

# Intellectual Property Management

## Approach to Intellectual Property

Canon has always been an R&D-led company. Our growth as an enterprise relies on proactive R&D to support the creation of new markets and customer segments based on the development of products using proprietary technologies. This history underpins our belief that products and intellectual property (IP) are the fruits of R&D. Defining the purpose of IP activities as supporting business development, Canon's IP Division formulates and pursues IP strategies that look 10–20 years ahead.

**Basic Policy of IP Activities**

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

## IP Activities Support Business Development

At Canon, our IP Division works closely not only with R&D divisions but also with production and marketing divisions, generating and uncovering inventions together as a team to facilitate the acquisition of strong patents. For technologies that would take others a long time to catch up with us, we keep them in-house as trade secrets rather than seeking patents for them.

IP activities that effectively utilize the wealth of knowledge and technical expertise held by our experienced personnel help to support Canon's competitive advantage in business, both now and into the future.

## 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 others. We have established clear rules to ensure that our products do not infringe on rights held by others.

More specifically, we conduct thorough searches of third-party patents to prevent use of intellectual property held by others without permission. Such thorough searches 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 relevant IP department.

Moreover, by conducting thorough searches of third-party patents, Canon smoothly and appropriately creates partnerships with other companies and external research institutions for cross-licensing or joint research projects. This allows Canon to achieve better results than would be possible using only in-house patents or technologies.

## IP Portfolio Aimed at Creating New Value

The ownership of multiple strong patents is incredibly vital to protect the technology behind Canon's core competences while maintaining competitiveness and also to enable future business development and smooth entry into new fields. We work to maintain the strength of IP portfolio based on efforts to file patent applications and acquire rights to enable the future businesses and development of technologies and evaluation of the value of patents, taking a flexible stance towards IP asset swaps.

## Acquisition of IP rights

Canon places importance on applying for patents on a global basis, and as of January 2021, held approximately 86,000 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 in the United States due to its large market scale and preponderance of high-tech companies. Canon has ranked in the top five for U.S. patent registrations every year for the past 35 years. In 2020, we ranked third overall and were the patent leader among Japanese companies for the 16th consecutive year.

## Top Five Companies Acquiring U.S. Patents in 2020

Rank	Company	Number of patents
1	IBM	9,130
2	Samsung Electronics	6,415
3	Canon	3,225
4	Microsoft	2,905
5	Intel	2,867

\* Figures based on data released on January 14, 2021 by IFI CLAIMS Patent Services, a U.S. research company specializing in patent information.

Amid the growing importance of translating the needs of consumers into customer experience (CX) and the rapid digital transformation (DX) of society, we seek to turn the varied fruits of our R&D into IP assets as part of our efforts to create new value. Besides basic patents required for core next-generation technologies, we also target patents relating to technologies that address societal needs in areas such as AI, fintech, security, healthcare, and environmental conservation.

At the same time, standards defining compatible conditions are increasingly important in a more interconnected world, linking directly to a range of Canon businesses. Working with researchers outside Japan, Canon is involved in activities to promote the adoption of international standards in areas such as streaming video, video coding, wireless communications, and inductive charging. As well as contributing to standard formulation, we are also actively looking to acquire standard-essential patents.

Ownership of standard-essential patents affords developers greater freedom in creating future products for existing Canon businesses, while also expanding options to enter new markets as part of next generation business development. Since formulation of standards is a protracted process, Canon's promotion of standardization activities based on our business/IP strategies helps to support our future operations.

#### **Relationship with Licensing Activities**

To support new business creation, Canon aims to be ahead of the curve in IP licensing activities by gauging future trends. For example, the growing interconnectivity of the world implies a need for licensing negotiations with companies in other sectors. Anticipating the development of AI/IoT technologies, Canon has been in licensing negotiations with various firms from other sectors. When cross-licensing with companies having promising technologies in other sectors, Canon takes so called an open/close strategy where securing flexibility of business access to other companies patent, by licensing standard-essential patents and other general-purpose technology patents, while protecting sources of competitiveness, by not licensing its core competent technologies. This strategy affords Canon a high degree of freedom to develop future businesses and the source of competitiveness. It is a strong patent portfolio that makes this strategy possible.

Going forward, by securing cross licenses from companies with competitive technologies at an early stage using our strong patent portfolio, we aim to provide high-value-added products and services based on the integration of external and in-house technologies.

#### **Canon Group IP Partnerships and HR Development**

To help make the most effective use of Canon Group patents while optimizing the overall IP portfolio, IP rights management is centralized under the direction of the Corporate Intellectual Property and Legal Headquarters at Canon Inc.

Liaising with IP divisions across the Canon Group, this central unit collects the latest information on

IP systems of each country/area as well as business intelligence on emerging markets with growth potential. The information is used to manage IP activities in line with market and technical trends.

Active sharing of IP-related human resources in both directions between Canon Inc. and Group companies helps to share knowledge and create an integrated culture. This contributes to stronger IP activities across the Canon Group while helping IP staffs to improve capacity in the IP field.

#### **IP Activities as an Opinion Leader**

Canon actively seeks to be a leader in the IP world. In 2014, Canon, Google and four other companies took the initiative to found the License on Transfer (LOT) Network that aims to restrict the threat of patent troll litigation. The number of member companies of the network has grown each year, and was over 1,000 as of December 2020. Since 2019, Canon has also been a partner in WIPO GREEN, an international framework operated by the World Intellectual Property Organization (WIPO) for the exchange of green technologies. Aiming to wider recognition and utilization of Canon's environmental conservation technologies, we newly registered fuel cell-related technologies in 2020, adding to the bioplastics-related technologies already on register. Further, Canon joined the Open COVID-19 Declaration (→P23, P43) in 2020 as a founding member to support moves to control the COVID-19 pandemic as quickly as possible.

As a company involved in the utilization of IP for global business development, Canon also plays a role in the formulation of IP-related policy. The Group Executive of the Corporate Intellectual Property and Legal Headquarters serves on the Patent System Subcommittee that reports to the Intellectual Property Committee of the Industrial Structure Council, a body established by Japan's Ministry of Economy, Trade and Industry. He also contributes to efforts to improve IP systems in other roles such as Vice Chairperson of the Japan Intellectual Property Association and the head of planning for the Committee on Intellectual Property established by Keidanren (Japan Business Federation).

#### **Receipt of IPAJ Industrial Achievement Award**

In 2020, Canon received the Industrial Achievement Award at the 17th Annual Intellectual Property Association of Japan Awards in recognition of its contribution to the development of Japanese industry. Going forward, Canon remains fully committed to supporting industrial development.