

2007

Intellectual Property Report

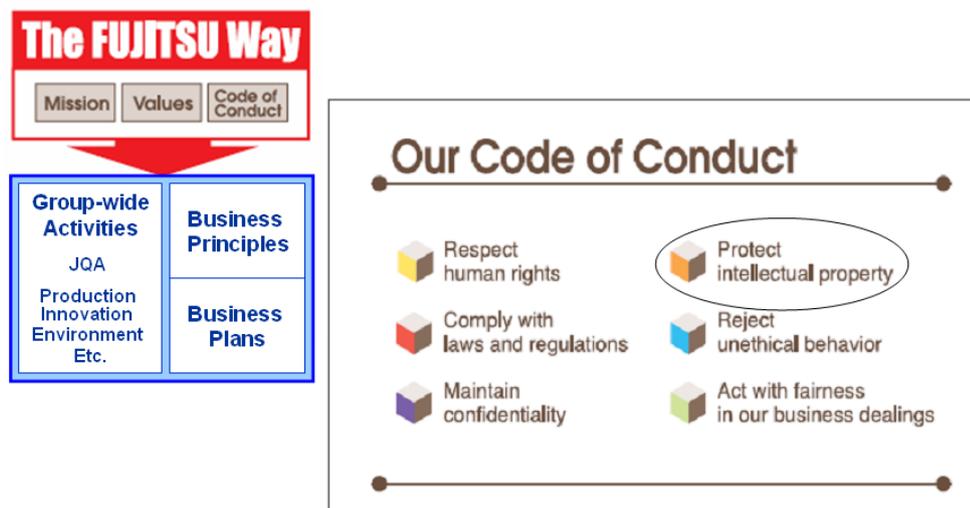
FUJITSU LIMITED

1. Our Concept for Intellectual Property

■ Activities based on The FUJITSU Way

The FUJITSU Way, issued in 2002, is the core set of principles guiding corporate and individual actions of the Fujitsu Group, and it represents a common understanding of the values and ethics underlying individual employees' business activities. One of these principles is "Protect intellectual property." Recognizing that intellectual property is an important business asset as a cornerstone for all of Fujitsu and that intellectual property rights are important, we are working to obtain, maintain, and utilize intellectual property rights.

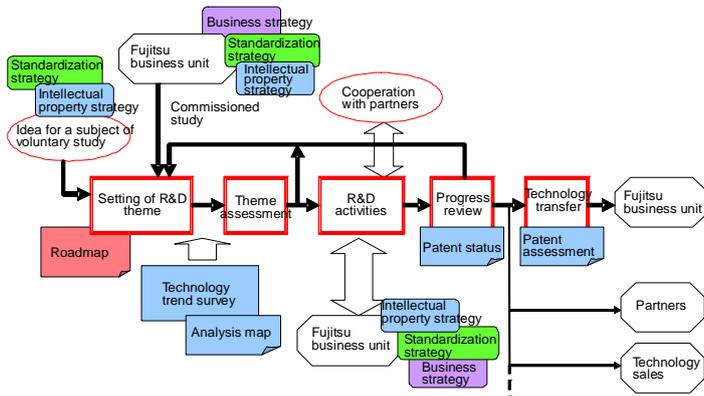
The FUJITSU Way



■ Use of intellectual property in our business strategies

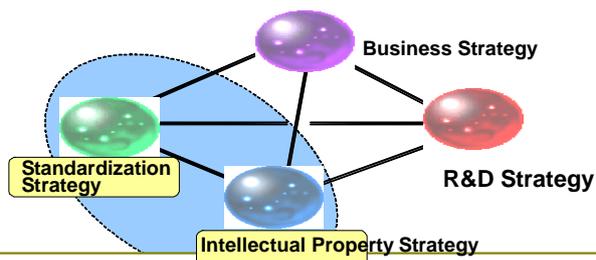
It is important for business management to be aware of intellectual property issues and committed to use them positively. When making managerial decisions and drawing up business strategies, we analyze data from many angles, including the legal and intellectual property perspectives at early stages of business projects.

For example, the following figure shows the flow in which research and development themes are determined.



1. For a selection of research themes, a roadmap is created for the research and development themes required in association with an expansion of the current business activities as well as from the perspective of Fujitsu businesses in the future.
2. A technological trend survey is conducted for each theme, and the theme is also assessed in perspective of intellectual properties.
3. The areas on which to concentrate research and development efforts are determined based on the assessment results. Also, patent applications are filed.
4. Research and development activities are assessed and reviewed as necessary. Also, a review on patents is conducted at the same time. Inventions whose patents are pending are improved, and more extensive efforts are made on patent applications. A patent portfolio is thus built up.

■ Purpose and positioning of our intellectual property strategy



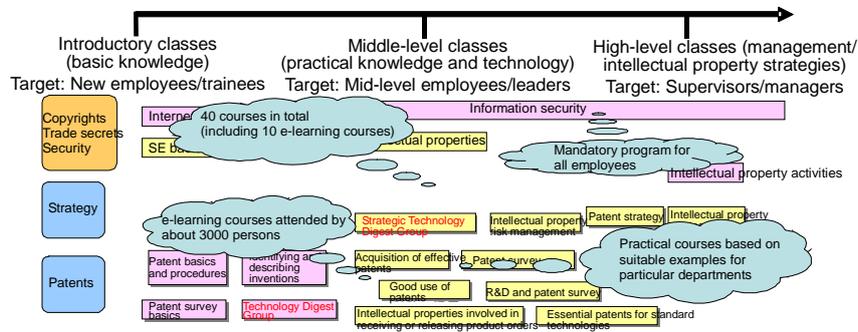
IP-based initiatives to Promote Our Business and R&D

- 1 Secure, maintain and utilize rights (patents, trademarks, industrial designs, and copyrights)
- 2 Measures to ensure respect for rights, including those of competitors
- 3 Carry out thorough management of information, including trade secrets
- 4 Actively engage in external policy-making activities
- 5 Cultivate and maintain human resources strategically

The purpose of Fujitsu's intellectual property strategy and standardization strategy is threefold: maintain our superior competitive position in business, ensure business flexibility, and secure business profitability. By taking action to support our technologies with intellectual properties, we can more effectively distinguish our products and services from others to maintain our superior competitive position in business. By partnering with other businesses on favorable terms, we can ensure our business flexibility. And by promoting licensing and other intellectual property-related activities through implementation of the intellectual property strategy and standardization strategy, we can secure business profitability. An important role of the intellectual property strategy is to protect our technologies as intellectual properties and to support Fujitsu Group's business with them. We believe that to achieve this role, the intellectual property strategy and standardization strategy must be combined with a business strategy and a research and development strategy.

■ Employee education

Education/training programs are provided to ensure that each employee can study their duties while giving consideration and an awareness to intellectual properties in a way suitable for their respective positions and points in their careers.



Education is provided in the following forms: "Group training" conveys expertise in intellectual properties to all employees in regular seminars, "e-learning" is used by employees to receive education on the basics of intellectual properties, and "practical training" uses exercises. The target, contents, and purpose of each class level are as follows.

Class level	Target	Contents and purpose
Introductory	Employees who have spent 3 years or less in the company	Participants mainly learn the basics of intellectual properties. They will recognize the importance of intellectual properties on Fujitsu's businesses and research and development.
Middle	Employees who have spent 5 to 10 years in the company	Participants learn the requirements for actually taking advantage of intellectual properties during business or research and development activities. They will identify what to do and where to make especial efforts when performing their duties.
High	Section chiefs or employees in higher positions	Participants consider the requirements for combining the intellectual property strategy with the business and research and development strategy. They also consider how to implement the intellectual property strategy in the course of performing actual daily tasks.

■ Patent compensation and awards

The rights to any invention by an employee in connection to the employee's work activities are transferred to Fujitsu, followed by the filing of a patent application. Then, the employee is compensated based on the valuation made at the time of the patent application. When the invention is patented, the inventor gets compensation that reflects factors such as the perceived value of the invention to Fujitsu and that includes revenues from licensing the rights to other companies. After an assessment of the employee's invention and a decision is made on the appropriate compensation in connection with the employee's invention, the employee can receive feedback information concerning the assessment results and compensation and can raise any objections, thereby ensuring that appropriate actions can be taken. In addition to such compensation, employees may receive awards when their inventions are acknowledged as excellent through an in-house evaluation procedure. Employees' contributions to Fujitsu are thus rewarded.

■ Organizations for implementing the intellectual property strategy

Fujitsu established the Law and Intellectual Property Unit in the corporate center to promote intellectual property strategy activities. This unit not only deals with obtaining, maintenance, and utilization of patent, trademark, and other rights but also serves as a general counsel office helping to conclude agreements, establish various rules, and ensure the appropriate application of such agreements and rules. We also have Fujitsu Techno Research Limited, an affiliated company specializing in patent searches.

In addition to the Law and Intellectual Property Unit and Fujitsu Techno Research Limited, each business group in Fujitsu has a sector supporting intellectual property activities to implement the intellectual property strategy.

2. Patents

■ Three basic policies for patents

Patents are the key to the intellectual property strategy, and Fujitsu has defined three basic policies on patent-related activities. The first policy is to obtain high-quality patents. Fujitsu pursues obtaining patents that can provide a technological advantage over competitors. We are also making further efforts on patent applications in foreign countries to support business activities in an expanding global environment. The second policy is to effectively capitalize on patents. Our patents can exhibit their true value as business assets only when used to full advantage to effectively realize their earnings potential in various business areas. Section 4, "Capitalizing on Our Intellectual Property," describes this in more detail and provides some examples. The third policy is to avoid infringement of other companies' patents. By monitoring other companies' patents and avoiding infringing on them, we can develop distinctive technologies. If we need to use another company's technology, we will not hesitate to contact the company to obtain a license.

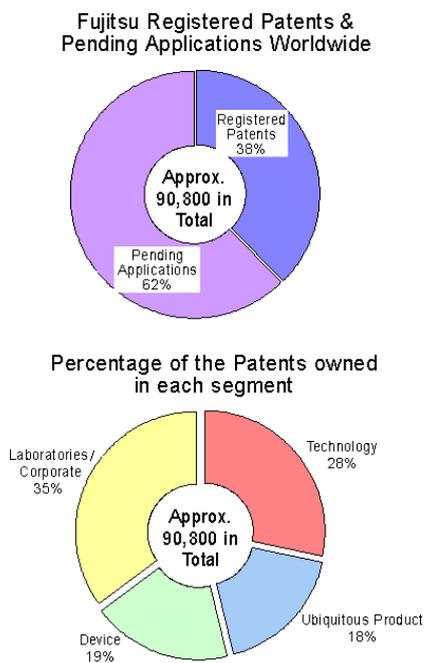
■ Building a global patent portfolio

As shown in the charts in Figure 1 at the left, Fujitsu owns about 90,800 pending applications and registered patents (“Patents”) worldwide. The upside chart in Figure 1 shows the percentage of the Registered Patents and Pending Applications. The bottom chart in Figure 1 shows the percentage of the Registered Patents and Pending Applications owned in each segment.

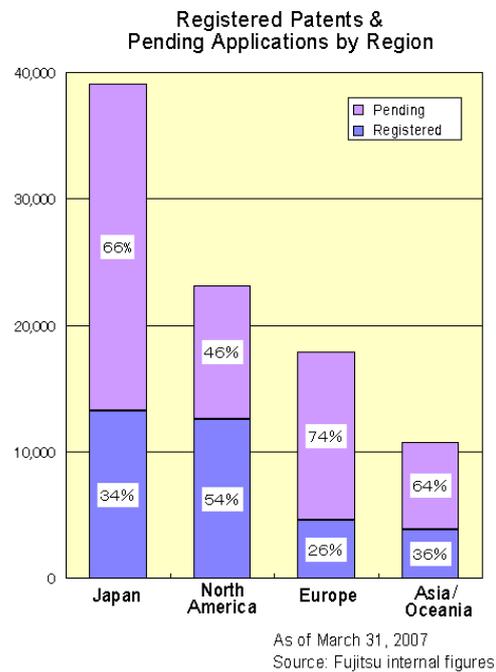
The right chart in Figure 1 shows the geographical distribution of Fujitsu's Patents (Registered Patents & Pending Applications by Region). With our global patent promotion system centered on Japan, we are working to obtain profitable patents in not only North America and Europe but also the rest of Asia.

We are also actively engaged in finding and gathering inventions from development bases outside Japan, including North America, Europe, and China, to enhance our portfolio.

【Figure 1】



【Figure 2】



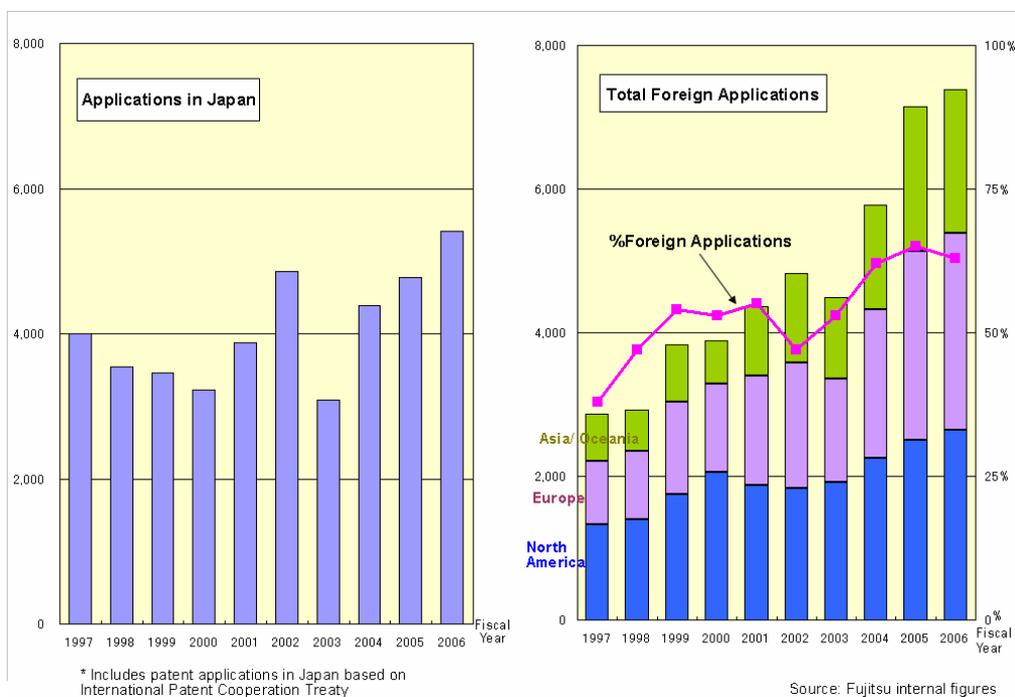
■ Continuously strengthening foreign applications - to support business abroad -

The left chart in Figure 3 shows the number of patent applications by Fujitsu in Japan over the last ten years. The average annual number of patent applications is about 4,000. The number of applications tends to be increasing slightly over a couple of years. In 2006, over 5,000 patent applications were filed.

The right chart in Figure 3 shows the total number of patent applications by Fujitsu in foreign countries over the last ten years. The number of applications in foreign countries is increasing steadily year by year. Recent years have seen an increasing number of patent applications in Europe and Asia.

Fujitsu's foreign patent application rate* is higher than 60% at present. This figure is extremely high among Japanese information and communication technology companies.

【Figure 3】

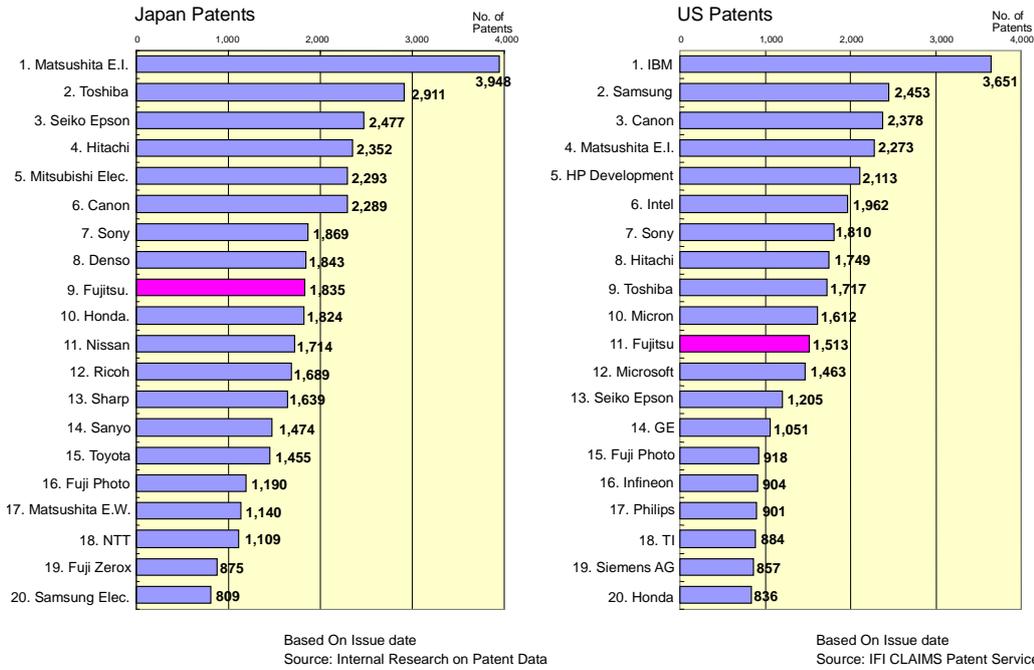


* The foreign patent application rate is defined as the percentage of the number of patent applications filed in one or more foreign countries based on an application in Japan to the total number of applications filed in Japan. An application that is filed in at least one foreign country is counted as one foreign patent application.

The charts in Figure 4 rank companies according to the number of patents issued in Japan and in the United States in 2006. Fujitsu ranked 9th in the number of Japanese issued patents and 11th in U.S. patents.

【Figure 4】

Top 20 Companies in 2006



■ Policies for building a patent portfolio

Fujitsu is building a patent portfolio in accordance with the three policies described below.

The first policy is to actively work to obtain patents with a focus on priority and strategic themes defined during research and development activities.

The second policy is to obtain a wide range of rights to assure business stability. For each patent application, we attempt to ensure that the patent claim covers as many fields as possible. We carefully elaborate on details of the patent, considering that the patent may be filed not only in limited markets but also to various other fields.

The third policy is to reevaluate patent applications after filing and revise them in response to business expansion. If a patent relates to a technological area becoming more crucial as the world progresses, we may be able to revise the patent from various perspectives, making it more profitable.

In addition, since 2006, an intellectual property strategy manager has been appointed for each business unit to ensure that the intellectual property strategy can be more effectively incorporated in business strategies. The intellectual property strategy manager plays a central role in building a patent portfolio by studying Fujitsu's business direction, plans to acquire patents, and the possibility of participating in joint development and other activities with other companies.

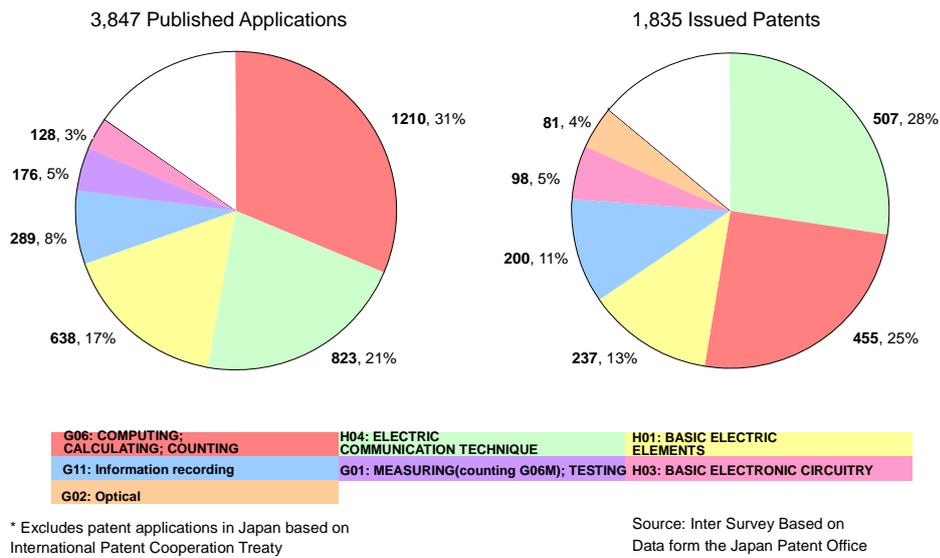
Another function of the intellectual property strategy manager is to draw up measures early on (through an early understanding and control of patent risks) to avoid infringement of significant or otherwise noteworthy patents owned by other companies, thereby contributing to stable and secure business activities.

■ Patent applications aligned with business

The left chart in Figure 5 shows an International Patent Classification (IPC) breakdown of Fujitsu's Japanese patent applications published in 2006. The right chart in Figure 5 shows an IPC breakdown of Fujitsu's Japanese patents issued in the same term.

The classifications of patent applications filed and registered by Fujitsu include the categories of information processing (G06), communication (H04), and electronic devices (H01). Seen in this way, the categories of Fujitsu's patents are closely related to Fujitsu's business areas.

【Figure 5】



Fujitsu concentrates its research and development investments in selected technological areas, and obtains patents relating to not only basic technologies but also peripheral technologies in these selected areas. Here are some examples from Fujitsu's main business sectors (computers, communication, and semiconductors). In the area of server technologies, Fujitsu has filed more than 500 patent applications annually, including those relating to various peripheral technologies. Fujitsu has also filed more than 400 patent applications annually in the area of optical transmission technologies, and Fujitsu's more than 140 patent applications filed annually in the area of network technologies include applications relating to WiMAX and 3.5-generation cellular phone systems. In the area of advanced semiconductor technologies, Fujitsu has concentrated its efforts to obtain patents for wiring structures/processes, strained silicon (Si) applications, and low power consumption with an emphasis on nano processing technology of post-45-nm. As a result, Fujitsu filed more than 100 patent applications in 2006. Fujitsu also promotes activities for obtaining patents related to its proprietary technologies. More than 120 patent applications relating to palm vein authentication technologies, such as those used for bank ATMs, have been filed in Japan and other countries. In addition to technologies for bank ATMs, Fujitsu is promoting patent activities to technologies for room entry control, medical systems, passenger systems, and other applications used for particular scenarios.

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3. Branding, Design, and Software

■ Fujitsu's framework for symbol mark protection and brand promotion

Fujitsu uses the Fujitsu symbol mark in all its activities. To maintain a standard corporate image for itself, the Corporate Unit has the Corporate Brand Office. The Corporate Brand Office is responsible for maintaining and managing the Fujitsu symbol mark and corporate brands.



The brand manager appointed to each business unit and affiliated company is responsible for establishing, maintaining, and managing the Fujitsu symbol mark as well as product and service brands of the business unit or affiliated company.

Fujitsu established the "FUJITSU BRAND PRINCIPLES" as guidelines for use of the Fujitsu symbol mark. Fujitsu also concluded contracts on use of the Fujitsu symbol mark with affiliated companies and partners to standardize how the symbol mark is used within the Fujitsu Group. To ensure that every Fujitsu Group company can use the Fujitsu symbol mark globally, Fujitsu has obtained trademark rights for the Fujitsu symbol mark in more than 150 countries and regions and maintains and manages these rights.

■ Unified Web sites

Fujitsu considers its Internet Web sites to be an important communication tool linking Fujitsu to customers. All Fujitsu Web sites are linked under www.fujitsu.com. We are working to improve their usability and accessibility, such as by standardizing Web site designs within the Fujitsu Group and publicizing Fujitsu's Web Accessibility Guidelines (internal guidelines). As a result of these efforts, Fujitsu was ranked No. 1 in the "Corporate Site Usability Ranking 2006" by Nikkei Personal Computing, continuing to hold this top spot for three straight years (2004, 2005, and 2006).

■ Design

Fujitsu established an integrated design center to handle a broad range of design activities, including designing products such as PCs and cellular phones, designing graphical user interfaces (GUIs) for Web sites and business systems, designing office and retail space for use with information systems, and making visual designs for branding purposes. The top design policy in Fujitsu's various design activities, including those relating to universal design, Eco design, and advanced design, is "human centered design." During these activities, Fujitsu has been eager to obtain design rights that will help protect designs and advance its business.

■ Measures against counterfeiting

Numerous counterfeit products with the Fujitsu symbol mark and Fujitsu's trademarks and product designs have been found in China, Hong Kong, and other countries around the world. Considering the negative impact of counterfeiting on customers in those countries and regions and the possible harm to Fujitsu's reputation, Fujitsu takes a hard line against counterfeiters by launching legal actions based on trademark and design rights.

In China, we filed a lawsuit in the Shenzhen Intermediate People's Court against electric bicycles illegally using the "Fujitsu" company name and symbol mark, in order to seek a ban on the use of the trademark. Counterfeit PC card modems were also found in China. We have taken the administrative procedure against these counterfeit products.

In addition, we have filed an objection against illegal trademark registration in the Trademark Office in China.

■ Software copyright protection and utilization of software copyrights

Software product protection based on copyrights is becoming more and more important to the software industry. Fujitsu's activities to maintain the copyrights to software products developed by Fujitsu not only help to keep any competitive advantages over competitors but also provide better products and services to customers because the ability to reuse copyrighted software leads to improved quality and shorter lead times. When using other companies' software, we take great care not to infringe on the copyrights owned by them.

4. Capitalizing on Our Intellectual Property

■ Strategic alliances

Although Fujitsu has plenty of excellent original technologies, we sometimes forge alliances with other companies to strengthen our position in the market. One of Fujitsu's alliances in the hard disk drive (HDD) business field is described as an example below.

Fujitsu is engaged in the global HDD business. This business is based on many advanced technologies developed by Fujitsu. Fujitsu owns more than 1500 patent applications and patents ("Patents") worldwide. Cross-licensing agreements for these Patents have been concluded with various companies so that the Patents are used to full advantage. Not only does this help preventing disputes and ensure business flexibility, but it also leads to competitive advantages for Fujitsu in the HDD business. Aside from the above cross-licensing agreements, Fujitsu is promoting work to form other strategic alliances, including cross-licensing and joint-development agreements with a Japanese company for magnetic heads.

■ Efforts on international standardization

In the area of information and communication technologies, it is difficult for one company alone to create a single market for their technologies. A market is formed as multiple companies provide their various products by using standardized technologies while ensuring that these products satisfy interconnectivity and compatibility requirements. Under these circumstances, a company that owns patents relating to a technology included in an industry-wide standard can gain an edge in business.

Therefore, participation in efforts on international standardization is crucial for a company's business strategies. To promote strategic international standardization activities aimed at fostering the growth of the information society while keeping the entire Fujitsu Group in view, Fujitsu established a special division for drawing up and implementing an international standardization strategy as part of its efforts to enhance and make better use of intellectual properties.

In 2006, Fujitsu received the Economy, Trade and Industry Minister's Award for Industrial Standardization for its contribution to Japan's advances in industrial standardization.

Table 1 outlines examples of Fujitsu's participation in standardization activities.

[Table 1] Examples standardization activities

Related organization	Area	Fujitsu's activities
ISO *1	Organization for international standardization in areas other than communication, electrical, and electronic technologies	Activities relating to ISO 9000 (quality management system standards), ISO 14000 (environmental management standards), etc.
IEC*2	Organization for international standardization in the areas of electronic and electrical technologies	Appointed and still serving as the first chair for IEC TC111 (environmental standards for electronic/electrical equipment and systems)
ISO/IEC JTC1	Participation in an ISO-IEC joint technical committee performing tasks for international standardization in the area of information technologies	<ul style="list-style-type: none"> • Obtained essential patents for H.264 based on MPEG-2 (DVD, digital TV broadcasting), MPEG-4 Video, MPEG-4 Audio specifications • Security, process standards, etc.
ITU*3	Organization for international standardization in the area of telecommunications	NGN-related and other
3GPP/3GPP2 *4	Organization for standardization of mobile communication specifications	Focus on advice for recognition of essential patents used in standardized specifications

*1 International Organization for Standardization, *2 International Electrotechnical Commission,

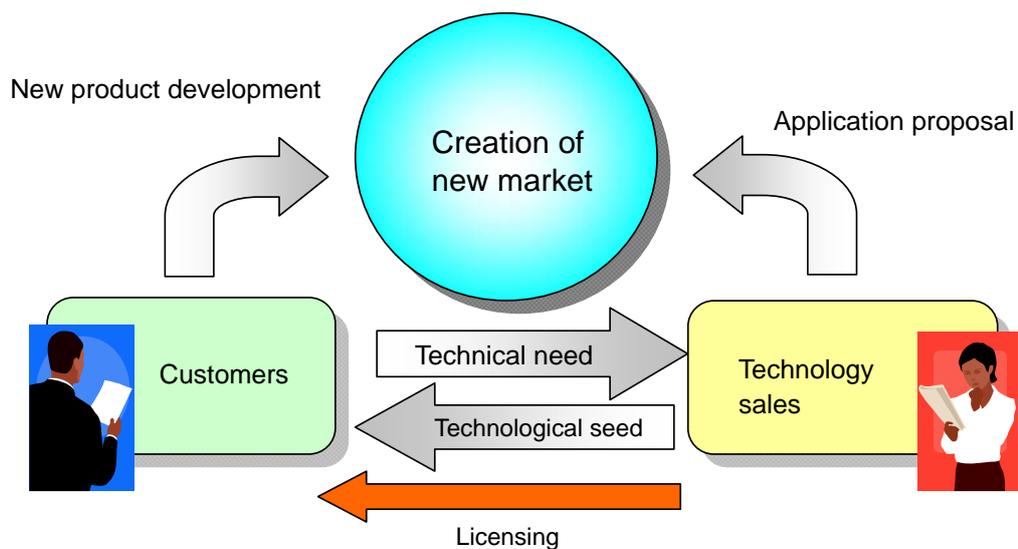
*3 International Telecommunication Union, *4 3rd Generation Partnership Project

■ Technology sales

Some patents owned by Fujitsu are no longer used by Fujitsu because of business strategy changes, or they are available for widespread use by beyond Fujitsu Group companies as a result of basic research.

The rights from these patents have been transferred or licensed to other companies to ensure that the results of our research and development efforts are turned into a source of earnings. These sleeping patents are thus still useful. Since such patents serve as core technologies for customers, we support the customers' product development and marketing activities. A friendly relationship can thus be established between Fujitsu and licensees. These activities are referred to as technology sales. A successful example of technology sales is our titanium apatite technology, as described briefly below.

Titanium apatite is a material produced through a joint development effort between Fujitsu Laboratories Ltd. and the Toshiya Watanabe Laboratory at the University of Tokyo. [As a kind of optical catalyst, this material decomposes odors, contaminants, bacteria, viruses, and others into water and carbon dioxide when exposed to ultraviolet rays.](#) Titanium oxide is known as an optical catalyst, but titanium apatite is more adsorptive than titanium oxide and, when mixed with resin, does not tend to decompose the resin. These characteristics ensure that titanium apatite has a much more extensive field of applications. With a focus on its antibacterial and environment cleaning functions, titanium apatite is used not only in medical applications and welfare but also in many other fields. Its present uses include masks and PCs. In addition to titanium apatite, piezoelectric ceramics, carbon nanotubes, lead-free solders, and many other technologies that satisfy recent market needs are outlined on the Internet in other publication media.



For more information on technology sales, please visit the "Patents available for sale" Web site at the following URL:
<http://jp.fujitsu.com/about/tech/>

■ Licensing status

Licensing of intellectual property is one basis for measuring whether intellectual property is utilized to full advantage. Fujitsu has concluded more than 500 licensing agreements. These licensing agreements include unilateral licensing agreements and mutual licensing (cross-licensing) agreements. The major companies in cross-licensing agreements with Fujitsu include Infineon Technologies AG, Intel Corporation, International Business Machines Corporation, Lucent Technologies Inc., Microsoft Corporation, Motorola Inc., Texas Instruments Inc., and Samsung Electronics Co., Ltd.

■ Disputes

Fujitsu believes that negotiations between the parties concerned are the best way to reach a resolution to any intellectual property dispute that arises. However, if the parties cannot resolve the dispute by themselves, Fujitsu will rely on the courts or a third party to make a judgment.

It costs time and money to file a lawsuit and we take some risks. However, we may choose it as necessary to protect our intellectual property, which is an important business asset, and ensure that our engineers can continue their research and development activities while maintaining a sense of pride and confidence in their work.

Fujitsu's position on intellectual property right protection is to state what Fujitsu believes is right and file a lawsuit if necessary.

-- Fujitsu's major disputes over intellectual property rights --

Dispute over software copyrights in the 1980s

This was a dispute over copyrights of broad-ranging computer software. For Fujitsu and Japanese companies, this case was the first full-scale intellectual property dispute. At this time, we chose arbitration in lieu of filing a lawsuit.

Lawsuit on basic IC patents in the 1990s

A U.S. company and Fujitsu had a difference of opinion regarding basic IC patents. In this case, Japan's Supreme Court decided that the court can judge whether or not a patent includes invalidation factors. The patent law was revised based on this judgment, and the revisions were enforced in April 2005.

Lawsuit on PDP patents in the 2000s

Fujitsu filed a lawsuit for the value of basic PDP patents against a Korean company, after two years of negotiation failed to resolve dispute. This case is the first large-scale import prohibition application received by Japan Customs and Tariff Bureau for goods infringing on a patent.

Information contained in this document includes statements regarding future forecasts based on current business estimates or hypotheses. Actual results or events may differ from what is expressed or implied by these statements because of known or unknown risks and/or uncertain factors. Examples of risks and factors that may affect actual results and examples of events are listed below. (Note that these are only examples and actual risks and factors are not limited to those listed below.)

- Economic trends in major markets (especially in Japan, North America, and Europe)
- Possible changes in high-tech markets (especially in the semiconductor, PC, and cellular phone markets)
- Trends in foreign exchange and floating interest rates
- Capital market trends
- Intensification of price competition
- Changes of competitors' positions in a market as a result of technological developments
- Changes in component procurement environments
- Changes in competitive relationships resulting from tie-ups, alliances, and technological licensing
- Possibility of a project becoming unprofitable
 - - Accounting policy changes

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