

# Intellectual Property Management

## Canon's Intellectual Property Approach

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 the company's belief that the achievements of R&D activities are products and intellectual property (IP). At Canon, the purpose of IP activities is to support business development. Accordingly, we promote effective utilization of intellectual property rights in all aspects of business, including entry into new business areas, business diversification, and global expansion of production and marketing operations.

### Basic Policy of Canon IP Activities

- IP activities are vital to support business operations.
- The fruits of R&D are products and IPRs.
- Other parties' IPRs should be respected and attended properly.

## Respecting Intellectual Property Rights

Canon takes a thorough and persistent approach against counterfeits and intellectual property infringements. At the same time, clear rules have been established to ensure that the intellectual property rights of other companies are respected and that our products do not infringe on rights held by others.

More specifically, thorough investigations of third-party patents are conducted to prevent use of intellectual property held by others without first obtaining the relevant rights. Such thorough investigations 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.

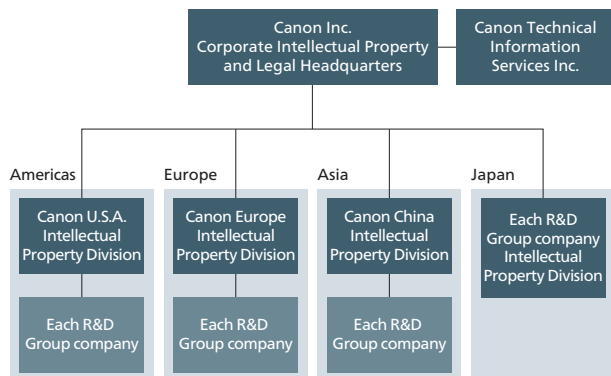
By conducting thorough investigations of third-party patents, Canon smoothly and appropriately enters into partnerships with other companies and outside research institutions for cross-licensing or joint research projects. This makes it possible for Canon to achieve greater results than it could attain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

## 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. The intellectual property rights of the entire Group are managed 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 merits 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.

### Intellectual Property Management Structure



### Group Company Management Structure

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

Moreover, persons in charge at the Corporate Intellectual Property and Legal Headquarters have been posted to or sent to visit Group companies to bolster global intellectual property activities and develop human resources.

## Patent Application Status

Canon emphasizes patent applications on a global basis, and as of the end of 2015, Canon possessed approximately 92,000 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 the countries/regions where patents are necessary. Filing of patent applications in the United States in particular has been emphasized, as the United States has many high-tech companies and a large consumer market. As a result, patent registration has increased in recent years; in 2015, Canon obtained over 4,000 US patents for the second consecutive year. Canon has been the patent leader among Japanese companies for 11 straight years.

### Top 5 Companies Acquiring U.S. Patents in 2015

Rank	Company	Number of patents
1	IBM Corporation	7,309
2	Samsung Electronics Co., Ltd.	5,059
3	Canon Inc.	4,127
4	Qualcomm Inc.	2,900
5	Google Inc.	2,835

**Note:** Data published in April 2016 by the U.S. Department of Commerce

## Working with Governments and Other Companies

### Cooperating with Intellectual Property Policies

In order to strengthen international competitiveness through the use of intellectual properties, the creation of a Japan-wide IP strategy is absolutely imperative. Having served in a variety of roles relating to intellectual property in Japan, Canon has advanced a variety of proposals to Japan's Patent Office and other government agencies.

Currently, the Group Executive of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters serves as a member of the Evaluation, Planning and Verification Committee of the Government's Intellectual

Property Strategy Headquarters, while the Advisor acts as a Managing Director of the Japan Intellectual Property Association, where they both actively engage in lobbying IP policy in Japan.

The Group Executive also serves as the Chairman of the International Association for the Protection of Intellectual Property Japan. In this capacity he is able to proactively exchange views with the World Intellectual Property Organization (WIPO) and Commissioners of Patents in the United States, China, South Korea and Europe, thus allowing him to lobby international IP policy.

### Mitigating Patent Litigation Risk through Collaboration with Other Companies

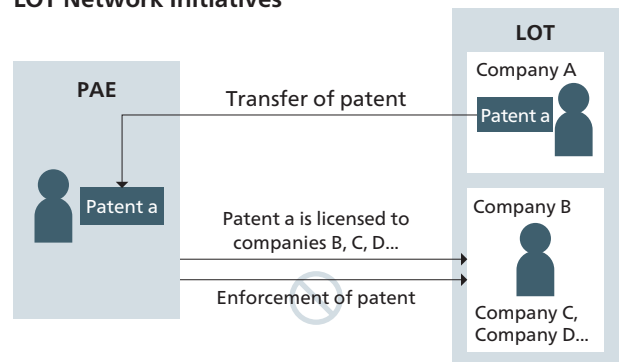
In recent years, due to the sudden increase in the number of patents, there has been a sharp increase in patent lawsuits initiated by Patent Assertion Entities (PAE). PAE have no actual business operations and instead attempt to receive large settlements from operating companies. Two-thirds of the more than 6,000 patent lawsuits in the United States are initiated by PAE.

To curb lawsuits by PAE, in 2014, Canon established License on Transfer Network (LOT Network) together with Google, SAP, Dropbox, Asana, Newegg and Red Hat.

Whenever a LOT Network member company sells a patent to a third party outside LOT Network, the license for that patent is granted to other member companies without requiring any compensation. This reduces litigation risk from PAE.

As of January 2016, the number of member companies stood at 53, with ownership of more than 360,000 patent assets.

### LOT Network Initiatives



Attempt by private-sector companies to work together to combat PAE