

Intellectual Property Management

Canon's Policy on Intellectual Property

Since its establishment, Canon has actively engaged in technology research and development, achieving solid growth as an R&D-oriented company in creating markets and customer segments by developing products with proprietary technologies.

This history underpins our belief that the achievements of R&D activities are products and intellectual property (IP). At Canon, the purpose of IP activities is clearly defined as being to support business development. We aim to make a practical contribution to realizing technologies of benefit to society through the creation and utilization of IP assets from basic patents related to essential core next-generation technologies to essential benchmark patents linked to vital technologies for an IoT society based on the fruits of varied research.

Basic Policy of Canon IP Activities

- IP activities are vital to support business operations
- The fruits of R&D are products and IP
- Intellectual property rights of other companies should be respected and handled appropriately.

Respecting Intellectual Property Rights

Canon takes a strict, consistent approach against counterfeit goods and intellectual property infringements. At the same time, we respect the intellectual property rights of other companies. We have established clear rules to ensure that our products do not infringe on rights held by others.

More specifically, we conduct thorough search of third-party patents to prevent use of intellectual property held by others without permission. Such thorough search of third-party rights are carried out at all stages, from R&D onward, based on cooperation between the R&D division involved in the technology and the department responsible for intellectual property rights.

By conducting thorough searches of third-party patents, Canon smoothly and appropriately enters into partnerships with other companies and external research institutions for cross-licensing or joint research projects. This enables Canon to achieve greater results than it could attain by using only its own.

Canon Group Intellectual Property Management System

To carry out Canon's business activities consistent with its intellectual property strategy, intellectual property rights management has been centralized under the direction of the Corporate Intellectual Property and Legal Headquarters at Canon Inc. We manage the Group's intellectual property rights from the standpoint of optimizing the overall intellectual property portfolio.

For example, when concluding a patent licensing agreement with another company (a third party), the Corporate Intellectual Property and Legal Headquarters approves the agreement only after making adjustments reflecting advantages for the entire Group. This step ensures that the Group maintains an appropriate intellectual property portfolio. We review our portfolio regularly to ensure that only necessary rights are being reserved.

As a Managing Executive Officer, the Group Executive of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters makes decisions regarding the use of intellectual property from a management perspective, and coordinates with business units.

Management to Strengthen Group Companies

The respective roles and responsibilities of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters and the IP divisions at each Group company, along with the process for formulating policies on other shared activities and issues are controlled by Canon's management rules.

Moreover, designated staff at the Corporate Intellectual Property and Legal Headquarters are assigned to or visit Group companies to improve global intellectual property activities and develop human resources.

In-House Intellectual Property Education

Canon Inc. provides intellectual property training so its employees understand the importance of intellectual property and adhere to Canon's intellectual property policies. The training is given at various stages: during training for new employees, during intellectual property training aimed at development, and during training for newly appointed managers and general managers.

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Applying for Patents around the Globe

Canon places importance on applying for patents on a global basis, and as of the end of 2018, held almost 90,000 patents and utility models worldwide.

When filing patent applications outside Japan, our teams develop detailed patent-filing strategies based on regional business strategies, technologies and product trends to assess countries/regions where patents are required. We have focused on filing patent applications for the US market for its large scale and preponderance of high-tech companies. Canon has ranked in the top five for US patent registrations in each of the past 33 years. In 2018, we ranked third overall and were the patent leader among Japanese companies for the 14th consecutive year.

Top Five Companies Acquiring U.S. Patents in 2018

Rank	Company	Number of patents
1	IBM	9,100
2	Samsung Electronics	5,850
3	Canon	3,056
4	Intel	2,735
5	LG Electronics	2,474

* Figures based on data released by IFI CLAIMS Patent Services, a U.S. research company specialized in patent information.

Mitigating Patent Litigation Risk through Collaboration with Other Companies

In recent years, due to the drastic increase in the number of patents, there has been a sharp rise in patent lawsuits initiated by Patent Assertion Entities (PAEs). PAEs have no actual business operations and instead attempt to receive large settlements from operating companies. PAEs initiate more than half of the several thousand patent lawsuits filed annually in the United States.

In 2014, Canon established the License on Transfer Network (LOT Network) together with Google and other companies to curb lawsuits by PAEs.

When a member of the LOT Network transfers a patent to a PAE, the license for that patent is granted to other member companies without any compensation.

This reduces the risk of litigation from PAEs.

As of November 2018, 318 companies having more than 1,500,000 patents in total had joined the network.