



INTELLECTUAL
PROPERTY OFFICE

Corporate Plan 2009

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Introduction from David Lammy, Minister for Intellectual Property



As Minister for Higher Education and Intellectual Property, I am delighted to introduce the Intellectual Property Office's (IPO) Corporate Plan 2009/10.

Intellectual Property (IP) is an extremely important component of the UK economy. In times of such economic uncertainty, the UK Government is committed to ensuring that the system is not only capable of stimulating economic growth, but is relevant to the digital age and responsive to changes in new technology. Above all, the system must create the right kind of environment for businesses to flourish, to promote sustained innovation, investment and employment.

I am committed to ensuring that the IP system in the UK continues to support creativity, to value and protect the contribution of its performers, artists, inventors and other rights holders. Likewise, the Government recognises the need to strike the right balance between protecting the creator and providing access to the consumer.

Today's world is highly technical and fast-moving, and the UK's position in the international scene is ever important. The Intellectual Property Office have my entire support in continuing to explore their international relationships and working with those concerned to provide the highest level and quality of protection for users of both the national and international IP systems. The UK must continue this excellent work to ensure that we are favourably placed to develop policy and provide wider business

support. This is a challenge, but one that I am sure can be met, whilst continuing to provide the first class statutory services for which the Intellectual Property Office is globally renowned.

Digital access and maximising technology and research are also increasingly important in today's world, and the Government's commitment to these areas will ensure that businesses can innovate and produce products which can be continually improved, and that public services, processes and organisations can thrive and that the UK will become a desirable place to invest.

This plan sets out a very clear and dynamic programme of activities designed to support UK business, to promote creativity and innovation, and contribute towards restoring economic growth. On behalf of the Department for Business, Innovation and Skills, I fully endorse the approach being taken by the IPO and look forward to its continued success.



David Lammy
Minister for Intellectual Property

Foreword from the Chief Executive



I am once again very pleased to introduce this, my second Corporate Plan following appointment as Chief Executive of the Intellectual Property Office on 30 April 2007.

Intellectual Property (IP) remains an essential component in ensuring the UK's future economic prosperity. The translation of knowledge and creativity into value through innovation is one of the key factors which impact on economic growth. The current economic crisis, a shrinking economy, and the failure of businesses to cope with the economic downturn suggest that it is more important than ever for them to continue to invest in their future. UK businesses need to maintain their momentum, to protect and make their ideas work, and to ensure that they are at the top of their game and able to compete on the world's stage when the economy begins to recover. It is more important than ever that they are provided with an effective IP system which stimulates innovation growth, by maximizing the sales potential of brands, designs, inventions and creativity.

This presents everyone who works in the Office with a huge challenge. It means that we must continue to maintain the delivery of high quality and timely statutory services to our customers whilst ensuring that through our policy work we contribute to the creation of the right legal framework for businesses to extract value from their ideas, to survive and continue to grow in such demanding times.

In a time when the Government is looking to re-build the economy, it is becoming ever more important for us to understand how IP is used by businesses and how this impacts on economic growth. Of course, we are not immune to changes in the economy ourselves, and many of the challenges that are affecting our customers are also affecting us directly as an organisation that derives its income from services purchased by the public. Demand for our services has, inevitably, fallen recently. We must therefore ensure that we are able to better predict how the changing economic environment will impact on our business, and be in a position to respond to those changes, to improve the way we work and to continue to provide cost-effective services in the years ahead.

These are without doubt some of the most challenging times facing UK businesses and the Office. I am convinced we can meet them but must ensure that all our activities are evidence based and are designed to support businesses competing in an uncertain global economy.

A handwritten signature in black ink, appearing to read 'I. Fletcher', written over a horizontal line.

Ian Fletcher
Chief Executive
Intellectual Property Office

Chapter 1 Introduction

The world has changed a great deal over the past year.

The economic crisis that has unfolded since mid 2007, but particularly from the autumn of 2008, has increased the competitive pressures facing businesses in the UK and around the world. It is more important than ever, therefore, that UK businesses gain the maximum benefit from their IP portfolio, if they are to survive in this challenging environment. At the same time, the economic role of the State has been brought into question, particularly as governments have worked to dampen the adverse effects of the acute crisis in the financial sector. All of this is affecting the Intellectual Property (IP) system in the UK and around the world. IP is a framework of rights provided by the State (and linked together through various international arrangements) to protect useful inventions, valuable brands and creative content. IP plays a central role in the innovation ecology of our economy, and of the global economy.

The UK has a clear national interest in the effectiveness of the IP framework both here and around the world as a system, and in its effective use by individual business. We need an effective system because that helps underpin economic confidence, support new investment and technological innovation, as well as underpinning the exploitation of creative content.

At the same time, individual businesses face both the constant competitive challenge of an increasingly globalised world economy. That means, among many other things, that their intellectual property, as well as their intangible assets more generally, needs to be husbanded, managed and developed if they are to succeed. This is a large task for any business. The evidence is that many companies, in the UK at least, do not do this nearly as well as they could, and as we set out elsewhere in this plan, encouraging and helping them to do so is a significant challenge for Government in supporting business through and beyond the economic downturn into recovery.

Within the UK, the Intellectual Property Office is responsible for the United Kingdom's intellectual property framework, for the delivery of patents, trade marks and registered designs to individual applicants, for the UK engagement on intellectual property issues with the European Patent Office (EPO), the World Intellectual Property Organisation (WIPO) and (within the EU framework) the Office for Harmonisation in the Internal Market (OHIM), which is responsible for the Community trade mark and design rights.

This is our corporate plan. It covers our objectives for the current financial year 2009/10 and provides an indication of our medium term objectives for the next three years.

Last year, we published a revised Corporate Plan which set out the Government's view of the role the Intellectual Property Office should play, maintaining and developing the UK's IP system, contributing to global IP arrangements and supporting businesses directly.

In that Plan the Intellectual Property Office's role was described around four key pillars:-

- Improving our understanding of the role intellectual property plays in Britain's economic life, and in the competitiveness of UK's businesses
- Continued excellence in delivering individual rights: patents, trade marks and registered designs
- Shaping the policy environment on IP, particularly in Europe and internationally on IP issues, and
- Reaching out more effectively to individuals and individual companies in the UK to help them better understand, manage and benefit from IP effectively.

This plan presents the Government's updated thinking. It reflects the current global economic situation and presents a stronger focus on the role Intellectual Property plays supporting UK businesses through to recovery. The plan provides a set of priorities for the Intellectual Property Office that combine continued excellence in delivery of its statutory services with making policy that reflects the pace of technological change and the current economic climate. This plan requires us to deliver a number of challenging objectives, meet higher expectations from Ministers and users of the IP system, as well as reducing costs.

The four pillars we identified last year continue to be relevant. It is still the case, that despite the progress made during the past year, our understanding of the economic role of IP within the economy, and within individual businesses, is not as good as it could be. This has an effect on policy making, and on our ability to test and develop programmes of support for individual businesses, and it continues to be a centrepiece of our strategic approach.

The Intellectual Property Office deals with many thousands of UK-based businesses and individuals each year, not only seeking to register UK patents and trade marks, but also obtain patent protection via the European Patent Office (EPO), and to register trade marks. Many UK companies continue to register designs as well. These companies and individuals, whose fees provide our income,

Our long term (10-year) vision remains to:

"Play a central role in the support that Government provides business. We will be offering cost effective and timely access to Intellectual Property Rights (IPRs) in the UK and internationally. We will support that role with good advice to our immediate customers, and the wider business community. This will be complemented by excellent support to Ministers, and strong advocacy of the UK interests in IP in Europe and around the world."

continue to demand and deserve excellence in rights granting and registration work and the Office remains committed to maintaining and improving its excellent record and reputation in this area. We also know that our ability to influence global IP policy is in part a reflection of our genuine expertise and reputation in the rights granting field. This is a spill-over we are committed to exploiting further.

IP in a globalised economy is inevitably a global issue, and if we are to serve the UK's interests as best we can, a continued commitment to shaping the policy environment, not just reacting to it, is important. We have made significant progress in this area over the past year, but there remains much to do at a time when IP is also emerging from the legal and technical shadows where it has previously lived, into the glare of much greater public and political interest, debate and challenge.

Finally, outreach to businesses and individuals who would benefit from better understanding of how to manage their ideas, both formally and informally, is an important vocation for the Intellectual Property Office. We have launched a major effort this year through our Science Museum exhibition which, although primarily aimed at young people, is also attracting an encouraging adult interest. We have developed other innovative products and services in this area too, and we will continue to invest in it.

Under each of these pillars we have set out an analysis of the challenges facing the IPO and some of our achievements so far. Each section includes a series of medium (3-year) and short term (1-year) objectives. Alongside these objectives we have identified a series of targets in the form of a Balanced Scorecard which will be used to measure our performance.

Financial Position and value for money

One effect of the economic crisis is to substantially change the Intellectual Property Office's own "terms of trade". We are a Trading Fund which means we are not dependent on the taxpayer for our resources. Rather, we are charged with funding our activities through the fees we receive for patents, trade marks, designs and the registration functions associated with these IP rights. In previous years,

buoyant demand for these services, combined with prudent management within the Office has led to the accumulation of substantial unplanned surpluses.

The onset of the economic downturn has fundamentally changed that picture, and the Office is now faced with undertaking its activities in a much less benign and permissive financial environment. As a result, we have been taking careful steps to ensure that our budgetary planning remains on a sound footing, and this will inevitably be reflected in some of the decisions we need to make on activities and resources over the coming years. This is dealt with in an enlarged financial section of our Corporate Plan.

Looking ahead, it is clear that there will continue to be significant pressure on public resources. The IPO, although self-funding, is not immune. Our customers and public will rightly want us to live up to high standards of economy and efficiency in our work. It is some years since our business model was fundamentally reviewed, and we therefore plan to carry out such an exercise during the coming year.

Chapter 2 Understanding the Role and Value of IP

The development and exploitation of ideas is essential to the UK's increasingly knowledge-based economy.

Innovation and the ability to maximise the use of ideas in the productive process is at the heart of the competitiveness of the UK economy and its ability to create jobs and growth. Although not all knowledge based activity is a direct reflection of the operation of the formal Intellectual Property Rights (IPR) system, it is demonstrably the case that in an open, services-based economy, the ability to develop innovative ideas and to commercialise those ideas is central to economic success and to the UK's ability to respond to the challenges of globalisation.

For the UK to be making best use of all its IP, a number of things need to be true. There must be effective systems and frameworks for formal IP, ie patents, trade marks, designs and copyrights. Different rights are more or less important in different contexts. For example, for industries dependent on scientific research, and on technology generally, the protection offered by the patenting system, which allows innovators an exclusive right to protection in return for the publication of their ideas so that others might build on them, is crucial to many business models.

The formal IPR system is an important part of the United Kingdom's economic infrastructure, but there is a significant role too for less formal kinds of protection. For example, trade secrets, know-how,

forms of tacit knowledge and organisational culture and 'memory' are all forms of intellectual "property" or assets of an informal or intangible sort, which add value to individual companies, and provide the foundation for continued economic growth.

Frameworks, in themselves, are not sufficient to deliver success. It is also necessary for organisations to know how to recognise and develop IP assets, and to understand and utilize the formal and informal protection and exploitation possibilities. To help the economy reach its full potential, the IPO must understand how IP is effectively used within the economy and how the IPR framework affects economic activity and consumer welfare.

We currently do not yet have enough understanding of the economic connection between the formal and informal IP systems and the value which firms and individuals in the economy derive from their intellectual assets or their IP. We do not have the evidence we need in order to draw robust conclusions about how near the UK is to making best use of its IP nor, as a result, about the most effective measures to help bring this about and in particular, in the copyright area, we really do not understand the drivers which influence changes in user behaviour in relation to digital content.

None of this is in isolation. Increasing globalization and the rapid growth of emerging economies, such as China and India, present extraordinary challenges and opportunities for UK businesses and for the IP system. To meet these challenges and help to equip the UK economy for the future, we must develop an IPR framework and services based on sound economic evidence. For us this represents a significant shift in our strategic approach to planning and delivery. Like many other IP offices we have assumed that IPRs directly promote economic development and have never sought to prove this assumption.

We must question this assumption if we are to meet the challenges of increasing globalisation and help UK businesses compete. As a government agency our policy advice and our framework for making decisions has a significant economic impact and must be informed by economic evidence. All our activities will be influenced by the economic evidence, not just the IPR framework but also the services we provide and our innovation support activities.

Developing and improving the economic evidence base.

The Office has recently established an economics capability to lead this work. We have identified an extensive programme of work to develop and to

make more effective use of the economic evidence about the role of IP and wider intellectual assets in the modern UK economy. Without a strong up-to-date evidence base we are unlikely either to get our policy judgments right and to give full support to the Government's wider innovation agenda, or to be able to provide appropriate support and engagement for our direct customers on innovation related issues.

Our programme in this area complements that of The Strategic Advisory Board for Intellectual Property Policy (SABIP) which was set up in June 2008 to provide strategic advice to Ministers on IP. SABIP will use its research budget to commission empirical research to inform its strategic thinking and advice on IP issues affecting the economy. Its outputs will provide a further avenue for us to develop our thinking on the economics of IP.

The Forum, on the Economic Value of IP held in June 2009, hosted by David Lammy and jointly organized by the IPO and SABIP, represents an important landmark in this process. The definition of a research agenda to support IP policy by leading academic, business and policy figures from several continents will shape ours and others' work in the years ahead.

SABIP's own work programme is an important contribution to wider efforts in this area. It can be seen at www.sabip.org.uk.

Our 3-year objective is to:

- understand the extent to which UK firms and institutions are making the best decisions on creating, exploiting and managing IP, and to be supplying evidence-based advice on achieving improvement.

During 2009/10, we plan to:

- hold an international Forum on the economic value of IP, alongside SABIP, and develop a resulting agenda of economic research;
- in collaboration with colleagues in policy, business and academia, define and launch a programme of economic research to inform the policy agenda.

Chapter 3 Continuing excellence in rights delivery

It is possible to look at the UK IP systems falling into two broad components: registered rights, and unregistered rights.

Registered rights include patents, trade marks and registered designs. The systems for granting and maintaining these rights are long-established and involve careful, accurate handling of many thousands of cases. The latter comprise principally copyright and unregistered design rights.

The corporate planning process necessarily focuses on what is new, and on what needs to be done. But the Office also faces the enduring challenge of continuing to build on the established world class patent search, examination and grant system. The Office must also continue to provide a competitive, high quality trade mark examination and registration system, and an effective system for the registration of designs. These activities consume the majority of the Office's resources, they underpin the Office's reputation and its ability to deliver to individual customers. Without constant attention to these processes, the other challenges and objectives set out in this plan could not be met effectively.

Patents

Patents provide exclusive rights over a twenty year period. To be patentable, ideas must be novel, have an inventive step and be capable of being put

into industrial application. The basic "bargain" for the patentee is that, in return for exclusive rights, the patentee agrees to the publication of details of the invention, so that others might make use of the technological advances therein to stimulate further innovation.

For the UK, patents may be granted by the IPO or by the European Patent Office (EPO). The EPO, based in Munich, operates under the European Patent Convention (EPC) which is an inter-governmental treaty separate from the EU treaties. Membership is different from the EU, and financial governance arrangements are distinct. The EPO grants what is in effect, a "bundle" of national patents from a single application. A European application may give rise to patents effective in every EPC country (common for pharmaceuticals) or in one or two key markets, like the UK, France and Germany.

A granted European patent designating the UK appears on the UK's patents register and is maintained by the payment of renewal fees to the IPO. About 80% of the patents in force in the UK each year are European patents; the remainder are ones granted by the IPO.

There is also a global framework for patent filing, through the Patent Co-operation Treaty (PCT) administered by WIPO. This makes it possible for inventors to seek patent protection in many jurisdictions around the world on the basis of a common filing.

In late 2008, we took delivery of a piece of customer research aimed at answering the question, “what do our customers really want in terms of our patents targets?” The results endorsed our view that our customers value very highly our world-class performance in the speed with which we produce patent search reports. This has led us to conclude that we should maintain the standard for processing a search at four months from the date of request. Equally, the survey suggested that not every customer needs that speed of turnaround in all cases, so we intend to deliver to an 80% target against that standard.

Customers also made it clear that the speed of examination and grant can also be important for them. This creates real challenges for us: the IPO, like most patent offices worldwide, has a backlog of unprocessed examination work which is greater, in some cases massively greater, than an efficient and effective patent system should have. In the last year, we have made great progress to build on “patent prosecution highway” arrangements to develop with a range of other offices a constructive dialogue about mutual recognition. This would involve one patent office relying on the work done by another office, suitable accredited as to its quality, and hence taking some duplication out of the global patent system. In the coming year, we plan to crystallise some firm operating arrangements of this sort. In particular, we are working closely with key partners, in particular Japan, China and Korea to reduce duplication and delays in the processing of patent applications and so make it easier and quicker for companies to get patent protection.

Despite these strategic initiatives, our own levels of unprocessed work are higher than we would ideally want. That is why we shall be maintaining as a key process, underpinned by a relevant stretching target, the provision of accelerated examination and grant for those applicants who make a reasoned request for it.

More than that, we shall be significantly expanding our offering of speedy patent processing, specifically in the field of “green technologies”. There are those who say that delays in the patents system are a major hindrance to the exploitation of technologies which could offer clear benefits in addressing climate change. In response to those concerns, we are launching a “green channel”, providing a fast-track to grant for inventions which are directed at benefitting the environment, for those applicants who request it. This should make it easier and faster for new products to reach the marketplace. In fact, it could take as little as nine months to get a patent granted under this scheme, compared with the current average time of two-to-three years.

Continuing to deliver excellent patent services to these exacting timeliness standards will be tough. In support of wider measures to ensure a sustainable financial future for the Office, we shall not be relying on overtime to contribute to our delivery performance. Neither will we be continuing with contractual arrangements under which small, but significant, numbers of cases have been processed by partner offices. On the other hand, trends in demand in 2008, especially the second half, suggest that patent input in 2009 will be in the region of 7% lower. In addition, we are training and developing a substantial number of new examiners, who will become increasingly productive as we go forward. These factors we expect will have a balancing effect, so that we shall be well placed to continue to offer the range of timely patent services businesses need.

The customer survey also confirmed that customers have high expectations of the quality of the patent processing work that we do. These expectations reflect their need for reliable reports from us on which to make sound business decisions. They are also based on our past performance. It is clear that the challenging target we already have for the quality of our patent processing work should remain, as a key element of our recently renewed ISO 9001:2000 accreditation.

But we would like to be able to improve further the experience of end users of the patent system. For several years, we have applied an advisory Code of Practice, agreed with patent attorney

representatives, to encourage good practices which help smooth the processing of patent applications. This “Code” is, however, due for review. We also feel there is scope for giving wider circulation to consideration we have been giving to a concept known as the “patent quality index”, under which an application’s suitability for efficient examination may be estimated. We plan a dialogue with users pulling together both these strands this year.

In October 2009, we shall be implementing differential fees for e-filed patent applications. This will give businesses the opportunity to reduce the cost of getting a patent from the IPO by taking up either of the electronic filing options we offer. We shall also be consulting on wider adjustments to our fees, to ensure our fee structure continues to match our business model.

Another sphere in which we intend to pursue improvement is the operation of the Patent Cooperation Treaty (PCT). For some time, users of the PCT have both welcomed the efficiencies it offers in seeking protection in many countries at once, and said how it could be much better. We are keen to support the initiative launched by the Director-General of the World Intellectual Property Organisation (WIPO) to discuss current issues and potential solutions. But more than that, we are keen to harness the thoughts of UK users and to feed those into the process. We are therefore launching a discussion process of our own, to identify concrete ways in which the PCT can work better for users, and changes that could be implemented relatively quickly.

Our 3-year objectives are to:

- continue to provide a high quality, cost effective and timely system for patent search, examination and grant;
- amend the legal framework and develop the necessary IT to provide online inspection of patent files
- have persuaded key partners of the case for patent reform and begun to put in place a system of work-sharing arrangements between major offices.

During 2009/10, we plan to:

- undertake a review of the current Patents Code of Practice, embracing the latest thinking on the “patents quality index”, to improve the efficiency of the overall patenting process;
- consult on wider adjustments to IPO fees;
- work with users to identify concrete ways in which the PCT can work better;
- implement a service for digital preparation and transfer of patent priority documents;
- develop a coordinated strategy on mutual recognition and will promote that strategy with key international partners, and sign two agreements on worksharing;
- work closely with colleagues in other Contracting States to bring about reform of the EPO, to address management and financial issues.
- launch a “Green Channel” for patent applications which will enable applicants to request accelerated processing of their application if the invention relates to ‘green’ technology;

We are also concerned that applicants filing with the IPO should be able to take advantage of the electronic transfer of priority documents, so as to reduce their costs and to make international filing of patent applications more streamlined. We are therefore undertaking a project, in collaboration with WIPO, to launch a Patents Digital Access Service in 2009. The new service will be free to electronic filers and will benefit both UK business and the IP community. The new service will automatically prepare digital patent priority documents and securely store them at WIPO for future use. This new service will remove the financial burden on our customers who currently pay National IP Offices to prepare priority documents for filing at other IP offices.

We have for some time recognised that one of the service improvements customers would most like is the facility to view patent application files online. The move from paper to electronic files for internal processing in 2006 put in place one of the technical building blocks for that. But our ability to allow convenient remote access to the published material on these files is severely constrained by the specific impact of general provisions in UK copyright law. We have continued working with lawyers to explore ways in which we may be able to offer online file inspection, and are optimistic that we may be able to do so. The timetable for legislative change is such that realistically this is a goal for delivery within a three-year window.

A major focus for 2009 will be the governance of the European Patent Office (EPO). The EPO has a thoroughly deserved reputation for the granting of patents with a high presumption of validity following a high quality search and examination process. However, its costs, liabilities, income, and productivity have not kept in balance with one another, so that its future financial stability is not assured. Work is now underway in the EPO Administrative Council, the supervisory body comprising representatives of the governments of the 35 contracting states, to reset the EPO's immediate and longer term budgets to a more prudent framework. We shall continue to be challenging but supportive participants in those discussions. A further major issue for the EPO is the need to fill a number of vacant senior posts on

a permanent basis. The most significant of these is the post of President, which will become vacant when the contract of the current President, Alison Brimelow, expires. But several key posts at the Vice-President level will also need to be filled. The UK will be working closely with other contracting states to ensure that all these posts are filled in due time by candidates who are highly qualified for the leadership challenges which face the EPO over the coming years.

Trade marks

A trade mark is a sign that businesses, organizations or individuals use to help consumers identify that a certain product or service comes from them, and to distinguish their product or service from those of others. Commonly, trade marks consist of words, names, phrases, images, or a mixture of these. There are also some registered non-conventional marks (e.g. jingles).

For many companies, organizations and individuals in the UK, trade marks are an important way of protecting a brand identity and reputation, especially where companies are only able to get to markets through the internet, and in sectors where competition is fierce and where corporate identities are the unique differentiator.

Trade marks being used in the UK can be registered with the IPO (in which case the registration will be valid for the UK only) or by registering a Community Trade Mark with the Office for Harmonization of the Internal Market (OHIM) (in which case the registration will be valid across the entire EU). Trade marks can also be protected in countries outside the EU by applying through WIPO (which administers the international Madrid Protocol) for an international registration.

There is economic evidence that suggests that there is a positive correlation between registration and protection of trade marks (often as part of a bigger strategy for managing all intellectual property) and good company performance. The office will want to continue the work it began last year, to better understand this correlation.

Trade marks have historically operated as a lead indicator for what is happening in the economy more generally. So during the growth experienced in much of the last decade, the number of applications for registration of marks rose in the UK and in other countries as well. That rise in application numbers has driven both national registries such as the IPO, and international ones such as OHIM and WIPO to optimize their processes for registering marks, and to reduce the administrative burden of registration for applicants.

Compared with patents, the process of registering a trade mark is now comparatively quick and straightforward. The vast majority (over 90%) of trade mark applications submitted to IPO result in successful registration. The process is also inexpensive. For the 40% of applicants who submit applications without taking legal advice, registration at the IPO can cost as little as £200. The OHIM offers a similarly efficient service for those wanting to register Community Trade Marks.

The recent economic downturn has, however, resulted in fewer companies registering trade marks. This could simply be a result of fewer companies being formed, fewer products or services being produced and consequently requiring registered trade marks. Alternatively, it could be that businesses, organizations and individuals are deciding that they cannot or will not make the investment (in terms of time and money) needed to register their trade marks.

Our view is that failing to register trade marks when necessary may ultimately harm companies, and reduce UK innovation and competitiveness in the longer term. In these circumstances, there are two things in particular that we want to do.

Firstly, we intend to make improvements to arrangements for registering marks with IPO. By being prepared to offer greater assistance to companies registering marks for the first time, allowing more flexibility over the payment of fees, and by facilitating applications using the internet by offering a price reduction for e-applications, we hope to make application as easy and as affordable as possible. More businesses, organizations and individuals may then still find the time and

money to protect their brands during these very challenging trading conditions. We outlined some ideas in a public consultation on fees and services launched in March 2009. The consultation closes on 1 June, after which we will decide on whether to pursue these or any other proposals suggested by respondents. But at this stage we anticipate implementing a raft of small changes to our services and fees on 1 October 2009 this year.

Secondly, we want to continue to work with OHIM, the European Commission and other EU Member States to ensure that the process for registering a CTM is also user-friendly. Until recently, OHIM was charging fees that were structurally in excess of its costs, and was adding to its existing surplus. To remedy this, Member States have now agreed a large reduction in OHIM fees that comes into effect shortly. OHIM also made progress in improving the quality of its registration and opposition decisions during 2008/9. But while registration at OHIM is now quicker, cheaper and more valuable, there are still areas of OHIM policy and practice that we will want to review with other Member States during the imminent EC study of the operation of the Community trade mark system. It will be a UK objective for the review to ensure that the framework of the CTM and national trade marks works in such a way as to provide a hierarchy of protection for businesses, and that they are encouraged to take out only that level of protection that they need and no more. As a member of the OHIM Administrative Board (the body that oversees its operations), the UK will also want to discuss and decide how the surplus that OHIM has amassed can be used to best effect. By making further improvements here and in OHIM to registration processes, we make it easier for companies to get the value from the brands they have created.

Our 3-year objective is to:

- continue to provide a high quality, cost effective and timely system for registration of trade marks; and ensure that there is a comparably good system in the EU for CTMs

During 2009/10, we plan to:

- make further improvements to our examination and Tribunal functions, to ensure they operate with efficiency and deliver an excellent service to business;
- make further progress in introducing electronic case working systems to the Trade Marks Registry;
- work with other organizations and media to ensure that the value of registering trade marks is understood by UK business;
- take forward a number of changes to the legislative framework underpinning the registration of trade marks to ensure that it remains proportionate and fit for purpose; and
- ensure that the promised EC study of the CTM system is launched and is set up to deal with those issues the UK thinks need looking at.

While doing what we can to make it easier for businesses, organizations and individuals to apply to register trade marks here and at OHIM, we are also mindful the IPO also relies on income, and is subject to many of the same economic pressures as private businesses. The volume of applications to register trade marks has fallen considerably over the course of 2008 and is now generally about 25% less on a monthly basis than it was during the peak months of 2007. The IPO has already significantly reduced the numbers of staff involved in trade mark registration to match falling demand, and made a number of other system changes with the aim of improving efficiency. In the course of 2008/9 we will continue this work. We will also do what we can to improve our forecasting of application numbers, albeit we have not yet identified any model or system that allows this to be done accurately.

Registered designs

Registered designs are IPRs which protect the unique appearance of products.

In the UK, companies can make money by protecting not only their brand, but also the individual aesthetic characteristics of their different products. Consumers will choose products based on a combination of factors including price, brand and aesthetics. In many markets the appearance of products accounts for a large share of their value. The production of new attractive designs can, therefore, be a key means of creating and protecting market share. By protecting those aesthetic qualities through design registration, companies can enforce the rights they hold in the designs and thereby realize the equity they have generated by their creative efforts.

In the UK, registered designs can be granted either through the IPO (valid for the UK), or through the EU's Registered Community Design (RCD) arrangements, issued through the EU's OHIM. Registered designs issued through OHIM are valid across the entire EU. Designs can also be registered via the WIPO and thereby extended internationally to those countries that have acceded to the Hague Agreement.

The process of registering designs is relatively straightforward. The Office took steps to simplify the process through amendments to the Registered Designs Act 1949, and introduction of new Rules in October 2006. As a result, we now offer a simpler, faster, and cheaper system at a reduced cost to the applicant. This has reduced the administrative burden of registering designs in the UK and encouraged more businesses to protect their designs.

While registering designs here or at OHIM is relatively straightforward though, there is evidence to suggest that businesses, organizations and individuals are confused by the options available to them. Designs can enjoy some protection in the UK and in Europe even if not registered, and some companies find the choice between relying on this "unregistered design right" or alternatively applying for protection here or at OHIM a difficult one to understand and make. In the course of 2009/10 we will work with stakeholders to understand their view of the current systems for protection of designs and how they would like to see them changed.

Our 3-year objective is to:

- continue to provide a high quality, cost effective and timely system for registration of designs; and ensure that there is a comparably good system in the EU for RCDs.

During 2009/10, we plan to:

- make further improvements to our examination of designs to ensure that more applications result in registration more quickly and easily than they do now; and
- work with other organizations and media to ensure that the value of registering designs, here or at OHIM, is understood by UK users.

Copyright

Copyright is an unregistered right that subsists in and protects creative or artistic works when they are created. Copyright exists in literary works, musical recordings, film, photographs, software code (but not the algorithms), computer games and other elements of creative endeavour. There is also a related right, that exists only within the EU, in respect of information databases.; and another related right is the artists re-sale right which applies in various jurisdictions worldwide. In the UK, the creative industries are economically vital. Copyright underpins the business models which drive the creative sectors in the UK economy. The latest figures continue to demonstrate that the creative industries are dynamic, and fast growing. The creative industries are a valuable part of the UK's economy – contributing around 8% of Gross Value Added (GVA).

Copyright rules are broadly set at EU level, building on an underlying corpus of international conventions (particularly the Berne Convention) that date back to the middle of the 19th Century, and further refined within the EU in recent years. Competition law is also increasingly relevant to the conduct of firms in the creative area where copyright is significant.

The digital age has brought about huge technological changes that have altered consumer behaviour and challenged the current copyright framework. Creators, rights-holders, businesses, users and consumers, and the legal framework itself are all in dynamic tension. This reflects the fact that rapid technological change means that the options available to creators, to businesses looking to derive value from creative effort, and to users, are continuing to evolve very rapidly, as is user behaviour in respect of any given technology. The consequence is that, whilst the fundamental principles of copyright remain sound, their application in the digital age means that in certain areas the legal framework may be out of step with the technology and behavioural changes. Our objectives in this area are focused on creating a better copyright framework to improve the flow of copyright works and increase the level of legal use, and to create a more coherent strategy on IP enforcement. These objectives are described in more detail in the following chapter.

Chapter 4 Shaping the policy environment

Innovation and the knowledge economy are at the heart of the UK's and Europe's economic success.

This is even more the case in the current challenging global economic climate. Past experience shows us that countries who continue to invest in innovation during a recession will emerge stronger, once the economy begins to improve. Intellectual property plays a central role in capturing the value of knowledge and creativity and is therefore essential to future economic development and prosperity. Technological innovation is also critically important to tackling some of the most difficult global challenges we face, such as climate change, preventing epidemics and fostering economic development in poorer nations. We therefore need international intellectual property systems and institutions which are able to respond to globalisation and technological change to underpin the competitiveness and productivity of our industry by stimulating and encouraging innovation and enabling the dissemination of knowledge and creativity.

But internationally the brand of IP is tarnished. IP is mistrusted by many developing countries and NGOs who see the global IP framework as unfit for purpose, serving vested northern interests and acting as a barrier to the transfer of key technologies. Millions of ordinary people worldwide, who benefit from IP, have limited understanding of

and respect for what it is and why it is important. The global IP system also needs to be fit for the 21st century: the current framework is not coping with the dramatic increase in demand for patents leading to severe backlogs of unprocessed applications. Increased work-sharing, and ultimately mutual recognition of work done by other suitably accredited offices would address this. Similarly, technological change has opened up opportunities for new and greater use of creative content and has caused a shift in consumer behaviour and expectations. We need a copyright system that strikes the right balance between creators, consumers and the public interest.

Global IP System

WIPO is responsible for the administration of the PCT system for patents, the Madrid system for trade marks and The Hague system for international design registrations. In addition to this operational purpose, WIPO is intended to be the forum for the development of new global IP rules. It has also taken an important role in providing technical assistance for developing countries, many of whom see the significance of an appropriate IP framework for providing one of the conditions for economic growth.

However, WIPO has run into serious governance issues that have impaired its ability to set a global framework for IP and provide support to developing countries. The new Director General Francis Gurry has an ambitious agenda for reform. The UK is actively supporting him. A well functioning global framework for IP is essential for the UK in a globalised economy.

The global patent system is already under enormous strain from high demand and this will increase as patent filing continues to grow in China and other emerging economies. That is why we argue for more work sharing between patent offices. We have already mentioned our existing programme of work with Japan, China and Korea to reduce duplication and delays in the processing of patent applications and so make it easier and quicker for companies to get patent protection. However, we are also working closely with the Chinese Patent and Trade Marks authorities to promote awareness to business of how IP works in both the UK and China.

European Patent Reform

At the same time, there is a long-standing commitment to develop a Community Patent – a single patent which would apply across the EU.

There are clear economic advantages to giving the option of going through one application process to obtain one patent giving unitary protection across the EU, rather than obtaining the same rights through separate national patents, and securing agreement to a Community Patent has been a continuing objective of the UK Government. However, difficulties over language and over the technical and legal details (which are themselves economically significant) have prevented agreement in the past. There is now a renewed momentum within the EU, presenting the UK with a real opportunity. Agreement on a Community Patent remains a significant strategic objective for the UK and we will work closely with the EU Presidency to try to achieve this goal.

It is also in the interests of all to have access to a litigation system which enables disputes such as alleged invalidity and patent infringements to be resolved, and claims over ownership of patents to be determined, at reasonable cost. If the owner of a patent discovers that someone is infringing their rights, they may take appropriate action against the infringer.

Our 3-year objective is to:

- have carried out the analysis needed on the current global IP system so that reforms will be underway or have taken place.
- work closely with our partners in the EU, to agree a Community Patent and a Unified Patent Litigation system which shows clear benefits to business and society.

During 2009/10, we plan to:

- provide support to WIPO in implementing a number of tangible reforms including soft law reforms to improve access to copyright materials for the visually impaired, and initial reforms of the Patent Cooperation Treaty; and
- ensure that any decisions in the EU affecting the patent system are influenced by UK thinking and show clear potential benefits to business and society.

Our 3-year objective is to:

- have identified and implemented a package of measures to ensure the Intellectual Property system supports the development and dissemination of technologies needed to tackle climate change.

Climate Change

Tackling climate change will require the widespread development and use of low carbon technologies. Whilst current technologies could bring about emission reductions to get us to 2020, faster and broader innovation in new technologies will be needed to get to the target of 80% reductions by 2050. Technologies need to be developed, shared and adapted quicker and across a wider range of industries and regions of the world than we have seen before. Public policy frameworks, including IP, are therefore needed to incentivise and support a big enough shift in private sector investment in development and deployment of low carbon technologies in a wide range of countries.

To encourage the further development and application of clean technology, an essential factor in tackling climate change, we have already mentioned the launch of our “Green Channel” for patent applications relating to a ‘green’ technology. This initiative, which forms part of the Government’s broader approach on measures to tackle climate change, reflects the importance of maximising support for innovation and inventions which could have a significant impact on combating climate change. We are working with partners to encourage them to adopt similar measures and to identify

other steps that can incentivise green innovation and the dissemination to developing countries of technologies, knowledge and know-how critical to tackling climate change.

International IP Strategy

The Intellectual Property Office has an excellent reputation, both for the quality of the IP rights it delivers, and for its contribution to the development of global IP policy and rules. This reputation means that we have a real advantage in seeking to influence the shape of IP policy in Europe and worldwide. Our overall aim is to shape the understanding of the challenges facing the IP system and the debate about the future direction of IP policy both in Europe and globally. Underpinning this aim is the need to develop a consistent cross-departmental IP strategy and a continuing need to build and develop our policy making capability.

During 2009/10, we plan to:

- develop a cross-government international IP strategy; and
- strengthen our policy capability, to cement our reputation with other government departments as the lead on IP policy.

Copyright

The past year has seen much activity around the interactions between copyright and technology. As more and more consumers turn to the internet to provide their entertainment and to access essential services, it has never been more important that the systems around copyright effectively support the business models and services that consumers want to use.

The IPO has taken a leading role in considering how to confront these challenges. In December 2008 David Lammy launched work to develop a long term vision on copyright. Ahead of the arrival of a new Commission later in 2009, the work will enable the UK to reach a common view about priorities in this area going forward. The Government stated at the time of the launch that there is a need to ensure that the copyright system supports creativity, investment and jobs in the creative sector while taking account of the interests of business users, consumers and society in general.

As part of this strategy work the IPO has engaged widely with stakeholders, seeking their views on how the system needs to evolve. An Issues Paper was published as part of the launch and a number of stakeholder roundtables were held to explore key issues. The views of smaller creators and consumers are often not heard in debates on copyright and so a series of regional events were held in February and March 2009 bringing creators, SMEs and consumers together to discuss the copyright system and the need for change.

This work will continue into the coming year as the IPO holds further discussions with stakeholders. We will use its outcomes to shape the European Commission's work, which in 2009 and 2010 is expected to include an EU Green Paper on copyright in the knowledge agenda and the Digital Agenda.

At the same time with ever growing numbers of internet users partaking in illicit filesharing and downloading, effective action on enforcement and education is needed to ensure that our creative industries continue to prosper.

In July 2008, the IPO joined with BERR (as was), DCMS and leading internet service providers, music and film industry representatives to tackle issues relating to P2P file-sharing and signed a groundbreaking Memorandum of Understanding. Action under the MOU included a notifications trial, the exploration of technical measures to tackle the problem and valuable dialogue on new business models and education. Alongside this a Government consultation was launched on a regulatory solution to the issues.

As set out in the Digital Britain Interim report (January 2009), the focus of that work is on civil infringement – aiming to 'help industry help itself' in finding a solution to problems of widespread small scale infringement such as P2P filesharing.

The final Digital Britain Report, published shortly before this Corporate Plan, set out the Government's plans for taking this work forward. It also announced plans to take legislative powers to begin addressing the problems of orphan works, and to implement schemes similar to the extended collective licensing models used in the Nordic countries to deal effectively with large catalogues of rights. In addition, the proposals would provide underpinning statutory powers to encourage collecting societies to operate within codes of conduct or other frameworks that provide some basic assurances and protections to the people and organisations that deal with them.

The IPO will also consult further on copyright exceptions as recommended by Andrew Gowers in his 2006 review of intellectual property, including work to improve the exceptions for distance learning and the preservation of works by libraries and archives. IPO will also be seeking to extend to 2012 the UK's existing derogation from the need to apply the EU Resale Right Directive to purchases and sales of works by deceased artists.

In support of the Digital Britain work, in the later part of 2008/09 the IPO published a discussion paper which outlined a number of possible roles for a Rights Agency, and the conclusions of that exercise were taken into account in framing the recommendations in the final Digital Britain report. The importance and difficulty of this issue is reflected in the parallel efforts taking place worldwide to address the same problems. Some innovative ideas have been proposed (for example in the Isle of Man, New Zealand, Ireland and France), but each of the various approaches has had to address significant obstacles.

Copyright term

In July 2007 the European Commission brought forward a proposal to extend copyright term for sound recordings and performers rights from 50 years to 95 years. The proposal also included a number of additional clauses aimed at increasing benefits to performers. This issue has been highly contentious within the UK and the rest of Europe. The UK is willing to support an extension but only to 70 years, to match the expected lifespan of performers, and only then if the benefits to performers are real and lasting.

The IPO led the UK negotiations in Europe and worked with other Government departments, primarily DCMS to develop the UK's negotiating position and policy approach. We met regularly with representatives of the music industry, to identify ways in which the benefits to performers could be

increased, and also with representatives of user and consumer groups to discuss their concerns with the proposal and how these might be overcome.

The issue of term extension is still under discussion in Europe. Following a vote in April by the European Parliament in favour of a text that the UK indicated it could support, the issue remains, at the time of writing, with the Council, which has yet to agree a position. We expect discussions to continue into 2010. The IPO will lead for the UK on this issue and will continue working with all stakeholders, other Government departments and European colleagues.

Copyright Tribunal

Following the Innovation Universities, Science and Skills Select Committee Report on the work of the Copyright Tribunal in March 2008, the Office has been implementing a package of reforms to modernise and streamline the Tribunal, which adjudicates disputes about the terms and conditions of licences issued by collecting societies.

Over the last year a new London-based Tribunal Registry has been created with a dedicated Head of Secretariat. Eight new lay members with commercial expertise as well as a second deputy Chairman have been recruited. The IPO is also consulting on revised rules of procedure which aim to make the Tribunal more accessible to small businesses and individual users by, for example, introducing a fast track procedure.

Our 3-year objective is to:

- have improved the framework both at home and overseas so as to improve the flow of copyright works and increase the level of legal use.

During 2009/10, we plan to:

- lead the debate domestically on how copyright should be shaped best to provide for creators, business and users in the digital age, take the debate to the European and international level, and begin to translate findings into actions.

Enforcement

Due to the complex and wide-ranging nature of intellectual property, a range of government departments and enforcement agencies are involved in the development of the policies and legislative framework regarding civil and criminal IP enforcement.

The IPO plays an essential role in leading this work.

- It aims to raise awareness of the problem of IP infringement and IP crime among enforcement agencies, businesses and consumers;
- It aims to tailor the legal framework to keep pace with the evolving needs of business and society: and
- It provides a focal point for the gathering and sharing among enforcement agencies of IP-crime related intelligence.

The IPO is also working to improve coordination at the political level of IP-related enforcement work across the government agencies concerned, and to set strategy and direction for a collective government effort. That is why the Minister announced the creation of an Interministerial Group on IP Enforcement in Spring 2009. The Group aims to:

- review and monitor the effectiveness of the current shared responsibilities for IP enforcement, suggesting improvements where necessary in order to remove institutional barriers and to foster better co-ordination and joint working;
- help identify strategic cross-departmental priorities and conflicts arising, and make recommendations as to how to address them; and
- help craft a coherent and co-ordinated message across government and to the outside world about how IP enforcement is being tackled.

The IPO continues to play a key role in developing the legal framework supporting IP. During late 2008, the IPO consulted on matched penalties for copyright infringement and have agreed to introduce much tougher financial penalties. For example, it will be possible for courts to impose fines of up to £50, 000 for the relevant offences – whether they are committed online or offline. This will be taken forward in the context of the follow-up to the Digital Britain report. In addition, work is underway with the Ministry of Justice to develop proposals for enabling representative rights actions to be brought in IP cases, aiming at improving access to justice, particularly amongst SMEs.

Our 3-year objective is to:

- ensure that the legal framework as well as IP enforcement activity across all the agencies and bodies concerned is both coherent and co-ordinated, and recognized as an effective and efficient instrument in the fight against IP crime.

During 2009/10 we plan to:

- begin the development of an updated and coherent strategy to guide the activities of those agencies involved in IP enforcement, and to improve the collaboration between them.

The IPO continues to lead the IP Crime Group which brings together government, enforcement agencies and industry to facilitate collaborative action. In addition to its awareness raising role, the Group also identifies and disseminates best practice.

Innovation

Intellectual property is the raw material of innovation. Our innovation work, like our Outreach activity discussed below, is fundamentally about supporting businesses to use and control their intellectual property, so that they translate ideas, inventions and creativity into value. We will continue to work closely with Whitehall colleagues to ensure that the role of IP in innovation is integrated into wider Government innovation policy.

We will continue our work to support businesses to make the most of their Intellectual Property. Last year we published the Office's first guide for businesses wishing to license intellectual property, which we developed with industry partners. This year we will supplement the guide, which has been widely welcomed, with advice for businesses on valuing IP. We will continue to develop the internationally acclaimed Lambert Toolkit resources

which provide a framework for collaborations between businesses and universities. We shall draw on the lessons that it has supplied to inform wider policy to support technology transfer, and we will consolidate the pre-eminent reputation it has given us in Europe in this field by making a full contribution to European policy-making in this field.

During 2008/09, the Office has led a significant cross-Government project on the management of public sector intangible assets (assets that do not have a physical, tangible existence, including not only statutory intellectual property rights but also assets such as brands, trade secrets and technical information.) As a result of that project we will lead a piece of work with others in Government to establish a set of best practice resources for the management of intangible assets, which will be available online.

Our 3-year objective is to:

- utilize the Office's standing as an expert partner and an authoritative and trusted source of IP information to develop a comprehensive suite of accessible guidance materials on the management of IP for public and private sector.

During 2009/10 we plan to:

- produce and publish a guide for businesses on how to approach valuing IP;
- launch an online best-practice resource centre for the management of intangible assets in the public sector, and to develop and publish its first products; and
- work with partners to update and publish an updated version of the 2003 IP Handbook for universities on managing IP.

Strategic communications

Policy making is all about understanding people's behaviours and influencing them. The development of policy cannot take place in a vacuum, and we all too often underestimate the importance of engaging with stakeholders, including the public, at the earliest possible opportunity and throughout the process. The adoption of an appropriate "strategic communications" plan is essential in developing insights into audiences and seeking more effective ways of shifting attitudes and changing behaviours. Early engagement is important if we are to develop effective, evidenced based policy. We firmly believe, that stakeholders should be encouraged to collaborate more, to take a more active part in determining what the policy is intended to achieve, in arriving at potential solutions and in making them work.

Generating an insight into what drives consumer behaviour, involves thinking like your audience, understanding their desires, motivations and experiences. This in turn enables you to develop targeted propositions for individual groups of stakeholders and ensures that policy is expressed in a way that makes sense to them, that not only explains "what's in it for them" but for society as a whole, effectively shaping public opinion. For example, the work we have already done engaging stakeholders on the Copyright strategy, will provide valuable evidence to ensure that our strategy is well balanced providing the right levels of protection to creators and access to consumers. Communications also play an important role in many other areas, such as the development of new business models, education and awareness.

During 2009/10 we plan to:

- develop a more strategic approach to communications and to embed that into all our policy making activities.

Chapter 5 Reaching Out to Companies and Individuals

A strong IP system is only useful if individual companies and individuals in society really understand the importance of protecting their ideas, and respecting the ideas of others.

The (albeit limited) evidence we have suggests that this is a major task, with up to 90% of UK companies not managing their IP as well as they might. The overwhelming majority of these companies are SMEs; a larger proportion of the UK's larger companies manage their IP effectively, but even here there is significant weakness apparent.

Separately, experience with the problem of infringing filesharing on the internet suggests that many people in our society (particularly young people) have a real enthusiasm to consume creative content and a real interest in new ideas but only a limited understanding of the importance of the boundaries of intellectual property and the importance of respecting those boundaries. Although considerable effort is going on to tackle the problem of infringing file sharing across government, there is an underlying challenge to improve public understanding of the value of ideas.

These two challenges: Improving business understanding of the management of IP and intangible assets generally and improving wider social understanding of the value of IP and the importance of respect for it have formed the objectives of our outreach programme over the past year. They continue to be the focus of our activities in 2009 and 2010.

Diagnostic Tool

In reaching out to companies, one of our aims is to help them identify their Intellectual assets and to teach them how to protect and exploit them successfully. That is why we have developed our online diagnostic tool, the "IP Healthcheck" which we hope will extend our outreach to a larger number of SMEs.

The IP Healthcheck is an online tool which is free to use and will help businesses answer questions about the Intellectual Property they own and should be protecting. It's broken down into the four IP elements covering Patents, Trade Marks, Designs and Copyright and each one should take no more than 15 to 20 minutes to complete.

Every completed Healthcheck generates a tailored confidential report based on the answers given. This report includes

- A list of recommended action points, to help users protect and exploit their IP rights;
- An explanation of why the report makes each recommendation;
- Guidance on how to put each recommendation into practice;
- Links to useful information, websites and other resources.

Our aim is for at least two-thirds of those SMEs that have completed the Healthcheck by the end of 2009/10 to have found it valuable. We also aim to add an element on Confidentiality and IP Licensing during 2009/10.

It is clear that the work of the IPO needs to connect more effectively with the Government's wider innovation policy and business support activities. This will involve working with partners across the Innovation and Business Support areas, to further build understanding of IP and intellectual assets issues, and turn that understanding into effective outreach to companies in the UK, especially SMEs. It also means linking it to education in schools, and making a connection to the Skills Agenda.

IP support for UK Trade & Investment (UKTI) and Business Links

Working with partners across Government is essential if we are to provide effective support to business, delivering a consistent message regarding the importance of IP. That is why we have been working closely with organisations such as UKTI and Business Link. For example, UKTI run a scheme called "Passport to Export", the scheme is based around a diagnostic tool that UKTI's International Trade Advisors use to review a businesses' performance and help improve their ability to export goods and services. Passport currently contains a basic section on intellectual property. Our training of their advisor network has helped strengthen the IP content of the tool and has ensured that they have the skills to offer basic IP advice. During 2009 our work with UKTI includes an enhanced IP element for their Passport diagnostic tool and IP workshops for SME businesses undergoing both their Passport to Export and Gateway to Global Growth programmes.

With Business link, we have also developed an online training facility for business advisors. IP Training will have been given to every Business Links advisor by the summer of 2009. During 2009/10, we intend to continue our programme of workshops and training for business advisors and will the launch our "IP Master Class" which will offer a 3 day course covering the practical and legal aspects of intellectual property with accreditation from Coventry University and the support of CIPA and ITMA.

IP Awareness Campaign

Raising business awareness of the importance of IP is one of our key priorities for 2009. Our Business Outreach and Education (BOE) team currently organise a limited number of Intellectual Property Awareness seminars across the UK annually. We plan to run at least one IPO awareness event for business in every UK region, with the aim of building a better understanding of IP amongst in particular the SME community. We will be working alongside the Chartered Institute of Patent Attorneys (CIPA) and the Institute of Trade Mark Attorneys (ITMA) to develop and deliver what will be a rolling programme of regional seminars with support from a wide range of innovation stakeholders across the UK including the Business Link network, Intellectual Assets Centre (IA Centre) and Innovators Counselling & Advisory Service (ICASS) for Scotland, Wales Innovators Network (WIN) and the British Library.

The campaign will begin in Birmingham Central Library in April 2009 and will be followed by monthly seminars throughout the UK that will be supported by a regional press and PR campaign.

Reaching out to Young Entrepreneurs and Innovators

The Intellectual Property Office, Aardman Animations, SGA Productions and the Science Museum have developed a new exhibition – “Wallace & Gromit present A World of Cracking Ideas”. The exhibition is designed to inspire a new generation of innovators in the UK and beyond.

Our primary objectives for the exhibition are to:

- promote a better understanding of the opportunities offered by IP;
- encourage innovation; and
- encourage positive respect for IP.

Sponsorship on this scale will also provide us with the opportunity to reach a much wider audience than the exhibition itself.

The exhibition was launched on 26 March 2009 and received significant press coverage, much of which not only drew attention to the exhibition, but also achieved our wider objective of communicating the importance of intellectual property and innovation. In 2009/10 we aim to build on the success of the exhibition by securing commitments from other venues to host it after it has closed at the Science Museum. We expect it to transfer to York before Christmas. We intend the exhibition to boost take-up of our Cracking Ideas competition for young people. The new Cracking Ideas Website was launched on 28 March 2009 - the website contains new educational material, monthly challenges and a new national competition.

The competition is themed around developing Wallace and Gromit’s next business venture and identifying the IP within that business. The competition is open to 4 - 16 year olds with 3 age categories (ages 4 - 7, 8 - 11, 12 - 16) and is regional (England, Wales, Scotland and Northern Ireland).

Our 3-year objective is to:

- ensure that every key business intermediary whom we have identified will be working effectively in partnership with us to help businesses to understand how best to use and manage their IP.

During 2009/10 we plan:

- by December 2009, to open *Wallace & Gromit present A World of Cracking Ideas* at a second venue, and to have identified and reached agreement on a third venue; and
- to extend our Outreach to business through use of the online IP Healthcheck, e-newsletter, and engagement of business advisors, and for the IP Healthcheck to be reported as useful by over 66% of respondents.

Chapter 6 Building a sustainable financial future

The Intellectual Property Office became an Executive Agency on 1 March 1990 and achieved Trading Fund status in October 1991.

As a Trading Fund, the Office is off-vote and is funded entirely by income from its fees rather than via the parliamentary supply process. This provides the Office with greater financial flexibility and autonomy, together with the ability to establish and maintain a cash reserve. In exchange, the Office is required by Treasury to achieve, on average and in real terms, a 4% Return-On-Capital-Employed (ROCE) over a fixed 5 year period. The Office is also required to pay a dividend to the Department each year.

During the first quarter of 2009, the demand for patents has fallen by around 7 % and the volume of trade mark requests has fallen by around 25% from the peak in 2007. Initial forecasts suggest that demand is unlikely to recover in the short term. This means that we are expecting a significant drop in income derived from fees during 2009/10 and in subsequent years. In addition, we are expecting a fall in income from trade mark renewals. The fall in interest rates has also meant that we are expecting a significant reduction in the income derived from interest on our reserves. Our expenditure continues to rise and unless action is taken now to address the situation, we would not be in a position to balance our budget in the coming years or to meet our financial targets at the end of the next 5 year period.

As a result, we have had to conduct a thorough review of our immediate expenditure and are implementing a wide range of measures to reduce our costs. These measures will include a reduction in the number of staff currently employed by the Office. This will involve the redeployment of forty-five surplus administrative staff to other Government departments, and the loss of twenty specialist patent examining staff through Voluntary Early Retirement and Severance (VER/VES). In addition, the Office is seeking to reduce non-staff expenditure where possible while minimising any impact on service levels.

This process does have a short term cost which is why we anticipate a deficit in 2009/10 followed by two years of significant surplus, reflecting a reasonable expectation of the continued growth in EP(UK) renewals, followed by roughly a break even position. Overall, this would achieve a 4% return on capital across the five year plan.

£ million	2009/10	2010/11	2011/12	2012/13	2013/14
Income	60.4	61.1	62.3	61.7	63.4
Expenditure	(58.7)	(57.1)	(57.1)	(58.3)	(59.8)
Depreciation	(1.8)	(1.3)	(1.3)	(1.5)	(1.5)
Interest receivable	0.4	0.4	0.4	0.3	0.3
Operating profit (loss) pre interest payable and dividend	0.3	4.1	4.3	2.2	2.4
Return on capital	0.5%	6.5%	6.7%	3.5%	3.8%
Interest payable	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Dividend	(2.5)	(2.4)	(2.5)	(2.5)	(2.5)
Retained profit (loss)	(2.4)	1.5	1.7	(0.4)	(0.2)
Capital expenditure	(0.5)	(4.5)	(2.5)	(1.5)	(1.5)
Net cash inflow (outflow)*	(6.0)	(2.4)	(0.5)	(1.7)	(1.4)

* Note the 2009/10 cash position is distorted by the payment of the declared 2008/09 dividend which is approximately £4.7m higher than 2009/10.

However, the recession is not the only factor which in the future will impact on the demand for IPO services and income. For example, the trade mark trench resulting from a change in the renewal period for trade marks from 7 and 14 years to 10 years will lead to a drop in Office income for 2010-2013. There are also a number of external factors which may have a significant affect:

- OHIM has reduced its fees by 40% which is likely to have a negative impact on TM demand;
- EPO is undergoing a strategic fee review which could impact on IPO income; and
- Establishing a Community Patent is under deliberation, which could affect patent demand at IPO

The IPO has therefore been conducting a review of its fees for patents, designs and trade marks to ensure that they better reflect the Office's costs incurred, that they are set at such a level as to ensure a continuing value-generating IP system, and that they contribute to a sustainable level of income for the Office in future years. A consultation document will be published shortly.

Forecasting demand

A Demand Taskforce was set up in February 2009 as a result of the seeming negative effect of the economic downturn upon patent and trade mark demand, and the recognition that within the IPO we did not have a systemic capability for forecasting or modelling demand. The Taskforce identified four main tasks:

- to obtain comparative data and modelling tools from other offices to set our position in context;
- to attempt to develop short and medium term forecasts for IPO demand;
- to explore possible models for longer-term forecasting; and
- to put in place mechanisms to ensure effective forecasting is a continuing activity.

The Taskforce was successful in achieving reliable short term forecasts for patents and trade marks, although being able to predict seasonal turns more effectively for the former only. Exchanging information with other national IPR offices showed that almost all offices have experienced a recent decline in demand for both patents and trade marks, but that the UK has a more marked longer-term decline in total patent applications than many.

It was not clear through indicator research how far patent demand in the UK is directly affected by economic indicators. For example, the % change of GDP or business investment rates did not correlate with patent demand. Trade mark demand on the other hand seemed more closely linked with economic indicators, such as the Bank of England base rates and exchange rates, although this is probably because both are reflective of underlying market confidence.

With such findings, the Taskforce recommended that the Office conduct further work to get a greater understanding of the reasons behind both patent and trade mark demand. For patents this centres on achieving more reliable 12 month forecasts and on bettering our current inaccurate forecasting of EP renewals. For trade marks, the correlation found with economic indicators pointed to a need to update this data regularly.

Efficiency and Value for Money

It is some years since the Office's wider business model was reviewed. Pressures on the public finances across the UK, combined with the immediate pressure on our own budgetary position has led us to conclude that it would be right to look at the way the Office's business is structured, the way the business model is funded, and the way assets are used within the IPO to ensure we are as efficient as possible, providing the best value for money consistent with delivering our strategic objectives, building our capability and maintaining our reputation.

Over the coming year, therefore, we will conduct a review of these issues. The review will be conducted together with the Shareholder Executive and will benefit from independent input. Our intention is that it will be published, and that it will be asked to make recommendations which will be implemented from 2010/11.

However, we must not lose sight of the fact that we rely on our people to deliver excellent customer service and to provide quality outputs. To achieve this, we are working with colleagues across the organisation to understand the skills, knowledge and behaviours we currently have; and to learn how we can best equip ourselves to deliver the strategy set out in this plan and be ready for future challenges. This requires that we build on our leadership capability at all levels within the organisation and develop our people to realise our potential and build succession plans.

Our 3-year objective is to:

- conduct a thorough review of our business processes, to ensure that the IPO is as efficient as possible and providing the best value for money consistent with delivering our strategic objectives, building our capability and maintaining our reputation; to develop and implement a sustainable financial model.

During 2009/10 we plan:

- to conduct a value for money review of our existing business model and publish the results; implementing any recommendations during the following financial year 2010/11.
- to enhance our leadership capability by cascading our values – Support; Empower; Develop; Listen; Communicate; Trust. We will consolidate work on embedding these values in job descriptions, learning and development events, the performance management system and other activities. And we will undertake further work to promote best practice, to support our leaders and to build on the concept of “leadership from every chair”; and
- to improve our talent development and succession planning by reviewing HR structures, policies and processes to ensure everything from recruitment, induction, development through to departure is focused on facilitating our people’s delivery of the four pillars

The Balanced Scorecard

We have identified a number of key targets which will be used to measure progress against our plan.

These key targets are set out as a Balanced Scorecard that will allow us to monitor the delivery of our immediate priorities and ensure that we move towards our longer term goals.

The Balanced Scorecard measures form the basis of our Agency Targets on which our overall performance is measured. Our performance against the Agency targets is continuously monitored and reported back to Ministers. The priorities for the year ahead have been agreed by our Steering Board and our Minister. They also take into account feedback we have received from our customers in respect of the service we provide.

Intellectual Property Office – Balanced Scorecard 2009/10 Corporate Scorecard

Balanced Scorecard Perspective	Strategy Link	Measure	Target
Customers and Stakeholders	Pillar 2: Excellence in rights delivery	Search and register correctly filed applications in a timely way.	<p>Patents</p> <p>A substantive response to an allowable request for accelerated patent examination to be issued within 2 months of receipt in 90% of searched applications.</p> <p>Good customer service in processing patent applications to be given in 95% of quality assured cases.</p> <p>80% of patent search reports to be issued within 4 months of request.</p> <p>Trade Marks</p> <p>The correct decision on registration to be made on at least 98.5% of applications.</p> <p>90% of applications (to which no substantive objections have been raised or oppositions filed) to be registered within 7 months.</p> <p>Designs</p> <p>95% of correctly filed applications to be registered within 2 months.</p>

Balanced Scorecard Perspective	Strategy Link	Measure	Target
Customers and Stakeholders	Pillar 3: Shaping the policy environment	Develop a cross-government international IP strategy	Strategy agreed by Whitehall ministerial or senior official group by February 2010.
	Pillar 3: Shaping the policy environment	Coordinate IP crime related intelligence and build an understanding of how to tackle IP crime within the relevant enforcement agencies and industries.	Intelligence Hub will be seen by industry and enforcement agencies as the lead player in coordination and dissemination of IP crime-related intelligence. Industry and law enforcement agencies will give positive feedback on awareness raising and training activities.
	Pillar 4: Outreach	Increase understanding of British business and society about how to make the best use of the IP system.	By December 2009, a third venue will have been identified for the Science Museum exhibition, and agreement will be in place.
	Pillar 4: Outreach	Demonstrate the benefit of sponsoring the Science Museum exhibition in improving understanding of Intellectual Property.	Evaluation will demonstrate positive impact and value for money of the Science Museum project and provide information for future outreach work.
	Pillar 4: Outreach	Extend our outreach to business through use of online IP Health Check, e-newsletter, and engagement of business advisors. Deliver high quality services to our customers.	IP Healthcheck reported as useful by over 66% of respondents.. "Good" or "satisfactory" ratings received in at least 80% of responses to customer surveys.

Balanced Scorecard Perspective	Strategy Link	Measure	Target
Finance and Resources		Demonstrate we are able to maintain a sustainable trading fund by delivering the required Return on Capital Employed (ROCE).	4.0% ROCE
		Deliver 5.0% cost efficiency with reference to 2008/09 cost outturn (excluding VER/VES and Science Museum IP exhibition sponsorship one-off costs).	5.0% cost efficiency
Internal Processes		Complete performance reviews to ensure everyone understands how their work contributed to the 2008/09 corporate plan and how they will be expected to perform to enable delivery of the 4 pillars in 2009-2010.	95% of performance management forms signed off and return to HR by 31 May 2009.
		Improve our impact on the environment by reducing negative effects.	Proportion of waste recycled increased to 60%.
		Promote a healthy environment so that staff are fit and able to come to work.	Carbon emissions reduced by 10% compared to 2008/09 figures. Numbers of sick absence days per person to be reduced to 7.0 days.
		Enable business effectiveness through reliable IT systems.	99% of the agreed monthly service levels for key IT systems achieved.

Balanced Scorecard Perspective	Strategy Link	Measure	Target
Change and Development	Pillar 1 Role and value of IP	Hold an international Forum on the economic value of IP, developing a resulting agenda of economic research which builds on the Office's existing programme, and for a significant proportion of research projects to be under way or completed.	<p>Positive feedback from Forum participants.</p> <p>A plan, agreed by SABIP and the IPO, for commissioning research.</p> <p>Two research projects to be completed and reports received</p> <p>Contracts to have been awarded for two further research projects.</p>
	Pillar 2: Excellence in rights delivery	Amend trade mark services and the fees we charge for them to ensure that they deliver the needs of business and maintain registration in the UK as an attractive options vis-à-vis registration at OHIM.	New fees and services to be introduced in October 2009.
	Pillar 3: Shaping the policy environment	Lead a debate domestically on how copyright should be shaped best to provide for creators, business and users in the digital age, and take the debate to the European/ international level.	National and international stakeholders will report increased awareness of our work on the copyright strategy.
	Pillar 3: Shaping the policy environment	Ensure that the IPO has developed a coordinated strategy on mutual recognition and promote that strategy with key international partners.	<p>Agreement on mutual recognition with Japan by 2010.</p> <p>MoUs on worksharing signed with Korea and China in 2009.</p>
	Pillar 3: Shaping the policy environment	Build a robust policy capability within IPD, CED and the rest of the office, including skills in working with Ministers and the media.	Policy skills audit carried out and a targeted training and development programme devised by autumn 2009.

Glossary

BERR	Department for Business Enterprise and Regulatory Reform
CIPA	Chartered Institute of Patent Attorneys
CTM	Community Trade Mark
DCMS	Department for Culture Media and Sport
EPC	European Patent Convention
EPO	European Patent Office
EU	European Union
GVA	Gross Value Added
NGOs	Non-Governmental Organisations
IAC	Intellectual Assets Centre
ICASS	Innovators Counselling & Advisory Service for Scotland
IP	Intellectual Property
IPO	Intellectual Property Office
IPR	Intellectual Property Rights
ITMA	Institute of Trade Mark Attorneys
OHIM	Office for Harmonisation in the Internal Market
PCT	Patent Co-operation Treaty
RCD	Registered Community Design
ROCE	Return-On-Capital-Employed
SABIP	Strategic Advisory Board for Intellectual Property Policy
SMEs	Small and Medium Enterprises
UKTI	UK Trade and Investment
WIN	Wales Innovators Network
WIPO	World Intellectual Property Organization

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