



For Innovation

**Annual Report
& Accounts
2004 – 2005**

IP – the key to advantage through creativity

The Patent Office

dti

A DTI SERVICE



PATENT OFFICE

A DTI SERVICE

The Patent Office is an Executive Agency of DTI and is responsible for the national framework of Intellectual Property rights, comprising patents, designs, trade marks and copyright.

We manage an intellectual property system that stimulates innovation and creativity, balances the needs of consumers and users, promotes strong and competitive markets and is the foundation of the knowledge based economy.

The DTI drives our ambition of “prosperity for all” by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.



THE PATENT OFFICE

Presented to Parliament pursuant to section 121 of the Patents Act 1977, section 42 of the Registered Designs Act 1949 and section 71 of the Trade Marks Act 1994, and as required by article 6 of the Patent Office Trading Fund Order 1991 pursuant to section 4(6B) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990.

The Patent Office is an Executive Agency of the Department of Trade and Industry.

2004/2005 Annual Report & Accounts

Ordered by The House of Commons
to be printed 18 July 2005

Price £23.20

HC294



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This report deals with the activities of the Patent Office during the last financial year, and looks forward to the future. As a Trading Fund since 1991 we have presented our accounts (Chapter 8) on a financial year basis. We continue to present the remaining non-financial statistical information which is included in Annex B by calendar year. This is because many of our users need to have information on annual trends, and the international organisations to which we contribute also record business volume on a calendar year basis.

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Chief Executive's Summary

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CHAPTER

1

Chief Executive's Summary



This was my first full year as Chief Executive. The year has been busy, both domestically and internationally, with a mixture of success and disappointment.

The role of intellectual property in relation to innovation, competitiveness, competition, the commercial exploitation of research, business in the digital age, and also the impact on international development has been very much in the public eye and the Office has been busy in all of these areas. Our unique combination of people and knowledge

puts us in a core position when working with others to address these issues.

Amongst our successes this year, I would include our awareness raising campaign "What is the Key?" and Think Kit. The first brought advice and help to a wide range of SMEs and was delivered in a highly fruitful partnership with the Chartered Institute of Patent Agents and the Institute of Trade Mark Attorneys. The second is the update of our IP educational resource which highlights products and people who have used IP to help their entrepreneurship. The resource has been in high demand from schools all over the UK.

I am also proud of the fact that we continued to improve on the timeliness of the delivery of Designs, Patents and Trade Marks services, whilst carrying forward with our continuous quality improvement programme.

The year also saw the publication of the first Annual National Enforcement Report and the launch of our IP Crime Strategy to bring stakeholders together to fight the increasing scourge

of counterfeiting and piracy. These efforts were recognised by an award from the Anti Counterfeiting Group.

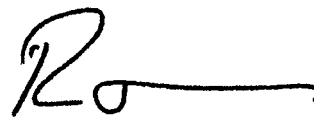
Modernisation of IP Law and deregulation were also high on the agenda with the introduction of the Patents Regulatory Reform Order, the Patents Act 2004 and the Trade Mark (Amendment) Rules 2004. These changes were accompanied by the launch of patents on-line filing and improvement to the trade mark on-line filing process.

Key internal changes have seen the restructuring of the Management Board and the creation of a new Director of Information and Communication, to focus on delivery in the e-business environment, and a dedicated Director of Human Resources to focus on the development of our staff to meet new challenges and provide succession planning based on a leadership model for the Office.

We are all disappointed that we were not able to qualify for a staff bonus based on 2004/05 efficiency. This is a result of the combination of lower demand, the success in reducing the

backlogs, and the resources diverted to innovation support and other activities. We are developing a new business model which fits our broader range of activities and which will see the office recognised for this wider contribution.

Napoleon said "Soldiers generally win battles. Generals take the credit for them." This is no less true of patent offices. I appreciate and acknowledge the on-going commitment of staff to improving customer service and meeting all stakeholder needs. Together we will build on what we have achieved.



Ron Marchant



POWDER

FIRE EXTINGUISHER

1KG ABC POWDER
8A 345



USE UPRIGHT
PULL OUT SAFETY PIN



STAND BACK 2 METRES
AT BASE OF FIRE



SQUEEZE LEVER AND AIM
FROM SIDE TO SIDE



Our Purpose, Vision and Objectives

Our Purpose, Vision and Objectives

Our Purpose

The Patent Office is responsible for the establishment and maintenance of the national framework of intellectual property rights (IPRs) (patents, designs, trade marks and copyright) and the granting and management of rights within that framework. These are governed by the Patents Act 1977 as amended by the Copyright, Designs and Patents Act 1988, the Patents Act 2004 and the Regulatory Reform (Patents) Order 2004; the Trade Marks Act 1994 and associated legislation.

The Patent Office is an Executive Agency of the Department of Trade and Industry (DTI) and became a Trading Fund in 1991. Within the DTI, we are part of the Innovation Group, formed on 1 April 2002.

Our Vision is to:

Create an IP system that maximises creativity, innovation and competition.

Our Mission Statement is:

We stimulate innovation and enhance the international competitiveness of

British Industry and commerce. We offer customers an accessible, high quality, value for money system both national and international, for granting intellectual property rights. We develop staff to meet this mission.

Our Objectives are to:

- grant patents and register trade marks and designs with a good presumption of validity, based on high standards of service which are set in consultation with users and combine quality with good value for money;
- promote and support moves to simplify the law on intellectual property and to harmonise international rules and procedures;
- increase awareness, recognition and use of intellectual property as a tool for enhancing innovation amongst British industry and commerce, and small and medium enterprises (SMEs) in particular;
- increase awareness of the potential rewards for the exploitation of research in the academic community.



We operate from the following locations:

Concept House (Head Office)
Cardiff Road
Newport
South Wales
NP10 8QQ

Harmsworth House
13-15 Bouverie Street
London
EC4Y 8DP

Nine Mile Point
Units 5 & 6
Nine Mile Point Industrial Estate
Cwmfelinfach
South Wales
NP11 7HZ

Our website details are:

www.patent.gov.uk

We can be contacted by telephone (national callers) at:

Tel: 08459 500 505 (charged at local rate)

We can be contacted by telephone (international callers) at:

Tel: +44(0)1633 813930

Our Minicom number for customers with hearing difficulties is:

Tel: 08459 222 250

Customers can contact us, via e-mail at:

enquiries@patent.gov.uk

We can be contacted by fax at:

01633 813600



Key Performance

Measures used to assess the achievement of our aims and objectives

Targets and standards are a fundamental part of our relationship with our stakeholders. These are set each year in our Corporate Plan¹ and we measure our progress against our commitments.

We are required by Treasury to achieve a return on capital employed that averages 4% per annum over the period 1 April 2004 to 31 March 2009.

We also operate to Ministerial targets including an efficiency target.

This target is to increase output in relation to current expenditure by an average of at least 2% per annum over a rolling three year period.

Our top priority is the delivery of high quality operational performance and the best possible services to customers.

Our customer standards² set out the quality of service which our customers can expect and our targets signify the key measures of performance or performance improvement.

Feedback is an essential indicator of customer satisfaction and we take every opportunity to obtain it from our customers. Elsewhere in this report we have described the extent to which customer feedback is sought in patent and trade mark business areas. Feedback leaflets are sent out with all information packs requested from our Central Enquiry Unit. We also gather informal feedback from marketing events and seminars. We have a feedback web page on our website³ for our customers to give us their comments and suggestions on the service they have received.

1 www.patent.gov.uk/about/reports/index.htm

2 <http://www.patent.gov.uk/about/relationship/custtar.htm>

3 www.patent.gov.uk/about/relationship/feedback/index.htm

Performance against Agency Targets

Performance against our Agency targets for the past three years can be found at Annex A. Against the key targets we achieved an 11.8% return on capital employed for 2004/05 and an average efficiency gain of 1.5% for the three year period to March 2005. However, if the efforts of special overtime to reduce the patent backlogs are discounted the average gain is 2.1%.

Patents

The Office received 27,471 applications, 8.5% less than 2003/04. Search requests totalled 16,734, 5.2% lower than the previous year. Examination requests stood at 11,485, 4.4% lower. 7,012 application requests came from unrepresented 'private applicants'. This is a significant customer group dealt with by a special unit within the Patents Directorate.

We received 8,777 applications for European Patents and 5,547 PCT applications in our capacity as a receiving office. Following the launch of the Office's e-filing facility in August

2004, a total of 594 filings were received up to the end of March 2005.

Of the 17,964 search reports issued, 95% were issued within 5 months with an average time of 4.9 months.

The time between request for substantive examination and grant averaged 17 months. 98% of patents were granted within 3 years of request for substantive examination. Backlogs of patent work were reduced by 31% moving us to within sight of our goal of "real time" search and examination.

Trade Marks

This year we have seen a 3.5% increase in our trade mark applications with 27,008 applications being filed compared to 26,097 in 2003/04.

Madrid designations into the UK were 7,520 representing a fall of 6% from the 8,026 filed in 2003/04. Overall national and Madrid trade mark input has increased by 1% with 34,528 filings compared to 34,123 for the same period last year.

Early indications for the year 2005/06 are that national trade mark demand is continuing to grow and we will monitor this situation closely. The percentage of unrepresented filers currently stands at 35% which more or less mirrors last year's position.

In November 2003, the USA joined the Madrid Protocol. We had forecast that this would have a small positive effect on UK designations. However, we knew this would be off-set and more by the effect of OHIM joining the Protocol in October 2004. Indeed we had forecast a 50% drop in overall UK designations over the following 3 years. In reality the expected fall in trade mark demand as a result of OHIM joining the Protocol in October 2004 has been much slower than forecast. Our forecasts and planning will be revisited in the light of this experience as we anticipate that the number of Madrid designations into the UK will decrease further by the end of 2005, as more filers designate the Community trade mark system for EU wide protection.

Designs

Demand for Registered Designs was 3,984 compared to 4,784 in 2003/04. This represents a decrease of 17%. However, a truer reflection of the fall in demand is closer to 60% in the two years since applicants have been able to file for Community Registered Designs.

Detailed statistics on Patents, Trade Marks and Designs

Annex B contains statistical data, produced on a calendar year basis. We also produce a separate booklet titled "Facts and Figures"⁴ which contains more in-depth statistical information for patents, trade marks and designs.

⁴ <http://www.patent.gov.uk/about/reports/anrep2005/facts2005.pdf>

Other aspects of performance

The Search and Advisory Service

The Search and Advisory Service has seen the upward trend in commercial trade mark searches continue for another year providing a 7% increase on last year. A change in the administration and funding of the DTI Grant for Research and Development (GRaD) scheme (previously SMART) has resulted in fewer awards being made and a subsequent overall decrease in commercial Patent search work of 32%. We are working with the Regional Development Agencies, which now administer GRaD, to rebuild our input into the scheme and are actively exploring how we may further contribute to supporting innovation by expanding our product range and market base.

Customer Satisfaction

Improving our customer service is high on our agenda and to help with this we launched a customer satisfaction survey at the end of March 2005. Our questions are designed to gain information on our current service provision, provide us with details on how

well we communicate with our customers and give us ideas for new services which we could consider. Once the full results are received, we will analyse the information provided with a view to developing an action plan on future service improvement and development.



Keys to our Success - Our Year in View

Changes to our Management Board



This year has seen further changes to our internal board of Directors⁵. Caren Fullerton, the Director of IT and Corporate Services completed her three year secondment from the National Assembly for Wales and returned to a new post with the Assembly in February 2005. We decided to restructure at board level with Mark Pacey joining the Office as Director of Information and Communications in June 2005, and Louise Smyth, Director of Human Resources (HR), joining the board in February 2005.



Innovation Support – Key Activities

This year saw the delivery of our commitments to the DTI's Innovation Report "Competing in the global economy: the innovation challenge"⁶, published in December 2003. Working with a range of stakeholders to further encourage the use of IP as a tool for innovation, our work centred around:

- raising awareness of IP through a range of business and student focussed events and activities. This included the highly successful "What is the Key" programme
- bringing together enforcement bodies to develop a coordinated approach, as published in the IP Crime Strategy⁷, which included commitments to collate and publish more reliable data; and
- working on measures to improve confidence in the protection offered by IPRs, including exploring how to assist SMEs to protect their IPRs.

Raising awareness

In June 2004, in partnership with the Chartered Institute of Patent Agents (CIPA) and the Institute of Trade Mark

Agents (ITMA), we launched the "What is the Key?" campaign as a way of raising IP awareness and helping SMEs to unlock their potential. The campaign, which was launched at the UK Business Week event in June 2004, reinforces the increasing worth of IP. SMEs were advised on how to make the most of their own intellectual assets and the dangers of not being aware of other people's. SMEs can request information on how to benefit from their IP and 200 companies were given the opportunity to win a free consultation with a legal expert via a new website launched in conjunction with the campaign. "What is the Key?" events have been held all over the UK with local partners such as Business Link and the Regional Development Agencies (RDAs). We are committed to providing advice and information in this way during 2005.

As part of our 'What is the Key?' Campaign, a mini survey was conducted to ascertain the baseline level of awareness amongst SMEs. A larger study in association with the

⁵ <http://www.patent.gov.uk/media/biogs/index.htm>

⁶ <http://www.dti.gov.uk/innovationreport/index.htm>

⁷ <http://www.patent.gov.uk/about/enforcement/ipbook.pdf>



Intellectual Property Institute (IPI) is underway and we will publish the results of a pilot study in Autumn 2005.

Over 70% of UK secondary schools were provided with a copy of our educational resource THINK Kit®. This resource pack illustrated to students how innovative organisations make the best possible use of IP and how IP is used in business. We received over 300 entries to our THINK Kit® competition which challenged students to design packaging and a promotional campaign for a Home Fire-Safety pack. The competition was divided into two categories – the design & technology category, won by a student from Lancaster Girls Grammar School and the business studies category, won by Preston School in Yeovil. The standard of entries to both categories was very high and the competition has highlighted some potential design experts of the future. THINK Kit II®, the updated version of our educational resource pack was officially launched at NEC Education Show in March 2005. It used real life case studies to promote IP within the education

arena. The competition for THINK Kit II “Promote the Sounds” has received almost 400 entries. THINK Kit II has enabled us to raise awareness of IPRs amongst students and demonstrates the natural fit of IP enterprise.

We have established partnership operations with Young Enterprise and Business Dynamics who are incorporating the material from our resource pack into their various entrepreneurial programmes.

IP Crime Strategy

The first IP Crime Strategy, which was developed under Lord Sainsbury’s direction, was launched in August 2004, with a successful high profile media campaign. It was developed by bringing together a multi-agency IP Crime Group of brand owners, police, trading standards and customs to:

- increase the sharing of intelligence between different agencies;
- improve training for those working at the front-line of IP crime;

- give a more co-ordinated approach for the agencies involved in fighting IP crime; and
- monitor progress.

Since the launch we have worked closely with the National Criminal Intelligence Service and other key enforcement bodies to develop an enforcement structure based on the National Intelligence Model, a model which has been successfully pioneered elsewhere to deal with major criminal threats. We have also established a central intelligence and information gathering team within the Patent Office.

In March 2005 we published the first annual National Enforcement Report to draw together the work carried out by those involved in fighting IP Crime. It co-ordinates information and is a joint effort that has helped us set a baseline from which the UK's enforcement performance can be measured.

We have worked closely with Trading Standards Officers, HM Revenue & Customs, the Police and brand owners to facilitate work in combating the

trade in counterfeit and pirated goods, and have established regular training programmes for enforcers. In May 2004 we received an award from the Anti-Counterfeiting Group (ACG)¹⁰ in recognition of our outstanding work on enforcing trade mark rights.

In March 2005 we launched a comprehensive training package for brand owners, in particular those engaged in fighting IP crime. This has been developed in conjunction with Trading Standards North West. Our CD training package "Do The @ights Thing" is designed to help Police, Customs and Trading Standards Officers deal with issues of piracy and counterfeiting, taking them through the whole investigative and prosecution process. Brand owners and other private enforcement agents will also benefit from this resource.

Our work in relation to the international aspects of IP crime continues with our membership of the Interpol IP Crime

8 <http://www.patent.gov.uk/about/marketing/thinkkit/index.htm>

9 <http://www.patent.gov.uk/about/marketing/thinkkit/thinkkit2.htm>

10 <http://www.a-cg.com/>

Action Group and our recent election to co-chair the UN Economic and Social Advisory Group on the Protection of IP Rights, which offers technical assistance to transition countries. This fits well with our long established record of, and ongoing commitment to, bi-lateral assistance to transition economies. We have also expanded our work to include enforcement and in the last year events in China, Russia and several Eastern European states have proved successful in improving the training of enforcement officers and those in government and the judiciary.

Protection of IPRs

In July 2004 we completed a feasibility study of new institutional arrangements to help SMEs protect their IPRs. The Patent Enforcement Project (PEP) report¹¹ concluded that it was worth exploring possible models to assist SMEs with patent enforcement along the lines of the Medical Defence Union, a type of mutual insurance where

mediation plays an important role and litigation is a final resort. Initial research into following this up has begun and we are working with the insurance industry to identify feasible options.

Inventors seeking help for their new ideas can benefit from our guidance booklet, Confidentiality and Confidential Disclosure Agreements (CDA)¹² which provides advice about confidentiality and explains how to draft a sound "Confidential Disclosure Agreement". Strict rules on confidentiality can sometimes make it difficult for inventors to discuss their inventions with potential investors, designers or manufacturers prior to filing a patent application. Inventors are frequently told to keep their inventions secret until they have filed a patent application, but have had difficulty finding relevant advice on how to make confidential disclosures. Our new guidance brochure reminds users of the key features which any CDA must contain, and includes an example of a CDA.

¹¹ <http://www.patent.gov.uk/about/enforcement/finalreportv1.pdf>

¹² <http://www.patent.gov.uk/patent/info/cda.pdf>

¹³ http://europa.eu.int/eur-lex/en/com/pdf/2003/com2003_0046en01.pdf

¹⁴ <http://www.patent.gov.uk/about/consultations/responses/enforce.htm>

Key European and International Issues

We have continued to cooperate with the European Patent Office (EPO) and the national offices of Europe. We have been active and inclusive in making proposals to provide an effective synergy to give European business a good market platform which matches that of our competitors in the United States of America (USA) and Japan. We have worked with Alain Pompidou, President of the EPO and with Alison Brimelow as President-elect of the EPO and Vice-Chair of the European Patent Organisation to develop a model of co-operation which meets the needs of all.

European Patent System

We are committed to improving the patent system in Europe and we continue to seek a way forward in a constructive and imaginative fashion. To that end, the Patent (Translations) Rules 2005 were laid in March 2005 to enact the Agreement on Translations made in London in 2000. We continue to advocate strongly that other contracting states of the European Patent Convention (EPC) do likewise, to deliver real cost reductions to patent holders.

Through our contribution at the European Patent Organisation we have been at the heart of discussion to improve how the EPO and its member states can work together to provide a high quality efficient and effective patent system, tuned to the needs of the whole spectrum of users and stakeholders.

European Directives

The **Enforcement Directive**¹³ was adopted in April 2004 and this year we have developed our plans for implementation. In June 2004 we published our Public Response Document¹⁴ and updated our website to give more prominent and extensive enforcement coverage. In October 2004 we prepared and circulated an initial draft consultation paper on the implementation of the Directive to government interests. This has been followed up with meetings with Mr Justice Laddie and His Honour Judge Fysh to discuss our implementation plans, so that a public consultation document can be published. We have continued to work with the UK Permanent representation to the European Union (UKREP) and DTI colleagues on the



negotiation of a proposed **EU Directive on the patentability of Computer-implemented Inventions**¹⁵, engaging with both UK industry representatives and our European counterparts. Following Ministerial agreement in May 2004, concerns about the Directive meant that the expected adoption of the 'Common Position' in late autumn 2004, did not take place until March 2005.

We have contributed to the public debate on the Directive; published and distributed an information booklet; organised a meeting in December 2004 hosted by the Minister at which he met about 80 critics of the Directive; and as a result of that meeting, we conducted a series of thirteen workshops during March and April 2005 to explore the definition of 'technical contribution', one of the main issues raised with the Minister.

The European Commission published a proposal on 14 September 2004 to amend **Directive 98/71/EC on the legal protection of designs** so as to encourage competition in the spare parts market. The Patent Office

15 http://europa.eu.int/comm/internal_market/en/indprop/comp/com02-92en.pdf

16 <http://www.patent.gov.uk/about/consultations/spareparts/index.htm>

17 <http://www.patent.gov.uk/about/consultations/resalerights/index.htm>

18 <http://www.ip-europe.org/>

launched a consultation¹⁶ in February 2005 and has also been involved in various meetings discussing this topic both in the UK and EU.

We continue to work on the implementation of the **Artists' Resale Rights Directive**. In February 2005 we published a draft of the proposed regulations, together with a public consultation document¹⁷, in preparation for introduction of the right on 1 January 2006.

Industrial Property Europe Website

In September 2004, the Industrial Property Europe website¹⁸ was launched. This was the result of work completed by the Industrial Property Europe task force consisting of representatives from the national patent offices of the Czech Republic, France, Sweden, the UK, the Icelandic Research Council and the British Library. This group met regularly for two years to find ways of simplifying access to IP information in Europe for SMEs and the website provides a one-stop shop for industrial property in Europe and aims

to make the national patent systems easier to use and understand.

Community Trade Mark Legislation

Reform of Community Trade Mark Legislation has been ongoing since 2003 and is nearing completion. These reforms aim to improve both the functioning of and accessibility to the system and relate to a number of separate regulations. They include the Community's accession to the international system of trade marks (the Madrid Protocol) and improvements to the rules of procedure of the Boards of Appeal. Discussions and consultations with UK and European interests have been ongoing throughout the process.

International issues

Much discussion has taken place both within and outside the World Intellectual Property Organisation (WIPO) on the subject of IP and development. The Patent Office has been heavily involved in this debate and jointly with the Netherlands, chaired a meeting of industrialised countries in March 2005. At this active meeting everyone confirmed their commitment to working



together with all countries within WIPO to develop the IP system for the benefit of all and with the needs of developing countries integral to this work.

On access to medicines, a draft European Regulation was published in October 2004 which seeks to implement the World Trade Organisation (WTO) Decision of August 2003. This allows compulsory licences to be issued on patented pharmaceutical products for export to appropriate countries

with public health problems, enabling the European generic industry to use this WTO Decision. The Patent Office has been engaging in constructive discussion within the European Union to facilitate speedy adoption of this important Regulation. Work is in hand to consider any necessary changes to UK patent legislation.

The Patent Office has played an active role in discussions aimed at progressing international harmonisation within WIPO, including for example, ongoing negotiations on the revisions to the Trade Mark Law Treaty, and discussions on the Substantive Patent Law Treaty, and disclosure of origin of genetic material and traditional knowledge.

Key Contacts – Working with Others

Working in partnership with other organisations has been crucial to making best use of resources in supporting innovation and has helped us:

- Publish new guidance on confidentiality and CDAs;
- Provide better information to the UK's Gene Parks on applying for gene patents;
- Investigate synergies between the patents and standards systems with British Standards Institute (BSI);
- Offer more comprehensive advice to businesses via pilot referral schemes with South East England Development Agency (SEEDA) and the Manchester and Birmingham Patent Information Network (PIN) libraries

Fruitful contacts have been developed between the examining group dealing with biotechnology inventions and the Wales Gene Park (WGP), which is part of a network of six genetics knowledge parks within the UK which receive support from the DTI, NHS (Wales) and the Department of Health. We have been

able to give expert advice on current policies and practices in relation to biotechnology patents, and in turn we have gained valuable insights into the matters of concern to the biotechnology community. These contacts have also allowed our examiners to keep abreast of scientific and technical developments in this important field.

The **Lambert Working Group (WG)** on IP was set up in May 2004, following the Lambert Review of Business-University collaboration, to produce a set of model collaborative IP agreements for voluntary use by industry and universities. These agreements were to set out a range of approaches to the ownership and exploitation of IP including, for example, ownership by the university with exclusive or non-exclusive licensing to the business. The Working Group comprised over 40 stakeholders representing business, universities, funding agencies, representative bodies and the public sector and included the Confederation of British Industry (CBI), the Association of University Research & Industry Links (AURIL), Small Business Service

(SBS), a Regional Development Agency (RDA) and a number of individual companies and universities. The Patent Office facilitated the work of the group by providing its secretariat and was responsible for ensuring that this large and diverse group of stakeholders were able to work together effectively to complete their task within twelve months, i.e., by Spring 2005. In December 2004, the WG agreed and endorsed a set of five model collaborative agreements and a number of related materials to explain their use. Working in partnership with DTI's Innovation Group, an internet based version of these materials, referred to as 'the Lambert Model Agreements Toolkit' was developed and, following its launch in February 2005, is being hosted on the DTI's web-site¹⁹. The Toolkit comprises five model collaborative agreements and their associated supporting materials and offers guidance on how to choose the most suitable agreement. The five model agreements cover a range of situations that arise in relation to key issues such as

- ownership of the IP arising from collaboration;
- freedom to use the results from the project;
- financial contribution from business; and
- publication criteria for the university.

The associated supporting materials include a Decision Guide to help the user select the agreement most suitable to their particular circumstances; guidance notes which provide a clear explanation for each part of the agreement; and an outline which summarises all of the issues that need to be covered in the agreement.

The **Creative Industries Forum on IP** was launched in July 2004, bringing together key players from Government and Industry to discuss how best to meet the opportunities and threats that rapid technological developments are generating for the UK's Creative Industries sector. It has explored key issues such as the strategies for maximising the opportunities for

¹⁹ <http://www.innovation.gov.uk/lambertagreements/>



the creative industries in a digital environment; business models; education and awareness raising and the challenges such as file sharing and piracy. The Forum has been jointly chaired by a DTI and a Department for Culture, Media and Sport (DCMS) Minister, sitting with representatives from across the Creative Industries sector, including film, music, publishing, design, and computer games. It also included representatives from creators, internet service providers, telecoms companies, hardware manufacturers and consumer groups.

In October 2004 we undertook a review of the **Intellectual Property Advisory Committee (IPAC)**, the Non-Departmental Public Body (NDPB) set up to provide advice to Ministers and the Patent Office on issues affecting IP. Following consultation a report was produced which concluded that there was a continuing need for the services of such a body and made recommendations for how that service could be improved. This has been put forward for Ministerial decision.

During the year we have provided new and small businesses with advice on how to protect their new ideas via **Business Advice open days**. By taking part in the series of HM Revenue & Customs Open Days held throughout the UK, we have highlighted the importance of IP. Our free seminars “Intellectual Property – what’s that got to do with my business?” have given guests an insight into the very real IP issues that impact on the success of their business. Through this we have provided an opportunity for small and medium sized companies to obtain quality advice and information which can help run their businesses successfully.

Throughout 2004 we provided **training for IP business advisors** on all aspects of IP in partnership with the SBS. Advisor Training Days have been held in London, Coventry and Bolton.

We have continued our programme of **working with other national offices** as a way of exchanging work and information on IP and benchmarking quality. This has included working with the Danish Patent and Trade Mark Office and the Netherlands Intellectual Property Office



for the processing of patent search and examination work, and working with the EPO and IP Australia on systems to exchange search results on equivalent applications. Exchanges have been carried out comparing patent search processes with the Japanese Patent Office and the Deutsches Patent- und Markenamt. We have exchanged ideas and experience with the State Intellectual Property Office of China on enforcement, IT and documentation and with the Canadian Intellectual Property Office (CIPO) on search tools, training and work sharing. There was great interest in our ISO 9001:2000 program and we hosted fact finding delegations including parties from the IP authorities of Russia, Finland, Slovakia, Malaysia and from AIPPI.JAPAN (the Japanese branch of the International Association for the Protection of Intellectual Property) to discuss ISO and related topics.

We agreed to extend the contract with the Danish Patent Office, which carries out statutory patent searches on behalf of the UK Patent Office, for a further year until April 2006. The contract provides

the UK with cost efficient searches, flexibility in resourcing, and is a concrete demonstration of the practicality of work sharing between patent offices.

Training and Development Unit (TDU) hosted a visit from those responsible for training in Rospatent, Moscow, during October 2004. This visit, arranged during a visit to Rospatent by TDU, forms part of a twinning project funded by the EU for facilitating harmonisation in the training of personnel within the countries of the former Soviet Union. As part of this initiative, two Russian patent examiners joined the Office for a month to undertake the patents module of the Diploma in Law and Intellectual Property which forms part of the induction programme for new patent examiners.

Supplementary Protection Certificates (SPCs) for medicinal and plant protection products are granted on a national basis in accordance with European regulations. National patent offices have responsibility for examination and subsequent grant of applications for SPCs. In discussions between national patent offices it was agreed that it would

be useful if a mechanism could be set up to facilitate exchange of views on SPC examination practice. The UK offered to take this forward, and in March 2005 an electronic forum hosted by the Patent Office went live with membership drawn from across the European Economic Area (EEA), from prospective EU member states and the EC.

Patent Office staff have contributed to the preparation of UK submissions to the European Court of Justice in several cases involving clarification of important points of interpretation of the SPC Regulations.

The International Benchmarking Club has continued to meet throughout the year. In October 2004, we hosted the 3rd meeting attended by representatives of the German, Austrian, Swedish, Danish and Community Trade Marks Offices. Classification, dispute resolution and e-business were discussed. More recently in February 2005, the Benchmarking Club met to take forward a proposal for a common database of classification terms to be developed and maintained by OHIM. Each country

would participate on a voluntary basis, but the ultimate objective is to include as many member states as possible and WIPO. The UK would continue to maintain its own classification database. Representatives of the UK trade mark profession have strongly endorsed the proposal.

Each year in March we host **The European Qualifying Examinations** on behalf of the EPO. In 2005 nearly 200 trainee patent agents came to the Office to sit the examination. The event was again successful, and candidates and EPO officials were very appreciative of the arrangements made.

Key Developments in UK Legislation

Two major initiatives amending the patents legal framework were concluded. **The Regulatory Reform (Patents) Order (RRO) 2004**²⁰ amended the Patents Act 1977 as from 1 January 2005, and has streamlined and modernised procedural and administrative aspects of the patent application procedure. These include making it easier to obtain a date of filing; the introduction of a filing fee that initiates preliminary examination; and the reinstatement of mistakenly-terminated applications. The improvements enable the Patents Act 1977 to be administered in compliance with the Patent Law Treaty of WIPO. The Patents (Amendment) Rules 2004 made related amendments to the Patents Rules 1995.

The Patents Act 2004²¹ allows the progressive amendment of the Patents Act 1977 in various areas. Up to 1 January 2005 we implemented the more straightforward changes which did not require changes to our secondary legislation. Work is now in progress to bring in further reforms which for example will allow the Office to give opinions on validity and infringement

issues relating to granted patents, and also will bring our law into conformity with the latest amendments to the European Patent Convention. Seminars explaining all these changes were successfully held around the country prior to 1 January 2005, and helped our customers prepare for the introduction of the new procedures. They also provided us with a means to obtain views from the profession regarding implementation of certain provisions of the Patents Act 2004, in particular those relating to validity and infringement opinions.

We introduced several **new examination procedures** relating to the examination of patent applications. These included the introduction of abbreviated reports which will encourage early amendment of those cases where the examiner can see significant problems arising. In addition to this, applicants are now asked to provide details of searches carried out by patent offices abroad on the same invention, as this allows our examiners immediate access to a better spread of relevant prior art.



On 5 May 2004 the **Trade Mark (Amendment) Rules 2004** came into force, introducing a streamlined opposition procedure. This saw the introduction of a preliminary indication on cases where an opponent has raised grounds under Section 5(1) or 5(2) of the Trade Marks Act 1994. Also, a longer cooling off period was implemented to allow parties to negotiate a settlement as well as a provision which requires an opponent to prove use of any earlier trade mark relied upon, if it is over five years old. A proof of use provision also applies in invalidity proceedings. A number of other changes were also introduced including, allowing the Appointed Person to decide appeals from the papers where the parties do not want an oral hearing; giving the Registrar the power to reject vague terms in specifications; and the requirement of an applicant in Revocation (non-use) cases to specify the five year period from which Revocation is sought. These changes were presented via a series of well-received seminars we held around the country (hosted by firms

of Attorneys), which helped explain the new rules to our customers.

We have worked during 2004 to improve access to justice for our customers. The Trade Marks (International Registrations Designating the European Community, etc) Regulations 2004 include **the designation of the Patents County Court, and other county courts, as Community Trade Mark Courts**. This took effect from 1 April 2005, when the Department for Constitutional Affairs (DCA) introduced an Order to permit all trade mark infringement matters to be dealt with by these courts. In conjunction with this, an Order to give ITMA “authorised body status” together with consequent changes to the Civil Procedure Rules will enable suitably qualified members of ITMA to gain rights of audience before the county courts. As a package, these changes should provide improved access to justice.

20 <http://www.patent.gov.uk/patent/notices/misc/deregulation.htm>

21 <http://www.patent.gov.uk/about/ippd/issues/patsact/index.htm>



Future of Design Registration in the UK

Since the introduction of the Registered Community Design (RCD) in 2003, UK registered Design applications have fallen by some 60%. We have been considering in detail what changes would be most beneficial to users of the domestic system. We are well advanced in preparing a consultation document to explain the reasons behind the proposed changes to the Registered Designs Act 1949 by means of a Regulatory Reform Order (RRO) and to seek comments from the wider public on the proposed modernisation of the UK system. The consultation document, which will also include a revision of the associated designs rules, will be issued in 2005. It is anticipated that changes will be introduced in 2006. The proposed changes are designed to simplify the process of securing UK registered design rights, and put the system more on a level footing with the RCD system.

The Freedom of Information (FOI) Act 2000 came into force for public bodies on 1 January 2005. In preparation for the legislation we appointed a Freedom of Information Practitioner (FOIP) to act as our focal point for all FOI activities. The FOIP is responsible for a network of Contact Officers throughout the Office and all staff were given training to ensure that they were aware of their responsibilities under the new legislation. A total of 34 requests were dealt with during the first quarter of 2005.

Customer Focus – Key Activities

Throughout the year we have **enhanced our provision of Patents information including:**

- an update of the patents guidance booklets for unrepresented applicants to include information about recent deregulatory patent law. The updated versions have successfully retained their Plain English Campaign Crystal Mark status;
- an enhancement to our Patent Status Information Service on our website to provide a 24 hour service.

In 2004 the Patents Directorate visited six firms of Patent Attorneys for in-depth discussions on our customer service. The visits proved valuable with any issues being resolved either at the visit or on immediate return to the Office. The programme will continue in Spring 2005.

The Code of Practice for patent applicants and agents²² was finalised and brought into use 31 March 2004, following close co-operation with professional bodies in drafting. Examiners are invoking the Code for over-numerous claims and other

drafting practices. Indications after six months showed about 100 references to the Code by examiners, leading to remedial action in some cases. A further report is being prepared based on 12 months experience.

The Patent Hearings Manual explains the law and procedure applying to the handling of patent and design right disputes by the Patent Office. It has been updated with effect from 23 March 2005 to take account of changes in law since it was first published in March 2004. The updated Manual is available on the Office's website²³.

Following the **ISO 9001:2000 certification of our pre-grant patenting process** in February 2003, we have successfully passed the two interim "health checks" carried out this year. These confirmed that we continue to meet the ISO standard and remain on course to achieve re-certification in February 2006. Work has also started to prepare our commercial patent search services for ISO certification in 2006.



A new senior post with specific responsibility for **business improvement within the Trade Marks Directorate** was created in September 2004. Initial projects have included:

- reviewing areas of the Directorate to ensure that business processes are able to cope with future changes;
- a fact-finding exercise to learn from other organisations, including exchanging ideas with other national registries and public and private sector organisations;
- phase 1 of a project to identify the trade marks customer base, what customer information is needed and missing, clarification of customer terminology and how best to share customer information. This has been launched and agreed recommendations will be implemented by November 2005.

We also have two structured initiatives to gain information on customer expectations. Our **TMD Customer Feedback manager** has introduced strict milestones and targets to ensure

intelligence reaches the operational managers and drives changes to improve customer service as part of our Business Improvement team. We also have a well established programme of visits to customers, which we have reviewed to maximise its effectiveness. The new programme, which will include other contact with customers alongside traditional visits, will begin in May 2005.

From December 2004, **Trade Mark renewal processing** has been completed in Finance Section. This has avoided duplicating data capture work, enabled electronic processing and has helped us to extend the present electronic renewal filing arrangements. To date we have processed over 9,000 renewals with approximately 25% of these renewed electronically. The introduction of electronic renewals has enabled us to speed up the process and all renewals are now actioned within 4 days of receipt, a significant improvement on the previous target of 6 days.

From April 2004 our **credit/debit card settlement facility was extended to cover statutory fees** for forms filed by post

or fax. In 2004/05 we handled some 10,500 card transactions with payments totalling £1.4M. As part of our future e-business plan we will further develop our services to allow us to accept online payment, via credit and/or debit cards, for statutory fees. The first form to take advantage of this will be the trade mark application in 2005/06.

Key IT Developments

We worked in close collaboration with the EPO to produce a secure **UK-based on-line filing service for patent applications** using the EPO's epline® system. The new service went live in August 2004 and customers can make use of secure on-line filing of UK national applications; Patent Cooperation Treaty (PCT) national phase applications; EPC applications (both directly to the EPO and via the UK Patent Office (UKPO) as a national office) and PCT international applications (via the UKPO as a receiving office and PCT applications directly to the International Bureau as a receiving office). A series of joint (UK & EPO) training days for external customers were held during September 2004 in Newport and London. 79 customers took the opportunity to receive training and information on the new e-filing service. By the end of March 2005, we had received a total of 594 electronically filed applications through this new service.

The Patent Office has recently been taking part in a European Commission (EC) sponsored project to develop a **multilingual natural language patent**

search system. The Office was part of a consortium including the French, Austrian and Spanish patent offices, and two commercial firms. The project was successfully completed in September 2004. Efforts are now being directed, through the EPO's Working Party on Technical Information, towards deployment of the system on esp@cenet. The use of natural language together with a multilingual capability will significantly increase the ability of members of the public and SMEs in Europe to conduct patent searches. The system could therefore provide a significant aid to innovation.

We have piloted technology from the EPO to see whether their Phoenix system would meet our requirements for **electronic case files for patent processing.** We concluded that the technology was suitable and a programme has been launched as part of a multilateral agreement with EPO to implement their Phoenix system on a standard open source platform. We aim to go live with the new system in April 2006.



We have extended the availability for the **on-line patent register** to provide round the clock access in response to requests from users in Australia and New Zealand who were affected by our out-of-hours maintenance work.

A major rewrite was completed of the **patent examiners search reporting system** with integration with the mainframe processing system. Our systems had to be amended to reflect the changes introduced as part of the RRO. We have also been engaged on a major programme of changes resulting from the revision of the International Patent Classification and the move to European Classification (ECLA).

A new version of **EPOQUE (EPO's patent search system)** was delivered to patent examiners including those working from home. All home workers have been equipped with high performance workstations and secure broadband communications. The wide area network link to EPO has been upgraded and service level agreements have been concluded for both EPOQUE and the wide area link.

The **Trade Marks e-filing software (PaTrAS)** was enhanced to provide a data capture facility. This has simplified the e-filing process and made the system much more user friendly.

We first provided an **email electronic filing service for trade mark applications** back in 2001, but the take-up has remained relatively low so we decided to offer a web form option as well. Based on experience at other IP offices, we believe we can get substantial take-up from the web form. Work is now well advanced on developing the web form for the main trade mark application form and the service is expected to go live in June 2005.

Electronic filing is just one component of the wider IS strategy for trade marks which also includes moving to a **TM electronic case file**. Simplifying the underlying IT infrastructure to help provide a more responsive and cost effective IT service is also part of the IS strategy.

In October 2004 we introduced improved facilities for **Madrid and OHIM case enquiries** on our website. This service has been introduced as a direct request from our customers and provides full case details as held on our UK database.

During the year the Trade Marks IS strategy was reviewed as part of the **Office of Government Commerce's (OGC) Gateway process**. The review made a number of recommendations concerning the resourcing and management of the strategic programme and the development approach to be adopted for the IT developments. Further external advice was sought on how to take forward the detail of the Gateway recommendations. We have now decided to run the programme according to the Managing Successful Programmes (MSP) method and an experienced MSP programme manager has been appointed. We have also decided to trial the rapid applications development method (DSDM –Dynamic Systems Development Method). A review of possible technical solutions for the future systems is under way.



We have been involved in a major programme of work to amend our existing systems to take account of the decision by the EU to join the international trade marks systems (**Madrid protocol**).

During 2004, we undertook a significant amount of preparatory work before implementation of the **new Oracle 11i Finance and Procurement system** for the Office. The introduction of this system will enable us to improve the financial service we provide internally to staff and to our external customers and suppliers. Implementation of our system has been split into several phases. The first of these, at the end of the financial year, was for the core ledger system incorporating general ledger, payments and purchasing. The second phase, bespoke “front end”/income system, will go live on 9 May 2005.

Maintaining a modern supported **IT infrastructure** is the key to successful IT service delivery. The highlights of our year include moving to voice over IP which has provided staff with improved voice communications and has saved



the Office money with the potential for further saving as more of our partner organisations deploy this technology. We have also upgraded the internal cabling in our main building to provide high capacity links to user's desktops. This provides better performance and equips us for the move to electronic case files.



Key People

Key People

Our Staff are a vital element to our success. This year has seen a slight decline in our staff numbers from 1,040 in April 2004 to 1,021 in March 2005. We have made a conscious decision to lower our staff numbers in light of changing demand and work patterns and this is also reflected in our lower recruitment figures which saw only 24 new staff recruited during the year.

Electronic Human Resources (HR) delivery

We have continued to expand our portfolio of electronic HR services with the introduction of our e-absence record and the e-training evaluation form (e-tref). These give staff access to their annual leave and absence records and allow staff easier options for booking and attending training courses. During the forthcoming year we will also provide managers with access to the Office's time recording system.

Training and Development

We have been an **Investor in People (IiP)** organisation since 1998. Good practices identified at our last review on

staff development are still in existence, and significant efforts have been made to continually review and develop this groundwork. As an organisation, we develop people extremely well and we compare very favourably with other similar sized organisations in both the public and private sectors.

Throughout the year, **management development** opportunities have been offered using a wide ranging development road map. All new managers must now attend a 5 day introduction to management, our First Time Managers course, when first appointed.

Staff development has continued with the availability of gender specific programmes such as Springboard, Development for Women and Navigator (a men's development programme). The Next Step, a programme developed for experienced administrative staff, has been very successful and popular. Other personal development programmes are available such as The Big Picture, the Prince's Trust Volunteers and Business in the Community. The latter



two programmes enable staff to use their skills to develop their own and others' skills in the community.

Risk Management has continued to be a priority for us and we have extended our training and communication to help embed risk management into the organisation. We have designed and delivered a site on our internal web pages allowing staff to access information on our risk management policy; produced and published "Your Personal Guide to Risk Management" and introduced risk management as a topic in our induction and management training courses. This has helped staff at all levels to understand our risk management activities and raised the awareness of risk throughout the organisation.

Updated and improved resources are available for use in our **Library and Resource Centre (LRC)**, ranging from basic skills through to advanced language courses. Job specific training takes the form of regular workshops to ensure staff are fully briefed on changes and developments in the IP

environment; managers and colleagues provide desk training for those new to a section; local universities are used to provide in-house post graduate diploma programmes in Law and Intellectual Property and in Business Administration. A new Masters degree in Intellectual Property was introduced with seven participants, and we sponsor selected staff for part-time Masters in Business Administration degrees.

The Office is an accredited Pitman's/ City & Guilds NVQ centre and offers NVQs from foundation (level 1) through to degree level equivalent (level 4). Key skills training is also available at levels 1 and 2. Two members of staff completed their Modern Apprenticeships and four New Deal staff are currently undertaking a Modern Apprenticeship programme with us.

Objective Setting

Throughout 2004 we have developed and enhanced our way of setting objectives. In order to tie individual objectives into the organisation's objectives and requirements, staff and



managers have been trained to identify specific tasks with desired outcomes for each individual and these focus on work and developmental objectives. This process helps us identify the skills and competences necessary for the success of our business and helps identify any related training needs.

Patent Office Leadership Model

We recognise that succession planning and staff development are vital to the Patent Office's growth and success. We are committed to equipping our staff with the skills and competences needed to meet our current and future business objectives. With this in mind a leadership model has been developed which sets out the behaviours and competences expected of those who are to be successful in the Patent Office. The new behaviours and competences within the leadership model are expected to be used as a core within job descriptions of posts within the Patent Office. A more formal leadership development programme has also been included which will aid succession planning within the organisation.



This formal leadership programme will take up to 12 delegates, identified after attendance at an externally run assessment centre. Each will have an individually structured training programme to aid them to progress to a senior level position within the Office and identify potential to reach director level.

Employee Assistance Programme

As part of the recommendations and changes which were set out in a Sickness Absence report presented to the Patent Office Board in April 2004, the Board decided to introduce an Employee Assistance Programme (EAP) in addition to the services of the Staff Counsellor. This service was launched in October 2004 and each member of staff was invited to attend an awareness session. Care First is a leading Employee Assistance Programme provider experienced in helping people to deal with practical and emotional issues affecting their working and home lives. Their telephone service is independent, confidential, free to use

and accessible to everyone 24 hours a day and it is open to all employees of the Patent Office and immediate family. The EAP is being piloted for 12 months and will be reviewed in October 2005.

Healthcare

We continue to offer the services of a Nurse and staff will be given the opportunity of receiving cholesterol, glucose and diabetes testing and influenza vaccinations.

Stress Awareness

We recognise the need to alert staff to the effects of stress. Our Training and Development Unit and Estates Management Section ran a large scale awareness event dedicated to offering staff information and advice on the subject of stress. Information on aromatherapy, reflexology, relaxation techniques, clothed massage, the Staff Counsellor, and the Harassment Contact Officers was included together with advice and support on the courses that are available to assist staff in coping with stress, including the introduction of a new Stress Management course.



Home working

Our portfolio of flexible working arrangements includes home working. Currently, 42 staff work from home on a formal basis. Staff can also ask to work from home on an informal basis, with the agreement of their line manager. Since the home working option was introduced in 2003 the policy has been regularly reviewed and refined in the light of experience, and this will continue to be the case in the future.

Staff Movement

After consultations with staff, changes were introduced in February 2005 to the internal processes regulating the movement and promotion of staff. Some of the changes are intended to encourage staff to move laterally around the organisation to develop their skills and experience. The effect of the changes will be reviewed after six months in operation.

Accommodation

Further progress was made during the year transferring TMD staff from

Government Buildings into Concept House. This involved moving 59 staff across and vacating two more wings of Government Buildings, producing a combined saving of £60k in accommodation rental and service charges for the both wings. Further space savings arising from the full migration to electronic patent searching will enable the remaining 98 TMD staff to transfer out of Government Buildings and into Concept House. Plans are at an advanced stage and it is expected that this reorganisation will be completed during 2005/06. This will permit the return of the three remaining wings to ONS by 31 March 2006, producing a further estimated combined saving of £120k in accommodation rental charges.

Disability Discrimination Act Access Audit

From 1 October 2004, the Disability Discrimination Act (DDA) 1995 required service providers (under Part III) to make responsible adjustments in relation to the physical features of their premises to overcome access barriers. To ensure our compliance with this we

commissioned external consultants to undertake a DDA access audit of all Patent Office occupied buildings. Areas identified in the Audit that require attention, such as the installation of hand rails in Concept House reception area, a new safe route footpath outside Concept House main entrance and increased lighting levels in various locations, are being addressed. Overall the audit confirmed that our buildings are accessible and user friendly to all.

Communications

Our internal Communications Strategy was launched in April 2004 and this was followed up by project teams who focused on assessing and improving communications in four key areas. These were E-mail, Face-to-Face Discussion/Networking, Staff Magazine and Intranet/Circle. We have already implemented changes to improve communications: we have changed the layout of our intranet home page, the Circle, to make it easier to use; introduced a Daily News feature on the Circle to highlight events and important notices for staff; introduced corporate



messages and reminder notices in lifts and published the GroupWise 5.5 manual on The Circle to give easy access to all staff. The project teams are now in the process of taking forward their recommendations which include the introduction of training to enable staff to chair meetings and the provision of drop-in sessions to allow staff to ask experts for advice on navigating around our internal web pages.

Working together with Other Government Departments

In October 2004, the Office played host to the Heads of Government Offices in Wales meeting. Attendees included



representatives from National Assembly for Wales (NAW), Companies House, HM Prison Service, HM Revenue & Customs, 160 (Wales) Brigade, Health & Safety Executive, Office for National Statistics, Office of Water Services Customer Services Committee (OFWAT CSC) for Wales, Court Service, Driver Vehicle Licensing Agency (DVLA), Her Majesty's Inspectorate for Education and Training in Wales (ESTYN), Royal Mail, and the Air Office Wales. The office was complimented by many of the attendees on how well the meeting was organised and on the excellent welcome they received.

Our Commitment to Corporate Social Responsibility

Corporate Social Responsibility is about us and how we interact with society. We acknowledge that there are rewards for us in terms of business benefits and personal benefits for our staff. This year gave us an opportunity to showcase our links with the local community through our stand at The National Eisteddfod, which was held in Newport and ran from 31 July to 7 August 2004. This

was the first year that the Office has attended such an event and those staff involved thoroughly enjoyed the experience. Our stand reflected our role in the community and showcased our involvements in local activities.

We have continued to work with organisations such as Business in the Community and Prince's Trust Volunteers. In addition to these, our staff are involved with the community in many other ways, for example, School Governors, Justices of the Peace, School Visits, Councillors and Community Projects. We also continue to offer work experience placements to local schools and colleges. We recycle our white paper via a local charitable organisation and support local schools, voluntary organisations and charities with donations of IT equipment, surplus office furniture, file boxes and stationery items. We are a member of various national and local employer bodies including the Employers Forum on Disability, Opportunity Now, the South East Wales Network and Investors in People. These give us opportunities

to network, share best practice and to benchmark ourselves against other organisations. From an individual's perspective, our involvement in these activities provides an opportunity to gain new relevant skills, broaden their knowledge and experience and enable networking with contacts from other organisations. From a business perspective, it is about supporting the environment, having an impact on the economic environment and enhancing our reputation as a local employer.



Keys to our Future

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CHAPTER 6

Business Model - A Patent Office for the 21st Century



During the year we prepared a new business model and principles of a supporting fee structure aimed at better serving the needs of our customers and the Government policy objective of increasing UK productivity and improving UK competitiveness. The DTI Innovation Report²⁴ published in December 2003 required us to improve business understanding of how to create and use IP and to improve the regime for enforcing IP rights and counteracting counterfeiting and piracy. We were also required to develop metrics to measure innovation and policy impact and to optimise delivery of IP rights to reduce cost and delay to IP owners.

When agreed the new business model will be implemented for April 2006. The model will provide a more open, transparent and disciplined approach to the delivery of customer and stakeholder services. We will need to take a different perspective and redefine our whole organisation as having five business streams, each of major importance and legitimacy. These streams are:



- To ensure business, researchers, and the public in general *understand* the IP system and how to use it effectively and appropriately;
- To deliver quality *IP rights* efficiently and cost effectively;
- To design and provide *commercial services* assisting business use of the IP system;
- To facilitate the appropriate *protection* and *use* of rights;
- To create a domestic and international legal and political *framework* balancing the interests of rights holders with the need for open competition and free markets.

The model will also provide the basis for a more realistic measurement of our efficiency in delivering the whole range of products and services which assist the development of business in a modern global competitive economy.

There is much detail to be worked through to confirm this business model together with its governance arrangements within the organisation and we will focus our attention on this over the year ahead.

Awareness

Raising awareness

We will continue to build on the success of the “What is the Key?” campaign. The campaign is now moving into the second stage with free IP Audits being delivered to approximately 200 SMEs. We will continue to attend HM Revenue & Customs Business Advice Open Days; we will be present at 5 major exhibitions along with 5 smaller exhibitions and continue to deliver workshops to the business community.

To maintain and improve the levels of understanding of IP we will work with our contacts in the media to ensure that the profile of IP continues to rise. We will also work closely with colleagues in other government departments to identify a common strategy to ensure that our marketing and media campaigns are effective and embrace best practice and current thinking.

Targeting Innovators of the Future

We will continue to build relationships with the Education Community, building on the success of THINK Kit II. We aim for 80% of secondary schools to adopt

THINK Kit II by March 2006. We will develop our resource pack further for use in Higher and Further Education establishments and continue our work with Business Dynamics, Young Enterprise and National Council for Graduate Entrepreneurship (NCGE) Flying Start to raise awareness of IP.

Comité de la Recherche Scientifique et Technique (CREST)

CREST is an advisory group to both the European Council and Commission. In March 2005 the group endorsed our proposal for the UK to lead a project with various expert European counterparts to look at IPR ownership regimes and cross-border collaborations. The expert group aims to produce guidelines that will promote and inform such cross-border collaborations in summer 2006.

Delivery

Agency Targets

In line with our commitment to continuous improvement, we have reviewed and revised our agency targets and we will closely monitor our progress over the year. A significant change is our commitment to increase the sum of our outputs in relation to current expenditure by an average of at least 2.5% per annum over a rolling three year period.

In patents we are committed to granting 90% of patents within 2.5 years of request; to issue 90% of patent search reports within 5 months of request; to providing good customer service in patent search and examination in 95% of quality assured cases and to issue 75% of patent decisions within 2 months of the hearing. We also expect to approach real-time working, that is processing of patent applications without delays arising from having backlogs.

In trade marks we are committed to making the correct decision on registrability in at least 98.5% of cases; to reducing the timescale from an average of 26 weeks to 23 weeks for

issuing decisions in trade marks inter partes cases once the case is ready and we aim to register 90% of processed trade mark applications, to which no substantive objections are raised or oppositions filed, within 8 months of application.

In designs we are committed to registering 95% of correctly filed design applications, to which no substantive objections have been raised, within 3 months of the date of application.

Our London based activities

This year will see the implementation of the changes to our London based activities. The Patent Office Board believe it is important to have a London presence and in April 2005 endorsed proposals for future activities in London.

Facilities for searching, hearings and tribunals, meetings and hand filing of documents will continue to be available in London. We are to streamline internal processes to deliver these services. To support the merger of the Copyright Directorate into the Intellectual Property and Innovation

Directorate, copyright knowledge is being strengthened in Newport.

E-business strategy

Our e-business strategy will help realise our vision of the electronic IP office where a high proportion of the applications are submitted electronically, where the internal processing is automated, where the case files are electronic, where customers can inspect files on-line, where state of the art search facilities are available; where payments are made electronically and where our publishing is done electronically. This year we will introduce and market effective e-filing solutions, including our trade mark oppositions (TM7), defence filing (TM8) and requests for extensions of time (TM9). We also plan to review and implement changes to the electronic publication of our Patents Journal.

Delivering better services to our customers

We will be developing and introducing more options for customers, including a telephone renewal “hotline” giving individual customers the option to



renew their IPRs by this method as well as by more conventional methods.

We will also be re-designing our patent application customer receipts which will include a greater level of detail and be of more benefit to our customers.

Credit/Debit Card – Statutory Fees

As part of our future e-business plan we will further develop our finance system to allow us to accept online payment, via credit and/or debit cards, for statutory fees. The first web form to take advantage of this will be the trade mark application form in 2005/06.

Presidency of the EU Council

The UK takes on the Presidency of the EU Council in the second half of 2005. The Presidency is responsible for organising and chairing meetings at all levels of the Council. There are a series of important and contentious issues, which look likely to be the focus of continuing discussion during the Presidency. At the time of writing, this inherited agenda covers amongst others the Computer Implemented Inventions Directive, the Community Patent, Review of the Designs Directive (Spare parts), Collecting Societies and Implementation of the Doha declaration (Access to medicines for developing countries). It is our progress against this inherited agenda that will be viewed as the measure of success of the Presidency by other member states.

The Presidency of the EU involves working closely with the Council Secretariat, other Member States, Parliament and the Commission to progress the agenda. Since the chair is expected to remain neutral at all times, there are considerable constraints

on the Presidency's ability to push a national line, or to start entirely new initiatives. That said, the Presidency has a pivotal role in seeking compromises in Council, or in co-decision in liaising with Parliament, to ensure that an outcome acceptable to both the Council and Parliament can be reached.

The Presidency also has an important role in co-ordination before international meetings, where a statement is to be made on behalf of the EU. Principally, this means chairing pre-meetings in Geneva and Munich before discussion in WIPO or EPO meetings should the need arise.

Consultation review

We are currently undertaking a review of our consultation mechanisms, to ensure that they make best use of Cabinet Office guidance and can be used to effectively engage the views of our stakeholders. The review is considering questions of internal structure and the external face of consultations, including how information is fed back following consultation exercises.

Environmental Management

We continue our commitment to improving our environmental performance as outlined in our Environmental Policy Statement. Work is continuing on the development of our Environmental Management System (EMS) in line with the requirements of the international standard for Environmental Management Systems ISO 14001:2004. Our aim is to achieve Levels 1 and 2 of the Green Dragon Environmental Management Standard as the first step of a staged approach to certification to ISO 14001:2004.

Equal pay review

The fourth equal pay review based on staff pay at 1 August 2004 has been undertaken. Recommendations from this review will be considered in the context of the 2005 pay remit.

Absence Management

The recommendations and changes which were set out in the paper presented at the Patent Office Board in April 2004 have now been finalised in

consultation with our Senior Management Team (SMT) representatives and Trade Union Representatives and is due to be launched to all staff on 1 June 2005. Although it was hoped to finalise the policy earlier it was agreed that we should await the outcome of the Sickness Policy Review being undertaken by the Cabinet Office and the Department of Work and Pensions (DWP) in November 2004 before finalising any changes to our procedures. Line Managers will receive training on the new guidance during June 2005 and further training will be provided to all new line managers during their First Time Managers Course. The Policy will be reviewed after 12 months.

Staff Attitude Survey

Feedback from staff is important to us and we are planning a Staff Attitude Survey for the summer of 2005. This will give us an opportunity to gain feedback on the activities undertaken in response to previous opinions given via the 2002/2003 Staff Attitude Survey.

Finance System

The new Oracle 11i Finance and Procurement system for the Office was developed during 2004/05 and introduced in April 2005. This system is designed to improve the service we provide to the Office and our external customers and suppliers. This project has now been completed with the next phase allowing enhancements to provide an even better service to our customers.

New Banking Arrangements

This year also gives us the opportunity to review our banking arrangements and we will be putting new arrangements in place to supplement and support the newly defined business model.



Protection

Support for the enforcement of IP rights

We will develop our work on the enforcement of IPRs by fully establishing a structure for the IP Crime Group. We will also implement the EC Directive on the enforcement of IPR by the end of April 2006.

Resolving IP disputes

We will develop more affordable means of resolving IP disputes. We will work to facilitate Alternative Disputes Resolution (ADR) including mediation options for all IP rights and will conduct a feasibility study of a mutual IP insurance model. To help give parties to a dispute or potential dispute more options in resolving it, we will also introduce non-binding opinions on patent validity and patent infringement.





Key Financial Information - 2004/2005

Key Financial Information – 2004/05

Financial Status

The Patent Office became a Government Agency in 1990 and achieved trading fund status in 1991. As a trading fund the Office operates within a self-financing framework which covers operating costs and receipts, capital expenditure, borrowing and net cash flow. It has powers to borrow to meet capital expenditure and working capital requirements, and to establish reserves out of surpluses. It must produce annual accounts as specified by Treasury reflecting its income and expenditure and its assets and liabilities at each year end.

Financial Position

The Office was established with assets and liabilities balanced in its accounts by the injection of equity or “public dividend capital” and government loans. Three government loans were initially provided with fixed repayment schedules of which one has now been repaid in full. Over the period since it was established the Office’s assets have been revalued annually with the formation of a revaluation reserve that has a current value of £8.8m. The largest source of financing is now the general reserve, which stands at £85.6m.

The largest asset shown in the accounts comprises cash and deposits of £94.1m. Some cash held is prepaid income for which the Office has not yet performed the associated work (£4.9m), and some cash is income collected on behalf of third parties (£6.5m). There is also a smaller element of cash (£3.2m) held on behalf of customers to speed up their ability to conduct transactions with the Office. Original plans to use the reserves to

fund major IT investments were superseded when opportunities arose to license third party systems without the need to incur the capital expenditure.

Cash balances are managed, as required by Treasury, by investment in the National Loans Fund. This fund offers interest rates on periodic deposits that are better than those rates obtainable from a Bank of England account. During the financial year interest rates have generally exceeded the 4% rate that the Office was targeted to achieve for return on capital. If the cash balances were excluded the rate of return would, therefore, have been lower than that reported below. The normal dividend payable to the Patent Office’s parent Government Department is calculated on the 4% rate of return, rather than the actual rate earned and so is lower than the surplus for the year.

It is, at present, Patent Office policy not to recover the full cost of searches and examinations for registering intellectual property rights from initial fees, but to recover remaining costs from renewal fees. This is common practice for patent offices across the world. Buoyant renewal behaviour by customers over previous years has played a significant part in the accumulation of the cash reserve. The Office has undertaken lengthy negotiations with the Department of Trade and Industry (DTI) and Treasury to establish how this cash could be repaid or utilised for the benefit of innovation. The only practical solution found has been to remove the funds from the trading fund, where they could not be used, by payment of a special dividend to the DTI. Once in the DTI the cash is being used to fund innovation support activities that would not otherwise be undertaken. This special dividend comprised £100m in total and was paid over three years: the first

two instalments, each of £30m, were paid in April 2003 and April 2004, the final, of £40m, in May 2005.

The Office's largest fixed assets are the land and buildings comprising Concept House, Newport that were valued in the year at £23m, the same value as the previous year. The second largest type of fixed asset is software, both in use and under development. This reflects the key role of IT systems in the business processes of the office and the extent to which outputs can only be achieved through the use of these systems. Such software is depreciated over periods of 5 to 10 years.

Financial Performance

The Office's income overall exceeded the plan for the year mainly due to a greater than planned demand for first renewals of trade marks as the Office came out of the "Trade Mark trench". This trench was a period of three years ending October 2004 when the Office received no income from Trade Mark first renewals, due to a change in government policy extending the period of initial validity of a Trade Mark from 7 to 10 years with effect from 31 October 1994. At the same time, expenditure was significantly lower than planned, mainly due to prudent control of staff numbers and attempts to achieve the efficiency target despite steady or slightly declining customer demand.

The Office operates under a financial objective, set by Treasury, that requires the Office to achieve a return on capital employed, averaged for the period 1 April 2004 to 31 March 2009 as a whole, equivalent to 4%. This target superseded the previous 6% target for the five years ending 31 March 2005. The return is calculated from the surplus on ordinary activities before interest and dividends payable expressed as a percentage of the average capital employed. The return achieved for this year was 11.8% (2004: 5.3%, four years to 31 March 2004: 8.9%).

The Office also had a Ministerial target to increase output in relation to current expenditure by an average of at least 2% per annum over a rolling three-year period. This measure compares output in terms of patent searches and examinations, trade mark examinations and hearings, design examinations, patent, trade mark and design renewals, enquiry unit queries, and commercial searches with the total current expenditure of the Office. The Patent Office achieved only an efficiency loss of 1.4% for 2004/05,

giving an average efficiency gain of 1.5% against the target for the three-year period to 31 March 2005.

The efficiency loss in 2004/05 was due in large part to flat or declining customer demand for patents, combined with our previous success in reducing backlogs of work to a minimum. In previous years, reducing backlogs has been a priority and we have actively recruited and utilised staff overtime as a cost effective mechanism of achieving this. At the beginning of 2004/05, we revised our plans in order that we would not reach a position in the future of effective real time working (no backlogs) with significantly higher staff numbers than required to meet forecast customer demand. We recruited externally in the year only to key posts where Directors were convinced of the business need, and reduced overtime working for Patents staff. If the effect on output and costs of overtime working in 2003/04 were removed from the comparison with 2004/05 the Office's underlying efficiency performance for the year is a gain of 0.2%, giving an average efficiency gain of 2.1% against the target for the three-year period to 31 March 2005.

Financial Planning

The Office produces an annual corporate plan reflecting the results of a process to review its strategic direction for the coming years and detailed plans for the next financial year. This plan incorporates a financial plan that reflects both forecast demand and resources figures and a management overview of desirable and probable requirements. The current plan includes our intention to revise our categorisation of our main activities disclosed in note 2 to the accounts. We will be seeking Treasury approval for this change.

The plan includes provision for capital expenditure principally in the areas of software development. IT projects underway or planned include those to introduce electronic document management throughout the Office, and the upgrade of the finance and procurement system.

The present plan provides for a fee review. This is under way, but has been delayed pending the review of the categorisation of our main activities referred to above. The fee review will have regard to the revised financial objective, emerging changes in the pattern of demand, the costs of the Office and the views of customers on the present fee structure. The present aim is to introduce the new fee structure in 2006.



2004/2005 Accounts

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CHAPTER 8

Foreword

Introduction

The Patent Office was established in the mid-nineteenth century with responsibility for the granting of patents of invention. During the 1870s it acquired the responsibility for registering trade marks and industrial designs, when the Trade Mark Registry and Designs Registry were transferred to it.

Responsible to the Secretary of State for Trade and Industry, the Patent Office became a Government Agency in 1990 and acquired trading fund status on 1 October 1991.

Statutory Background

Major UK legislation under which the Office operates includes:

the Patents Act 1977 as amended by the Copyright, Designs and Patents Act 1988, the Patents Act 2004 and the Regulatory Reform (Patents) Order 2004; the Trade Marks Act 1938 as amended by the Trade Marks (Amendment) Act 1984 and Trade Marks Act 1994; and the Registered Designs Act 1949 as amended by the Copyright, Designs and Patents Act 1988.

These accounts have been prepared in accordance with a generic direction issued by Treasury on 16 February 2005 under section 4(6)(a) of the Government Trading Funds Act 1973. The direction requires compliance with the relevant edition of the trading fund accounting guidance.

Principal Activities

The Patent Office facilitates the growth of industry and commerce through the establishment of intellectual property rights relating to patents, trade marks, registered designs and copyright. These rights play a key role in fostering innovation and competitiveness and are governed by a complex framework of national and international law. Seeking international harmonisation of rules and procedures is a principal concern of the Patent Office as is the modernisation and simplification of intellectual property law.

Financial results

Turnover for the year ended 31 March 2005 was £54.3 million. The operating surplus on ordinary activities was £12 million. After charging interest of £0.3 million and declaring a dividend of £3.8 million on public dividend capital, a net surplus for the year of £7.9 million remained. The latter has been transferred to reserves. A special dividend of £30 million was also paid in year from reserves.

Business review

A review of the year's activities and future prospects together with the performance over time against the key agency targets are provided in the Annual Report. Activities include improved customer service; implementation of the Regulatory Reform Order which deregulated the filing and formalities requirements for patent applications and brought into effect the requirements of the Patent Law Treaty; the successful passage through Parliament of the Patents Act 2004; the launch of the IP Crime Strategy; introduction of new Trade Mark Rules to streamline opposition procedures; closer cooperation with other national offices; and good record of delivery against the commitments in the Innovation Report of the Department of Trade and Industry (DTI).

Future developments

In 2005/06 the emphasis will remain on building upon existing partnerships and developing new ones both in the UK and internationally (particularly as the UK will hold the Presidency of the EU in the second half of 2005); improving the customer environment; managing the business and working towards the Government's targets for increasing the electronic delivery of services to customers.

Events since the end of the financial year

On 4 May 2005, the Patent Office paid a special dividend of £40 million from reserves to DTI. Reference to this is made in note 19 to the accounts. This brings the total special dividends paid over the last three years to £100 million. The monies are being used for innovation related expenditure for the benefit of the wider intellectual property community.

Value of land and buildings

Land and buildings were revalued on 31 March 2005. The valuation of £23 million is unchanged from the 31 March 2004 position. Note 9 to the accounts provides further details.

Significant changes in other fixed assets

An increase of £0.9 million in the net book value of software developments reflects the Office's ongoing preparations for electronic document management, electronic delivery of key services, and the pivotal upgrade of the Office's Finance System.

Creditor payment policy

The Patent Office adheres to the standard of the Department of Trade and Industry by aiming to settle bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later. The 30 day standard is incorporated in contracts with suppliers. It is also one of the Office's key agency targets, with 99.2 % of invoices having been paid within 30 days in 2004-05 (98.6% in 2003-04).

Policy in relation to disabled employees

The Patent Office operates a policy of full and fair consideration to applications received from people with a disability, having due regard to their individual aptitudes, skills and capabilities. The Patent Office uses the Employment Services "Positive about Disabled" symbol in all advertisements and guarantees interviews to all those applicants who meet the minimum criteria for a job vacancy.

Wherever feasible, employees who become disabled will be retained in suitable jobs, and where it is appropriate, the equipment to enable them to cope with their duties will be provided. Training, career development and promotion opportunities are available to all staff, including those with a disability.

Employee involvement

The Patent Office has an extensive and well established structure for communicating with staff at all levels. Among the methods of communication in regular use are a weekly electronic Office newsletter (The Link) which addresses all aspects of Office activities, the Patent Office Intranet, oral briefings from senior management, a staff magazine and a Departmental newspaper. The Corporate Plan is available electronically to all staff as is the Annual Report and Accounts. A staff suggestion scheme is in operation and there is a facility to allow staff to raise concerns or issues directly with the Board. Formal contact between senior Patent Office management and the local trade union occurs through the Whitley Committee, supplemented by informal contact on an ongoing basis as issues arise.

Patent Office Board

At 31 March 2005 the Directors of the Patent Office were:

Ron Marchant	Chief Executive
Sean Dennehey	Patents Director
Robin Webb	Trade Marks and Designs Director
Peter Lawrence	Intellectual Property and Innovation Director
Kevin Woodrow	Finance Director
Louise Smyth	Human Resources and Corporate Administrative Support Director

With the exception of Louise Smyth, who was appointed to the Board in February 2005, all the Directors shown served throughout the year. Caren Fullerton returned to the National Assembly for Wales in February 2005 and was replaced by Louise Smyth and Mark Pacey, who took up the new role of Director of Information and Communications in June 2005.

Steering Board

In addition to the Chief Executive, the Steering Board members at 31 March 2005 were:

David Hughes	DTI member
Peter Mason	DTI member
Richard Abnett	External member
Kathryn Bishop	External member
Mary Champion	External member
Geoffrey Drage	External member
David Richards	External member

Mary Champion joined the Board in September 2004.

Audit Committee

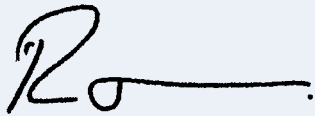
The Audit Committee members at 31 March 2005 were:

Mary Champion	External member
Geoffrey Drage	External member
David Richards	External member

Mary Champion joined the Committee in September 2004 and Kathryn Bishop stepped down from the Committee in October 2004.

Auditor

The statutory external audit was performed by the Comptroller and Auditor General at a cost of £27,500 for the 2004/05 reporting period.



RON MARCHANT
Accounting Officer
4 July 2005

Statement of Patent Office's and Chief Executive's Responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973 the Treasury has directed the Patent Office Agency to prepare a statement of accounts for each financial year in the form and on the basis of the generic accounts direction issued by the Treasury on 16 February 2005. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Agency is required to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and to disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Treasury has appointed the Chief Executive of the Patent Office as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

Statement on Internal Control in the Patent Office

1. Scope of responsibility

As Chief Executive and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Patent Office's policies, aims and objectives, as agreed with Ministers of the Department of Trade and Industry (DTI), whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. The Patent Office's policies, aims and objectives are agreed with Ministers annually as part of our Corporate Planning process and reflect on-going close liaison with departmental officials.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Patent Office policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Patent Office for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

The main elements of the risk management processes in place in the Patent Office are:

- An internal Board that meets monthly to consider the plans, progress and strategic direction of the Office (the Board comprises the Chief Executive and Directors)
- A Steering Board that meets quarterly to discuss strategic issues (the Steering Board comprises a member of the DTI's Management Board, the Chief Executive, a representative from DTI's Finance and Resource Management Directorate and five external independent members, with Patent Office Directors as attendees)
- An Audit Committee that meets at least four times each year to assist the Chief Executive on audit and Corporate Governance issues (throughout the year the Committee comprised three independent Steering Board members, the Chief Executive and Finance Director as obligatory attendees with Patent Office Directors and senior representatives from Internal and External Audit as attendees)

- Training has been provided to key managers and staff in risk identification, evaluation and management, based on best practice guidance from the DTI and Treasury. Individual directorates have extended this training as part of their risk management processes. Training workshops commonly review progress and lessons learnt from previous risk management actions.
- Any event that occurs highlighting a significant risk or control weakness is followed through to ensure that appropriate action is taken to manage the risk and reduce future risks and improve controls.

4. The risk and control framework

In the Patent Office the main processes which we have in place for identifying, evaluating, and managing risk are:

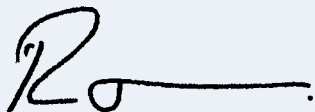
- a strategic risk register drawn from the full risk register and discussion, at Audit Committee, of high profile events and associated risks
- a corporate risk register that incorporates the risk registers of individual directorates of the Office
- project management procedures that require the use of risk registers for major projects
- a cross-Directorate risk group that coordinates the strategic and Directorate risk registers, and is a forum for feedback and corporate learning
- a risk register format that requires the identification of both internal and external risks, the business objective that is threatened by the risk, assignment of a risk owner and actions to be taken to manage the risk
- risk evaluation performed by source, type (reputation, financial, operational), likelihood, impact, and effectiveness of controls
- guidance on the compilation of directorate risk registers both bottom-up by team members and top-down from Directors
- monitoring of operational and financial performance on a monthly basis with remedial action taken as appropriate
- regular reports by Internal Audit on the adequacy and effectiveness of the Office's systems of internal control based on a rolling audit programme
- an annual statement of opinion from Internal Audit on the Office's systems of control and risk management framework
- the Internal and External Audit arrangements and follow up of recommendations overseen by the Audit Committee
- confirmation provided at directorate level of the internal control arrangements and identification of areas for improvement
- procedures for planning, approving and monitoring major projects

Our procedures for directorate and corporate risk registers, together with our implementation of formal project management procedures for major projects, are embedding risk management in our policy making, planning and delivery activities.

5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Patent Office who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During the year periodic reviews of the strategic, corporate and directorate risk registers have been conducted by the Board, Steering Board and Audit Committee, as well as management boards and staff teams. Internal Audit spent 115 man days conducting audits, including reviews of internal controls, during the year. In addition Directors took part in a peer review exercise led by Internal Audit to provide additional assurance to me on their exercise of operational and financial controls during the year. The conclusions of the review are that there is no indication of any major control weakness that would lead me to qualify this statement on internal control and that risk management awareness is high. I conclude that we are well placed to further embed effective risk management right across the organisation and throughout its operations.



RON MARCHANT

Accounting Officer

4 July 2005

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on pages 82 to 100 under the Government Trading Funds Act 1973. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 87 to 88.

Respective responsibilities of the Patent Office, the Chief Executive and Auditor

As described on page 76, the Patent Office and Chief Executive are responsible for the preparation of the financial statements in accordance with the Government Trading Funds Act 1973 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Patent Office and the Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Trading Funds Act 1973 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Accounting Officer has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 77 to 79 reflects the Patent Office's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Patent Office corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Patent Office and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Patent Office's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Patent Office at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Trading Funds Act 1973 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 12 July 2005

Operating Account

For the year ended 31 March

	Notes	2005 £000	2004 £000
Turnover	2	54,349	50,617
Staff costs	5	(31,559)	(32,201)
Depreciation	9	(1,124)	(1,167)
Other operating charges		(13,772)	(14,854)
Operating surplus before interest and dividend		7,894	2,395
Interest receivable	6	4,104	4,375
Operating surplus on ordinary activities	3	11,998	6,770
Interest payable	7	(237)	(314)
Surplus for the year	2	11,761	6,456
Dividend	8	(3,832)	(7,390)
Retained surplus / (deficit) for the year		7,929	(934)
Retained surplus brought forward		107,458	138,198
Special dividend paid from reserves	8	(30,000)	(30,000)
Other reserve movements	15	215	194
Retained surplus carried forward		85,602	107,458

All of the operations are classed as continuing.

Statement of Total Recognised Gains and Losses

For the year ended 31 March

	Notes	2005 £000	2004 £000
Surplus for the year	2	11,761	6,456
Surplus on revaluation of fixed assets	15	406	1,306
Total recognised gains and losses relating to the year		12,167	7,762

Balance Sheet

As at 31 March

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible fixed assets	9	28,009	27,215
Current assets			
Debtors	10	2,438	2,245
Short term investments	11	93,300	117,800
Cash at bank and in hand	11	814	2,473
		96,552	122,518
Creditors: amounts due within one year	12	(21,507)	(24,757)
Net current assets		75,045	97,761
Total assets less current liabilities		103,054	124,976
Provision for liabilities and charges	13	(168)	(258)
Net Assets		102,886	124,718

Financed by:

Capital and reserves			
Public dividend capital		6,325	6,325
Loans from Secretary of State, Department of Trade and Industry	14	2,162	2,329
Revaluation reserve	15	8,797	8,606
General reserve	15	85,602	107,458
Total financing		102,886	124,718



RON MARCHANT
Accounting Officer
4 July 2005

Cash Flow Statement

For the year ended 31 March

	2005 £000	2004 £000
Net cash inflow from operating activities (see note i)	9,006	2,821
Returns on investments and servicing of finance (see note ii)	(33,524)	(34,919)
Capital expenditure (see note iii)	(1,474)	(1,536)
Cash outflow before management of liquid resources and financing	(25,992)	(33,634)
Management of liquid resources (see note iv)	24,500	35,300
Financing (see note v)	(167)	(166)
(Decrease) / Increase in cash in the period	(1,659)	1,500

Reconciliation of net cash flow to movement in net funds

(Decrease) / Increase in cash	(1,659)	1,500
Cash outflow from movement in liquid resources	(24,500)	(35,300)
Cash outflow from decrease in debt	167	166
Movement in net funds	(25,992)	(33,634)
Net funds at 1 April	117,944	151,578
Net funds at 31 March	91,952	117,944

Notes to Cash Flow Statement

1 Gross cash flows	2005	2004	
	£000	£000	
i Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus before interest and dividend	7,894	2,395	
Depreciation charges	1,124	1,167	
(Gain) / Loss on disposal of fixed assets	(10)	5	
Increase in debtors (excluding interest receivable) - see note 10	(179)	(120)	
Increase / (Decrease) in creditors (excluding interest payable, dividend and capital expenditure) - see note 12	177	(626)	
Net cash inflow from operating activities	9,006	2,821	
ii Returns on investments and servicing of finance			
Interest received - operating activities	4,090	4,287	
Interest paid	(224)	(241)	
Dividend paid on public dividend capital	(7,390)	(8,965)	
Special dividend paid from reserves	(30,000)	(30,000)	
Net cash outflow from returns on investments and servicing of finance	(33,524)	(34,919)	
iii Capital Expenditure			
Payments to acquire tangible fixed assets	(1,511)	(1,536)	
Receipts from sale of tangible fixed assets	37	—	
Net cash outflow from capital expenditure	(1,474)	(1,536)	
iv Management of liquid resources			
Decrease in short term investments	24,500	35,300	
v Financing			
Net cash outflow from repayment of loans	(167)	(166)	
2 Analysis of changes in net funds			
	1 April 04	Cash Flow	31 March 05
	£000	£000	£000
Cash at bank and in hand	2,473	(1,659)	814
Short term investments	117,800	(24,500)	93,300
Loan repayments due within 1 year	(166)	-	(166)
Loan repayments due after 1 year	(2,163)	167	(1,996)
Total	117,944	(25,992)	91,952

Reconciliation of Movements in Government Funds

For the year ended 31 March

	Notes	2005 £000	2004 £000
Surplus for the year		11,761	6,456
Dividend	8	(3,832)	(7,390)
		7,929	(934)
Special dividend	8	(30,000)	(30,000)
Surplus on revaluation of fixed assets	15	406	1,306
Loan repayments		(167)	(166)
Net decrease in Government funds		(21,832)	(29,794)
Opening Government funds		124,718	154,512
Closing Government funds	10	102,886	124,718

Notes to the Accounts

1 Accounting policies

1(a) Accounting convention

The accounts have been prepared in accordance with the historical cost convention modified to include revaluation of fixed assets, in a form determined by the Treasury in accordance with section 4(6)(a) of the Government Trading Funds Act 1973. The accounts conform, insofar as it is practicable and appropriate, with United Kingdom Accounting Standards, the Companies Act 1985 and specific Treasury guidance.

1(b) Patents and designs

In pursuit of the Government's policy of encouraging innovation, the Patent Office charges patent and design application fees at a lower level than required to meet the full costs of processing the applications, searches and examinations necessary to determine whether grant/registration is possible. The differences are recovered from renewal fees on granted patents and registered designs. The costs of processing the applications, searches and examinations are charged to the operating account as incurred.

1(c) Software development

Software development expenditure (covering the costs of third party work and the direct costs of in house IT staff effort) is capitalised when it is both material and incurred on projects which will deliver economic benefits over a number of years.

1(d) Fixed asset valuation

Land and buildings are valued on the basis of existing use.

Other fixed assets acquired before the start of the year have been valued at net current replacement costs using appropriate indexation or, if lower, the recoverable amount. Assets acquired during the year have been capitalised at cost of acquisition and installation.

1(e) Depreciation

Depreciation is provided on tangible fixed assets, except freehold land, at rates calculated to write off the cost or valuation of each asset on a straight line basis over its expected useful life as follows:

Freehold buildings	60 years
Computers and office equipment	5 years
Plant and machinery	5 years
Software development	5-10 years

A full year's depreciation is charged in the year of acquisition or, for software developments, in the year the asset is brought into use.

1(f) Turnover

Turnover, which is exclusive of VAT, comprises fees earned from the grant of patents, trade marks and designs; sales of Patent Office publications; and fees earned from other commercial services.

1(g) Deferred income (prepayment)

In many instances the Patent Office collects fees and charges for services before those services are performed. Therefore, at any point in time a prepayment situation exists in respect of unperformed services. Income relating to those services is recorded as prepaid income (see note 12) and is only recognised in the operating account when the services are performed.

1(h) Value Added Tax (VAT)

The Patent Office is not registered separately for VAT, but falls within the Department of Trade and Industry registration. Irrecoverable VAT on revenue expenditure is charged to the operating account, and on capital expenditure to the balance sheet.

1 (i) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences (see note 3) are taken to the operating account.

1 (j) Pension costs

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded. The Patent Office recognises the expected cost of providing pensions on a systematic basis over the period in which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Further information is given in note 5.

2 Turnover and results

The following information on the main activities of the Patent Office is produced for fees and charges purposes and does not constitute full segmental reporting under Statement of Standard Accounting Practice 25 since net assets are not disclosed (the integrated nature of Patent Office operations makes it impractical to apportion by segment certain assets of substance, principally cash):

	Turnover		Cost of service		Surplus / (Deficit)	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Patents	35,745	34,850	31,452	31,643	4,293	3,207
Trade Marks	15,627	12,381	12,789	14,078	2,838	(1,697)
Designs	1,525	1,572	890	1,011	635	561
Publications	305	443	189	313	116	130
Commercial services	1,147	1,371	1,135	1,177	12	194
Unallocated (interest receivable net of interest payable)			(3,867)	(4,061)	3,867	4,061
	54,349	50,617	42,588	44,161	11,761	6,456

Common costs (excluding interest) are apportioned largely on either staff employed or space occupied ratios to arrive at the surplus.

The financial objective for Patent Office services is given in the Treasury Minute of 26 February 2004 (Appendix A to these accounts), and the performance against this is referred to in note 4

3 Surplus on ordinary activities

This is stated after charging, or making provision for:

	2005 £000	2004 £000
- hire of office machinery	443	326
- exchange rate losses	-	48
- audit fee	28	27

4 Performance against financial objective

The Treasury Minute at Appendix A requires the Patent Office to achieve for the period from 1 April 2004 to 31 March 2009 a return, averaged over the period as a whole, of 4% in the form of a surplus on ordinary activities before interest payable and dividends payable expressed as a percentage of average capital employed.

The return achieved for the year ended 31 March 2005 was 11.8% (year ended 31 March 2004 5.3%).

5 Staff costs and employee information

5(a) Staff costs	2005 £000	2004 £000
Salaries and wages (including contract staff)	26,925	27,604
Social security costs	1,964	2,016
Pension costs	3,535	3,493
Capitalised staff costs included above	(865)	(912)
	31,559	32,201

5(b) The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Patent Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2004-05 employer contributions of £3,525,523 were payable to the PCSPS (2003-04 £3,487,392) at one of four rates in the range 12 to 18.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2005/06, the salary bands will be revised and the rates will be in a range between 16.2% and 24.6%. The contribution rates reflect benefits as they are accrued, not the costs as they are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Aggregate employer contributions of £7,911 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £610, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership providers at the balance sheet date were £858.

5(c) The average number of persons employed (including agency and contract staff and excluding staff on secondment to other organisations) during the period is analysed below:

	Directors	Staff	Seconded in staff	Agency/ Contract	Capitalised Staff	2005	2004
Patents	1	462	-	-	-	463	482
Trade marks	1	197	-	-	-	198	210
Designs	-	8	-	-	-	8	9
Other	4	306	1	10	15	336	329
						1,005	1,030

Of the people employed by the Office in 2004/05, 979 were civil servants.

The remuneration and pension entitlements of the Chief Executive and Directors in the year to 31 March 2005 were:

i Executive Directors

	2003/04 Salary, including performance pay	2004/05 Salary, including performance pay	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31.03.05 and related lump sum	CETV at 31.03.04	CETV at 31.03.05	Real increase in CETV
	£000	£000	£000	£000	£000	£000	£000
Ron Marchant Chief Executive	90 - 95	95 - 100	5 - 7.5 plus 15-17.5 lump sum	40 - 45 plus 125-130 lump sum	673	782	101
Caren Fullerton Director to 28.02.05	55 - 60	50 - 55 (60-65 full year equivalent)	0 - 2.5 plus 0-2.5 lump sum	10 - 15 plus 35-40 lump sum	151	169	8
Peter Lawrence Director	65 - 70	70 - 75	0 - 2.5 plus 2.5-5 lump sum	25 - 30 plus 75-80 lump sum	348	384	24
Kevin Woodrow Director	65 - 70	70 - 75	0 - 2.5 plus 2.5-5 lump sum	10 - 15 plus 30-35 lump sum	116	137	17
Sean Dennehey Director from 8.03.04	5 - 10 (90-95 full year equivalent)	95 - 100	2.5 - 5 plus 12.5-15 lump sum	30 - 35 plus 90-95 lump sum	355	438	69
Robin Webb Director from 8.12.03	15 - 20 (50-55 full year equivalent)	50 - 55	0 - 2.5 plus 2.5-5 lump sum	10 - 15 plus 30-35 lump sum	101	123	19
Louise Smyth Director from 28.02.05	-	0 - 5 (40-45 full year equivalent)	0- 2.5 plus 0-2.5 lump sum	5 - 10 plus 20-25 lump sum	91	93	1

Salary and Benefits in kind

"Salary" includes gross salary; performance pay or bonuses; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. There were no benefits in kind in 2004/05.

The remuneration of the Chief Executive comprised basic salary only. No other taxable payments or benefits were received.

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (classic, premium and classic plus). The Schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality “money purchase” stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable pay for each year of service. In addition a lump sum equivalent to three years’ pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum but members may give up (commute) some of their pension to provide a lump sum. Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employees do not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8% of pensionable salary for the cost of centrally provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website:
www.civilservice-pensions.gov.uk.

Cash Equivalent Transfer Values

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

ii Steering Board Members

	Fees £000
Richard Abnett	0 - 5
Kathryn Bishop	0 - 5
Geoffrey Drage	0 - 5
Mary Champion from 1.09.04	0 - 5

The following Steering Board members are civil servants and are not remunerated by the Patent Office: David Hughes, Peter Mason and David Richards.

6 Interest receivable

	2005 £000	2004 £000
Short term deposits - operating activities	4,104	4,368
Retirement annuity	-	7
	4,104	4,375

The interest derives from deposits with the Bank of England and from short term investments with the National Loans Fund and the Debt Management Office. 2003/04 was the final year of an annuity purchased to fund early retirement costs.

7 Interest payable

	2005	2004
	£000	£000
Interest on loans (see note 14)	220	237
Unwinding of discount on early retirement provision (see note 13)	17	77
	237	314

8 Dividends

A special dividend of £30,000,000 was paid from reserves to the Department of Trade and Industry on 30 April 2004. The funds are being used to support innovation. Note 19 deals with the next instalment of special dividend.

A dividend of £3,831,666 will be paid in July 2005 to the Consolidated Fund (via the Department of Trade and Industry). This is based on 4% of the net assets employed less interest payable.

9 Tangible fixed assets

	Land and buildings	Plant and machinery	Computer and office equipment	Software in use	Software under development	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2004	23,000	105	4,567	3,799	1,231	32,702
Additions	-	-	98	-	1,440	1,538
Assets brought into use	-	-	-	234	(234)	-
Revaluation	-	2	(39)	78	22	63
Disposals	-	-	(331)	-	-	(331)
At 31 March 2005	23,000	107	4,295	4,111	2,459	33,972
Depreciation						
At 1 April 2004	-	79	4,106	1,302	-	5,487
Provided during the year	304	20	160	600	-	1,084
Surplus on revaluation	(304)	-	-	-	-	(304)
Disposals	-	-	(304)	-	-	(304)
At 31 March 2005	-	99	3,962	1,902	-	5,963
Net book value at 31 March 2005	23,000	8	333	2,209	2,459	28,009
Net Book Value at 1 April 2004	23,000	26	461	2,497	1,231	27,215

The land and buildings referred to above are freehold and were revalued at £23 million by the District Valuer, Newport, South Wales on 31 March 2005 on the basis of existing use. The open market valuation of £15.5 million is £7.5 million lower than the existing use valuation. The former reflects the expected difficulty in finding a replacement single occupier, and the consequent impact on the valuation of multi occupancy with potentially slow take up.

All other assets are revalued annually by reference to the most appropriate price indices.

Depreciation in the operating account (£1,124,000) is made up of the in-year provision (£1,084,000) and the diminution in value of computer equipment arising from indexation (£41,000), offset by adjustments (£1,000) on plant and office equipment to the extent that revaluation gains in 2004-05 reversed a previous revaluation loss.

10 Debtors

	2005 £000	2004 £000
Trade debtors	644	618
Other debtors	541	490
Prepayments and accrued income	1,253	1,137
	2,438	2,245

Sums included above which fall due after more than one year are:

Other debtors	5	21
Prepayments and accrued income	17	21
	22	42

11 Short term investments and cash at bank

	2005 £000	2004 £000
Short term investments	93,300	117,800
Cash at bank	813	2,472
Cash in hand	1	1
	814	2,473

12 Creditors - amounts falling due within one year

	2005 £000	2004 £000
User deposit accounts	3,211	2,915
Trade creditors	7,215	6,874
Deferred income - prepayment	4,875	5,334
Early retirement provision (see note 13)	121	238
Taxation and social security	661	-
Superannuation	337	-
Other creditors	57	22
Dividend payable	3,832	7,390
Accruals	1,198	1,984
	21,507	24,757

13 Provision for liabilities and charges

Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised in the accounts when early departure decisions are made. The operating account is charged with the full liability of new decisions taken and a balance sheet provision made, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2004 and 2009. The provision has been assessed at current prices at the balance sheet date, and, in accordance with Financial Reporting Standard 12, has been discounted at a real rate of 3.5%, with the unwinding of the discount treated as an interest charge on the operating account (see note 7).

	£000
At 1 April 2004	496
In year provision made	13
Unwinding of discount on provision	17
Payments offset against the provision	(237)
At 31 March 2005	289
Less amount payable within one year (included in Creditors - see note 12)	(121)
Amount payable after one year	168

14 Loans

14(a) The Secretary of State for the Department of Trade and Industry made available loans at the fixed rates and terms shown below:

Amount	Date Issued	Period	Interest	Weighted Average Interest	Book Value 2005 £000	Fair Value 2005 £000
£000						
2,161	1.10.91	26 years	9.625% }	9.813%	1,080	1,395
2,164	31.03.92	26 years	10.000% }		1,082	1,386
					2,162	2,781

In accordance with Treasury guidance, the fair value has been calculated by discounting future cash flows at the 31 March 2005 interest rate of 4.85%: this is the rate applicable to loans of more than 25 years.

14(b) All loans are unsecured and the sums outstanding at 31 March 2005 are repayable as follows:

	2005 £000	2004 £000
Within one year	166	166
Between one and two years	166	166
Between two and five years	499	500
More than five years	1,331	1,497
	2,162	2,329

Equal instalments of principal are repayable on the 6 month anniversary of issue (see 14(a) above).

15 Other reserves

	General Reserve £000	Revaluation Reserve £000
At 1 April 2004	107,458	8,606
Revaluation surplus during the year on:		
land and buildings	-	304
other tangible fixed assets	-	102
Transfer of realised element of revaluation reserve to general reserve	215	(215)
Special dividend paid from reserves	(30,000)	-
Transfer from operating account	7,929	-
At 31 March 2005	85,602	8,797

16 Capital commitments

	2005 £000	2004 £000
Contracted	89	35

17 Operating lease commitments

Operating lease rentals due within the next year:

	2005 £000	2005 £000	2004 £000	2004 £000
	Buildings	Other	Buildings	Other
Leases expiring				
within 1 year	113	-	-	-
between 1 and 5 years	363	279	206	68
after 5 years	192	-	524	-
	668	279	730	68

18 Contingent liabilities

The Directors are not aware of any contingent liabilities at 31 March 2005.

19 Post balance sheet event

On 4 May 2005 the Patent Office paid from reserves a third special dividend of £40 million to the Department of Trade and Industry: the funds are to be used to support innovation and will benefit the wider intellectual property community.

20 Related party transactions

The Patent Office is an executive agency of the Department of Trade and Industry. The Department of Trade and Industry is regarded as a related party. During the year, the Patent Office had various material transactions with the Department. In addition, the Patent Office had a small number of material transactions with other Government Departments and other central government bodies. Most of these transactions were with the Office for National Statistics and the Cabinet Office.

None of the Steering Board members, Patent Office Directors or other related parties has undertaken any material transactions with the Patent Office during the year.

21 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks the Office faces in undertaking its activities. The key risk for the Office arising from financial instruments is interest rates. Financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Patent Office has very limited powers to borrow or to invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Office in undertaking its activities.

Liquidity risk

The Office is not exposed to liquidity risk given the present net liquid asset position.

Interest rate risk

All of the Office's financial liabilities carry nil or fixed rates of interest.

Interest bearing financial assets (see note 11) comprise cash balances which are held at floating rates of interest as defined by FRS 13. Given that cash is available on demand or is placed on short term deposit at fixed rates, and given that interest is budgeted conservatively, interest rate risk is limited but remains a factor because of the level of cash balances held.

Foreign currency risk

All fees are denominated in sterling with the exception of certain international trade mark business. The Madrid Protocol element (3.3% of turnover), denominated in Swiss Francs and payable by the World Intellectual Property Organisation, is managed by offsetting this against the sums due to the Organisation in respect of Patent Co-operation Treaty fees. The European Community Trade Mark Office search work (1.7% of turnover), denominated in Euros, is closely monitored and the Office is exposed to minimal exchange risk. Other foreign currency transactions are de minimis.

22 Intra-government balances

	2005 £000	2005 £000	2004 £000	2004 £000
	Debtors	Creditors	Debtors	Creditors
Balances with:				
Central government bodies	537	5,262	492	7,509
Local authorities	-	-	-	-
NHS Trusts	-	-	-	-
Public corporations and other trading funds	-	40	-	-
Total at 31 March	537	5,302	492	7,509

All balances fall due within one year

Appendix A

The Patent Office Trading Fund

TREASURY MINUTE DATED 26 FEBRUARY 2004

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to the fund it shall be his duty:

(a) to manage the funded operations so that the revenue of the fund:

(i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and

(ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and

(b) to achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.

2. A trading fund known as The Patent Office was established on 1 October 1991 in pursuance of The Patent Office Trading Fund Order 1991 (S.I. 1991 No. 1796).

3. The Secretary of State for Trade and Industry, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by The Patent Office Trading Fund for the 5-year period from 1 April 2004 to 31 March 2009 shall be to achieve a return, averaged over the period as a whole, of 4.0 per cent in the form of a surplus on ordinary activities before interest payable and dividends payable expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, ie the Public Dividend Capital, long-term element of Exchequer loans and reserves.

4. This Minute supersedes that dated 11 May 2001.

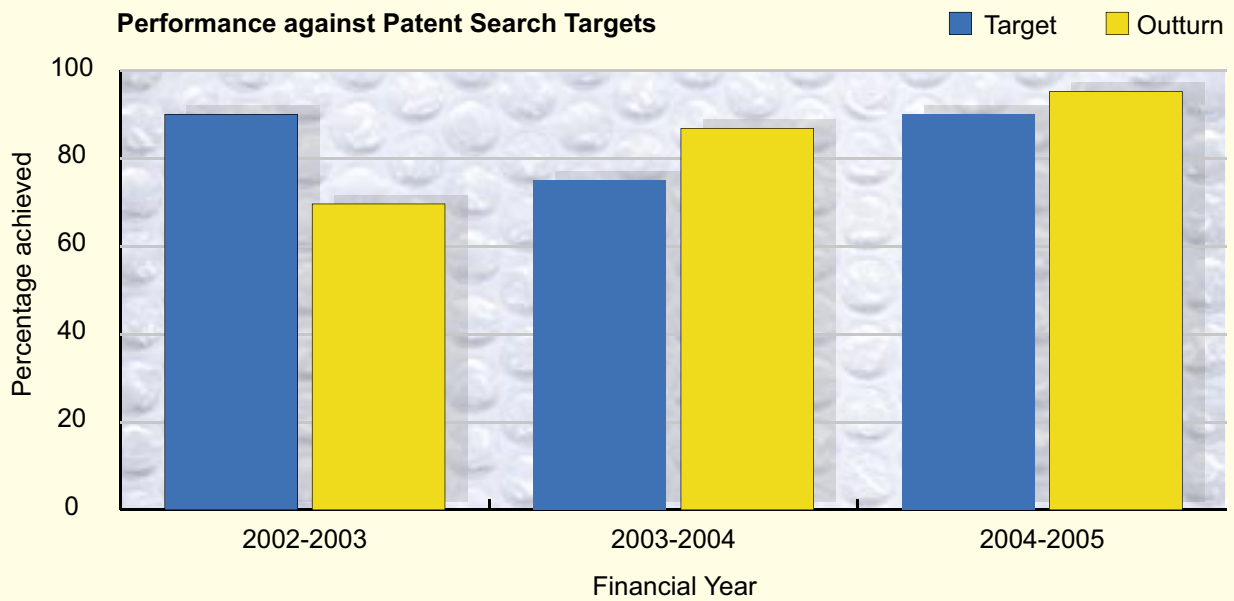
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

Annex A

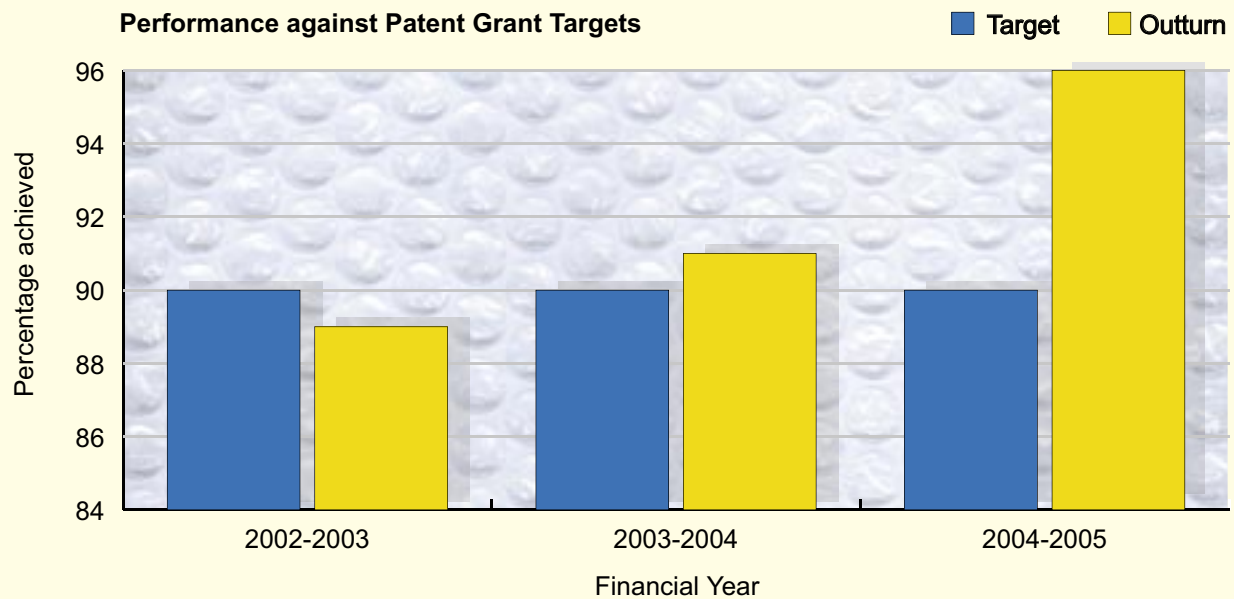
Performance against Agency Targets and Customer Service Standards

The following charts show our performance against our agency targets for the period April 2002 and March 2005. Our targets are regularly reviewed to ensure that we continue to perform to a high standard and meet our customer needs. The charts highlight our performance for the various work areas under general headings. More specific information on each target is highlighted in the tables which follow.

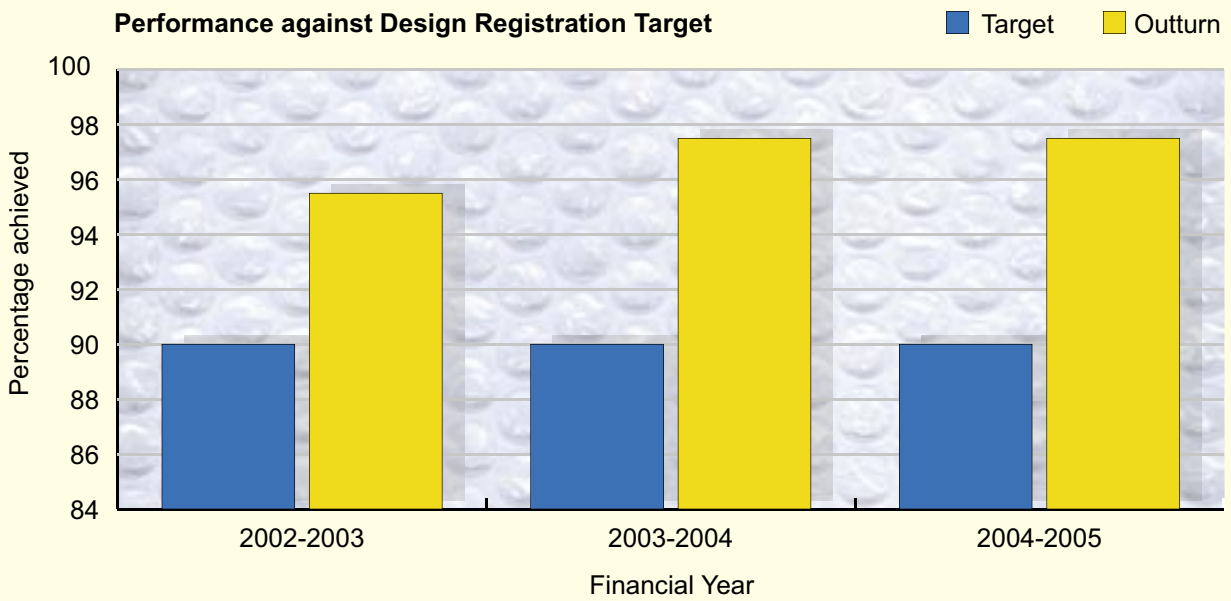
Patent Search and Examination Targets



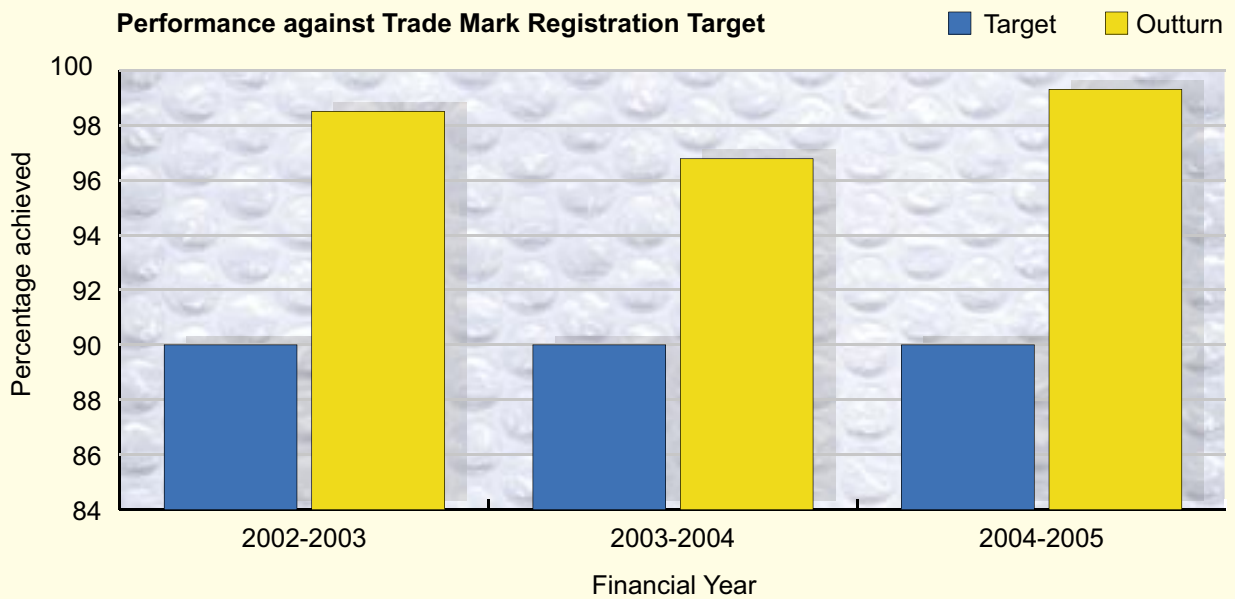
Patent Search and Examination Targets



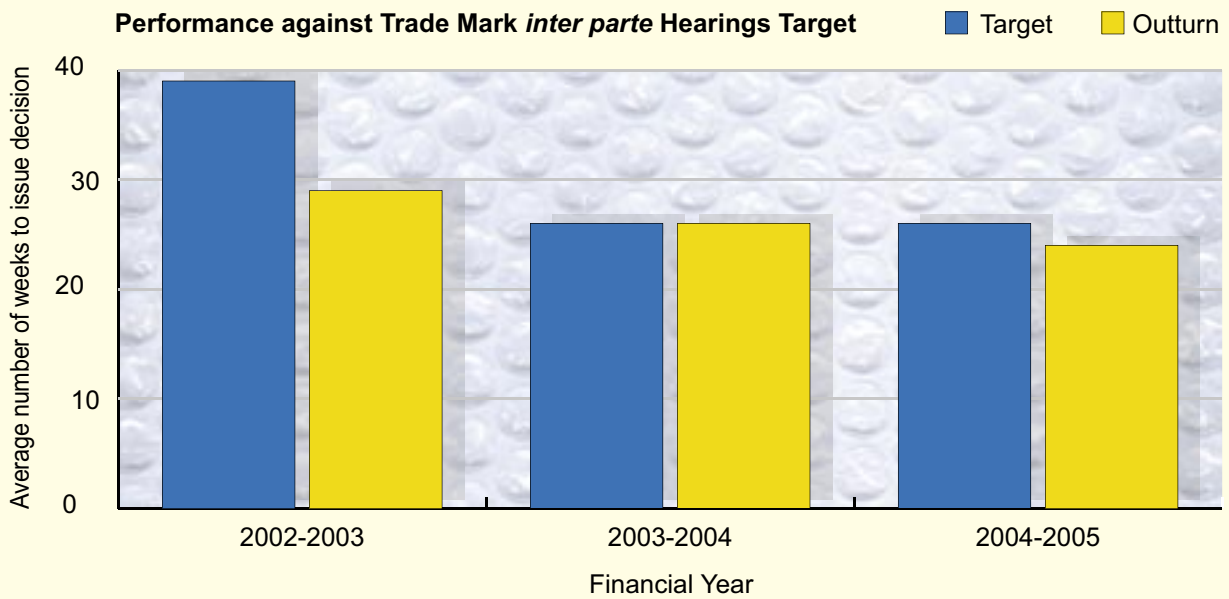
Design Registration Target



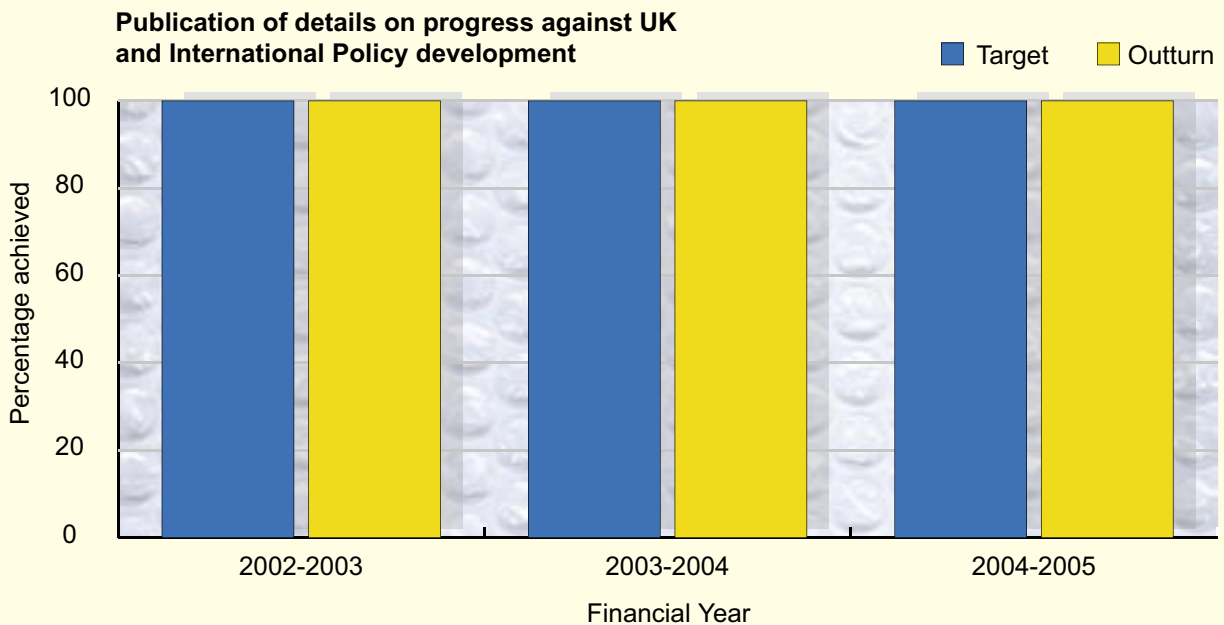
Trade Mark Registration Target



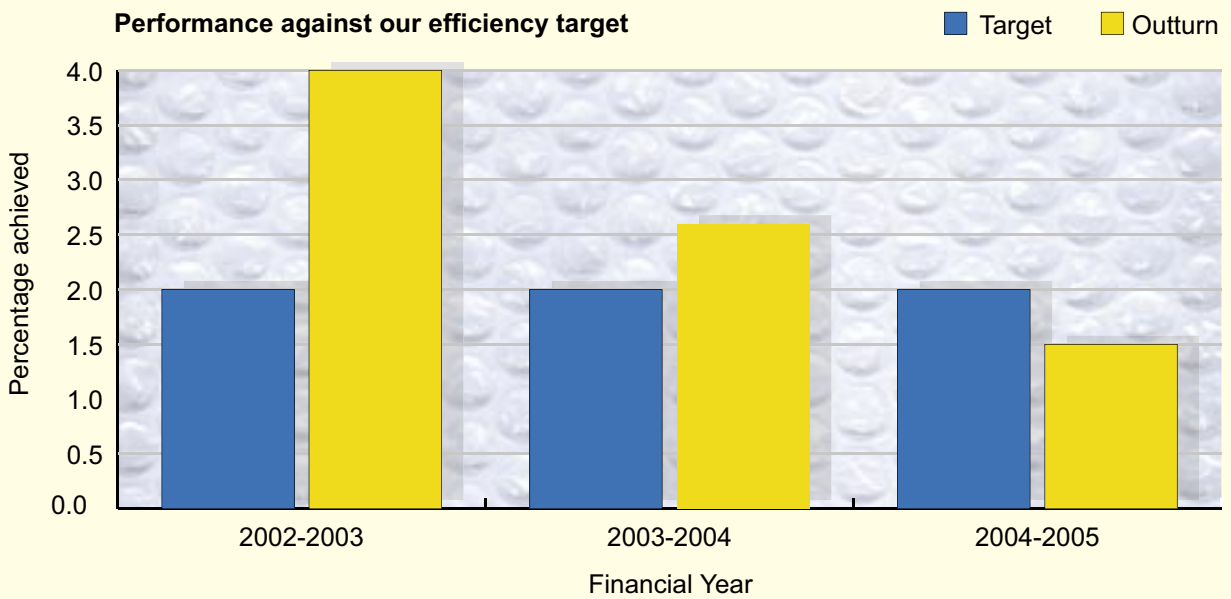
Trade Mark *inter parte* Hearings Target



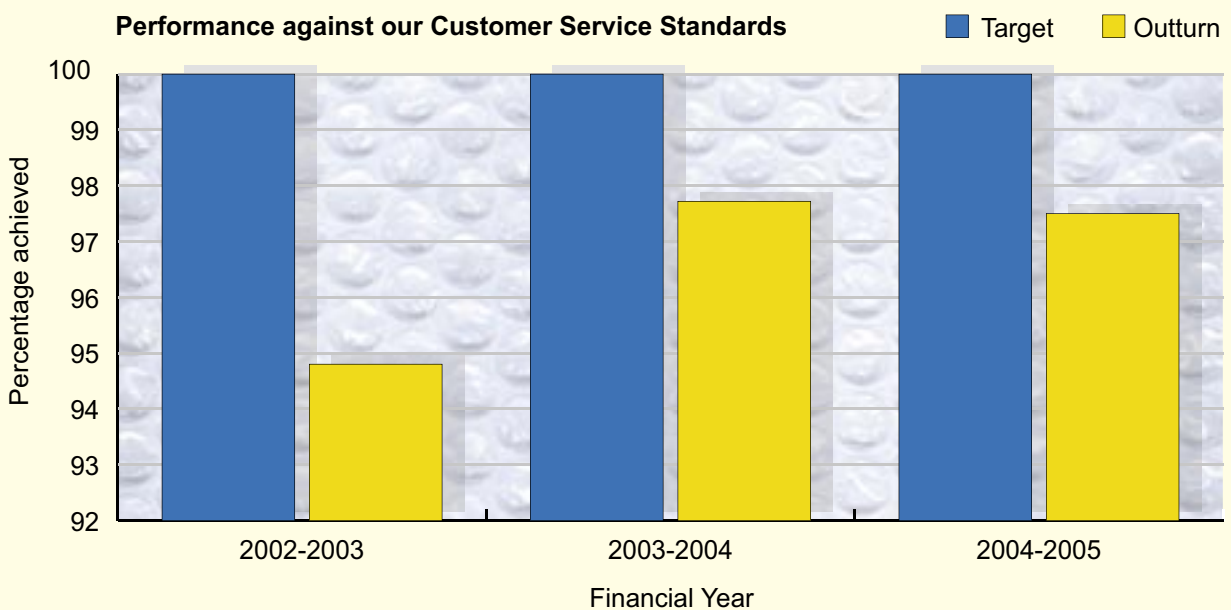
Publication of progress towards key milestones in UK and International Policy development



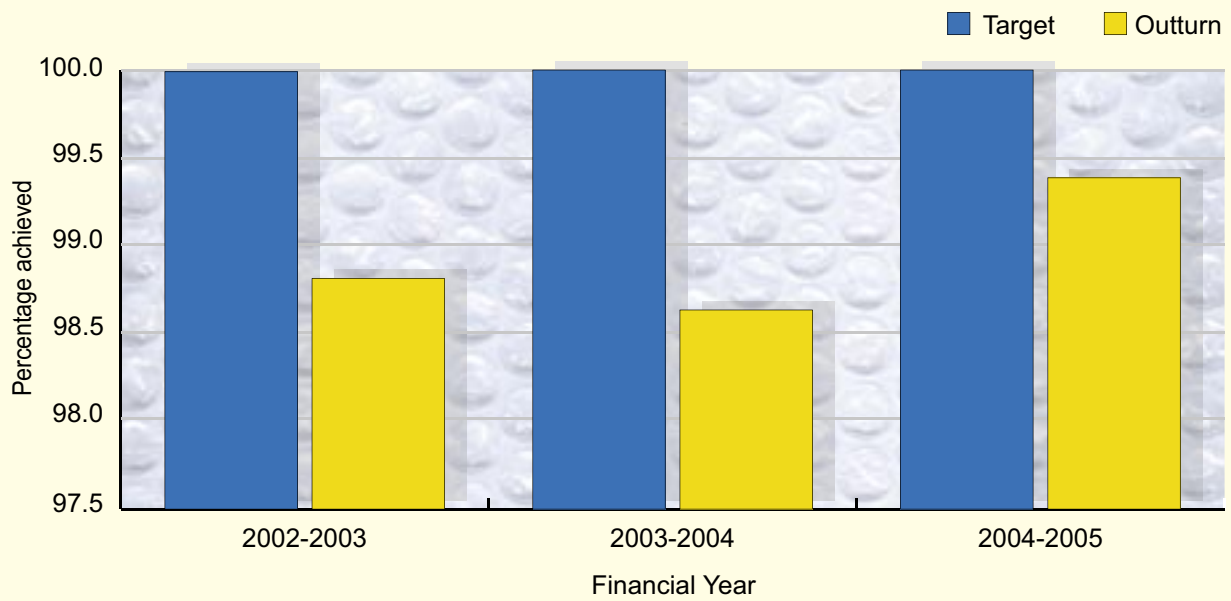
Efficiency Target



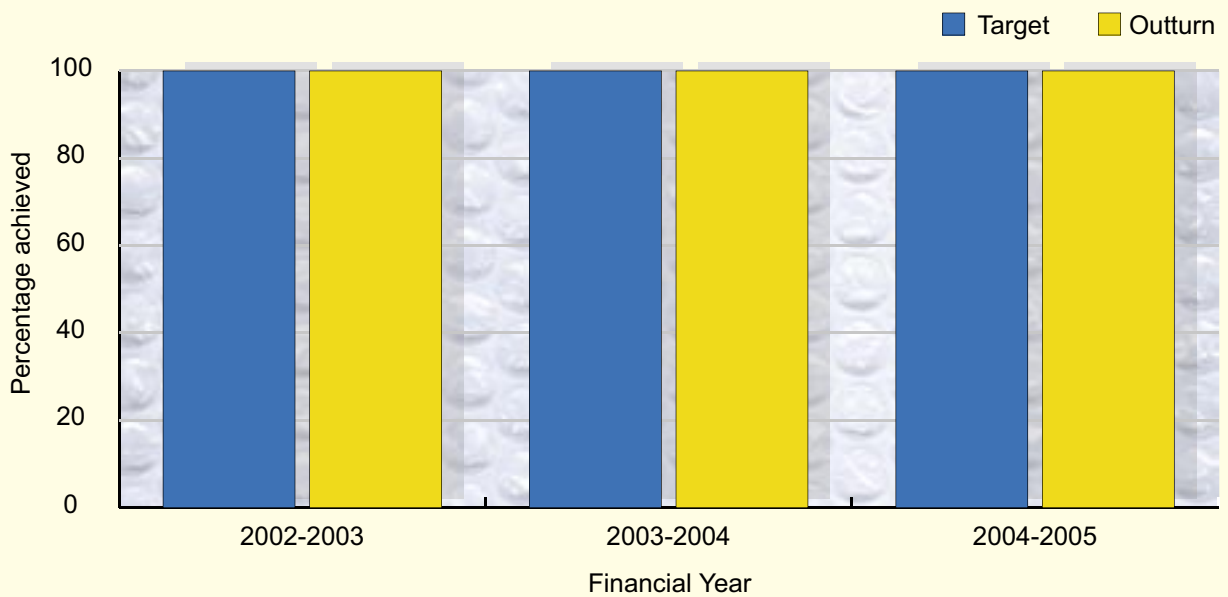
Performance against our Customer Service Standards



Target to pay 100% of bills within 30 days



Target to reply to all letters from Members of Parliament within 10 working days



Performance against Agency Targets April 2002 - March 2003

AGENCY TARGET	%	April 2002 to March 2003
1. To increase performance year on year so that 90% of search reports are issued within six months of request by 2005/06	Target (%) Outturn (%)	90 69.64
2. To grant 90% of patents within 3 years of request	Target (%) Outturn (%)	90 89
3. To register 90% of correctly filed design applications, to which no substantive objections have been raised, within 3 months of the date of application*	Target (%) Outturn (%)	90 95.5
4. To register 90% of processed trade mark class applications, to which no substantive objections are raised or oppositions filed, within 9 months of application	Target (%) Outturn (%)	90 98.5
5. To reduce to an average of 39 weeks the time taken to issue a decision in trade marks <i>inter parte</i> cases once the case is ready*	Target (%) Outturn (%)	100 (average of 39 wks) 100 (achieved average of 29 wks)
6. To publish details of progress towards key milestones in the UK and international policy development in the Annual Report and on our website	Target (%) Outturn (%)	100 100
7. To increase output in relation to current expenditure by an average of at least 2% per annum over the period 1998/99 to 2002/03	Target (%) Outturn (%)	2 4

In addition to these key targets:

To meet our Customer Service Standards as reported in the Annual Report and on our website www.patent.gov.uk	Target (%) Outturn (%)	100 94.8
The Office will pay 100% of bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	Target (%) Outturn (%)	100 98.8
The Chief Executive will reply within 10 working days to all letters from Members of Parliament delegated for her reply	Target (%) Outturn (%)	100 100

*indicates new or improved targets

Performance against Agency Targets April 2003 to March 2004

AGENCY TARGET	%	April 2003 to March 2004
1. To increase performance year on year so that 90% of search reports are issued within six months of request by 2005/06 The milestones towards achievement of this target are: by 2003/04 – 75% by 2004/05 – 80% by 2005/06 – 90%	Target (%)	75
	Outturn (%)	86.79
2. To grant 90% of patents within 3 years of request	Target (%)	90
	Outturn (%)	91
3. To register 90% of correctly filed design applications, to which no substantive objections have been raised, within 3 months of the date of application	Target (%)	90
	Outturn (%)	97.5
4. To reduce to an average of 26 weeks the time taken to issue a decision in trade marks <i>inter parte</i> cases once the case is ready	Target (%)	100 (average of 26 wks)
	Outturn	100 (achieved 26 weeks)
5. To publish details of progress towards key milestones in the UK and International policy development in the Annual Report and on our website	Target (%)	100
	Outturn (%)	100
6. To increase output in relation to current expenditure by an average of at least 2% per annum over a rolling 3 year period	Target (%)	2
	Outturn (%)	2.6

In addition to these key targets:

To meet our Customer Service Standards as reported in the Annual Report and on our website www.patent.gov.uk	Target (%)	100
	Outturn (%)	97.72
The Office will pay 100% of bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	Target (%)	100
	Outturn (%)	98.6
The Chief Executive will reply within 10 working days to all letters from members of Parliament delegated for his reply	Target (%)	100
	Outturn (%)	100

Performance against Agency Targets April 2004 to March 2005

AGENCY TARGET	%	April 2004 to March 2005
1. To be issuing 90% of search reports within 5 months of request by the end of the year.	Target (%) Outturn (%)	90 95.2
2. To grant 90% of patents within 3 years of request	Target (%) Outturn (%)	90 96
3. Register 90% of processed trade mark applications, to which no substantive objections are raised or no oppositions filed, within 8 months of application.	Target (%) Outturn (%)	90 97.5
4. To register 90% of correctly filed design applications to which no substantive objections have been raised, within 3 months of the date of application.	Target (%) Outturn	90%, 99.3%
5. To reduce to an average of 26 weeks the time taken to issue a decision in trade marks <i>inter parte</i> cases once the case is ready.	Target (%) Outturn (%)	100% 24 weeks
6. To increase output in relation to current expenditure by an average of at least 2% per annum over a rolling 3 year period.	Target (%) Outturn (%)	2 1.5
7. Ensure that the proportion of bad acceptances published in the Trade Marks Journal is less than 1%.	Target (%) Outturn (%)	100 100
8. Establish a baseline and metrics for IP awareness and a target for 2005/06.	Target (%) Outturn (%)	100 see * below

In addition to these key targets:

To meet our Customer Service Standards as reported in the Annual Report and on our website www.patent.gov.uk	Target (%) Outturn (%)	100 97.5
The Office will pay 100% of bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	Target (%) Outturn (%)	100 99.2
The Chief Executive will reply within 10 working days to all letters from members of Parliament delegated for his reply	Target (%) Outturn (%)	100 100

*Work continues. Target relates to 2005-2006 financial year.

Performance against Customer Service Standards April 2004 – March 2005

Standard	April 2004 to March 2005
1. See that visitors are met from reception and taken to their meeting within 10 minutes of the time of their appointment.	97%
2. Answer letters and faxes of general enquiry clearly within 5 working days of receipt or explain why not.	98%
3. Answer e-mails of general enquiry clearly within 5 working days of receipt or explain why not.	99%
4. Answer telephone calls promptly and ensure enquiries are dealt with courteously and professionally.	96%
The following are targets that are not able to be measured	
5. Provide clear information about our services.	
6. Do all we can to make our services available to everyone, including those with special needs.	
7. Listen to your comments about our services and if problems occur ensure that steps are taken to prevent them happening again.	

ELECTRONIC DELIVERY OF KEY SERVICES

	end 2004		end 2005		end 2006		Means of delivery
	% availability	% takeup	% availability	% takeup	% availability	% takeup	
ELECTRONIC RENEWALS¹							
Patents	100	75	100	75	100	85	e-mail attachments via the Internet and web forms by 2006
Trade Marks	100	35	100	50	100	50	
Designs	100	55	100	55	100	60	
NEW APPLICATIONS²							
Patents	100	<5	100	5	100	10	secure on-line via Internet
Trade Marks	100	<5	100	20	100	30	e-mail attachments via the Internet and web forms
REGISTER ACCESS							
Patents	100	100	100	100	100	100	via the Patent Office website
Trade Marks	100	100	100	100	100	100	via the Patent Office website
Designs	100	100	100	100	100	100	via the Patent Office website
GENERAL PUBLIC SEARCH							
Patents ³	100	NA	100	NA	100	NA	via the Patent Office website
Trade Marks	100	NA	100	NA	100	NA	via the Patent Office website
Designs	100	NA	100	NA	100	NA	via the Patent Office website
GENERAL GUIDANCE AND FORMS							
	100	NA	100	NA	100	NA	via the Patent Office website

¹ The renewal includes receiving the application, handling payment and issuing certificate.

² The new application process includes application, payment and issuing filing receipts.

³ Patent search is provided through a co-operative venture with the European Patent Office.

The database coverage is being improved and currently provides access to 40m patent documents.

Annex B

Non-Financial Information

Patent Demand and Output

Table 1 – Requests for Grant for Search and Examination (Patents Act 1977)

000's to one decimal point	Without claim to priority	With claim to priority	Total	Requests for search	Requests for Examination
2003	21.9	7.9	29.8	17.6	12.0
2004	20.6	7.6	28.2	17.1	11.7

Table 2 – Applications made and Published, and Patents Granted in 2003 According to Country of Residence

	Applications Made	Applications Published	Patents Granted
Domestic UK Total (incl.Channel Islands)	20,158	5,741	3,676
Europe Total	3,060	1,294	1,331
USA Total	3,825	3,298	2,476
Japan Total	957	1,040	1,104
Rest of the World Total	1,819	1,713	1,174
Grand Total	29,819	13,086	9,761

**Table 3 – Applications made and Published, and Patents Granted in 2004
According to Country of Residence**

	Applications Made	Applications Published	Patents Granted
Domestic UK Total (incl.Channel Islands)	18,911	5,818	3,808
Europe Total	3,103	1,315	1,371
USA Total	3,591	3,340	2,954
Japan Total	807	938	1,101
Rest of the World Total	1,811	1,582	1,307
Grand Total	28,223	12,993	10,541

Table 4 – Number of Patent Renewal Fees Paid 2003-2004

'000s to one decimal point

	5th year	6th year	7th year	8th year	9th year	10th year	11th year	12th year	13th year	14th year	15th year	16th year	17th year	18th year	19th year	20th year
2003	18.8	24.8	30.1	31.7	30.5	28.1	25.2	22.8	20.2	18.3	14.6	12.0	9.2	7.5	6.2	4.5
2004	21.5	27.0	31.0	33.3	32.0	29.1	25.9	23.0	20.5	17.9	16.1	12.7	10.3	7.8	6.2	4.8

Table 5 – European Patents (UK) included in table 4 above

'000s to one decimal point

	5th year	6th year	7th year	8th year	9th year	10th year	11th year	12th year	13th year	14th year	15th year	16th year	17th year	18th year	19th year	20th year
2003	11.1	17.6	23.1	25.6	25.4	23.8	21.6	19.3	17.2	15.7	12.1	9.7	7.1	5.6	4.2	2.9
2004	13.4	19.7	24.6	27.0	27.0	24.7	22.1	19.8	17.4	15.3	13.8	10.5	8.3	6.0	4.7	3.3

Trade Marks Demand and Output

**Table 1 – Trade Marks applied for and Registered in 2003
According to Country of Residence of Applicant**

	Applications and Additional Classes		Registrations	
	Trade Marks	Madrid Apps	Trade Marks	Madrid Protected
Domestic UK Total (inc. Channel Islands)	50,195	-	40,131	-
Europe Total	2,532	13,269	2,373	13,686
USA Total	2,846	2	2,524	2
Japan Total	503	239	518	258
Rest of the World Total	2,294	1,159	1,786	2,710
Grand Total	58,370	14,669	47,332	16,656

**Table 2 – Trade Marks applied for and Registered in 2004
According to Country of Residence of Applicant**

	Applications and Additional Classes		Registrations	
	Trade Marks	Madrid Apps	Trade Marks	Madrid Protected
Domestic UK Total (inc. Channel Islands)	53,650	-	42,616	-
Europe Total	2,283	13,895	2,156	13,117
USA Total	2,833	414	2,628	389
Japan Total	565	417	539	407
Rest of the World Total	2,600	1,447	1,974	1,349
Grand Total	61,931	16,173	49,913	15,262

Designs Demand and Output

Table 1 – Designs Applications and Registrations

	Total	From Abroad total	Claiming Priority under International Convention	Designs Registered
2003	5,910	2,239	1,505(a)	6,470
2004	4,174	901	529(b)	3,874

(a) In addition convention priority was claimed by 21 UK residents

(b) In addition convention priority was claimed by 7 UK residents

Table 2 – Applications for Design Registration in 2003 and 2004 According to Country of Residence

Country	2003	2004
Domestic UK Total (inc Channel Islands)	3,672	3,274
Europe Total	868	305
USA Total	664	237
Japan Total	255	74
Rest of World Total	451	284
Total	5,910	4,174

Table 3 – Extension of Design Right Protection (Section 8.2 of the Registered Designs Act 1949)

	Extended for 2nd Period	Extended for 3rd period	Extended for 4th period
2003	3,887	1,675	715
2004	4,023	1,689	869

Hearings and Dispute Statistics

TABLE 1 HEARINGS AND PROCEEDINGS CONCERNING PATENTS 2004

PART I – Hearings on Applications For Patents And Supplementary Protection Certificates

	Decided (a)		Allowed (b)		Refused		Appeals Heard by Patents Court		Allowed		Refused	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Total number of cases	29	45	3	4	26	41	1	4(c)	0	0	1	3

(a) The year 2003 includes 6 cases where a reasoned decision was issued without a hearing; the year 2004 includes 14 cases where a reasoned decision was issued without a hearing

(b) Includes those allowed in part where applicable

(c) Includes one application for a Supplementary Protection Certificate where proceedings have been stayed pending reference to the ECJ.

NB. One preliminary decision was issued in 2004. This has not been included in the figures for 2004. One Judicial Review held in 2004. Application was dismissed.

PART II – Proceedings Concerning Patents

(The sections of the Act shown relate to the Patents Act 1977(a))

Applications, References and Actions by the Comptroller	Lodged		Decided(b)		Allowed (c)		Refused(d)		Appeals Heard by Patents Court(e)	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Total number of applications, references and actions	1910	1754	1669	1503	1633	1449	36	54	3	2

(a) There were no proceedings under the Patents Act 1949; no declarations were made that Licences of Right shall not extend to excepted uses under Section 293 of the CDP Act 1988.

(b) The year 2003 figures include 51 cases where a reasoned decision was issued without a hearing; the year 2004 figures include 34 cases where a reasoned decision was issued without a hearing. There were 39 preliminary decisions issued in 2003 and 7 preliminary decisions issued in 2004. These have not been included in the table.

(c) Includes those allowed in part where applicable.

(d) Figures do not include proceedings withdrawn, not proceeded with, or not entertained.

(e) Figures do not include appeals in relation to preliminary decisions of the Comptroller.

NB. Three Case Management Conferences were held 2004.

Table 2 – Trade Mark Applications – Objections, Hearings and Appeals (a)

	2003	2004
Hearings - Ex Parte(a) -		
Number appointed	2,220	2,337
Number postponed etc	113	112
Number withdrawn before Hearings	120	180
Number taken	1,987	2,045
Applications allowed to proceed:		
- unconditionally	834	911
- on transfer to part B(938 Act cases)	0	0
- conditionally	0	0
Applications suspended pending applicant's agreement to conditions etc	0	0
Applications withdrawn	153	117
Applications refused	129	140
Number not yet taken	825	841
Refusals		
Written grounds issued	35	24
Appeals to Secretary of State (Trade) / Appointed Person		
Pending at beginning of year	38	49
Lodged during the year	50	53
Withdrawn	11	10
Dismissed	22	18
Allowed	6	12
Pending at end of year	49	62
Transferred to High Court	2	0

(a) This covers applications under Section 17 of the Trade Marks Act 1938 and Section 37 of the Trade Marks Act 1994. When an objection to the registrability of a mark is raised during the examination process, the applicant/agent has the right to request an oral hearing with a Hearings Officer. Based upon the facts presented at the Hearing, the Hearings Officer will decide whether the objection can be waived or maintained. The Hearings Officer is independent of the examiner and is not involved in the original decision. If the objection is overcome, the mark can proceed to publication in the Trade Marks Journal. Decisions of the Registry can be appealed to the Appointed Person (an independent party specialising in Intellectual Property issues) or the Secretary of State.

Table 3 Oppositions to Trade Mark Registration - (a)

	2003	2004
Oppositions before the Registrar:		
Pending at beginning of year	2,138	2,128
Filed during the year	853(c)	801(d)
Withdrawn	0	0
- applications	541	477
- oppositions	162	226
Oppositions refused	86	79
Oppositions allowed	74	69
Pending at end of year	2,128	2,078
Main Hearings in year	169(b)	166(b)
Appeals from Registrar to Court:		
Pending at beginning of year	40	50
Lodged during year	21	4
Withdrawn	3	3
Dismissed	6	3
Allowed	2	1
Pending at end of year	50	37

(a) This covers applications under Section 18 of the Trade Marks Act 1938 and Section 37 of the Trade Marks Act 1994.

(b) Undefended actions are usually determined without a hearing. 79 decisions were made from the papers without a hearing.

(c) In addition 31 Interlocutory Hearings were held during the year (refers to year 2003 statistic)

(d) In addition 37 Interlocutory Hearings were held during the year.

Table 4 – Revocation/Invalidity of Trade Marks (a)

	2003	2004
Applications made to Registrar: (a)		
Pending at beginning of year	1,362	1,475
Filed in year	342(c)	428(d)
Withdrawn	167	157
Refused	25	26
Allowed	37	40
Pending at end of year	1,475	1,680
Main hearings held in year (b)	65	34
Appeals from Registrar to Court:		
Pending at beginning of year	7	7
Lodged in year	2	1
Withdrawn	0	0
Refused	1	0
Allowed	1	0
Pending at end of year	7	8
Applications made direct to Court		
Pending at beginning of year	159	162
Lodged in year	5	3
Withdrawn	2	0
Refused	0	127
Allowed	0	0
Pending at end of year	162	38

(a) This covers rectification actions under section 26 and 32 of the 1938 Act and revocation, invalidation and rectification action under sections 46, 47 and 64 of the 1994 Trade Mark Act.

(b) Undefended actions are usually determined without a Hearing.

(c) Of which 161 were revocations, 45 invalidations and 136 rectifications (relates to year 2003)

(d) Of which 278 were revocations, 77 invalidations and 2 were rectifications.

Table 5 - Cancellation under Sections 11(1) and 11(2) of the Registered Designs Act 1949

	Lodged	Decided	Allowed	Refused	Appeals heard
Cancellation filed by registered proprietor Section 11(1)	11	11	11	0	0
Cancellation filed by third party Section 11(2)	0	0	0	0	0
Invalidations filed Section 11ZB	5	1	1	0	0

Table 6 - Design Right Proceedings under Sections 246 and 247 of the Copyright, Designs and Patents Act 1988

	Lodged		Withdrawn		Decided		Allowed		Refused		Appeals heard (a)	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Design Right Section 246	1	2	0	0	0	0	0	0	0	0	0	0
Design Right Licences of right Section 247/237	2	3	3	0	0	2	0	2	0	0	0	0

(a) Appeals heard by Registered Designs Appeal Tribunal or Patents Court.

Recruitment 2004

RECRUITMENT STATISTICS 1 April 2004 – 31 March 2005

Applications Received	GENDER		ETHNIC ORIGIN							DISABILITY	
	Male	Female	White	Black	Asian	Chinese	Any other Ethnic background	Mixed Ethnic background	Total Ethnic Minority	Not Stated	Disabled
Support Staff (Pay Span A1 – NMP)	13	3	16	0	0	0	0	0	0	0	0
Support Staff (Pay Span A1 – Newport)	19	10	25	1	1	0	1	1	4	0	0
Administrative Staff (Pay Span A1 – Newport)	58	86	137	1	4	1	0	1	7	0	7
Associate Patent Examiners (Span B2 – Newport)	398	81	381	28	47	10	5	8	98	33	6
Total	488	180	559	30	52	11	6	10	109	33	13

Recruitment 2004

RECRUITMENT STATISTICS 1 April 2004 – 31 March 2005

Selected for Interview	GENDER		ETHNIC ORIGIN							DISABILITY	
	Male	Female	White	Black	Asian	Chinese	Any other Ethnic background	Mixed Ethnic background	Total Ethnic Minority	Not Stated	Disabled
Support Staff (Pay Span A1 – NMP)	7	2	9	0	0	0	0	0	0	0	0
Support Staff (Pay Span A1 – Newport)	8	5	12	0	1	0	0	0	1	0	0
Administrative Staff (Pay Span A1 – Newport)	28	14	39	0	3	0	0	0	3	0	4
Associate Patent Examiners (Span B2 – Newport)	30	9	36	0	2	1	0	0	3	3	2
Total	73	30	96	0	6	1	0	0	7	3	6

Recruitment 2004

RECRUITMENT STATISTICS 1 April 2004 – 31 March 2005

Successful at Interview	GENDER		ETHNIC ORIGIN							DISABILITY	
	Male	Female	White	Black	Asian	Chinese	Any other Ethnic background	Mixed Ethnic background	Total Ethnic Minority	Not Stated	Disabled
Support Staff (Pay Span A1 – NMP)	6	0	6	0	0	0	0	0	0	0	0
Support Staff (Pay Span A1 – Newport)	6	3	9	0	0	0	0	0	0	0	0
Administrative Staff (Pay Span A1 – Newport)	9	18	25	0	2	0	0	0	2	0	1
Associate Patent Examiners (Span B2 – Newport)	26	6	30	0	1	1	0	0	2	3	2
Total	47	27	70	0	3	1	0	0	4	3	3
Declined Appointments	3	2	3	0	0	0	0	0	0	0	0
Total Appointed	18	6	23	0	1	0	0	0	1	0	0

Glossary

ADR	Alternative Disputes Resolution
ACG	Anti-Counterfeiting Group
AIPPI	International Association for the Protection of Intellectual Property
AURIL	The Association of University Research and Industry Links
BSi	The British Standards Institute
CBI	The Confederation of British Industry
CDA	Confidential Disclosure Agreements
CIPA	Chartered Institute of Patent Agents
CIPO	Canadian Intellectual Property Office
CREST	Comite de la Recherche Scientifique et Technique
DCA	Department for Constitutional Affairs
DCMS	Department for Culture, Media and Sport
DDA	Disability Discrimination Act
DSDM	Dynamic Systems Development Method
DTI	Department of Trade and Industry
DVLA	Driver Vehicle Licensing Agency
DWP	Department of Work and Pensions
EAP	Employee Assistance Programme
EC	European Community
ECLA	European Classification
EEA	European Economic Area
EMS	Environmental Management System
EPC	European Patent Convention
EPO	European Patent Office
ESTYN	HM Inspectorate for Education and Training in Wales
EU	European Union
FOI	Freedom of Information
FOIP	Freedom of Information Practitioner
GRaD	Grant for Research and Development
HR	Human Resources
IiP	Investors in People
IP	Intellectual Property
IPAC	Intellectual Property Advisory Committee
IPi	Intellectual Property Institute
IPR	Intellectual Property Right
ISO	International Organisation for Standardisation
ITMA	Institute of Trade Mark Agents
LRC	Learning Resource Centre

MSP	Managing Successful Programmes
NAW	National Assembly for Wales
NCGE	National Council for Graduate Entrepreneurship
NDPB	Non-Departmental Public Body
NEC	National Exhibition Centre
NHS	National Health Service
NVQ	National Vocational Qualification
OFWAT CSC	Office of Water Services Customer Services Committee
OGC	Office of Government Commerce
OHIM	Office for Harmonisation in the Internal Market
ONS	Office for National Statistics
PaTrAS	Patent and Trade Mark Application System
PCT	Patent Co-operation Treaty
PEP	The Patent Enforcement Project
PIN	Patent Information Network
RCD	Registered Community Design
RDA	The Regional Development Agency
RRO	Regulatory Reform Order
SBS	Small Business Service
SEEDA	South East England Development Agency
SMART	Small to Medium Enterprise Award for Technology
SME	Small and Medium Enterprise
SMT	Senior Management Team
SPC	Supplementary Protection Certificate
TDU	Training and Development Unit
TMD	Trade Marks Directorate
UK	United Kingdom
UKPO	United Kingdom Patent Office
UKREP	UK Permanent representation to the European Union
UN	United Nations
WG	The Lambert Working Group
WGP	Wales Gene Park
WIPO	The World Intellectual Property Organisation
WTO	The World Trade Organisation

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Printed by

MWL Print Group Ltd

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E-mail James@mwl.co.uk

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