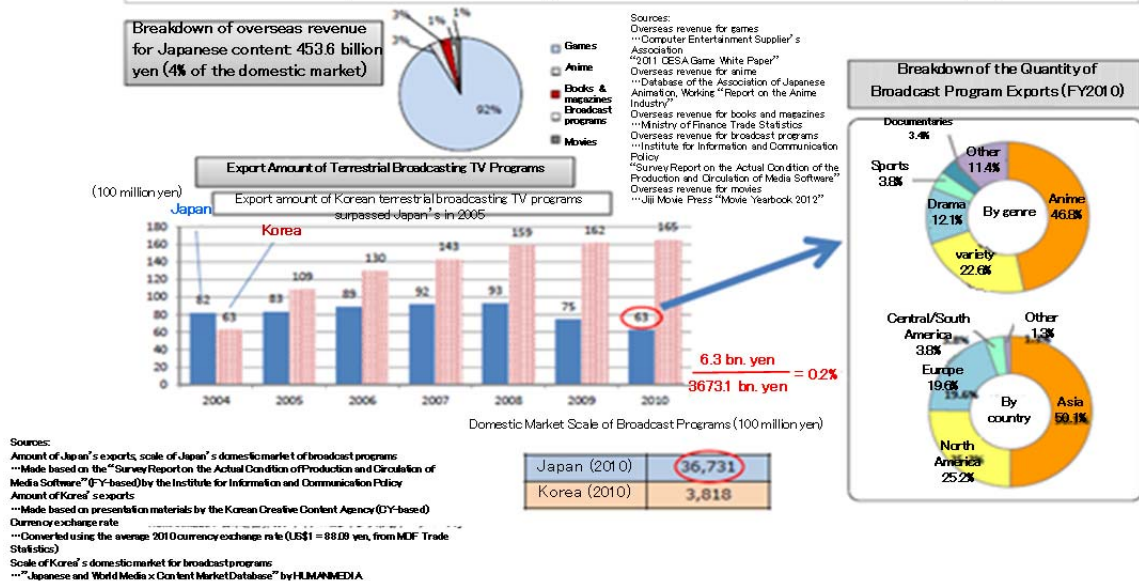
(1) Securing broadcast slots in foreign countries and carrying out Japan events in various places

Current status

- With regard to the export of content and Japan events, efforts have been made by the public and private sectors, including the CoFesta, the Media Arts Festival, and the Japan Expo, and a comprehensive support program for providing information about Japanese content to the world was launched in FY2012.

○ Current Status of the Overseas Expansion of TV Broadcast Programs⁸³

- Games account for most (92%) of the overseas revenue for Japanese content (453.6 billion yen).
- The quantity of exports of terrestrial broadcast programs has been decreasing recently. The export amount (6.3 billion yen) accounts for only about 0.2% of the domestic TV broadcast program market.



• Program for Promoting the Overseas Expansion, etc., of Cool Japan and Content (MIC, METI)

Through this program, the Government of Japan implements a comprehensive support program for providing information on Japanese content (support for localizing video footage, promotional campaigns, etc.), makes efforts to create a Japan boom overseas, and to lead to enlarging the overseas expansion of consumer products, etc., and related industries, and to promote tourism, etc. (the amount of the supplemental budget in FY2012 was 15.5 billion yen [the combined total amounts from MIC and METI]).

○ Information Provision at Events

• CoFesta (Japan International Contents Festival)

Events connected with the content industry boasted by Japan, like games, anime, manga characters, broadcasting, music, and films, are held in coordination with each other, toward making the world know about Japanese content.

(Major events)

• Tokyo Film Festival



• Tokyo Game Show



• CEATEC JAPAN



⁸³Source: MIC materials

• Media Arts Festival

This is a comprehensive media arts festival honoring excellent works in four divisions comprising art, entertainment, anime, and manga, together with offering an opportunity for appreciation of the prizewinning works.

Prizewinning works are displayed and screened at exhibitions held overseas.



(Previous Award-Winning Works)

• Wii Sports (2007)



• Summer Wars (2009)



• Japan Expo

The Japan Expo is the world's largest event featuring a comprehensive introduction to Japanese culture, including Japan's pop culture such as manga, anime, games, and music, and traditional culture such as martial arts and the tea ceremony.

Various events were held at Japan Expo 2012, including an event introducing Harajuku fashions; an introduction to traditional local cultures; the Visit Japan tourism campaign including a seminar on Japanese castles and Okinawan folk songs, etc.; a photo exhibition on the recovery from the Great East Japan Earthquake; live J-pop performances; and a lecture meeting and demonstration about Paro, which is the world's most therapeutic robot, as officially recognized by a Guinness World Record. It had approximately 210,000 visitors.



Challenges

- In order to draw attention to Japanese content overseas, it is necessary to consider not only effective measures to be taken but also effective assessment of these events.

Measures to be taken

- In order to effectively draw attention to Japanese content, food, industries, and culture, the Government of Japan will facilitate localizing content according to the culture and needs of a region, focusing on prospective business development, sales promotion, and securing channels or broadcast slots in foreign countries, through cooperation with affiliated industries and

foreign TV stations and distributors. In addition, we will also support efforts to provide attractive content in which Japanese industry and culture are blended together (MOFA, MIC, METI, MAFF).

- In order to enhance the attention-drawing power of the Japan brand at events, etc., the Government of Japan work in a focused and continuous manner to convey the attractiveness of the Japan brand to foreign nationals both in Japan and overseas, gaining more fans of Japanese content and products all over the world in cooperation with existing fans of Japan. In doing so, while attempting to effectively convey our message through cooperation between events, utilization of the Internet, and having foreign nationals on our side, the Government of Japan will conduct evaluations such as measuring quantitative effects, etc., and we will work to further enhance our attention-drawing power based on these evaluations (Cabinet Secretariat, MOFA, MEXT, METI, MAFF, MLIT).

(2) Strengthening the transmission of Japan's attractiveness through international conferences, etc.

Current status

- With regard to the utilization of international meetings, the Japan Night at the Davos Meeting is now well known. However, there is a demand to enhance efforts toward making further use of international meetings.

○World Economic Forum (Davos Meeting) (Cabinet Secretariat, MOFA, MOF, MAFF) (shown again)

This forum aims to set agendas for the world, regions, and industries, and to make efforts to improve the world situation through the cooperation of leaders in the worlds of business and politics. Through the Japan Night held at the Forum, Japan has been communicating the strengths and attractiveness of Japan, and Japan's merits, to the world.

The Summer Davos Forum was held in Tianjin, China in September 2012, and the regular meeting was held in Davos, Switzerland in January 2013.

Challenges

- It is necessary to consider how to effectively utilize opportunities like international meetings for PR activities supporting the Japan brand.

Measures to be taken

- The Government of Japan will strengthen the global transmission of the attractiveness of the

Japan brand, and Japanese values such as the distinctive style and spirit of Japanese hospitality, at international conferences, etc., including summit conferences and the World Economic Forum (Davos Forum), where globally influential people gather together, and we will promote the popularization of Japanese food and Japanese alcoholic beverages (Cabinet Secretariat, MOFA, MET, MAFF, MOF).

4. Promoting strategic overseas business

(1) Supplying funds for overseas expansion

Current status

- With regard to support for overseas expansion related to the Japan brand, the Government of Japan is now considering investing risk money.

○METI: Support for the Overseas Expansion of Various Japanese Companies that Embody Cool Japan

The Government of Japan invests risk money to support the overseas expansion of a wide variety of Japanese companies (content, life necessities, consumer electronics, automobiles, services, leisure, etc.) that embody Cool Japan (amount of the FY2013 FILP plan: 50 billion yen).

Challenges

- It is necessary to consider a system for the effective and efficient supply of funds and for assessing the effectiveness of programs.

Measures to be taken

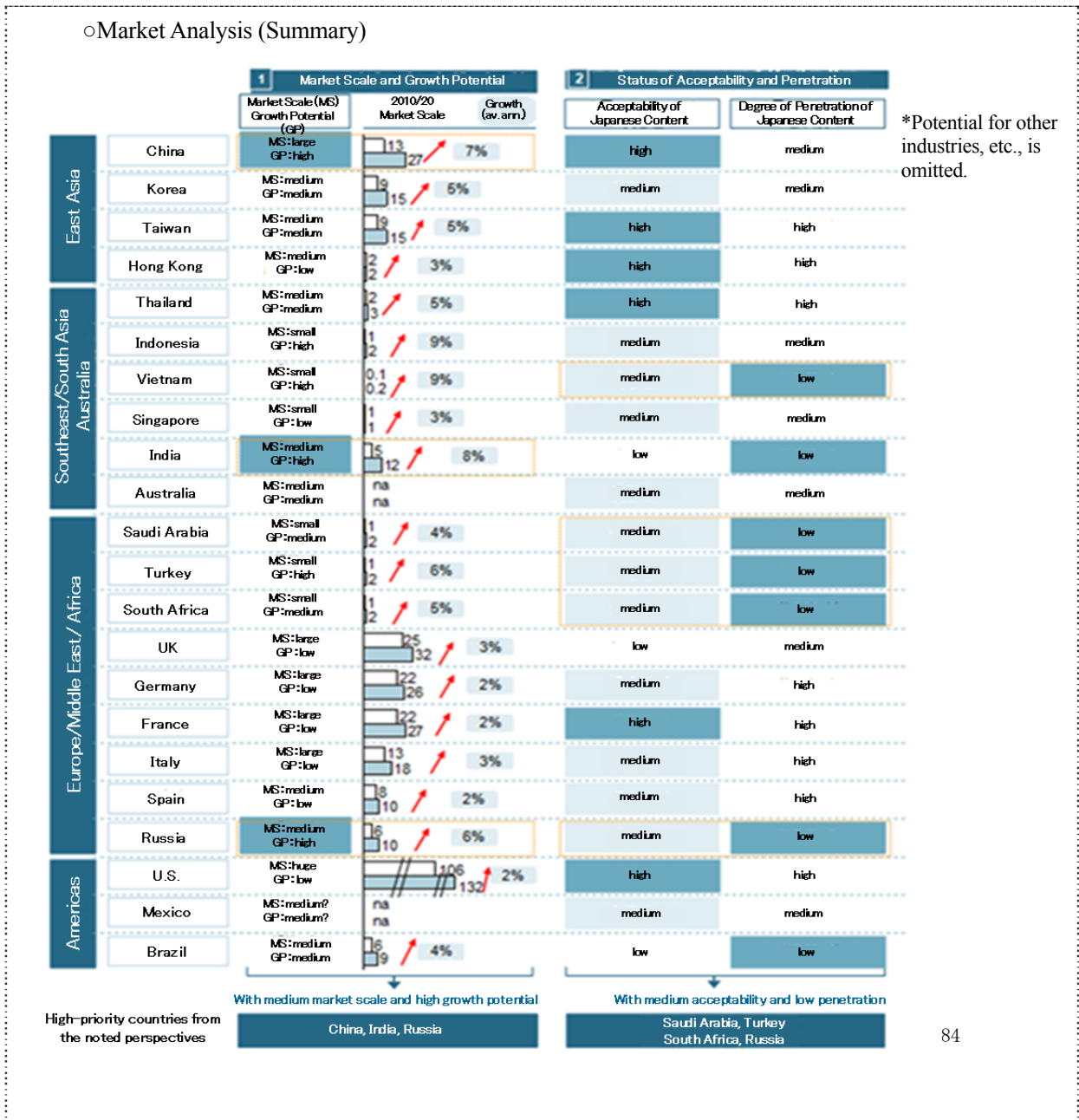
- In order to explore the market for overseas sales of attractive made-in-Japan goods and services through the unified efforts of the public and private sectors, the Government of Japan will establish an organization that will support the investment of risk money toward the development of industry, dispatch experts, and provide consultation services. We will also continuously support companies, including SMEs and venture companies, that engage in overseas businesses expansion in cooperation with other agencies (METI).

(2) Improving the support system for overseas expansion including conducting a basic survey of various countries

Current status

- With regard to market analysis of various countries, surveys are conducted on the market scale, the status of the dissemination of Japanese content, or the potential for other industries to

advance into the market, etc. However, there are suggestions saying it is necessary to study legal systems, cultures, religions, etc., in detail, which would be considered to be closely related to the dissemination of Japanese content.



Challenges

- With regard to Japanese content, it has been pointed out that careful consideration is not being made concerning the legal systems, religious issues, and ethnic sensitivities in countries and

⁸⁴Source: Partially excerpted from METI materials

regions that are targets of overseas expansion. Therefore, it is necessary to consider a basic survey including market analysis, and measures against damage caused by intellectual property infringement.

Measures to be taken

- With regard to emerging countries in Asia that are becoming more and more important in terms of the market, the Government of Japan will enhance the support system and strengthen efforts at the embassies in these countries and by JETRO, through utilizing patent attorneys or former business people from Japanese companies. In addition, while approaching each country to encourage it to operate its intellectual property system appropriately, and while making efforts to ascertain the current actual status of the damage caused by counterfeiting, the Government of Japan will further enrich support for intellectual property activities, including enhancing support for intellectual property enforcement in these countries and promoting the Japan brand (shown again) (METI, MOFA).

(3) Enhancing efforts for the abolition and alleviation of regulations on content

Current status

- Countries including China and Korea have adopted regulations on foreign content to protect their own culture, etc., which is hindering the overseas expansion of Japanese content.

(Reference) Examples of Regulations on Content

<China> Overview of Regulations

- The number of foreign movie imports used to be around 50, 20 of which were under profit-sharing contracts, and 30 of which were under lump-sum-purchase contracts. As a result of the U.S.-China meeting in February 2012, the number of movies with profit-sharing contracts has increased to at least 34.
- The total running time of foreign movies is restricted to not more than one-third of the total annual running time of all movies.
- The total running time of foreign dramas and movies is restricted to not more than 25% of the total daily broadcasting hours (foreign programs other than dramas and movies are restricted to not more than 15% of the total daily broadcasting hours).
- Foreign dramas and animated films are prohibited from being broadcasted during prime time (7:00 p.m. to 10:00 p.m.).

<Korea> Overview of Regulations

- The total screening days of Korean movies is to be not less than 20% of the total annual screening days.
- Japanese variety shows and non-co-produced dramas are prohibited from being broadcast via terrestrial broadcasting.
- In terrestrial broadcasting, the proportion of domestic broadcast programs is to be not less than 80% of the total broadcasting hours every quarter (according to the genre-based breakdown, the proportion of domestic movies is to be 25% or more annually, the proportion of domestic animated films is to be

45% or more annually, and the proportion of domestic music programs is to be 60% or more annually).

(Reference) Exceptions to Regulations

1. International Co-productions

There is a comprehensive support system for international co-production projects as a method for acquiring foreign markets and smoothing fundraising and movie production among multiple countries. In this system, an international co-production project that meets certain requirements can be eligible for the kind of preferential treatment by government, etc., which is originally applied only to domestic movies. Along with such benefits, an international co-production project may potentially be exempted from regulations on broadcast limitations and total broadcasting hours in the counterpart countries.

2. Format Sales

By selling the format (how to make a program), which includes the production of a program, the method of making studio sets, etc., to a production company in another country, the program may potentially be exempted from regulations on broadcast limitations and total broadcasting hours in the counterpart country.

Challenges

- It is necessary to consider what specific measures need to be taken to see quick deregulation realized in countries and regions that have entry regulations regarding foreign content.

Measures to be taken

- Treating import regulations on content, including movies, broadcast programs, manga, and anime, as significant barriers to entry, the Government of Japan will raise the issue of alleviating and abolishing such regulations as a top priority in bilateral and multilateral discussions and negotiations by the government and private sector, and will make strong efforts to promote higher levels of approach (MOFA, METI, MIC).

5. Promoting inbound flows to attract more people from overseas

(1) Facilitating attracting film location shoots from overseas

Current status

- While it is expected that film location shoots from overseas would have a significant economic impact, it has been pointed out that regulations related to film location shoots in Japan are causing more difficulty than in other countries.
- In December 2011, the Sapporo Special Content Zone, which aims to create a content industry hub city for Asia, was designated as a Regional Revitalization Comprehensive Special Zone, and it is currently considering the establishment of exceptional measures for regulations necessary for film location shoots, etc., toward the realization of the special zone concept.

○ Economic Impact of Location Shoots

- New Zealand attracted the film crew of *The Last Samurai* (2009) for location shooting. The region enjoyed approximately 6.8 billion yen of economic impact.
- Akita was the location of *Iris*, a drama co-produced by Korea and Japan. As a result, the number of tourists increased fourfold.

○ Sapporo Special Content Zone

- In December 2011, the **Sapporo Special Content Zone, which aims to create a content industry hub city for Asia, was designated as a Regional Revitalization Comprehensive Special Zone** according to the Comprehensive Special Zone Act.
- In May 2012, the **Screen Authority Sapporo was established**, which provides comprehensive support for overseas location film crews.
- Through financial support by means of utilizing the budget reserve fund for the promotion of comprehensive special zones, a support program with a budget of 170 million yen was established for measures for enhancing the content industry.
- Sapporo is currently considering the establishment of exceptional measures (acceleration of approval procedures, etc.) for regulations necessary for film location shoots, etc., **toward the realization of the special zone concept**.
- According to Sapporo's estimate for FY2015, the Sapporo Special Content Zone will cause 6.8 billion yen of direct economic impact through attracting film location shoots and film productions, will make 0.23 billion yen profit through the export of films produced by Sapporo-based businesses, and will bring in 1.15 million visitors for sightseeing in Sapporo after seeing the city in a movie.



City of Sapporo

Challenges

- Since it has been pointed out that regulations related to location shooting pose problems, it is necessary to apply the achievements made in the Special Content Zone to other regions, and to consider reviewing new deregulation, system operations, etc., toward creating economic impact through attracting overseas location shoots and increasing tourism.

Measures to be taken

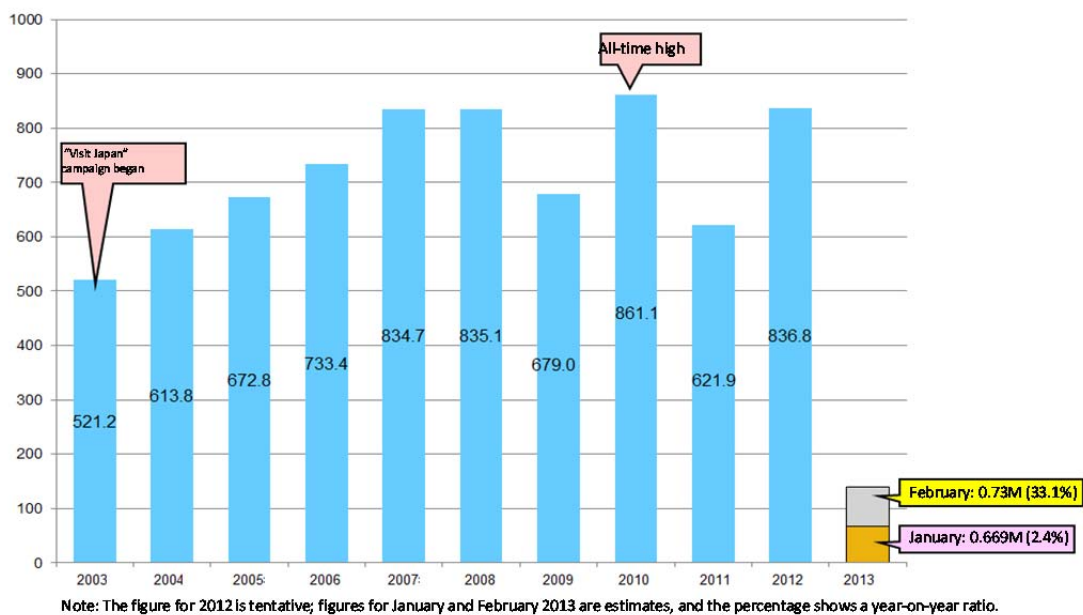
- Toward attracting film location shoots from overseas, in light of the outcome obtained in the Special Content Zone, the Government of Japan will consider the possibility of applying such operations in other regions, and take necessary measures (Cabinet Secretariat, METI, MLIT, the National Police Agency [NPA]).
- In order to utilize regional resources and to communicate Japan's various attractions, the Government of Japan will facilitate improving the system for accepting film location shoots in regions, through affiliations with local film commissions, etc., and by consolidating and providing information on such locations (METI, MEXT).

(2) Promoting personal travel and enhancing efforts for sightseeing by business people

Current status

- The number of foreign tourists reached an all-time high of 8.61 million in 2010. In 2011, the number of foreign tourists greatly decreased due to the Great East Japan Earthquake, but the number recovered its pre-earthquake level in 2012.
- Although the number of international conferences held within Japan is increasing, the number of international conferences in major countries in the Asia-Pacific region is also growing, while Japan's share is declining.

○ The Trend in the Number of Foreign Tourists ⁸⁵



○ The Trend in the MICE Market

The 1st MICE International Competitiveness Empowerment Committee (held on November 28, 2012)
(The following are extracted from Material 1)

*MICE: a general term for business events, etc., that a large number of people are expected to attend.

MICE is an acronym for **meetings** of companies, corporate **incentive** travel and study tours, international **conventions** held by international agencies and organizations or academic societies, and **exhibitions**, trade fairs and events.

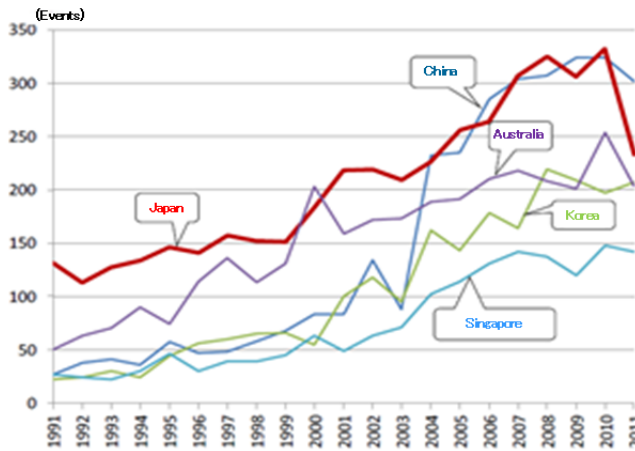
< Status of MICE in Major Countries in Asia and Japan > ⁸⁶

⁸⁵ Japan National Tourism Organization (JNTO)

⁸⁶ Source: ICCA (International Congress and Convention Association) statistics.

- Among countries in the Asia-Pacific region, the number of MICE is growing in all the major countries, including Japan.
- Japan's presence in the region was overwhelming in the 1990s, but since around 2000, the number of MICE has been increasing in other major countries such as China, Korea, and Singapore.

Number of International Conferences in the Asia-Pacific Region (1991-2011)



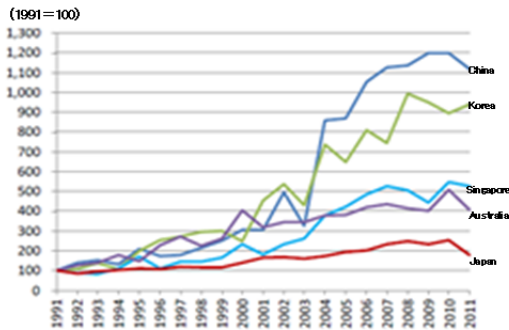
Global Number of International Conferences (2011)

Rank	Country	Number of Conferences
1	U.S.	759
2	Germany	577
3	Spain	463
4	UK	434
5	France	428
6	Italy	363
7	Brazil	304
8	China	302
9	The Netherlands	291
10	Austria	267
11	Canada	255
12	Switzerland	240
13	Japan	233
14	Portugal	228
15	Korea	207
16	Australia	204

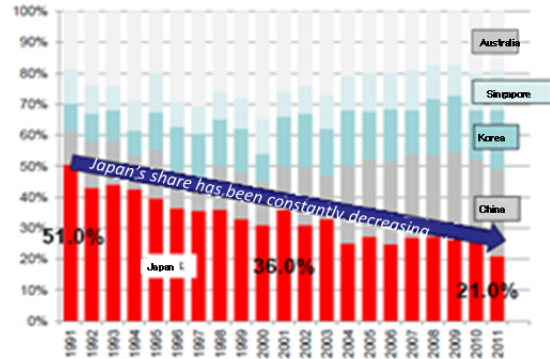
<Status of MICE in Major Countries in the Asia-Pacific Region>⁸⁷

- According to a comparison of the rate of increase of hosting international conferences among countries in the Asia-Pacific region, the major countries in Asia are growing more than Japan. In particular, China and Korea have been dramatically growing over the last decade.
- Japan's share of hosting international conferences among the five major countries in the region (Japan, China, Korea, Singapore, and Australia) was 51% twenty years ago, but it has been constantly decreasing since then, to 21% last year.
- It is unavoidable for Japan's share to decrease to some extent as other countries in the region grow, but there is a concern that the data show a greater than anticipated decline in Japan's competitiveness.

Rate of Increase in International Conferences Hosted by Major Countries in the Asia-Pacific Region



Trend in Japan's Share of Hosting International Conferences among Major Countries in the Asia-Pacific Region (1991-2011)



Challenges

- It is necessary to provide effective information through unified efforts by the public and private sectors toward increasing the number of overseas tourists and specific promotion measures for attracting MICE, such as international conferences.

⁸⁷ Source: ICCA database (as of September 2012).

* Since the ICCA database is based on applications and registrations by ICAA members, the figures for the most recent year have the potential to increase in the future.

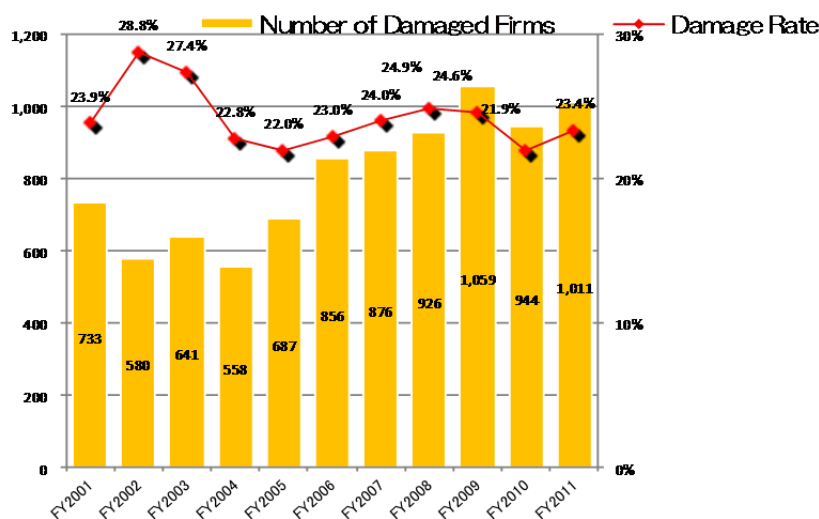
Measures to be taken

- In order to attract more travelers, while enhancing the provision of travel information for the promotion of personal travel, the Government of Japan will develop effective promotion activities to satisfy the needs of each market, taking into consideration potential markets to grow in the future (Cabinet Secretariat, MLIT, MOFA).
- The Government of Japan will enhance the international competition to attract meetings, incentives, conventions, and exhibitions/events (MICE) to Japan by establishing a marketing strategy for attracting MICE and by improving the receiving environment (MLIT).
- The Government of Japan will take measures in cooperation with the Visit Japan program to effectively attract foreign travelers and MICE through the global promotion of Japanese content, fashions, and food, including stimulating foreign nationals' interest in visiting Japan through support for the overseas expansion of content that incorporates Japan's attractions such as regional resources (MLIT, METI, MIC, MAFF, MEXT).

6. Facilitating countermeasures against counterfeits and pirated goods**(1) Unified promotion of countermeasures against infringement, and expanding the circulation of genuine goods****Current status**

- Against the background of the increasing sophistication and worsening of infringing activities, the damage caused by counterfeits and pirated goods remain a serious situation.

○The Trend⁸⁸ in the Number and Ratio of Companies Suffering Damage Caused by Counterfeits⁸⁹ (The results of a survey on companies and organizations in FY2012. Valid responses were received from 4,324 companies.)



Challenges

- Toward enhancing countermeasures against counterfeits and pirated goods, it is necessary not only to consider effective enforcement methods, but also to improve the environment to circulate regular goods. For example, there is a demand to improve the foundation toward dissemination and promotion for distributing regular goods internationally as part of the countermeasures against infringing content.

Measures to be taken

- In order to enhance countermeasures against counterfeits and pirated goods, the Government of Japan will work to further intensify enforcement activities, including cracking down on counterfeits and pirated goods in countries where infringement has occurred and by removing the goods from the Internet, through unified efforts by the public and the private sectors, and in affiliation with other countries. In addition, the Government of Japan will support efforts to promote the circulation of genuine content together with the countermeasures against infringement (MOFA, METI, MIC, MEXT, MOF, MAFF).
- In order to conduct public awareness activities toward protecting copyrights and preventing the circulation of illegal content, which can contribute to enhancing support for countermeasures

⁸⁸Counterfeit damage rate = the number of companies affected by counterfeit damage / the number of companies that responded to the survey.

⁸⁹Source: "Survey Report on Counterfeiting Damages" (JPO, FY2012).

against content infringement, the Government of Japan will actively promote outreach activities by the public and private sectors (MEXT).

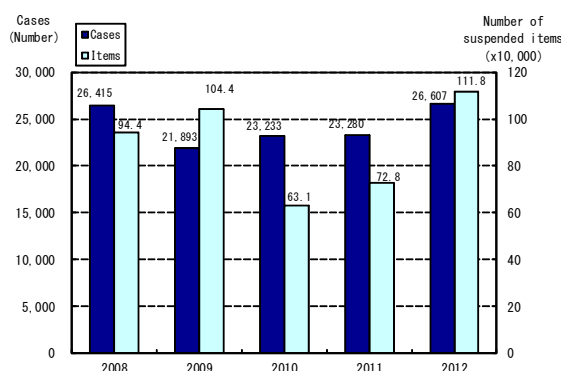
- In order to promote the effective protection of the intellectual property of companies, etc., in countries where infringement occurs, the Government of Japan will actively facilitate efforts including conducting surveys and providing information on the intellectual property systems of countries where infringements occur, and will carry out public awareness activities toward preventing the circulation of infringing content (METI, MEXT, MOFA).

(2) Intensifying domestic crackdowns

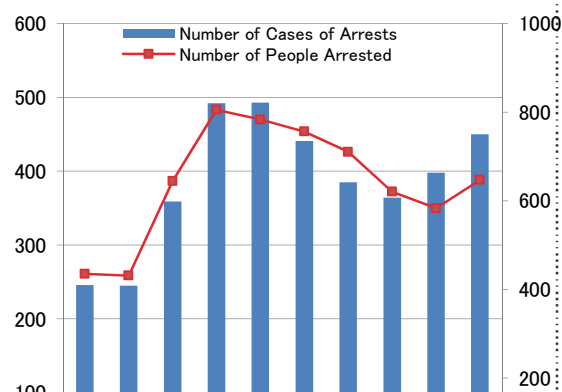
Current status

- The status of crackdowns on counterfeits and pirated goods by customs agents and the police has generally remained flat or been increasing over the past few years. This indicates that law enforcement efforts have achieved certain results. However, it also indicates the fact that counterfeits and pirated goods are still circulated domestically, which is backed by the results of an opinion poll survey.

Offshore Suspension of IPR Infringing Imports



Status of Arrests in IP Infringement Cases in Japan



○ Overview of the Results of a Special Opinion Poll Survey Concerning Intellectual Property

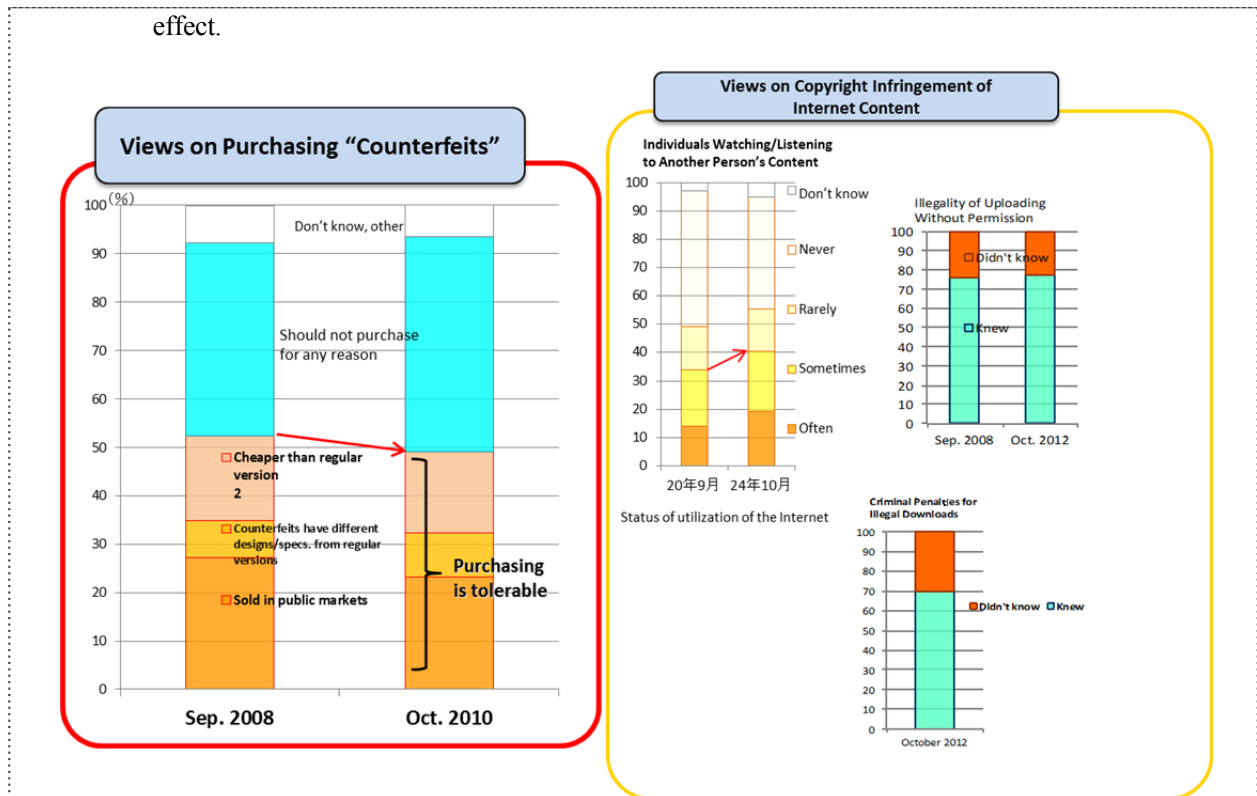
Subjects: 3,000 Japanese nationals over the age of 20, nationwide (valid responses: 62%)

Period: October 4, 2012 to October 14, 2012 (previous study: September 11, 2008 to September 21, 2008)

Major Results:

- While awareness of counterfeits and pirated goods is rising, around half of the subjects tolerated counterfeits (many subjects in the youth group [20 to 29 years old] tolerated the purchase of counterfeits).
- Opportunities for individuals to see and listen to content uploaded by others on the Internet are tending to increase.
- Public awareness activities on the criminal penalties for illegal downloading have had a certain

effect.



Challenges

- Since the damage caused by counterfeits and pirated goods harms our national interests, there is a demand to prevent them and crack down on them both domestically and internationally. It is necessary to continue to consider effective measures.

Measures to be taken

- In order to further intensify border controls for counterfeits and pirated goods as well as cracking down on them domestically, while customs agents and the police intensively crack down on counterfeits and pirated goods, the Government of Japan will further enhance our affiliation with rights holders toward the suspending the importation of goods that violate intellectual property rights, which are diminishing in quantity and becoming more dispersed, and will promote public awareness raising regarding counterfeits and pirated goods, considering that opinions in favor of purchasing counterfeits remain strong (MOF, NPA, METI, MEXT).

(3) Promoting ACTA

Current status

- With regard to the Anti-Counterfeiting Trade Agreement (ACTA), Japan became the first contracting state in 2012. Other signatory countries are now in the process of ratification procedures, and there is a demand to enhance efforts to encourage other countries to promptly bring ACTA into effect.

ACTA (Anti-Counterfeiting Trade Agreement)

- ACTA is a new international framework concerning intellectual property law enforcement designed to effectively deal with the increasing damage caused by counterfeits and pirated goods.
- Through ACTA, the following are expected: (1) strengthening regulations on exporting counterfeits, etc.; (2) measures against illegal secondary use in the digital environment; and (3) enhancing measures against illicit filming of movies and illegal labeling.

Sequence of Major Events

- Japan proposed the necessity to formulate a new legal framework for preventing the proliferation of IPR infringing goods at the G8 Gleneagles Summit in 2005.
- As a result of negotiations by 11 countries/regions, including Japan and the U.S., a broad agreement was reached at the Tokyo Summit, and was adopted in April 2011.
- As of today, Japan, Australia, Canada, the EU and 22 EU member states, Korea, Mexico, Morocco, Singapore, and the U.S. have signed this agreement.
- In October 2012, Japan concluded its ratification of ACTA (became the first ACTA contracting nation).
- Other ACTA signatory nations are now in the process of domestic procedures toward ratifying ACTA.

Challenges

- In order to secure the interests of Japan's content industry, it is necessary to have ACTA go into effect promptly and to consider specific measures to increase the number of countries participating in ACTA.

Measures to be taken

- With regard to the Anti-Counterfeiting Trade Agreement (ACTA), while aiming for the early enactment of the Agreement through more active approaches to other countries, focusing on the signatories and including high-level approaches, the Government of Japan will facilitate understanding of and participation in ACTA in other countries including countries in Asia (MOFA, METI, MEXT, MAFF, MIC, Ministry of Justice [MOJ], MOF).

7. Human capital development in the content industry

(1) Expanding the base of the creator population

Current status

- While efforts are made to expand the base of creators, including dispatching creators to elementary and junior high schools, it has been pointed out that the education of children to sustain the future content industry is important for maintaining Japan's content industry.

○Culture and Arts Hands-On Educational Program for Children Shouldering the Next Era (ACA)⁹⁰

- This program was launched in FY2010, aiming to nurture the creative power and communication ability of the children who will shoulder the next era, through first-class cultural and artistic groups touring elementary and junior high schools, which is expected to lead to developing future artists and improving the art appreciation capacities of Japan's people.
- Achievements
FY2010: about 2,900; FY2011: about 3,400; FY2012: about 3,500

Challenges

- It is necessary to consider effective measures for increasing opportunities for children to be exposed to culture and the arts in order to expand the base of creators.

Measures to be taken

- The Government of Japan will create an environment in which children can experience various cultural arts, including media arts, through involving creators in school visits, tour performances and workshops, and classroom experiences, so that children can cultivate creative power and communication skills in early life, with the aim of nurturing future creators (MEXT).
- On the basis of the new government curriculum guidelines, creative activities, intellectual capital education, and moral education (education to have children learn the ideas and attitudes that would be the basis for acting suitably in the information society) will be provided at schools (MEXT).
- Through providing students with various opportunities for learning and experience at school, and by improving teacher awareness and teaching skills, children will be encouraged to acquire the abilities and mindset that are commonly required in a wide variety of career development paths, including becoming creators. In addition, the Government of Japan will aim to nurture children who can develop their own sense of values, especially in terms of their views on work and careers, through these educational activities (MEXT).

(2) Raising young creators

⁹⁰Source: Agency for Cultural Affairs.

Current status

- Efforts are made to support the content productions of young creators in the field of movies and anime, etc. For human capital development, it has been suggested that it is important to provide incentives for human capital who are engaging in productions.

○ Human Resource Development Project for Young Filmmakers (ACA)⁹¹

- Since FY2006, a project for the development of human capital who will shoulder the next era has been conducted to provide young filmmakers with opportunities for learning the skills and knowledge of film production at workshops or through producing short films with professional filmmakers.

• Examples of Works in the Past

BABIN (2007) directed by Isamu Hirabayashi (awarded the Film and Video Subtitling Prize in the Leopards of Tomorrow Competition division of the 61st Locarno International Film Festival)

- Achievements (the number of participants in the project)

FY2006: 8; FY2007: 5; FY2008: 5; FY2009: 5; FY2010: 5; FY2011: 5

○ Short Film Production Project (METI)⁹²

- Since FY2010, this project has been providing young creators with opportunities to engage in activities from the planning and development to the production of short films, aiming to expand the base of Japan's content industry through the discovery and nurturing of young film creators, and providing platforms for exhibiting their works.

• Examples of Works in the Past

DIY Encouragement (2010) directed by Kohei Yoshino (awarded a Special Mention in the Short Film division of the 16th Busan International Film Festival)

- Achievements (the number of participants in the project)

FY2010: 11; FY2011: 3

○ Human Resource Development Program for Young Animators, etc. (ACA)⁹³

- This program has been conducted since FY2010, aiming to develop young animators who will shoulder the future animation industry, by providing them with an opportunity to work at professional animation production sites to learn skills through OJT.

- Achievements (the number of participants)

FY2010: 33; FY2011: 22

○ Support Program for Human Resource Development in the Media Arts (ACA)⁹⁴

- Since FY2010, this program has supported a human capital development project conducted by organizations that promote Japan's media arts, aiming to facilitate nurturing the creators, educators, researchers, etc., who will shoulder the next era, which is expected to contribute to improving and developing the level of Japan's media arts.

- Achievements (the number of adopted cases)

FY2010: 13; FY2011: 11; FY2012: 6

* Example:

CG AniCup 2012: An international animation team competition of independently produced CG animation works that have passed through respective regional competitions in Japan, Taiwan, and the EU. It is possible to watch the competition via the Internet, and a winner is determined not only by points awarded by judges, but also by Internet votes.

⁹¹Source: Visual Industry Promotion Organization (VIPO) website.

⁹²Source: UNIJAPAN and METI websites.

⁹³Source: Agency for Cultural Affairs.

⁹⁴Source: Agency for Cultural Affairs, CG Animation Cup website.

Challenges

- It is necessary to provide support for the more effective development of young creators by giving incentives to human capital who are engaging in productions at content production sites.

Measures to be taken

- In order to promote nurturing young creators, the Government of Japan will introduce a system of commendation for young people who are engaged in the creation and dissemination of works at content production sites, including manufacturing and craft production, and will provide them with opportunities for the production and exhibition of their works (MEXT).
- The Government of Japan will support effectively nurturing creators, such as by using the Internet to make it easier for many people in distant locations to make the most of each other and engage in networking (MEXT, MIC).

(3) Developing global human capital

Current status

- Programs such as support for producers and creators to study abroad and receive training in foreign countries are being implemented as efforts to improve the foundations of a learning system that aims to develop human capital who can actively respond to globalization. However, it has been pointed out that there is a lack of human capital who can take on international content production.

- Support for Producers Studying Abroad (METI) ⁹⁵
 - Since FY2010, this program has promoted the international expansion of the content industry and international co-productions, and has provided support for studying at US film schools that offer the world's top-level producer courses (graduate schools), aiming to develop international content business producers.
 - Achievements (the number of grants) FY2010: 1; FY2011: 4; FY2012: 3
- Support for Overseas Trainings for Creators, etc. (ACA) ⁹⁶
 - Since 1967, this program has provided young artists in various fields, including creators and producers, with opportunities to engage in practical training overseas. Expenses for travel and accommodation are provided.
 - Example of Grants: Atsuhiko Suwa (FY2002)
 - * Selected filmography as director: *A Perfect Couple* (2005)
(won the Jury Award Special Prize and the C.I.C.A.E. Award at the 58th Locarno International Film Festival)

⁹⁵Source: METI

⁹⁶Source: Agency for Cultural Affairs

○ Program for Strategic Promotion of the Development of Core Human Resources in Growing Fields (MEXT)⁹⁷

- From the perspective of strategically promoting the development of core human capital as experts in their fields according to the needs of industry, etc., this program organized wide-area industry-academia-government consortiums that would lead efforts concerning human capital development in various growing fields, and has made efforts to improve the base for a new learning system for the development of core human capital as experts in their fields.
- The targeted fields in this program are environment and energy; medical treatment, social welfare, and health; IT (cloud computing, games and CG, etc.); food, and agriculture, forestry and fisheries; creative fields (design, fashion, etc.); and tourism, etc.

Challenges

- It is necessary to develop creators and producers who can produce works with a view to overseas expansion.

Measures to be taken

- While encouraging students to acquire content production skills and knowledge overseas by means of studying abroad, overseas training, and exchanges with foreign creators and producers, the Government of Japan will provide students with opportunities in which they can gain an international sensibility, with the aim of nurturing creators and producers who can be globally active (MEXT, METI).
- Making use of an industry-academia collaboration consortium involving vocational schools, postsecondary institutions, and industry organizations, the Government of Japan will work to enhance nurturing creators and producers who can be active globally (MEXT).

(4) Establishing an environment for content production and trade normalization

Current status

- It has been pointed out that the system for returning profits to creators is not appropriate, and that it is necessary to make efforts to nurture and maintain talented creators.

○ A Comparison of Average Annual Incomes among Workers in Animation Production⁹⁸

Average Annual Income (A. I.) by Occupation

Average Annual Income (A.I.) by Age

⁹⁷Source: Agency for Cultural Affairs.

⁹⁸Source: Survey on Actual Conditions of Animators, by the Japan Animation Creators Association (JAnicA)

Occupation	A.I. (yen)	Age	A.I. (yen)
Director	4,545,000	70s	300,000
Producer	4,950,000	60s	4,915,000
General Animation Director	5,131,000	50s	4,137,000
Animation Director	3,995,000	40s	4,012,000
Key Animator	2,325,000	30s	2,139,000
Inbetweener	1,059,000	20s	1,104,000

Challenges

- It is necessary to consider how to improve the system to return profits properly to creators, especially young creators, in order to maintain talented creators.

Measures to be taken

- In order to establish an environment in which reasonable benefits produced by business activities are returned to content production sites, and in order to normalize trade, the Government of Japan will strictly enforce the Anti-Monopoly Act and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. We will also promote public awareness of the guidelines for the normalization of trade in content production concerning the production work engaged in by creators, considering the importance of improving the content production environment and with the aim of normalizing trade (Fair Trade Commission, MIC, METI).