



Intellectual  
Property  
Office

# Promoting innovation and growth: The IPO at work

2014/15





# **Promoting innovation and growth: The IPO at work**

2014/15

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## Patents

13%

**increase** in Patent search and examination over the last three years.



online Patent Renewals through new service.

## Customers



Overall customer satisfaction.



Stakeholder satisfaction.



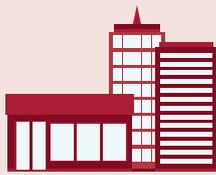
## Specialist IP Attachés

based in the world's most challenging and fastest growing markets; **China, India, Brazil and South East Asia.**

They have provided practical help and support to **211** UK businesses experiencing IP issues.

## Outreach

90,000



businesses reached.



**300** IP audits carried out.

**IP finance toolkit** published



## Social Media

IPO has

**43,000**

followers on Twitter.



IPO blog launched in September 2014;

**66** posts and **3,100** average views per month.



## Trade Marks

35%

**increase** in demand since 2012.

Demand for trade marks **continued to rise in 2014-15.**

For the first time in the history of the Registry we exceeded **50,000** applications.

## New in 2014



UK launched ground-breaking

**Orphan Works licensing scheme**

in October 2014.

UK hosted the **first** International IP enforcement summit.

# Minister's foreword

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The United Kingdom has emerged from the dark days of the global downturn. According to the OECD, growth in the UK has picked up, rising to 2.6% in 2014 - the strongest improvement of all G7 countries.

Innovation is at the core of this recovery and is central to our future growth. It underpins our competitiveness and helps capture the new customers and markets that secure our income. That is why this Government made a bold and clear commitment in its election manifesto to make Britain the best place in Europe to innovate and patent new ideas.

With the passage of the Intellectual Property Act and important secondary legislation, we have re-shaped the legislative environment to fit the needs of today's businesses.

We have kept pace with rising demand for rights granting services. This year for patents, there were 17% more requests for applications to be searched than in 2010/11. Similarly, demand for designs registered in the UK has increased 24% over this period. Recognising the value of brand protection, trade mark applications have also boomed with 61% more applications filed in the past financial year than in 2010/11.

We have improved the way the Intellectual Property Office (IPO) delivers services. We have expanded the range of IP self-help tools and guidance for business, and invested to ensure that more business advisors can offer wise counsel on how the value of good ideas can be maximised. We have ensured that UK businesses have the confidence to tap into global market opportunities with the appointment of specialist IP attachés in key markets, helping protect nearly £400m of IP assets owned by UK businesses operating overseas. We have made the UK a leading voice in developing a stronger and more understandable global IP environment. We have supported the UK's trading ambitions by chairing international forums and attending symposiums in China, India, Brazil and Singapore. We have also established the Unified Patent Court in Aldgate Tower in the heart of London.

As we shape the IP environment, we have also taken action to address the challenge of IP enforcement. Although the IPO is not an enforcement authority, we are playing a vital role. We have worked to build consensus of the importance of effective enforcement mechanisms. We have helped to build capability and are stimulating action at home and overseas. A significant milestone was our decision to support the activity of the Police IP Crime Unit (PIPCU) for a further two years to 2017. We have a common goal. We are determined to deliver an environment in which IP is respected and in which infringement is challenged effectively.

Digital change is affecting almost everything and we are working to reduce digital piracy. We have driven a dialogue with search engine providers to reduce the prominence of copyright infringing websites and squeeze their income. In the past year alone, PIPCU removed 4,650 IP offending sites with a '.co.uk' address from the UK domain and we are at the forefront of work in the EU on the digital single market.

I am proud to be a part of this Government's IP story. Providing the best environment for our innovators and creative talents is key to our economic future. But there is further to go. I believe that the IPO has the insight, skill and commitment to meet the forthcoming challenges.

**Baroness Neville-Rolfe DBE CMG**  
**Minister for Intellectual Property**



# 1. Intellectual Property, Innovation and Growth

## 1.1 Innovation and Intellectual Property

Innovation is at the heart of a vibrant and creative economy. It brings new ideas that challenge the status quo. It delivers solutions to difficult problems, new goods and services to market and drives new ways of working that spur productivity. It is a critical building block for our economic well-being. For all of these reasons, we want to encourage innovation across the UK. But innovation can be expensive and risky. The UK's Intellectual Property (IP) regime plays an essential role reducing risk and providing incentives to innovate.

## 1.2 Why should you read this report?

This report tells you about the work of the Intellectual Property Office (IPO) and how it has supported innovation and economic growth through the course of the financial year ending March 2015. It describes our activities and, where possible, their impact on the UK economy. The report also provides an overview of our path for the coming years.

We hope this report will stimulate debate and dialogue and make sure our work remains focused on driving growth and making life better by supporting UK creativity and innovation.

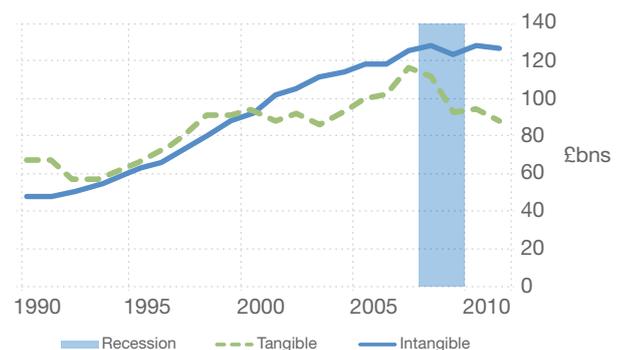
## 1.3 IP and the UK economy

IP is best described as ideas that are developed for the benefit of others: inventions; literary and artistic works; designs; and symbols, names and images used in business. Intellectual Property Rights (IPRs) provide a monopoly over a design, brand, technological, or artistic creation. This is often a time-limited monopoly. They provide protection and, crucially, a way to share ideas. IPRs create confidence to exploit them and an openness so that others can build on them.

In the past, innovation has centred on the development of physical assets. Today, there is growing recognition of the importance of intangible

assets, especially IP assets, in innovation. During the economic downturn in 2008, investment in ideas and the knowledge economy fell less sharply than investment in physical assets such as machinery and buildings. In fact, investment in intangible assets has outstripped tangible assets every year since 1999. By 2011, UK firms were investing 43% more in knowledge assets compared to physical assets. Half of this, approximately £63.5 billion, was protected by IPRs.<sup>1</sup>

**Figure 1: Increasing investment in intangible assets<sup>1</sup>**



Industries which invest heavily in IP assets play an important role in our economy. A study in 2013 found that IPR-intensive industries generate an estimated 27% of UK employment and 37% of UK GDP.<sup>2</sup>

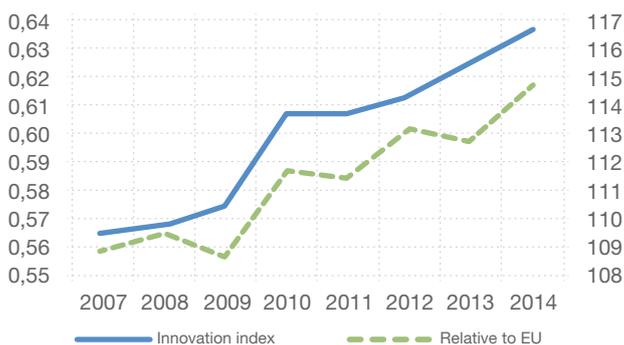
The UK's innovation performance has been improving at a steady rate between 2007 and 2014 and has been rising at a faster rate relative to the European Union (EU). The performance was at 9% above the EU average in 2007, and is at 15% above the average for 2014.<sup>3</sup>

<sup>1</sup> IPO calculation based on an ONS estimate of UK GDP, and estimated investment taken from P. Goodridge, P., Haskel, J. and Wallis, G. (2014), Estimating UK Investment in Intangible Assets and Intellectual Property Rights. <http://www.ipo.gov.uk/ipresearch-intangible.pdf>

<sup>2</sup> [http://ec.europa.eu/internal\\_market/intellectual-property/docs/joint-report-epo-ohim-final-version\\_en.pdf](http://ec.europa.eu/internal_market/intellectual-property/docs/joint-report-epo-ohim-final-version_en.pdf)

<sup>3</sup> European Commission Innovation Union Scoreboard [http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/files/ius-2015\\_en.pdf](http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/files/ius-2015_en.pdf)

**Figure 2: Continued improvement of UK innovation performance relative to the EU<sup>3</sup>**



The success of many industries relies upon an accessible and high quality IP system that is designed to enable and promote innovation and growth.

We are committed to providing a consistently improving IP environment that is:

- ✓ **Accessible** – creators and innovators need to know when and how to protect and use IP rights and how to enforce those rights if others copy their work.
- ✓ **High Quality** – customers need to be confident that when the IPO grants or registers an IP right it will stand up to challenge.
- ✓ **Understood and respected** – the IP framework needs to be intelligible to those who need its protection and those who use the work of others.
- ✓ **Fit for purpose** – global digitisation has largely erased traditional operating boundaries, the IP framework must evolve to stay relevant and valuable for today’s businesses.

This report provides a picture of the work we do to deliver an environment that meets those ambitions – an IP system that meets the needs of both creators and users of IP.

## 1.4 IP law fit for the 21st Century

In 2014/15 we passed a significant milestone in ensuring that the UK’s IP regime is fit for the needs of today’s businesses and their consumers. The IP Act 2014 received Royal Assent in May 2014 and all measures were enacted in October. It modernises the IP framework, helping UK businesses to better protect their IPRs. The new measures implement reforms to the designs legislation which flow from the Hargreaves Review of Intellectual Property and Growth<sup>4</sup> as well as updating the patents framework. The new Act simplifies design law, detangling the previous complexity, making design registration more understandable and accessible particularly for small businesses.

### IP ACT 2014

Changes include:

#### Designs:

- a new criminal offence for intentional copying of a registered design;
- automatic ownership for commissioned designs to lay with the designer rather than the commissioning party;
- an exception to allow private or experimental use of unregistered designs;
- simplification of the scope of an unregistered design right;
- an intention to introduce a Design Opinions Service; and
- introducing an international design registration service.

#### Patents:

- marking patented products with a web address that provides most up-to-date details of the patent rather than stamping patent status at manufacture;
- the expansion of the Patent Opinions Service, providing quick and affordable opinions on a wider range of patent disputes; and
- the promotion of international patent work sharing to reduce waiting times.

<sup>3</sup> European Commission Innovation Union Scoreboard [http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/files/ius-2015\\_en.pdf](http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/files/ius-2015_en.pdf)

<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32563/ipreview-finalreport.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32563/ipreview-finalreport.pdf)

We also introduced new legislation which allows people legitimately to use “orphan” copyright works, as well as introducing and broadening exceptions to copyright so that they are fit for the digital era.

### 1.5 Your IP in good hands

The Conservative Government, in its 2015 Manifesto document, made a commitment that Britain will be the best place in Europe to innovate, patent new ideas and set up and expand a business.

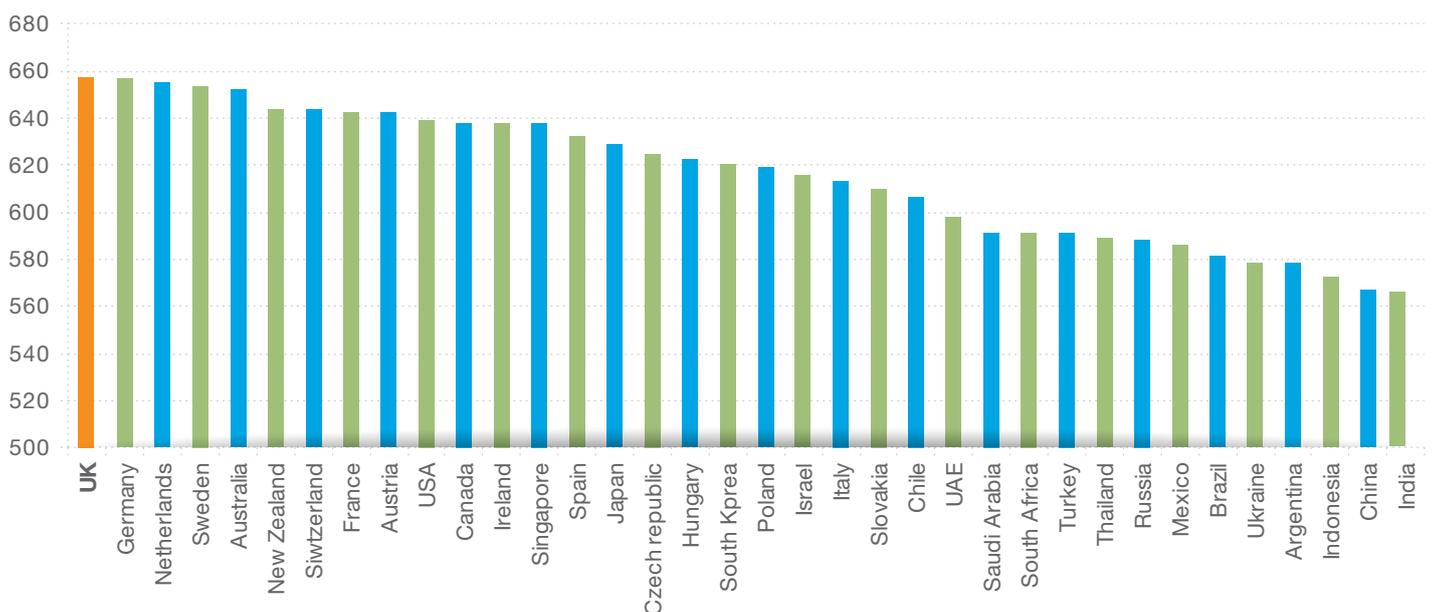
The IPO has a major part to play in delivering this promise. We already have a strong and well-functioning IP system, recognised by independent sources as one of the best in the world. The US Chamber of Commerce ranks our enforcement regime as the very best<sup>5</sup> and the Taylor Wessing Global IP Index ranks the UK’s overall IP environment as the global leader.<sup>6</sup>

We are committed to maintaining and improving the UK’s IP environment, through:

- the provision of better services;
- strengthening the UK legislative and enforcement regime; and
- helping to drive change and shape a more effective international IP system.

Later this year we will publish our updated Corporate Strategy to explain how we will work to support British innovation at home and around the world.

**Figure 3: Taylor Wessing IP Index<sup>6</sup>**



<sup>5</sup> [http://www.theglobalipcenter.com/wp-content/themes/gipc/map-index/assets/pdf/Index\\_Map\\_Index\\_3rdEdition.pdf](http://www.theglobalipcenter.com/wp-content/themes/gipc/map-index/assets/pdf/Index_Map_Index_3rdEdition.pdf)

<sup>6</sup> <http://www.taylorwessing.com/ipindex/>

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## 1.6 Evidence for taking action

In order to build the world's best IP environment in the UK and to influence the development of the global IP infrastructure, we must make careful judgements about the likely impacts of proposed action and build compelling propositions for change. Our success depends on robust evidence to help us strike the right balance. However, until recently, research of IP within our economy and society was lacking. The IPO has taken a global lead in building a strong IP evidence base.

Over the past year, we have published 25 research reports, 13 of which were independent reports completed by universities and private research companies. These reports help us to better understand the role that IP plays to support innovation and growth in the UK economy and, in turn, help shape our corporate strategy. They also help to inform international perspectives on IP including within the World Intellectual Property Organisation (WIPO), the European Patent Office (EPO) and the Organisation for Economic Co-operation and Development (OECD).

For example, looking at IP in general, we published reports on methodologies to measure infringement and mapped existing frameworks and systems for identifying and valuing intangible assets for enabling information ecosystems. This is helping establish a consistent approach across the world and therefore, enable fair country-to-country comparisons to be made.

For patents, we published reports on the patent activity for the "Eight Great Technologies"<sup>7</sup> which are informing the Government's industrial strategies. We also looked at patent cases litigated at the Patents Court and Intellectual Property Enterprise Court (IPEC) to better understand litigation behaviour within the UK in advance of the Unified Patent Court being established.

We also published research about copyright and the value of the public domain to assist creators and entrepreneurs to identify business models that may benefit from the public domain.

We looked at how different countries are approaching the enforcement of online copyright infringement as well as studying criminal sanctions for copyright infringement.

A full list of our publications is provided as an annex to this report.

## 1.7 Working across government

The IPO's work to promote innovation and growth through IP is just a part of the wider programme of activity across government to stimulate innovation and to strengthen the UK economy. In the past, businesses and other stakeholders have complained that failures to ensure that policies and services joined up appropriately reduced positive impacts and confused the intended audiences. The IPO has been working to ensure that policy and activity developed across different government organisations fits together well.

Over the past year, we have worked with our parent department, the Department for Business, Innovation and Skills (BIS) as well as the Department of Culture, Media and Sport, the Cabinet Office, UK Trade and Investment and the Foreign Office as well as agencies such as Companies House, the Competition and Markets Authority, the Insolvency Service, Innovate UK and the Research Councils to deliver many of the initiatives discussed throughout this report.

7 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/360986/Eight\\_Great\\_Technologies.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360986/Eight_Great_Technologies.pdf)

# 2. Delivering High Quality Rights

Intellectual Property Rights (IPRs) support economic growth by encouraging investment in new technologies, in the development of brands, and in creativity. At the Intellectual Property Office (IPO), we know that the use of patents and trade marks is associated with better creation, transfer and use of knowledge, and higher productivity. Small firms that use IPRs tend to have significantly better chances of survival and growth. In 2011, an estimated 50% (£63.5 billion) of knowledge investment in the UK market sector was protected by IPRs.<sup>8</sup>

As an indication of our reach, an estimated 38,000 UK firms applied for some form of IP right in 2014. This has increased from 21,000 UK firms in 2010 – most of this increase being linked to trade mark applications.

Our delivery of high quality rights granting services is essential to promoting UK growth and granting rights with a high presumption of validity is central to business confidence in the system.

It is known that poor quality rights can unfairly limit research and development, discourage investment and increase the likelihood of litigation. In short, poor quality rights stifle innovation and growth. This need for quality remains at the very centre of our rights granting services and is evidenced by our successful re-certification to ISO 9001:2008 (quality management systems) for the patenting process.

Across all of our activities, overall customer satisfaction stands at 85% for this time period and our stakeholder satisfaction is 90%. This shows that we are consistently delivering a high quality service that meets the requirements of our customers.

We have retained our accreditation for Customer Service Excellence (CSE) and are proud to have held the Charter Mark and CSE awards since 1993. The award lasts for 3 years and is subject to regular annual health checks.



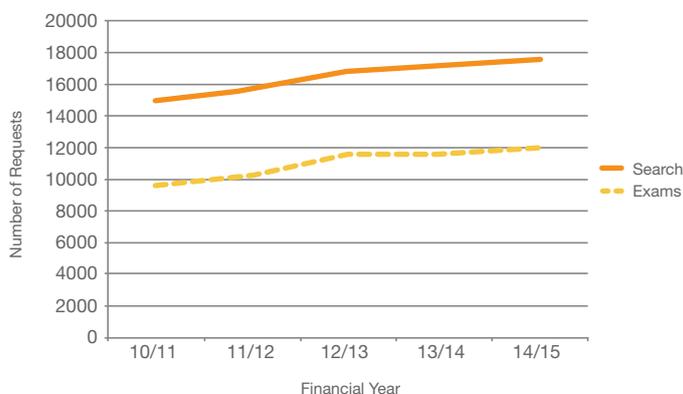
<sup>8</sup> IPO calculation based on an ONS estimate of UK GDP, and estimated investment taken from P. Goodridge, P., Haskel, J. and Wallis, G. (2014), Estimating UK Investment in Intangible Assets and Intellectual Property Rights. <http://www.ipso.gov.uk/ipresearch-intangible.pdf>

The assessor remarked that “Customers are put at the heart of service delivery”. This is clearly shown by our ambitious digitisation programme to deliver business and technical changes to enable better services that reflect the needs of the 21<sup>st</sup> century customer.

## 2.1 Patents

Demand for patent services at the IPO continues to grow. We are now receiving nearly 17% more requests for applications to be searched than in 2010/11. Applications proceeding to substantive examination have increased 24% in the same time period.

**Figure 4: Increasing trend for Patents**



In absolute terms, this means we received nearly 17,500 search requests in the financial year ending March 2015.

Our customers value our target of performing the search within six months of request.<sup>9</sup> Our search results provide an indication of the novelty and inventiveness of an applicant’s invention which is often used to inform their future business plans. For instance, the results may inform their strategy for applying for protection in other jurisdictions. For some, it will help them to secure the funds for further development and manufacture.

For others, speedy progression to grant is important, especially where there may be potential infringement issues.

In short, our customers place a high priority on receiving a timely service. Therefore, the increase in demand has presented a challenge to which we have responded with an ambitious recruitment programme of 150 extra patent examiners over 3 years to April 2017. This increases our examiner base by 60%. However, we are not just focussing on manpower. We are also undertaking a process modernisation programme that will improve our customer-facing filing services as well as overhauling our internal systems to help process applications more efficiently.

That work began with the introduction of the online patent renewals service. Since July 2014, customers now have the option of a simple online process to pay their annual renewal fees so that their patent remains in force for that year. Average time to complete the process is less than 4 minutes and user satisfaction levels are consistently over 90%. Since it was launched for public use, renewals using paper forms have halved between March 2014 and March 2015.

For our customers who require prompt processing of their application, our ‘accelerated’ service provides a swift response. We met 96% of requests in the expedited timescales, such as a two-month turnaround for searches and substantive exams, compared to the typical time period of six months and three and a half years respectively.

## 2.2 Trade marks

Demand for trade marks continued to grow and ended the year 61% higher than in the financial year ending 2011. The 7% growth witnessed in 2014/15 saw us receive a record number of applications, exceeding 50,000 for the first time. More than 90% of our applications are from businesses based in the UK, helping protect brands in their domestic market.

<sup>9</sup> Feedback collected through IPO Customer Visit Programme, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/415288/Customer\\_Visit\\_Programme\\_-\\_Publication.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/415288/Customer_Visit_Programme_-_Publication.pdf)

International registrations that include the UK jurisdiction have continued to follow their slow general decline, dropping 7% from the previous financial year, and ending the year 17% lower than in the financial year ending 2011.

**Figure 5: Applications exceed 50,000**



Improvements to internal processes and systems helped to handle our increased demand. In conjunction with a strong recruitment and training strategy, they resulted in an increased output of 13% compared with the financial year ending March 2014.

On account of this increased capacity, we published 89% of acceptable applications within 90 days of filing, exceeding the 80% target set by Ministers. For trade mark applications where no issues or oppositions were filed, 97% were registered within four months. The timeliness of registration provides assurance for businesses, allowing them to move forward with brand confidence.

86% of trade mark tribunal decisions were issued within 15 months (excluding cases subject to a stay of proceedings at the request of the parties) in line with our target of reducing the time period from 18 months to 15 months. The reduction in the length of such proceedings is likely to reduce the cost to businesses of protecting their trade mark rights and make enforcement of such rights more achievable.

## 2.3 Designs

Demand for designs registered in the UK has increased 24% between the financial year ending 2011 and that ending March 2015. That said, between the financial years ending 2014 and 2015, there was a small decrease in demand of 8%.

We have sought to address the complexities of this particular right with improved legislation. It is too early to measure its success, but we anticipate that demand will increase for design registration.

We continue to modernise our designs services and are planning extensive customer engagement activities to ensure that these services and our wider offerings fully meet the needs of designers and design-focused customers.

### Activities include:

- A customer journey mapping exercise is underway, and emerging findings suggest there are gaps in our existing services - these will be explored further with users at facilitated focus groups;
- The development of a digital 'Apply for a Design' service is in development and will be operational by March 2016;
- In the interim we are making improvements to our paper-based application service, which is delivering benefits for designers.

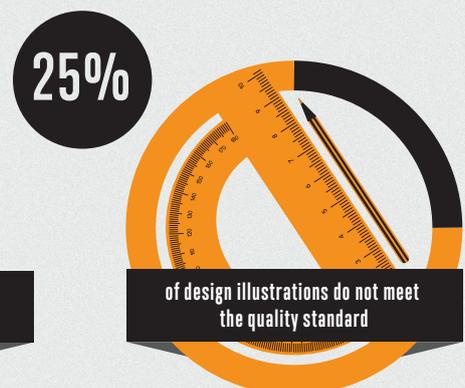
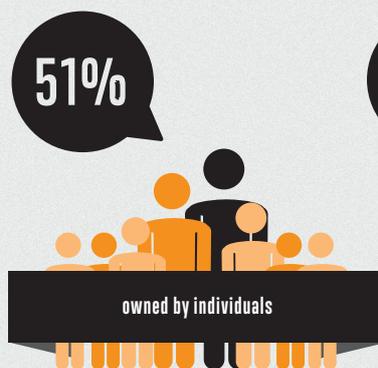
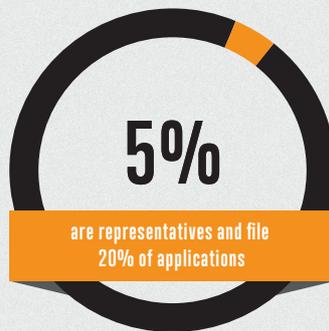
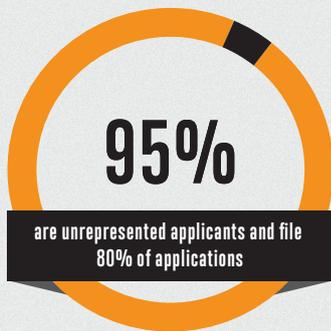
We are implementing changes flowing from the IP Act to strengthen the UK's design framework. These include a new route for appeals against IPO decisions through an Appointed Person which has long existed for trade marks. In August 2015 we announced the creation of a similar post to cover designs. The Appointed Person is a senior lawyer who is an expert in IP law. Where someone wishes to appeal against a decision of the IPO they have the option to appeal to the Appointed Person. This will help designers avoid costly legal proceedings.

We are strengthening the framework further with a new Designs Opinions Service. In 2006, the IPO introduced a Patent Opinions Service to provide affordable, impartial yet authoritative opinions on questions relating to the infringement or the validity of patents. Although they are non-binding in nature, the Opinions offered have nevertheless helped many companies and individuals resolve their disputes without the need for costly litigation. Following a consultation exercise, we are now working on introducing a similar service for designs.

Further legislative changes are being made to introduce an international design registration service under the World Intellectual Property Organization's (WIPO) Hague Agreement.

Currently, registration for six countries, taking account of the cost of translation, notary and other fees could add up to about £7,500. Through the Hague system this would cost approximately £500, simplifying the process and reducing the cost of operating globally.

## Designs: understanding our customer base



# 3. Developing the Copyright Framework

Copyright matters to every business, but has particular importance for the UK's world-leading creative industries which, together, contributed £77 billion to our economy in 2013.<sup>10</sup> It is therefore extremely important that we deliver a copyright framework which supports business success.

Meeting that ambition is challenging, especially in this digital age. It involves striking a fair balance between the legitimate interests of both creators and users. If users feel that copyright rules are unfairly restrictive, they are more likely to ignore them. If creators feel that the rules are unfairly liberal, their uncertainty of a financial return may mean they are less willing to invest in developing new content.

This year, the Intellectual Property Office (IPO) introduced legislation to update the copyright system. These changes remove barriers and inefficiencies while retaining appropriate incentives for creators and copyright owners.

## 3.1 Making legitimate use of orphan works

Orphan works are creative works that are subject to copyright – for example a diary, a photograph,

film or a piece of music – for which the right holder is either unknown or cannot be found. In these circumstances, formal permission to use the work could not be secured with the result that it was unlawful for others to make use of the work and its value to society was lost. We estimate that there are some 91 million orphan works in the UK.

In October 2014, we launched the world's first orphan works digital licensing scheme allowing individuals and organisations to apply for a licence to use orphan works.

Licences can be for commercial or non-commercial use within the UK for up to 7 years, with licence fees calculated to take account of market rates.

Now, individuals and organisations can make the most of a wide variety of orphaned copyright works. Users range from individuals to TV production companies, publishers, and public organisations like libraries, galleries and museums.

Before a licence is provided, the applicant must prove the rights holder cannot be found or is unknown. The scheme may therefore also help to reunite rights holders with their works, either through the pre-licence checks, or by looking at the register.



<sup>10</sup> According to DCMS official statistics: Creative Industries Economic Estimates statistical release, January 2014 version: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/439714/Annex\\_C\\_-\\_Creative\\_Industries\\_Focus\\_on\\_Employment\\_2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/439714/Annex_C_-_Creative_Industries_Focus_on_Employment_2015.pdf)

## CASE STUDY

Leeds Museums and Galleries (LMG) cares for 1.3 million objects, including a fine art collection. The British Art collection includes work by Charles Ginner who had strong connections with Leeds, having worked, exhibited and lectured there.

Ginner died in 1952, so his work is still protected by copyright. Therefore, his artworks cannot generally be reproduced without permission from the holders of the copyright, most likely his heirs. But Leeds Museums were unable to locate the rights holder.

### **John Roles, Head of Leeds Museums and Galleries, explains:**

“We wanted to include Ginner’s work in a database, Collections Online, which we plan to launch later in 2015. This will widen access to our collections. We knew about the new orphan works licensing scheme run by the IPO which could help to provide a licence for Ginner’s work to be included in the database.”

“We used the checklist which is part of the scheme to describe how we had searched for the rights holders. We checked with many other organisations to see if they had any leads.”

The IPO checked the information on the search provided by Leeds Museums. Once the IPO were satisfied that the search had been “diligent” and was complete, the Orphan Works licence was issued.

LMG realised that there was an additional benefit to the legal protection provided by the licence:

“If the legitimate right holders do come forward within the next seven years, any claims for recompense will be dealt with by the IPO.”

And does LMG have any plans for the future with other orphan works?

“We have over 100 orphan work artists in our fine art collection. So now that we know the online application process is straightforward we are better placed to make decisions about how to tackle the rest!”



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“Once the IPO were satisfied that the search had been “diligent” and was complete, the Orphan Works licence was issued.”

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## 3.2 Exceptions to the copyright law

In 2014/15, we have been modernising exceptions to copyright law. This is to encourage the reasonable use of creative content, without undermining copyright's important role in supporting the creative industries.

Accordingly, third parties now have increased freedom to use copyright works for economically and socially valuable purposes, without seeking permission from the copyright holder.

These include new, or extended, exceptions for:

- text and data mining;
- parody, caricature and pastiche; and
- research and education.

There are safeguards to ensure that a reasonable balance is maintained between the interests of creators, owners, performers and consumers.

These exceptions reduce the complexities of the copyright system. We predict that they will facilitate the development of new content and innovative services contributing several hundred million to the UK economy over 10 years.

## 3.3 Extended collective licensing

A collecting society is a licensing body which grants rights on behalf of multiple rights holders in a single ('blanket') licence for a single payment.

Rights holders join a collecting society as members and allow it to license their rights. The Government introduced Extended Collective Licensing (ECL) Regulations in October 2014 to extend the scope of collecting societies.

The new regulations allow collecting societies to 'extend' a collective licence to cover rights holders who aren't members of the collecting society. This means that a collecting society may issue licences on behalf of all relevant rights holders, unless a rights holder deliberately opts out of the scheme.

Applications will only be authorised once certain conditions have been met. Safeguards include the applicant providing evidence of their representation of the rights holders who will be affected. They must also detail their mechanisms to locate and pay non-members whose works have been used under the licence. The application process includes a period which allows anyone to have their say on whether the proposed scheme is appropriate.

This builds an effective licensing system to help where it's not practical to license works individually. This reduces transaction costs for users of copyright works – many of whom are Small and Medium-sized Enterprises (SMEs) by bringing more works within the scope of collective licences. It will remove barriers to entry for the development of new products and services. This scheme also benefits rights holders, by providing a payment mechanism where their work has been used.



# 4. Influencing the International IP Agenda

The new Government has set a clear ambition of 100,000 more UK companies exporting by 2020 with a stretching target of £1 trillion in exports. The international Intellectual Property (IP) regime plays a significant role in our ability to meet those goals. According to a UK Trade & Investment (UKTI) survey<sup>11</sup>, the risk of IP theft currently deters 1 in 4 UK businesses from entering an overseas market. Feedback from businesses also highlights both the frustration and the costs associated with navigating very different IP rules in differing jurisdictions. This is a barrier to our trade success and to growth and innovation.

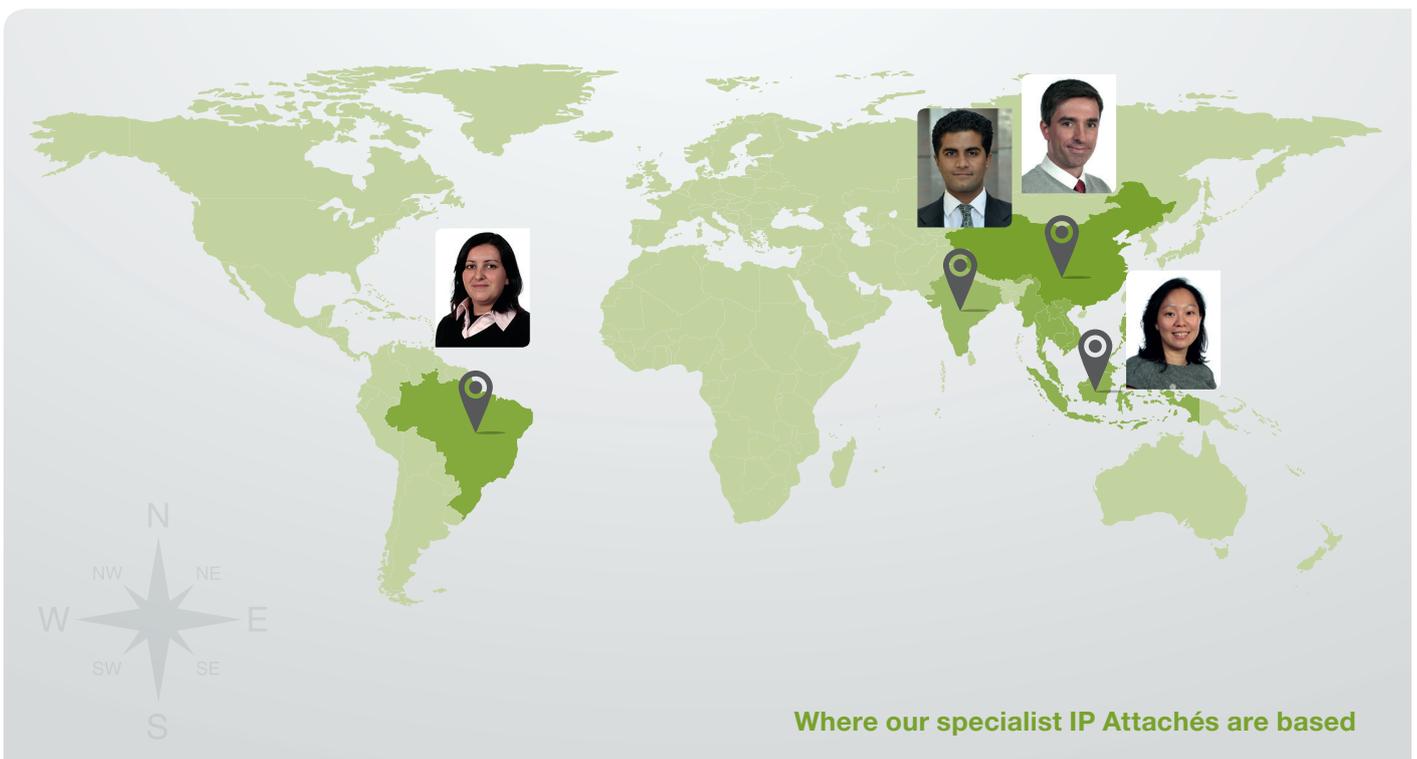
We, at the Intellectual Property Office (IPO), have continued to work with IP authorities in other countries to promote frameworks that are fair, appropriate and stimulate economic growth.

Our international activities are helping and supporting UK businesses who are exporting or who are looking to export.

As an illustration of the size of international markets, in 2011 UK businesses exported £12.5 billion of goods and services to China, quadrupling the value of exports between 2002 and 2011. This is forecast to continue increasing in spite of the slow down in China. Clearly, it is in our interests to tackle obstacles to ensure UK businesses are not hampered when operating globally.

During this year we have held a series of high profile meetings with our counterparts in China, Brazil, USA and SE Asia. We have showcased, and shared, our expertise through a wide variety of international events, projects, training programmes and technical exchanges. These have focused on raising IP awareness in overseas markets and building capacity within significant overseas offices.

Emerging markets in Asia and South America are especially important for export growth and dependent on respect for brands, patents, designs and copyright.



<sup>11</sup> Internationalisation Strategies, Barriers & Awareness Survey 2014; [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/358353/Internationalisation\\_Strategies\\_Barriers\\_Awareness\\_Survey\\_2014\\_-\\_Full....pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/358353/Internationalisation_Strategies_Barriers_Awareness_Survey_2014_-_Full....pdf)

Minister for IP, Baroness Neville-Rolfe led a Symposium in Beijing strengthening ties for IP reform and sharing judicial best practice for the new Chinese courts and the success of our fast track court for smaller claims. Significant commercial outcomes were achieved for UK business, including an agreement between Alibaba and the China Britain Business Council to tackle online piracy.

We shared our in-office expertise and knowledge of IP issues with Indonesia to help improve their IP systems and capacity to deal with one of the world's fastest growing economies and have bilateral talks planned for Singapore and Vietnam.

Building on the legacy of the London Olympics, we supported two IP workshops in Brazil using experts from the London Olympics Committee to provide advice and support on brand protection issues and fake ticket sales.

In India, we developed a practical enforcement toolkit for training police and customs officers at the National Police Academy. We are also talking with the new government, under Prime Minister Modi, about the impact of illegal copying in the publishing sector in India which affects 1 in 5 publications.

In the UK, we have devised a range of new IP guidance to help businesses understand, protect and use their IP assets more effectively in overseas markets. We have also participated in national and regional business focused events arranged via UKTI, FCO, trade association and others where 1-2-1 advice and support is available.

Over the last year, an average of 6,500 businesses per month have visited our international business web pages, receiving help and support to avoid, or deal with, IP issues in overseas markets.

Our 4 specialist IP attachés (based in Brazil, China, India and SE Asia) have led 138 separate in-country business events, providing information and advice. Our attachés are providing ongoing support to 551 businesses dealing with IP issues worth around £400m to the UK economy.



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## 4.1 Global patent reform

In 2014, more than 6,000 UK-based applicants filed for patent protection overseas. In the same calendar year, nearly 17,000 patent applications made to the IPO were used as the priority application for nearly 26,000 applications to other countries. These figures show that UK businesses are interested in seeking patent protection overseas. We are supporting British innovators to achieve their trading potential by ensuring that the international IP environment is clear and understandable.

The IPO is at the forefront of international collaboration to improve the global patent system. This year we:

- Progressed work on patent harmonisation to simplify the process of gaining and enforcing patent rights in multiple countries;
- Participated in work-sharing schemes such as the Global Patent Prosecution Highway (GPPH) reducing duplication and increasing efficiency; and
- Worked to improve the Patent Cooperation Treaty (PCT), the system which allows a single application for patent protection in multiple jurisdictions.

Making the global patent system more efficient and easier to navigate will decrease costs for those who already operate internationally, while potentially making global patent protection more accessible for smaller businesses.

## 4.2 Unitary patent and unified patent court gains momentum

As a long term European collaboration, the groundwork continues to be laid for the unitary patent and the Unified Patent Court (UPC).

The UPC and unitary patent will create a single patent jurisdiction. The current fragmented system can be complex and inefficient for firms seeking

patent protection throughout Europe. The UPC and unitary patent will ease these difficulties.

Currently, a patentee who wants to enforce their patent in more than one Member State must pursue separate legal proceedings in each state, even if the patents are essentially the same.

The UPC Agreement was signed by 25 European Member States in February 2013, and since then we have been working to establish the court through the Preparatory Committee. The UK will host the section of the court specialising in pharmaceutical and life science cases.

During this period, we focussed on domestic activity such as conducting a consultation exercise regarding secondary legislation. We have also been sourcing a case management system for the UPC, identifying suppliers and evaluating tenders. In August 2015, we announced that the home of the London Central Division would be the Aldgate Tower at the heart of London's creative and commercial communities.

Turning to the unitary patent, the level of annual renewal fees for the unitary patent is being considered. The fees must cover costs but must also offer a more affordable route for users seeking patent protection across much of the European Union (EU). Negotiations continue with a view to finalising the overall package on the unitary patent by the end of 2015.

## 4.3 Trade mark reform in Europe

The European single market comprises over 500m people, and accounts for around half of the UK's exports.<sup>12</sup> Trade marks are a valuable mechanism to develop and protect market presence. Since 1987 UK businesses have registered over 116,000 Community Trade Marks giving simultaneous protection for their goods and services in all 28 Member States.<sup>13</sup>

<sup>12</sup> HMRC summary of Import and Export Trade with EU and non-EU countries – Annual 2006-2013

<sup>13</sup> Statistical Travel Pack by country available via OHIM website at [oami.europa.eu](http://oami.europa.eu)

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The IPO has negotiated in Europe over the proposed reforms of the Community Trade Mark and the existing EU directive that harmonises the laws of Member States relating to national trade marks.

The reforms will make the process of registering trade marks across the EU cheaper, quicker and more reliable. They also incorporate aspects of EU case law on trade marks and make changes to aspects of the governance of the Office for Harmonisation of the Internal Market (OHIM).

Further, a trade mark will no longer be required to have a graphical representation. This will allow businesses to develop new branding strategies, moving away from the traditional use of words and logos.

Businesses of all sizes will benefit from a streamlined trade mark system with lower costs as well as enhanced legal certainty. The changes will also make access to justice easier and cheaper for right holders, by widening administrative opposition procedures as an alternative to more costly court proceedings.

We expect the EU legislation to be finalised by the end of the year. Once adopted, the UK will have to implement the changes required by the new directive within 3 years which will require changes to the Trade Marks Act 1994.

#### 4.4 EU geographical indication protection for non-agricultural products

We have also engaged with the EU on proposals to extend geographical indications (GI) protection in the European Union to non-agricultural products.

A GI is a sign, usually a name, used on goods originating from a specific geographical region and having identifiable qualities or reputation. Examples of relevant non-agricultural products could include Cornish Granite or Murano Glass from Italy. Their names represent a badge of quality that is much sought after and for that reason they are targeted for misuse.

In the UK we allow such products to be protected through certification and collective marks – a variant of a trade mark. This is a flexible system that has worked well. However, there are no Europe-wide rules to protect these products.

We recognise the need for effective mechanisms in relation to the protection of non-agricultural products in the EU. However, the most effective way to do so is not yet clear. Registering, enforcing and auditing new rights could create additional financial burdens to businesses large and small, EU institutions and member states.

We are currently gathering the data we need to inform the UK position. We are determined to achieve outcomes that deliver strong economic benefits and are in step with our existing national systems.



# 5. Building Respect for IP

Intellectual property rights (IPRs) work most effectively where they are respected by consumers and where fair consumer access is permitted by rights holders. Digital technologies have thrown up particular challenges for all IPRs but particularly copyright protection. We know that more than 1.5 billion files were downloaded illegally in the UK in 2013. This accounted for almost a quarter (22%) of all content consumed online.<sup>14</sup> Consumers do not always understand the potential harm caused by illegal access to digital content and may perceive restrictions on access or the cost of access as unfair.

Raising awareness of such issues is paramount. That awareness needs to be embedded at an early age and reinforced through life. Our goal is to raise a nation of budding innovators, who are able to take well informed decisions about protecting their Intellectual Property (IP) and understand and respect the boundaries of IPRs. In March 2015, Baroness Neville-Rolfe set out her vision for all students to have a basic understanding of IP as the foundation of a successful, innovative future for the UK economy. She said “every child should leave school with a basic understanding of IP principles” and that “IP must be an integrated part of learning from the earliest school years through primary, secondary and higher education”.

This was echoed in a recent discussion document<sup>15</sup> where Mike Weatherley (MP for Hove, 2010 – 2015) called on Government to support education professionals, with online resources and lesson plans. This is so that IP finds its way into the curriculum via other subjects, such that from the earliest age, our children will be given opportunities to connect with the basic principles of IP.

IP rights are meaningless if they are not respected. The Intellectual Property Office (IPO) has therefore stepped up its educational activities to target all age groups.

## 5.1 IP education for children

For the youngest audience, the IPO worked in partnership with FunKids Radio to broadcast “Nancy and the Meerkats” a radio soap opera aimed at under-12s. The series highlighted the emotional attachment we feel to our creative outputs and why this should be respected. The series and competition reached over 344,000 young people and their parents. If you missed it, you can still tune in at <http://www.funkidslive.com/features/nancy-and-the-meerkats/>.



In June 2014, we participated in the launch of the UK Music ‘Skills for Schools’ programme. People were invited to sing in our Karaoke Shower and post a video of their song to social media. The Karaoke Shower emphasises our connection to songs and the importance of copyright to ensure the continued success of the British music industry. The launch day alone achieved an impressive reach of half a million on social media, with further events held throughout the year, nearly doubling our reach on social media.



Continuing our relationship with Aardman Animations, we ran a “Shaun in the City” competition encouraging children aged 4 to 16 to explore IP. We developed lesson plans and activities for teachers to help to introduce the concepts of innovation and IP in the classroom. The competition theme was to create a contraption to transport Shaun and his sheep pals from the big city back to the farm.

<sup>14</sup> Ofcom/Kantar Media. (2013). OCI Tracker High volume infringers analysis report. <http://stakeholders.ofcom.org.uk/market-data-research/other/telecoms-research/copyright-infringement-trackerw3/>

<sup>15</sup> Discussion document entitled “copyright education and awareness” is available from the OHIM website: <https://oami.europa.eu/ohimportal/en/>

It encouraged the children to think about how the machine will look and work, what its name will be, and to develop an advertisement, thereby covering the core elements of IP. Running from October 2014 through to May 2015, we received 1200 entries by the end of March 2015. The competition not only stimulates innovative thinking, it also helps children to understand how IP links to the real world – from fiction and works of art to the world of fashion where designs and brands are a huge part of value created, to wearable electronics now used in sport or long term medical care.



2014/15 also saw continued development of the Music Inc. app. Launched in partnership with UK Music, the gaming app allows people to experience the highs and lows of launching a new artist and nurturing them to become a star. We have over 190,000 players registered and we see behaviours within the game begin to change and conform as the impact of piracy is felt – so we know this approach really can work. The features of the game were upgraded in March 2015 and it continues to be a success.

16 Creating Movie Magic is led by “Into Film”; an education charity collaborating with the Industry Trust for IP Awareness, National Schools Partnership, and Cinema First.

17 Research conducted by the National Union of Students (NUS) and commissioned by the IPO and the Intellectual Property Awareness network (IPAN)

We also engaged with film-makers, supporting the “Creating Movie Magic” initiative<sup>16</sup>. This enables teachers, film club leaders and youth group workers to open up a debate about the value of IP and involve youngsters in activities which encourage their own creative talents.

Participants were invited to produce a short film idea to celebrate the hard work and skill that goes into creating movie magic.

The winning film by 13 year old Hannah Mason was turned into a short animated film by Oscar-winning studio Aardman Animations. It was then launched in November 2014 at the ‘IntoFilm’ Festival, the world’s largest annual free film festival for young people where it was seen by 270,000 cinema goers.

The combined effect of all these activities reached an audience of 7.5 million children, young people and adults in the education sector for the financial year ending March 2015.



**The winning film "Zombie Fairy"**

## 5.2 IP in higher education

Turning our focus to higher education, research<sup>17</sup> on students’ attitudes to IP tell us that 80% of students feel that IP is important for their future careers but only 40% consider their current understanding to be good enough.

The research also indicated that the majority of students obtain their IP knowledge from their lecturers but only half of them felt their lecturers were well informed about IP. For this reason, we feel it is important that both students and lecturers have a good knowledge of IP.

To address this, in March 2015, we launched “IP Tutor” – a free online interactive learning tool for university lecturers and students.

The tool also includes a library containing discipline-specific teaching materials, video case studies and IP guidance booklets.

#### IP Tutor aims to:

- provide a tool for students and lecturers to use which will improve their awareness and understanding of IP;
- provide a benchmark for IP knowledge amongst the student and lecturing community;
- increase the number of graduates entering industry with IP knowledge; and
- encourage students to think about IP created during the course of their studies.

In its first month, IP Tutor attracted more than 500 visitors, 10% of whom completed the entire course and more than a quarter completed the module most relevant to their academic subject.

We are also working to embed IP into degree and course curricula at university. We want to see IP taught in a wider range of courses and in more universities across the UK. To that end, we continued our programme of work to embed IP into degree programmes, by engaging with various Professional, Statutory and Regulatory Bodies as well as the Quality Assurance Agency for Higher Education (QAA).

The success of this approach is expected to build as disciplines and subjects adopt updated course curricula. Already, the Engineering Council and the QAA have revised engineering accreditation and benchmarks statements to include additional IP

references. As such, all engineering programme providers must reflect the necessary changes to their programmes. Similarly, the QAA revised the business and management subject benchmark statement to have a clear IP requirement to be incorporated into degree programmes. Both changes are expected to be implemented from 2016/2017 onwards.

While we cannot quantify the effect of these changes yet, we do know that students and graduates are prolific innovators and often lack awareness of the value of the IP they create. These changes will enable both students and academics to be better placed to identify, manage, and exploit IP when developing new technology, business models or services.



Recognising the importance of IP in enterprise skills development in universities and higher education, we held the inaugural ‘StudentsHIP Enterprise Awards’ this year.

The main purpose of these awards is to support the use and understanding of IP in student enterprise activities and increase the number of IP savvy graduates leaving higher education.

Launched in October 2014, the competition ran until December 2014, with the winners presented with their awards by Baroness Neville-Rolfe at a ceremony in March 2015. This competition provided £437,000 of funding to 10 projects which will incorporate IP into university enterprise activities over the course of the next financial year (ending March 2016).

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Here is just a flavour of the projects that won this year's competition funding:

- Developing Students as Change Agents to further enhance the IP and Enterprise Culture at the University of Southampton. In this project, student “eChamps” (Enterprise Champions) will develop IP resources for their faculty during summer internships and go on to spread the word on IP to fellow students during term-time placements.
- The “iCreate” project at the University of Winchester will have student teams deliver IP clinics for local businesses within the creative industries. These clinics will promote awareness of IP, help businesses identify their IP assets and provide information on accessing professional support.

### 5.3 Raising awareness of IP in society

Work to build understanding of, and respect for, intellectual property does not stop at the school or college gates. We work in partnership with enforcement agencies and industry to help ensure that consumers understand both the risks and damage caused by IP crime. This theme was emphasised at the International IP Enforcement Summit hosted in London in



June 2014 which secured a commitment from attendees to raise citizen and consumer awareness of the damages associated with counterfeit goods and content piracy.<sup>18</sup>

We utilise the breadth of digital communication mechanisms to raise the profile of IP and its benefits along with the drawbacks associated with infringement. Along with informational guides available on our website, we write regular blogs such as those linking with the popular television series “Dragon’s Den”.

These are aimed at embedding IP into everyday life using language and concepts that are accessible to all.

This dovetails with our ‘business-oriented’ work (chapter 6) that specifically targets entrepreneurs and small and medium enterprises (SMEs) to help maximise the value of their IP.

### 5.4 Upcoming initiatives

Building on our current educational activities, we are designing a new online education hub to help make IP an integrated part of our education system, from the first days at school right through to graduation day. It will be launched in the coming year.

We are concerned that 47% of users cannot confidently identify whether the online content they download, stream or share is legal or not and that one in six (16%) internet users aged 12 and over downloaded or accessed online content illegally. So, we will be engaging with Creative Content UK<sup>19</sup> – an industry-led initiative that aims to send millions of educational notices to those detected by copyright owners infringing via unlawful peer-to-peer file-sharing.

<sup>18</sup> International IP Enforcement Summit, London 2014, Communiqué [https://oami.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/about\\_ohim/press\\_releases/IP\\_summit\\_report\\_en.pdf](https://oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/about_ohim/press_releases/IP_summit_report_en.pdf)

<sup>19</sup> Creative Content UK is a coalition led by the UK’s music and film industries (Motion Picture Association, BPI (British Recorded Music Industry) and the four biggest UK Internet Service Providers (ISPs) - Sky, BT, Virgin and TalkTalk.

# 6. Support for Business



Every business owns some form of intellectual property (IP). It could be an artistic design, shape, technology, process or brand. The Intellectual Property Office (IPO) supports businesses to identify the value of their ideas, turning inspiration into sustainable business success.

More than 90% of businesses told us that they have no IP protection. Yet we know from a recent YouGov survey that more than 80% of small businesses said it was important to understand IP. A recent study<sup>20</sup> of businesses operating in Europe shows that SMEs that own IP rights have almost 32% higher revenue per employee than SMEs that do not own IP rights at all. Further, there appears to be a positive link between increasing the number of IP rights owned by a business and an increase of revenue. So it is critical that SMEs understand and optimise the exploitation of potential IP rights.

We work in partnership with many other support organisations such as Chartered Institute of Patent Attorneys (CIPA), Institute of Trade Mark Attorneys (ITMA), Companies House, UK Trade and Industry, Enterprise Europe Network, Innovate UK and our parent department Business, Innovation and Skills (BIS) to build awareness of IP risks and opportunities and to ensure British businesses can find their way to good IP advice.

In the financial year ending March 2015, 90,000 businesses and business advisors benefitted from

<sup>20</sup> [https://oami.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/observatory/documents/IPContributionStudy/phase2/OHIM\\_study\\_report\\_en.pdf](https://oami.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/IPContributionStudy/phase2/OHIM_study_report_en.pdf)

<sup>21</sup> Banking on IP? The role of intellectual property and intangible assets in facilitating business finance

support through our training and tools. 70% of people who attended our seminars and workshops took action to protect their IP.

“The global economy is increasingly being shaped by new, young, fast growing firms. And we’re creating a policy environment that supports, not holds back, fast growing firms.”

**George Osborne, Chancellor of the Exchequer, 25 April 2013**

## 6.1 IP finance toolkit

In March this year we launched a new toolkit designed to help firms articulate what IP they own, how it is secured and how it supports the future cash flow of their business. The toolkit improves dialogue between businesses and financial services professionals.

It was launched in response to the “Banking on IP?”<sup>21</sup> report which highlighted the barriers faced by IP-rich businesses seeking debt finance. The IP Finance toolkit includes templates and guidance to help businesses accurately identify and describe their IP assets in a way that prepares them for finance applications and supports the decision making of a potential lender.



#### It provides:

- Guidance on developing an effective IP strategy, commercialisation of IP and effective due diligence processes;
- Improved guidance on finance options for IP rich businesses; and
- A glossary of accepted definitions to be used when describing and valuing IP.

The toolkit helps IP-rich businesses to develop more effective IP management and commercialisation strategies as well as encouraging them to document their IP assets ahead of any application for finance. The toolkit was launched in March 2015 as a free online tool receiving several hundred hits in its first month.

By better defining a firm's IP and its value – using a common language – a stronger case for debt finance can be presented to potential lenders, as well as identifying potential revenue strands through licensing or franchising.

## 6.2 IP audits for SMEs

We continued to deliver our IP audit scheme, funding a total of 300 audits to provide Small and

Medium-sized Enterprises (SMEs) with a strategic overview of their IP assets, including registered and unregistered IP rights. The audit assesses the viability of the IP management strategies employed by the business as well as identifying steps for the SME to take to fully maximise the value of their IP.

We concentrate our efforts on high growth SMEs who are actively engaged with one of our partners – Welsh Assembly, Scottish Enterprise or Business Growth Service (previously Growth Accelerator).

A recent study for NESTA identified that innovative firms grow twice as fast as less innovative firms.<sup>22</sup> Businesses supported by Growth Accelerator between April 2012 and March 2014 delivered £1.5 billion growth and more than 36,000 jobs.<sup>23</sup>

The IP audit programme has operated since 2010, with regular evaluations to ensure that the programme continues to deliver value for money. We will be running a pilot scheme for a new payment structure during the next financial year (ending March 2016), where businesses are required to part-fund the audit. This should help us to offer audits to more businesses.

22 (Mason et al, 2010)

23 [http://www.ga.businessgrowthservice.greatbusiness.gov.uk/wp-content/uploads/2014/11/GrowthAccelerator-Annual-Report-2014\\_FV.pdf](http://www.ga.businessgrowthservice.greatbusiness.gov.uk/wp-content/uploads/2014/11/GrowthAccelerator-Annual-Report-2014_FV.pdf)

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## CASE STUDY

Copernicus Technology Ltd is an award-winning business based in Elgin, Scotland. Established in 2008, it provides test equipment and data solutions for identifying and repairing problems in the aircraft, transport and technology maintenance industries.

The business is continuously developing new technology and has a huge amount of scientific know-how embedded into its workforce. Protecting their IP is vital to the business' long-term future.

Their regional development agency, the Highlands and Islands Enterprise, recommended that they undertake an IP Audit. In March 2014, a professional IP consultancy carried out the IP audit funded by the IPO.

“The audit gave us a comprehensive overview of the pros and cons of each option for IP protection,” explains Giles Huby, Managing Director of Copernicus Technology Ltd.

Following the audit, the consultancy provided Giles with a report highlighting the potential IP in the business, along with recommendations to strengthen their IP position.

“Before the audit, we had thought about implementing a policy to document existing practice and define additional requirements. The audit gave us a clearer idea of how to do this. The policy will help us identify new IP assets and ensure that protecting our IP remains in the forefront of our staff's minds at all times.”

One year on from the audit, the company has implemented some of the recommendations – particularly related to patents.

“Up until now, we've predominately focused on maintaining trade secrets. After undergoing the audit, we now have two patent applications pending in the UK relating to fault detecting systems.

“We have updated the IP clause in our employee contracts and, in the coming year, we are also going to register our trade marks in the EU. Trade marks are an affordable aspect of IP protection. Retaining the freedom to operate using your company name and logo by protecting your trade marks is well worth doing.”

“The IP audit is worth every penny,” he enthuses. “It provides the information to enable you to internally risk manage your IP.

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“The audit gave us a comprehensive overview of the pros and cons of each option for IP protection.”

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### 6.3 Supporting business advisors

In October 2014, we hosted our first 'Ideas to Growth' Conference, drawing more than 70 business advisors from organisations such as Growth Accelerator, Patent Libraries, Innovate UK and HMRC, many of whom we had previously engaged with through the IP master class initiative.

We had 13 guest speakers including Sean Clarke, head of rights at Aardman, and a panel discussion with business entrepreneurs such as Nick Rutter from Fire Angel who talked about the importance of protecting IP. Given the changing IP landscape, the conference also provided the ideal opportunity to brief delegates on the legislative changes.

The conference provided an excellent vehicle that encouraged networking as well as providing an opportunity to update the knowledge of business advisors. As an outcome of the conference, we have launched a forum for master class alumni to share best practice.

Given the positive feedback for the conference, we will be holding similar events on an annual basis.

A second conference is planned for London in Autumn 2015 with further regional events also planned.

### 6.4 Providing regional and local support

We are working with the British Library to develop a national network of Business & IP Centres (BIPC) based on the successful London model, initially with six libraries across the UK. The IPO has supported the development of the centres through strategic support, staff training and the delivery of activities within the BIPCs. The centres provide access to IP and business support on a regional level for SMEs and start up businesses.

The IPO has continued to support the UK PatLib Network. The network offers IP support to SMEs and entrepreneurs on a local level. This year the network has expanded to fifteen centres with Hull and Northampton joining the network. We have supported the new centres by providing training in both IP and business. We also conducted site visits to ensure that the services offered met the requirements of the PatLib Standards and Constitution.



# 7. Enforcement

Counterfeit goods cost the UK economy lost profits and tax revenues of around £1.3 billion a year.<sup>24</sup> More, as INTERPOL warns in its Turn Back Crime campaign, buying fake or pirated goods can fuel criminal network activities such as cybercrime, the illegal arms trade, kidnapping, crimes against children and even terrorism. Globally, it is big business, with 10% of global trade estimated to be in counterfeit goods. In 2013, more than \$174 million worth of counterfeit and illicit trade goods were seized by law enforcement officers during INTERPOL facilitated actions across the globe.<sup>25</sup>

“Passing counterfeit goods through a conduit of a criminality across borders and into markets threatens the basis of global trade and invention.”

**Dr Heinz Zourek, European Commission,  
Director General of DG Taxation and Customs**

Tackling Intellectual Property (IP) crime e.g. counterfeiting and piracy and protecting the rights of creators, rights holders and consumers is a priority for governments around the world.

## 7.1 Facing the global challenge together



## International IP Enforcement Summit London 2014

The first International IP Enforcement Summit in June 2014 brought together key European and international decision makers, enforcement agencies, multinational companies and other stakeholders to discuss the growing impact of IPR infringements and the challenges facing enforcement and society. The event was co-hosted in London by the Intellectual Property Office (IPO) and partners, the Office

for Harmonization in the Internal Market (OHIM) and the European Commission.

The programme included IP in the online environment, customs enforcement in Europe and across the world, and the coordination, tools and techniques to tackle IP infringement.

### The Summit:

- provided an effective forum for discussion and debate on crucial international IP enforcement matters;
- increased engagement between national and international partners in combating counterfeiting and piracy;
- supported interaction and sharing of successful examples of international best practice strategies and techniques.

For the UK, the Summit reinforced existing contacts and built new relationships across the enforcement arena. The Summit put the UK firmly at the forefront of the international fight against IP crime – leading the way in best practice solutions and sharing our world leading expertise.

### US Ambassador Matthew Barzun addresses the audience



<sup>24</sup> <https://www.gov.uk/government/news/border-force-protects-uk-public-from-fake-goods-this-christmas>

<sup>25</sup> <https://www.gov.uk/government/publications/annual-ip-crime-report-2013-to-2014>

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Following the success of the inaugural event, attendees agreed to host regular biannual summits – the next is expected to take place in Paris in June 2016.

## 7.2 Working with search engines

Rights holders are concerned that search results are pointing consumers to infringing websites rather than legitimate sources of content.

As part of its manifesto commitments, the Government has pledged to protect IP by continuing to require internet service providers to block sites that carry large amounts of illegal content, including their proxies.

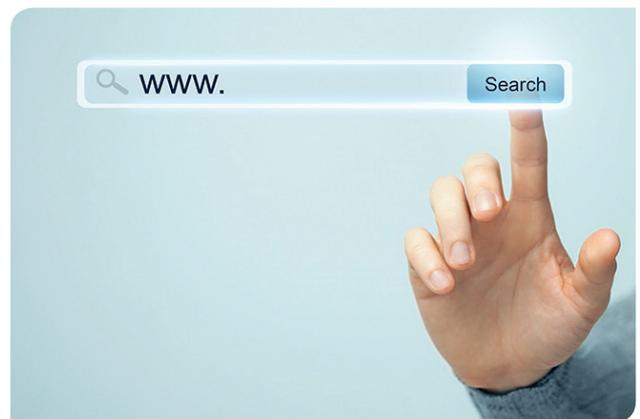
In 2014, Baroness Neville-Rolfe as Minister for IP was tasked by the Prime Minister with chairing ‘roundtable’ meetings between UK search engines and the creative industries, to discuss reducing the appearance of copyright infringing websites in search results. Meeting several times between October 2014 and March 2015, these roundtable discussions brought together the three largest UK search engines; Google, Yahoo! and Bing, as well as representatives from the Music Publishers Association (MPA), British Phonographic Industry (BPI), the Alliance for Intellectual Property and officials from Office of Communications (Ofcom), Department of Culture, Media and Sport (DCMS) and the IPO.

### Topics discussed by the group included:

- de-ranking (demotion) and de-listing (removal) of certain search results;
- the role of autocomplete suggestions;
- the methodology for measuring the prevalence of copyright infringing websites in search results; and
- what role might be played by the promotion of legal content.

These discussions have focussed on voluntary measures by search engines to reduce the appearance of copyright infringing websites in search results. Other topics have included the role of blocking injunctions, notice and takedown procedures, as well as the optimisation and promotion of legitimate services.

Work to reduce the prominence of copyright infringing websites in search results is anticipated to lead to lower levels of infringement overall, with a corresponding boost for consumption of legitimate content. This effect should increase the incentives for creators who market through legitimate platforms.



## 7.3 Stifling funding for IP infringing websites

In autumn 2014, we established a forum for representatives of law enforcement, advertising industries and government to discuss measures to tackle advertising on websites that infringe copyright.

At present, many online services and content are offered at little or no cost to consumers since they are funded by digital advertising. However, this funding model is also used by many websites that deliberately infringe IP rights.

This forum seeks to develop appropriate solutions to reduce the placement of advertising on infringing websites. It has commissioned research to better understand the scale and scope of advertising on IP infringing websites that are offered to UK consumers.

We anticipate that Content Verification companies will continue to develop technological solutions and services to protect advertisers from misplacement including advertising on IP infringing websites. Reducing this advertising helps reduce their income streams and commercial viability. Eradicating such websites helps IP rights holders protect their rights from counterfeiting and piracy.

#### 7.4 Tackling infringement of registered designs

We have been training Trading Standards Officers (TSOs) to identify infringement of registered designs.

The IP Act 2014 introduced a new criminal sanction for the intentional copying of registered designs. In order to identify such infringement and implement the criminal sanction, the IPO offered training to the relevant enforcement bodies.

TSOs already have responsibilities to enforce IP criminal sanctions for copyright and trade marks,

but the offence relating to registered designs is new, and many TSOs only have a limited knowledge of designs. The training introduced them to design law, the new criminal sanction and the way the law may operate alongside existing IP criminal sanctions.

We trained over 380 TSOs based across the UK including Northern Ireland, Scotland and Wales between May and December 2014. These are now in a position to help to enforce the rights of those who believe they have been affected by intentional copying of their registered design in the course of business.

#### 7.5 Coordinating the fight against IP crime

The IP Crime Group founded in 2004, is a cohort of representatives from private industry, law enforcement agencies and government departments that ensures that through collaboration and partnership, the UK may tackle the threats posed by IP Crime.

## CASE STUDY

In 2013, a well known Champagne brand was made aware of a large supply of counterfeit bottles in London. The company approached the IPO for help. Our Intelligence hub pulled together key intelligence and worked with Europol and Italian contacts to develop an operations plan. The Guardia di Finanza made arrests and seized counterfeit goods in Naples before further arrests in France and Spain. In the UK, the South East Regional Organised Crime Unit led the operations with Europol, the IPO and brand and law enforcement agencies, to raid two London warehouses. The teams seized bulk stock of fake goods.

The investigation was resolved at court this year. The organised crime group were successfully dismantled and prosecuted with a **£8.5M** tax bill owing to HMRC.

**£34,000**

seized



Paperwork and computers identifying further intelligence



lorries containing over **£200k** of alcohol, including champagne and vodka



Counterfeit power tools seized:

**22**



generators

**3**



chainsaws

**1**



pressure washer

Alongside the IP Crime Group, we operate the Intelligence Hub coordinating criminal intelligence between IP enforcement agencies and the private sector in the UK and overseas.

Our aim is to make the world a small place for criminals

**Huw Watkins, head of the Intelligence Hub**

IP crime affects legitimate businesses as well as funding criminal activities. In addition to business harm, there are often issues relating to physical harm, where poor quality counterfeit electrical goods and alcohol products can prove fatal. Further, counterfeiting activities are frequently linked with serious and organised crime.

A significant partnership between the Intelligence Hub and the UK Border Force has resulted in closer working practices where we have contributed directly to the Border Force Annual Threat Setting – identifying and prioritising the risks to the UK. These risks have also allowed the IPO to develop work to reduce the flow of counterfeit goods into the UK.

There have been successes in the enforcement of IP rights across Europe, where we recently worked with Europol to coordinate operations.

On the worldwide arena, National Crime Agency intelligence has been shared with counterparts in China, Vietnam, Indonesia and the Philippines to support the rights of UK brands and rights holders.

## 7.6 Supporting the Police

IP crime may often be perceived as having little impact on wider society with only the rights holder being detrimentally affected. However, evidence shows that criminals involved in IP crime are also likely to be engaged in other types of serious criminality such as people trafficking, drug smuggling and money laundering. Indeed, it is estimated that between 250 and 500 organised crime groups are involved in IP crime.<sup>26</sup>

In recognition of the positive impact that the Police Intellectual Property Crime Unit (PIPCU) has had since its creation, the IPO has agreed to fund the unit for a further 2 years until September 2017.

The PIPCU comprises a 20 strong-team, consisting of detectives, analysts and researchers and is based within the Economic Crime Directorate of the City of London Police, the National Lead Force for Fraud.

The PIPCU was set up in 2013 to tackle online IP infringement. The unit has had notable successes in negotiating the de-registration of many illicit websites, the creation of an Infringing Website List to guide online advertisers, and a number of high profile investigations into digital and physical infringement with an online element. The unit has attracted considerable attention from other countries, with several currently looking to create their own units.

Amongst other interventions, PIPCU works to remove payment provisions from infringing websites using money laundering legislation and in 2014 removed 4,650 offending sites with a ‘.co.uk’ address from the UK domain.

Between July 2014, and April 2015, PIPCU diverted more than 10.3 million visitors to illegal music and film sites to an official police warning page.



26 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/307829/ipcreport12.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307829/ipcreport12.pdf)

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## 7.7 Resolving design disputes

The IPO recognises that many businesses (particularly SMEs) face financial and logistical obstacles when challenging IP rights. This year, we have held a series of consultations about alternative mechanisms to resolve IP disputes.

For designs, the previous appeal mechanism to the Registered Design Appeal Tribunal was outdated and rarely used. Following a consultation exercise, we have introduced a new route of appeal against decisions of the IPO relating to designs.

If a business wishes to appeal a decision on a design matter, it may now choose to go to the 'Appointed Person' for Designs. An appeal to the Appointed Person is quicker and cheaper than going to the High Court (although unlike the High Court there is no further appeal). This aligns the approach for designs with that for trade mark decisions, and helps to streamline the IP appeals system.

This new route of appeal allows businesses to make a choice to best suit their individual needs. It will help businesses, often SMEs including lone designers, seeking to register UK designs at the IPO as well as those who are in dispute with third parties about licence fees relating to unregistered design rights.

## 7.8 Use of mediation

For trade marks, we are conducting a pilot exercise for referring trade mark oppositions to our existing mediation service.

Businesses are largely unaware of mediation and the services we offer. They have concerns around disputes about their IP rights and often believe they do not have access to justice because of disproportionate legal costs.

Understanding mediation options will save businesses money and opportunity costs as it could help them to resolve the dispute earlier.

Where it is felt that it may be beneficial, hearing officers for trade mark oppositions will suggest mediation is attempted before attending a hearing. This should provide a quicker solution for customers

involved in the dispute rather than going through the legal procedure, as well as giving the parties the opportunity to resolve wider dispute issues.

Feedback from events held for attorneys indicated support for mediation. An extra benefit is that wider issues can be discussed at a mediation which cannot be discussed at a hearing.

This is in line with the wider government aim to improve access to justice at a proportionate cost.

We have found that 70% of parties that use the IPO Mediation Service will settle the dispute in a day at a fraction of the cost of litigation.

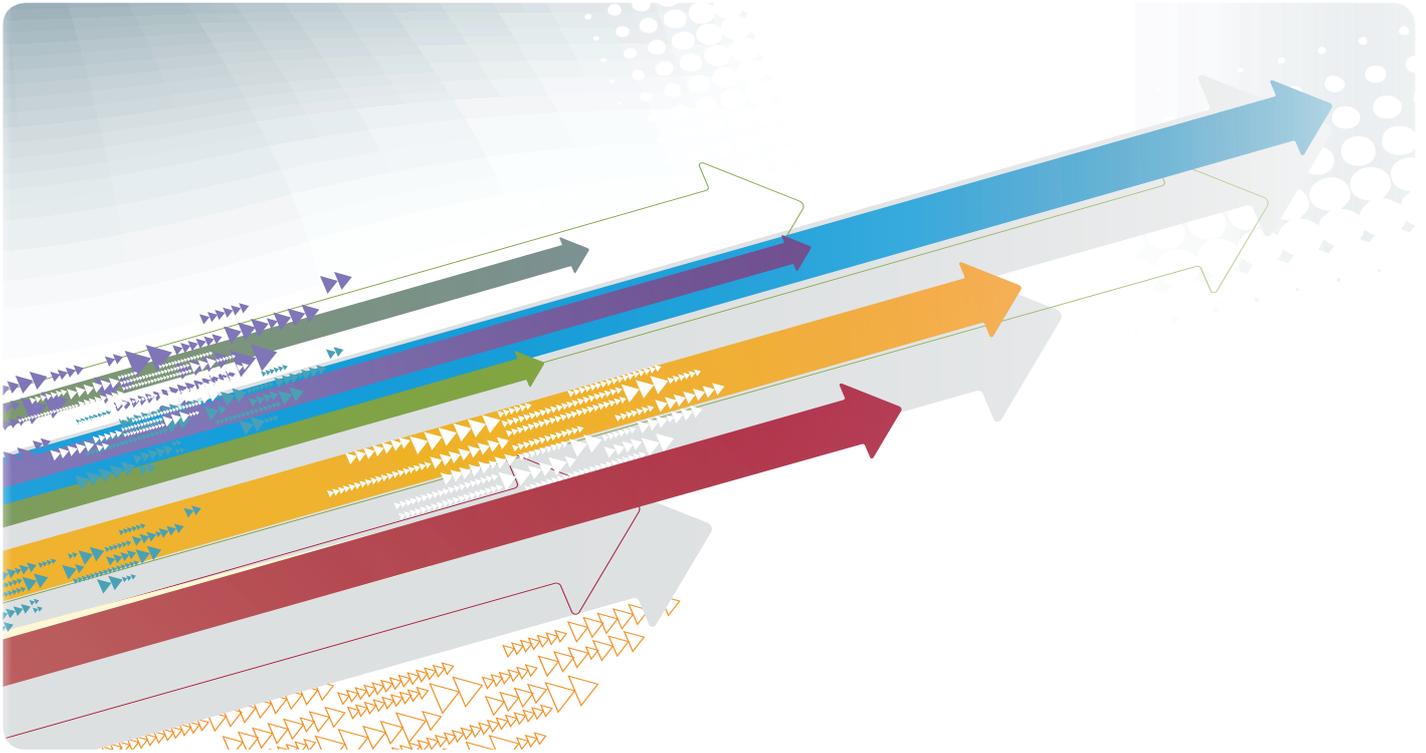


## 7.9 Expanding the Patents Opinions Service

For patents, the IP Act 2014 has expanded the Patents Opinions Service offering unbiased and independent opinions on a broader range of issues, including exclusions from patentability, sufficiency and added subject matter. The Act also introduced the power for the Comptroller to revoke patents where an Opinion has shown that it is clearly invalid. Prior to the change, third parties would have been required to litigate to remove such patents tying up scarce Court resources.

Whilst these may have little direct effect on consumers, they will help UK rights holders establish and maintain or challenge rights. This is further evidence of our determination to ensure that seeking IP protection results in credible, valid and enforceable rights.

# 8. Looking Forward



This report has looked back at how the IPO worked to build a world-class IP system that supports innovation and growth in the UK through the financial year ending March 2015.

The challenge is evolving – particularly in light of the digital revolution. This presents opportunities to improve how we deliver our services but also exposes shortcomings in existing legislation both at home and overseas that need addressing.

In Autumn 2015, we will be publishing our new strategy, setting the direction for the IPO for the next five years. The strategy will detail the goals and outcomes we are pursuing and how we will deliver the commitments made in the Government's manifesto to support UK creativity and innovation and help to grow the UK economy.

These are likely to build on: providing high quality registration services; educating businesses, young people and consumers to understand IP; and fair and proportionate enforcement.

In the year ahead, there will be a number of important opportunities to drive forward this ambition including overseas engagement. We will be hosting a symposium for our Chinese counterparts and the Minister will lead a delegation to SE Asia aimed at forging closer relationships with policy makers and IP authorities in growing markets. There are also visits to Geneva, Washington and China being planned.

## 8.1 A digital single market

The digital revolution offers significant opportunities for both businesses and consumers, but also generates concern about how best to handle the many issues related to the digital economy.

Consumers want to do more and more online and as easily as possible, and firms want to establish themselves, grow, and sell across the whole market place. The priority for the UK Government is to enable consumers and businesses to take advantage of these opportunities whilst supporting the needs of rights holders.

In January 2015, the Prime Minister urged the EU Commission to take bold steps to create an open and flexible digital single market. He asked the Commission to consider targeted reforms to ensure consumers have access to the goods and services they would expect in a modern digital economy.

The copyright framework plays an important role in the ecosystem that should allow businesses to innovate to best serve changing digital markets. Following the publication of their Digital Single Market Strategy in May, the Commission is likely to publish a package of copyright reforms by the end of 2015.

The IPO will continue to work closely across government, with stakeholders, other Member States and the Commission to inform the UK's policy development and subsequent response to reform proposals. We want to ensure that any reforms are targeted and evidence-based so consumers are better served and businesses have an environment that allows them to access new markets, innovate and grow.

## 8.2 Modernisation of our rights granting services



We have now embarked on a major three-year project to deliver a digital transformation of our services in line with the needs of our customers. "Transforming the IPO Digitally" (TRIPOD) will not only improve our customer services, but also provide our people with the modern technology they need to work effectively.

A central pillar of this transformation work will be the introduction of new technology solutions based on a modern foundation. Our focus will be on building solutions which support world class business services, which can adapt swiftly, for example to meet changing customer needs, and are also efficient to maintain.

The coming year will focus on two workstrands:

- Apply for a Design: work commenced in October 2014 to introduce a new online application service for our designs customers, we aim to deliver new digital services for both customers and internal staff; and
- Apply for a Patent: started in November 2014, the project will deliver new ways of working such as new electronic filing solutions and the development of a new workflow solution.

## 8.3 Online educational hub

This year, we will significantly redesign the IPO's 'Cracking Ideas' website to develop it into an online hub for educational resources.

The current site already provides a range of teaching materials centred on Aardman's Wallace and Gromit characters. However, it is focused on younger children and lacks the broader appeal we need to reach a wider audience.

The new education hub aimed at teachers and tutors, will bring together a wide range of teaching materials suitable for school children through to university students. As a single point of information, the education hub will help develop engaging lesson plans, making it easier to introduce IP in the classroom or lecture hall.



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#### 8.4 Reforming the law on groundless threats

Completing legislative changes introduced in the IP Act 2014, we will propose reforms to ensure that the groundless threats provision are sufficiently clear and that they better protect businesses from being unfairly threatened.

Current patent, trade mark and design law provides some protection for businesses being unfairly threatened with legal action for IP infringement. However, based on recent research and consultation, the Law Commission has recommended that law be strengthened. The proposed reforms will prevent threats being made for the sole purpose of intimidation or to seek an unfair advantage, and where no infringement of an IP right has actually occurred.

#### 8.5 Meeting the challenge

In her foreword for this report, Baroness Neville-Rolfe made clear that providing the best environment for our innovators and creative talents is crucial to our economic future. This report shows that we are making good progress in shaping the way intellectual property is understood and protected within that environment, but there is further to go. The Strategy document to be published later this year will show clearly how we will seek to build on the UK's already strong intellectual property infrastructure to deliver the world's best IP environment as an essential ingredient for UK innovation and the growth that will fuel our long term prosperity.



# 9. Annex: Research Published by the IPO

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<b>May 2014</b>	Eight great technologies: satellites
<b>June 2014</b>	Eight great technologies: regenerative medicine Eight great technologies: robotics and autonomous systems Eight great technologies: energy storage Eight great technologies: big data
<b>July 2014</b>	Measuring infringement of intellectual property rights Exploring perspectives of the UP and UPC Patent Backlogs and Mutual Recognition Eight great technologies: Life sciences, genomics and synthetic biology
<b>August 2014</b>	New eight great technologies: quantum technologies New eight great technologies: internet of things
<b>September 2014</b>	Markets in IP and Enabling Information Ecosystems Estimating UK investment in intangible assets and IP rights
<b>October 2014</b>	Eight great technologies: the patent landscapes IP attaché evaluation report
<b>February 2015</b>	International comparison of approaches to online copyright enforcement
<b>March 2015</b>	Penalty Fair Eight great technologies: advanced materials Eight great technologies: agri-science Patent backlogs: a methodological update for UK analysis Examining Patent Cases at the Patents Court and IPEC: 2007-2013 Patent Harmonisation: US & UK Study on Grace Periods Copyright and the value of the public domain Graphene: the worldwide patent landscape in 2015 A legal and empirical study into the intellectual property implications of 3D printing



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