



**INTELLECTUAL**  
PROPERTY OFFICE

## The Patent Office

# Annual Report & Accounts 2009/2010

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# The Patent Office

## Annual Report and Accounts

### 2009/2010

#### THE PATENT OFFICE

Presented to Parliament pursuant to section 121 of the Patents Act 1977, section 42 of the Registered Designs Act 1949 and section 71 of the Trade Marks Act 1994, pursuant to section 4(6) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990. The Patent Office is an Executive Agency of the Department for Business, Innovation and Skills.

#### **2009/2010 Annual Report & Accounts**

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# Chapter One

## Chief Executive's Introduction

I am very pleased to introduce the Annual Report & Accounts of the Office following my appointment as Chief Executive and Accounting Officer on 15 February 2010.

2009/10 signified the start of significant change and development for the Office, during a difficult period for the economy. As the UK emerges from recession, it is clear that the knowledge economy will be central to creating sustainable economic growth. This is where the UK must focus its efforts across manufacturing and services sectors. Intellectual Property (IP) underpins the knowledge economy: it provides the means by which businesses and individuals can commercialise their ideas, turning them into the products and artistic expressions which improve the quality of life of consumers in the UK and internationally.

We have made substantial changes to core activities in the year to continually develop and improve the service we offer. This included introducing new services, like Right Start, allowing applicants more choice and options on how they apply and pay for Trade Marks as well as further discounts for e-trading. We are continuing to explore ways of accelerating examination of patent applications already filed in other jurisdictions. Machinery of Government changes meant the Office became part of the new Department for Business Innovation and Skills (BIS) putting IP and innovation at the heart of the Department.

Along with the changes has come continued success. We have maintained our reputation for granting high quality IP rights and as a customer focussed agency. This is fundamental to the success of the Office.

This all reflects the commitment and dedication of our people over what has been a difficult year involving job cuts to bring our costs in line with reduced levels of income. I would like to extend my sincere gratitude and thanks to them for all their hard work as well as the help and support they have given me since my arrival.

At the same time we need to make sure that the IP message is influential in the wider economic debate. This means that we will continue to develop our policy and outreach capability, as well as providing excellent customer service in our rights granting activities. In common with all parts of the public service, we will need to deliver our services and policy advice efficiently and effectively. Last year, the Intellectual Property Office (IPO) commissioned two value-for-money reviews and we are taking forward work on these in 2010/11. The IPO itself is a knowledge-based business and we will want to strengthen further the skills and capabilities of our people.

This is a very challenging time for all public services. But I believe the IPO has an increasingly important role to play in the economic life of the country and I look forward to working with colleagues in the Office as well as our many stakeholders.



A handwritten signature in blue ink that reads "John Alty".

**John Alty**  
Chief Executive and Accounting Officer

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# Chapter Two

## Management Commentary

### INTRODUCTION

The Patent Office<sup>1</sup> was established in the mid-nineteenth century with responsibility for the granting of patents of invention. During the 1870s it acquired the responsibility for registering trade marks and industrial designs, when the Trade Mark Registry and Designs Registry were transferred to it. At that time it was part of the Board of Trade.

The Patent Office became an Executive Agency of the then Department of Trade and Industry in 1990 and acquired trading fund status on 1 October 1991. The Patent Office took on the operating name of the UK Intellectual Property Office on 2 April 2007. Following machinery of government changes on 28 June 2007 the Office became an Executive Agency of the Department for Innovation, Universities and Skills (DIUS). Further machinery of government changes announced on 5 June 2009 resulted in the Office becoming an executive agency of the Department for Business, Innovation and Skills (BIS).

### STATUTORY BACKGROUND

Major UK legislation under which the Office operates includes:

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

The accounts have been prepared in accordance with a generic direction issued by Treasury on 21 December 2009 under section 4(6) (a) of the Government Trading Funds Act 1973. The direction requires compliance with the relevant edition of the Government Financial Reporting Manual (FRM).

### PRINCIPAL ACTIVITIES

The Office facilitates the growth, creativity and innovation of industry and commerce through the development and exploitation of intellectual property rights relating to copyright, patents, trademarks and registered designs. These rights play a key role in fostering innovation and competitiveness. The Office is responsible for influencing and developing the national and international frameworks that govern intellectual property rights.

For the period under review, the Office's core objectives contributed to the achievement of the BIS Departmental Strategic Objective DSO2:

Increase innovation, enterprise and the creation and growth of business, with a focus on new industrial opportunities and bringing benefits to all regions.

### DEVELOPMENT AND PERFORMANCE

The reporting period of 2009/10 has been very busy and challenging for the Intellectual Property Office (IPO).

The Office was not immune to the impact of the world-wide economic slowdown which reduced demand and increased uncertainty. The Office is wholly dependent for its income on fees and interest on cash balances (which has fallen from £2.7m in 2008/09 to £0.2m in 2009/10). A major reassessment of spending and staff posts was undertaken and significant savings identified. This has led over the year to 52 people joining a surplus pool. 41 have successfully been redeployed in the wider civil service or to posts which became vacant in the Office. The remaining 11 are generally recent entrants to the pool and it is expected they will be redeployed in early 2010/11.

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<sup>1</sup> From 1 December 2008 the Intellectual Property Office has been the operating name of the Patent Office. Prior to this the operating name was the UK Intellectual Property Office.

The Office has however maintained its focus on delivering for partners and stakeholders. On 12 May 2009 the Office launched a “green channel” for patent applications which enables patent applicants to request accelerated processing of their application if it relates to green technology. This has been positively received by agents and applicants. Three other national patent offices have now launched similar schemes and three others have expressed interest in doing so. As part of the G8 summit in Canada in June 2010 the Office is working towards an agreement for all G8 countries to introduce schemes for fast-track green patents and license facilitation, to encourage innovation in environmentally sound technologies as well as to support greater technology diffusion.

A number of changes to the legislative framework were taken forward in the reporting period. They underpinned the registration of trade marks to ensure that it remains proportionate and fit for purpose; and made a number of incremental improvements to the operation of the examination and trade mark tribunal processes. The Office introduced an entirely new service – the RightStart service which allows applicants more options on how to proceed and pay for a Trade Mark. An e-filing incentive to encourage businesses to apply to register their trade marks and patents on-line was also introduced.

The Office accepted the Full Business Case for the TM10 project to see the implementation of an electronic case work system based on the Office for Harmonisation of the Internal market (OHIM) Euromarc++ software.

We look to lead the debate domestically on how copyright should be shaped best to provide for creators, business and users in the digital age, we have taken the debate to the European and international level, and begun to translate findings into action. As such we developed a Copyright Strategy, which was launched at the International Digital and Creative Industries (C&binet) Conference on 28 October 2009. The strategy formed the basis for an IPO response to a European Commission “reflection paper” on digital content, which will inform the agenda of the incoming Commission. We have received positive feedback on the strategy from industry and other governments. It also generated widespread media coverage.

The Office continued its success working with Oscar® winners Aardman Animations to develop a programme designed to excite and inspire children to innovate. The Office sponsored the exhibition “Wallace and Gromit – A World of Cracking Ideas” which opened in the Science Museum, London on 28 March 2009 and ran until 1 November 2009. Around 186,000 people visited the exhibition and independent feedback has been positive and has shown that the original objectives have been met with substantial media coverage. The Exhibition moved to the Glasgow Science Centre on 2 April 2010 and will remain until 30 November 2010. A third venue has also been identified.

We led and contributed to a cross-Government project group, which was set up to draft and make available resources on the management of intangible assets in the public sector. An on-line information facility designed from the work carried out by this group will be published in spring 2010.

The Office held an International Forum on the economic value of intellectual property (IP) on 10 June 2009. The forum brought together prominent policy-makers, academics and business representatives to contribute to the debate. We also launched, with the Strategic Advisory Board for Intellectual Property Policy (SABIP), a joint programme of economic research on 26 November 2009. This programme can be viewed at <http://www.sabip.org.uk/forumip-planofaction.pdf>

The Office represents the UK Government as a member of the governing councils of both the European Patent Office (EPO), and the Office for Harmonisation of the Internal Market (OHIM) which offer European Patents and EU Trade Marks and Designs respectively. In addition we represent the UK Government as a member of World Intellectual Property Office (WIPO) which administers both the Patent Co-operation Treaty (PCT) and arrangements under the Madrid Protocol, alongside a number of international IP treaties. These bodies also offer IP right holders an alternative to the Office as a way of obtaining IP rights in the UK. This competition ensures we maintain focus on service delivery.

We have continued to work with colleagues in Contracting States on EPO reform. The EPO has introduced a new pension scheme for new employees which will limit future liabilities. The 2009 EPO budget is likely to have been executed with a positive operating balance through rigorous control of expenditure. The Office also represented the UK at the election of a new President of the EPO. Benoît Battistelli replaces Alison Brimelow on 1 July 2010.

The Office consulted with focus groups in April 2009 and June 2009 to identify ideas for reform of the PCT system. These ideas were incorporated in an informal consultation issued during the summer. We are implementing one improvement in the UK national phase and discussing other ideas with international partners.

The UK joined the WIPO Priority Document Access Service on 4 October 2009. By using this service, applicants can substantiate their claim to priority by using a copy of a priority document held in or accessible via a secure WIPO database. The service means that applicants do not have to provide a certified copy of the priority document separately to each participating Patent Office with which a patent application claiming priority is filed.

We signed a patent prosecution highway (PPH) agreement with Korea in July 2009 and this entered into force on 1 October 2009. We continue to work with the Chinese Patent Office (SIPO) to encourage work sharing between examiners, and with the Japanese Patent Office (JPO) to identify issues that need to be addressed before mutual recognition between our offices could be implemented. We also commissioned an economic study on the cost to the wider economy of patent backlogs, which was launched on 10 March 2010.

We continue to look to develop all areas of activity and the Office commissioned two independent reports, one by the National School of Government and one by Ian Heath ( a former Head of IP Australia) and Gary Austin ( a non executive member of the steering board). Both reports raised a number of issues around governance, efficiency and value for money. The response to these reports will form a major part of a change programme for 2010/11.

The Office exceeded its financial and nearly all of its non financial targets in 2009/10 (see Key Performance Indicators). Turnover for the year ended 31 March 2010 was £61.2 million, up from £61.1 million the previous year. This reflects mostly increased patent renewals with demand for most other products down on the previous year.

The Office made an operating surplus on ordinary activities of £4.6 million (2008/09 £7.2 million deficit). After charging interest of £0.2 million (2008/09 £0.2 million) and declaring a dividend of £2.5 million (2008/09 £7.2 million) on public dividend capital, a net surplus for the year of £1.9 million remained. The latter has been transferred to reserves. The deficit of £7.4 million before dividend of £7.2 million in 2008/09 reflected management decisions to undertake significant expenditure on Voluntary Early Retirement and Voluntary Severance Schemes (VER/VES) as well as major promotional spend including the Science Museum Exhibition. The surplus in 2009/10 reflects the reduction of expenditure in these areas as well as significant measures taken in the light of falling interest rates and demand to reduce expenditure across the Office.

The Office has also made the transition to International Financial Reporting Standards (IFRS) in line with central government targets. These accounts represent the first year under IFRS.

We conducted a consultation on fees during the year and announced the introduction of new fees. We laid the relevant statutory instrument before Parliament which took effect on 6 April 2010. This is expected to bring in significant additional income annually, mainly on renewals. Some of the income received in 2009/10 reflects customers taking advantage of the three month window to file renewals early to avoid the fee change. The consultation indicated that the fee change would have little overall impact on filings.

## OBJECTIVES

Our medium term objectives are:

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

To have carried out the analysis needed on the current global IP system so that reforms will be underway or have taken place

To work closely with our partners in the EU to agree an EU Patent and European patent court which shows clear benefits to business and society

To have identified and implemented a package of measures to ensure the IP system supports the development and dissemination of technologies needed to tackle climate change

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

To ensure that the legal framework as well as IP enforcement activity across all the agencies and bodies concerned is both coherent and coordinated, and recognised as an effective and efficient instrument in the fight against IP crime

To work with other Intellectual Property Offices to encourage work sharing and other measures to create a more efficient and customer-friendly international patent system

To continue to offer high quality, cost effective and timely access to Intellectual Property Rights in the UK and internationally

To amend the legal framework and develop the necessary IT to provide online inspection of patent files

To have persuaded key partners of the case for patent reform and begun to put in place a system of work-sharing arrangements between major offices

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

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

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

## **POLICY**

Keeping the UK policy framework relevant is a constant challenge within a framework of International, EU and domestic law. During the next reporting period we plan to continue our work to support reform of WIPO and the EPO and work to influence the European Council and European Parliament positions on the EU patent that reflect UK objectives of a patent system which is good for business and the economy, including a European patent court which delivers efficient and consistent decisions.

We will work to agree UK ideas on work sharing for patent processing with the US and Japan. We will also agree across Whitehall a policy framework for technology transfer, particularly focusing on climate change and access to medicines, so that the UK can play a leading role in the debate on how to foster a global IP system that supports and encourages technology transfer.

The importance of the creative industries in the UK economy and the problems associated with Copyright infringement remain a priority. The role of effective enforcement is essential if we are to meet this ever growing threat.

## **RESOURCES AND LIQUIDITY**

Our reputation for quick and high quality granting of IP rights is fundamental to the Office's business.

For this we rely heavily on the skills and professionalism of our staff. It remains a challenge to align resources with demand while taking a prudent view of future conditions. As a Trading Fund the Office is self financing and must meet any investments from its own resources. This has become particularly difficult in the last financial year with the global economic downturn affecting demand, revenue and interest received. The Office reduced staff numbers by not filling vacancies, running a further VER/VES scheme for patent examiners and transferring surplus staff to other government departments. In addition, the Office is reducing non-staff expenditure where possible while minimising any impact on service levels.

The Office still maintains a strong cash and liquid assets to cover prudent investment plans. The Office generated a cash inflow of £1.0 million (£6.1 million cash outflow 2008/09) from its operating activities. The Office, however, will pay a dividend of £2.5 million to BIS and this represents the 4% return on capital target. The Office retains over £70m in cash. These funds are invested with the National Loans Fund and are currently earning under 0.5%. This is a significant fall on previous years. In June 2009 the Government also decided that the Intellectual Property Office would make a payment of £25m to the Department for Business Innovation and Skills. This funding is to further advance the innovation agenda lead by the Department. While this has not been called yet the Department still anticipates requiring the funding at an undetermined date.

In addition we have non-current assets of £23.0 million mostly connected with our ownership of Concept House which was valued at £20.0 million at 31 March 2010.

## **RISKS AND UNCERTAINTIES**

We have adopted an approach to risk management that seeks to ensure new policies and activities are made with due consideration of associated risks, the Board's tolerance for risk in those areas, and potential mitigating actions. Our management of risk therefore relates to all aspects of our operations. We have categorised all of our activities for risk management purposes and defined our risk tolerance for each. We record, and actively manage risks using our strategic, directorate and project risk registers.

As the Office is dependent on customer demand we have to continually review the risks to our income and this is why we have been acting quickly to adjust to the current circumstances.

There was a possibility that, when OHIM joined the Madrid Protocol, substantial amounts of trade mark business would be diverted there with a corresponding loss of income to the Office. However, there has been no substantial evidence of this. OHIM reduced its fees in May 2009 and the Office responded in October 2009 by introducing electronic filing discounts and the new Right Start service. One of the aims of the TM10 programme is to ensure we remain competitive.

The Office is heavily dependent on income from European (EP (UK)) Patent Renewals whereby national offices keep approximately 50% of the national renewal fee relating to EP patents and the rest is remitted to the EPO. If this were reduced to say 40% it would cost the Office over £5.8 million. There is no suggestion that this arrangement is likely to be reviewed in the short term. Similarly while it is anticipated from our consultation that the fee changes will not have any significant impact on activity we will monitor the situation closely.

## INFORMATION SECURITY

Following the Data Handling Review (2008) and the publication in 2009 of the Security Policy Framework (SPF) we have worked towards reporting our progress to our parent department, BIS, using the Cabinet Office Information Assurance Maturity Model. This was completed on 30 April 2010.

We continue to monitor and audit procedures to work towards achieving ISO 27001 (Information Security Standard) for the IT Department. We have cross referenced the SPF requirements to ISO 27001 in order to identify like procedures and policies.

**TABLE 1:  
SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS  
FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S  
OFFICE IN 2009/10**

Date of incident (month)	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification steps
N/A	None	N/A	N/A	N/A

### Further action on information risk

The Office continues to review and update its information security procedures.

**TABLE 2:  
SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED  
INCIDENTS IN 2009/10**

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss on inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

**TABLE 3:  
YEAR-ON-YEAR TOTAL NUMBERS OF PROTECTED PERSONAL DATA  
RELATED INCIDENTS PRIOR TO 2009/10**

Total number of protected personal data related incidents formally reported to the Information Commissioner's Office by category number

	I	II	III	IV	V	Total
2008/09	0	0	0	0	0	0
2007/08	0	0	0	0	0	0
2006/07	0	0	0	0	0	0

Total Number of other protected personal data related incidents, by category number

	I	II	III	IV	V	Total
2008/09	0	0	0	0	0	0
2007/08	0	0	0	0	0	0
2006/07	0	0	0	0	0	0

## KEY PERFORMANCE INDICATORS

The Key Performance Indicators (KPIs) are set within a balanced scorecard framework and allocated to 4 perspectives. These KPIs are agreed with Ministers and published in our annual strategy document.

The KPIs for 2009/10 and our performance against them is set out below, and summarised with previous year's performance in Chapter 5.

## CUSTOMERS AND STAKEHOLDERS PERSPECTIVE

There are thirteen measures specifically relating to the customers and stakeholders perspective. Four of the targets specifically relate to the delivery of services. The first two (in the patent area) set an expectation that 80% of searches and 90% of accelerated examinations should be completed within specified periods. Searches are a chosen focus as they are a key requirement for users. The search target was set at 4 months from request; this is a key stimulus to delivering a better service to our customers. The outturn for the full year was 90%. For accelerated examinations, the target period is calculated from the date of the allowable request for accelerated examination, and was set this year to respond within 2 months. Performance this year resulted in an excellent outturn of 95%.

Trade Marks Directorate aim "To register 90% of processed Trade Mark class applications, to which no substantive objections have been raised or oppositions filed, within 7 months of application". Both the OPTICS and TMAD IT systems provide a breakdown each month showing how many applications have been registered and within how many days. The systems do not show how many days each individual case took to register but confirm the number of cases which are registered within a variety of time periods. The Agency Target is 210 days and our systems tell us precisely the percentage of applications each month which are registered within 7 months (210 days). For this financial year, 99% of Trade Mark applications that were not the subject of substantive objection or opposition were registered within 7 months of filing.

Our Designs' Target aims "To register 95% of all correctly filed design applications, to which no substantive objections have been raised, within 2 months of the date of application". This ensures all designs applications that fall into that category are processed quickly through the system and are not subject to any undue delay. We calculate this by considering all designs filed in the period 2 months earlier than when the target date is due to be recorded. The status of each design application is taken from our ACORD IT system and calculated, so that the target achievement figure is only given on those that have been recorded as correctly filed and with no substantive objection raised. This is done month by month, and the annual achievement figure is calculated by taking the performance over the whole year, which was 99% for this financial year.

We aim to "make the correct decision on registrability for at least 98.5% of Trade Mark applications". To determine performance against this target, all marks published in the Trade Marks Journal are reviewed at a senior level to decide whether the marks have been correctly accepted. Any marks felt to be 'wrongly accepted (WA)' are offset against the total number of published marks. We also sample approximately 50% of all refused applications to assess whether they have been correctly refused. Any cases which are considered to be 'wrongly refused (WR)', are offset against the sample number of refused cases. Adding together the published and refused cases and offsetting the WA and WR cases mentioned above provides an extremely accurate record of the level of decision making, with 99% of all registrability decisions considered to be correct for this financial year. Where wrong decisions are identified, corrective action is taken.

The third patent-specific target requires that 95% of quality-assured cases will be assessed as having delivered good customer service. This target recognises that our services should be delivered not only quickly, but also to a high quality. We are pleased to have achieved a 96% return, which is equivalent to other patent offices which publish data on quality.

To add a focus on measurement of our work to shape the policy environment, three targets were introduced. The first was to develop a cross-government international IP strategy and have agreement with Whitehall ministerial or senior official group by February 2010. Unfortunately this target has not been met. The strategy is in the final stages of drafting and all facilitated sessions with Her Majesty's Government stakeholders were completed by end of March. This work will be completed in the next reporting period.



The other two targets in this area relate to the co-ordination of IP crime related intelligence and the building of understanding of how to tackle IP crime within the relevant enforcement agencies and industry groups. The first of the targets was for the Intelligence Hub to be seen as the lead player in the co-ordination and dissemination of IP crime related intelligence. This was met. A questionnaire on hub activity was distributed amongst key stakeholders from industry and enforcement, all of whom identified the hub as the lead agency for IP crime intelligence in the UK.

The second of the targets was to receive positive feedback on awareness raising and training activities from industry and law enforcement agencies. This was also met. We have received positive feedback from our comment sheets following events and there has been a marked increase in the quantity and quality of intelligence reports submitted to the hub which would suggest that our awareness raising and training is having a positive effect on behaviour.

To measure our outreach effectiveness we have three targets. To demonstrate the increase in understanding of British business and society about how to make the best use of the IP system we were targeted to identify a third venue for the Science Museum exhibition and have put agreements in place with the venues by December 2009. This was achieved and the second venue has now been announced.

The second target was designed to demonstrate the benefit of sponsoring the Science Museum exhibition in improving understanding of IP. Evaluation will show a positive impact and value for money of the Science Museum project and provide information for future outreach work. This was achieved. Independent evaluation indicates that exhibition targets for communication of IP messages have been met. An evaluation framework has been designed and implemented.

The third outreach target was designed to extend the outreach work to business by means of the online IP Health Check, e newsletter and engagement of business advisors. We wanted 66% of the responses of users of the IP health check to be positive. The 2009/10 outturn was 88%.

The final customer and stakeholder perspective target is to ensure our customers are content with our service. A measure was set to receive an overall 'good' or 'satisfactory' rating in at least 80% of responses in customer surveys. This year 96% of our customers in our surveys measured us as good or satisfactory.

## **INTERNAL PROCESSES PERSPECTIVE**

Looking at the internal processes perspective it was identified that to provide good service we need reliable access to IT systems. It was agreed that IT would be targeted to achieve 99% or more of the agreed monthly service levels for key IT systems. Each key IT system was reviewed and an appropriate service level (in terms of hours available) agreed. The target was achieved for 2009/10.

As a good employer and to ensure we provide good service to our customers, the Office considers it is important to ensure that our staff are healthy and regularly attend work. In order to monitor this, a target was set to reduce the number of sick days per person to 7.0 days. The Office unfortunately missed this target with an outturn of 7.5 days.

The Office is committed to ensuring that all staff performance is appraised regularly and to monitor that it is completed in a timely fashion implemented a target to complete, sign off and return 95% of Performance Management Forms (PMF) to HR by 31 May 2009. Only employees who fall into the formal PMF process are included so employees on probation or who are under formal disciplinary procedures are not included. All employees currently on long term sick absence or who dispute their performance mark are eliminated from the figures. 96% of forms were completed on time.

The Office is committed to reducing our impact on the environment and set two targets in this area. The first was to reduce the office's carbon emissions by 10% compared to 2008/09 figures. This was achieved and the outturn for 2009/10 was 16%.

The second environmental target was to increase the proportion of waste recycled to 60%. Unfortunately this was not achieved with an outturn for the reporting period of 49%. Efforts to increase recycling were hampered this year by a reduction on expenditure on facilities in the office and a fire safety report which necessitated the removal of some recycling facilities in the Office.

## **CHANGE AND DEVELOPMENT PERSPECTIVE**

The Office set nine targets under the change and development perspective. Four of these were linked to the role and value of IP. During the reporting period the Office held an international forum on the economic value of IP. Following this forum the Office wanted to develop the resulting agenda on the economic research. The first target set in this area was to receive positive feedback from Forum participants. We achieved this and it was measured by analysing the responses received from the participants.

The second, third and fourth targets were all linked to the resulting agenda on economic research. The first of these was for the Office to agree a plan with SABIP for commissioning research. This plan was launched in November 2009.

The next target in this area was to complete two research projects and we have received the final reports. This target was achieved and the results of the research are published on the SABIP website.

The final target in this area was to have contracts awarded for two further research projects. This target was not achieved and discussions regarding further research are on-going.

The Office set one target in the change and development perspective in the rights delivery area. This was to introduce new fees and services for Trade Marks in October 2009. This work was completed on time and the new services are being well received by our customers.

The final four targets in this perspective were set to shape the policy environment. The Office has developed a coordinated strategy on patents mutual recognition and to promote that strategy with key international partners. The Office was targeted to have an agreement on mutual recognition with Japan by 2010. The UK/Japan Patent Prosecution Highway (PPH) was made permanent with effect from 10 March 2010 but a number of specific differences in practice need to be investigated further before agreement on full mutual recognition could be reached. The Office also set itself a target to have Memoranda of Understanding (MoU) agreed with Korea and China in 2009. A MoU was agreed with Korea in June 2009, leading to a PPH entering into force in October 2009. An agreement on a MoU was reached with China in March 2010, but this meant the target was not achieved.

The Office wants to lead the domestic debate on how copyright should be best shaped to provide the creators, business and users in the digital age, and take the debate to the European and international level. To ensure we are achieving this we set a target of national and international stakeholders reporting increased awareness of our work on the copyright strategy. This was achieved.

To ensure we are able to shape the policy environments the Office is committed to building a robust policy capability within the Office. The final target in this area was to carry out a policy skills audit and devise a targeted training and development programme by the autumn of 2009. This was achieved, the contract for the programme has been awarded and staff participant lists have been agreed across directorates for the foundation and advanced programmes.

## FINANCE PERSPECTIVE

The Treasury Minute at Appendix A to the accounts requires the Patent Office to achieve for the period from 1 April 2009 to 31 March 2014 a return, averaged over the period as a whole, of 4% in the form of a surplus on ordinary activities before interest payable on long term Treasury loans and dividends payable expressed as a percentage of average capital employed.

The return achieved for the year ended 31 March 2010 was 7.1% (year ended 31 March 2009 -9.9% restated under IFRS).

The second financial target was to deliver a 5% cost efficiency with reference to 2008/09 cost outturn (excluding VER/VES scheme and Science Museum IP exhibition sponsorship one-off costs). The Office was able to exceed this target, delivering 12% mainly due to the tight cost control and loss of staff referred to earlier.

## FUTURE KEY PERFORMANCE INDICATORS

The 2010/11 KPIs published prior to the new administration are to:

- Be able by March 2011 to quantify the level of IP rights and estimate IP's impact on the knowledge economy.
- Make demonstrable improvement in stakeholder perceptions of the impact of our international policy engagement compared with 2009/10 results.
- Review by March 2011 the UK's system of moral rights, by comparison with our international partners and by conducting an appraisal of any impact on our economic and cultural environment.
- Issue 80% of patent search reports within 4 months of request.
- Give good customer service in processing patent applications in 95% of quality assured cases.
- Clear all outstanding patent examinations older than 49 months by March 2011.
- Register 85% of correctly filed applications for trademarks, where no opposition has been filed, within 4 months, 90% within 5 months and 95% within 6 months.
- Make the correct decision on registration on at least 99% of trade mark applications.
- Register 95% of correctly filed design applications within 1 month.
- Our business outreach enables 80% of its recipients to improve the IP performance of their business or the businesses they advise.
- Achieve a return on capital employed of 4%.
- Identify savings equivalent to 5% of the operating costs of areas where we make IT investment decisions and from contracts renewed through the procurement process.
- 90% of IPO customers will be satisfied with the service they receive.
- Make demonstrable improvement in our people's perceptions of leadership and change management capability at all levels of the IPO compared with 2009.

## **ENVIRONMENTAL POLICIES**

The Office is committed to sustainable development following an Environmental Management Strategy. We have extensive recycling programmes and information on resources consumed and recycled is monitored quarterly by the IPO Board and by the Steering Board. We have been fully ISO 14001 Environmental Management System accredited since November 2008.

In light of our commitment to reducing our impact on the environment, we are working to reduce our carbon footprint in the coming year. We are joining the 10:10 campaign which aims to reduce our carbon output by 10% in 2010. We are also working towards the Carbon Trust Standard. We are implementing our printing strategy to move away from personal printers to more efficient multi function devices.

## **CORPORATE AND SOCIAL RESPONSIBILITY**

We encourage staff to participate in a wide range of community events and fundraising activities such as Prince's Trust, being a Justice of the Peace or forging links with schools. We take part in local community initiatives, working with voluntary organisations such as Business in the Community. We also work with the South East Wales Employers Network (SEWEN) and South East Wales Racial Equality Council (SEWREC), improving awareness of equality in the community. Our Schools Intellectual Property Support (SIPS) team visits local schools promoting Intellectual Property (IP) and encouraging pupils to be creative. We are involved with local Careers offices, and offer work experience to local school children. We give staff that are school governors paid leave, and encourage staff to assist with reading classes in local schools.

## **DAYS LOST DUE TO ABSENCE**

The Office encourages a culture where good attendance is expected and valued. However, it recognises that from time to time absences for medical reasons may be unavoidable. The Office aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly. In 2009/10, the number of working days lost per annum per employee was 7.5 (2008/09 = 8.4).

## **CREDITOR PAYMENT POLICY**

In light of the difficult economic climate during 2008/09, the government standard to settle bills was reduced to payment within 10 working days of receipt of goods or services or a valid invoice whichever is later. During the year the Office has adhered to this government standard. We recognise the importance to SMEs in particular, and paid 89% of valid invoices within 10 days in 2009/10.

In the March 2010 budget announcement, the Chancellor announced that the government standard to settle bills would be reduced to payment within 5 working days of receipt of goods or services or a valid invoice whichever is later. This standard will be measured from 1 May 2010.

Contracts with suppliers include payment within 30 days as standard.

## **EQUALITY AND DIVERSITY**

The Intellectual Property Office remains committed to building a culture where employees are offered flexibility and development, where everyone's contribution is recognised and diversity is genuinely valued. The Office is also committed to ensuring that unlawful discrimination is not tolerated.

Recruitment and selection at the Office is carried out in a manner that is systematic, efficient and effective, and promotes equality of opportunity. The Job Centre Plus "Positive about Disability" symbol is used in all job advertisements and guarantees interviews to all those applicants who meet the minimum criteria for a job vacancy. The Office is committed to providing access to a range of initiatives that help staff to work in an understanding, flexible and creative environment.

## **EMPLOYEE INVOLVEMENT**

The Office has an extensive and well established structure for communicating with staff at all levels. Among the methods of communication in regular use is a weekly electronic Office newsletter (The Link) which addresses all aspects of Office activities. This weekly newsletter is to be superseded by a daily news area on the intranet in April 2010. The Office also uses the Intranet extensively, oral briefings from senior management, a staff magazine and a weekly blog from the Chief Executive John Alty. The annual strategy document is available electronically to all staff, as is the Annual Report and Accounts. A staff suggestion scheme is in operation, and there is a facility to allow staff to raise concerns or issues directly with the Board. Formal contact between senior Office management and the local trade union occurs through the Whitley Committee, supplemented by informal contact on an ongoing basis as issues arise.

## **STEERING BOARD**

The role of our Steering Board is to advise Ministers, through our Director General, on our Corporate Plan and performance (including targets). It also provides guidance from a commercial standpoint on our operation and development across a range of issues.

In addition to the Chief Executive, the Steering Board members at 31 March 2010 were:

Phillip Rycroft	BIS member
Simon Edmonds	BIS member
Sir Anthony Pigott	External member
Mary Champion	External member
Gary Austin	External member
David Richards	External member
David Roberts	External member

Phillip Rycroft replaced Professor Adrian Smith on 11 May 2009 as a result of the Intellectual Property Office moving into the Business and Innovation Directorate of DIUS. Zina Etheridge stood down from the Steering Board in May 2009. Simon Edmonds joined the steering board to fill the vacancy in April 2010. The term of office of Kathryn Bishop and Geoffrey Drage came to an end in July 2009. Sir Anthony Pigott and Gary Austin were appointed from 15 July 2009 to replace them. David Richards' term of office ended on 5 February 2010. It was extended to 5 February 2011 with the permission of the Minister.

## AUDIT COMMITTEE

The Audit Committee members at 31 March 2010 were:

Mary Champion	External member
Gary Austin	External member
David Roberts	External member

Mary Champion was appointed Chair of the Audit Committee in July 2009 to replace Geoffrey Drage whose term had ended. Gary Austin joined the Audit Committee in July to replace Geoffrey Drage.

## INTELLECTUAL PROPERTY OFFICE BOARD

At 31 March 2010 the Directors of the Office were:

John Alty	Chief Executive
Sean Dennehey	Assistant Comptroller and Patents Director
Peter Holland	International Policy Director
Andrew Layton	Trade Marks and Designs Director
Andrew Hardingham	Finance Director
Louise Smyth	Business Support Director
Robin Webb	Innovation Director
Edmund Quilty	Copyright and IP Enforcement Director

Mark Pacey, Director of Corporate and Social Responsibility took voluntary early severance on 30 April 2009.

Gillian Pratt joined the Board as Finance Director on a secondment from the Environment Agency on 13 October 2008. Gillian Pratt returned to the Environment Agency on 9 April 2009. Sean Dennehey took on interim responsibility at Board level for the Finance Directorate from this date. Andrew Hardingham joined the Board as Finance Director on 23 November 2009.

Ian Fletcher left the Office on 31 October 2009. Sean Dennehey was appointed interim Chief Executive until John Alty joined the Board from BIS on 15 February 2010. Anthony Howard was appointed interim Patents Director from 16 November 2009 until Sean Dennehey returned on 15 February 2010.

## STATEMENT OF COMPLIANCE

These are all the matters which I, as Accounting Officer, consider relevant and this Management Commentary has been compiled in accordance with Reporting Standard 1.

I have taken all necessary steps to make myself aware of information relevant to the audit of the accounts that accompany this Management Commentary, and to ensure that my auditors are informed. So far as I am aware there is no relevant information of which my auditors are unaware.



**John Alty**  
Chief Executive and Accounting Officer

25 June 2010

# Chapter Three

## Accounts 2009/2010

### STATEMENT OF PATENT OFFICE'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under section 4(6)(a) of the Government Trading Funds Act 1973 the Treasury has directed the Patent Office Agency to prepare a statement of accounts for each financial year in the form and on the basis of the generic accounts direction issued by the Treasury on 21 December 2009. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

make judgements and estimates on a reasonable basis;

state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and to disclose and explain any material departures in the financial statements; and

prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Treasury has appointed the Chief Executive of the Patent Office as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the Agency's assets, are in Managing Public Money published by HM Treasury.

## STATEMENT ON INTERNAL CONTROL IN THE PATENT OFFICE

Period Ended 31 March 2010

### 1. Scope of responsibility

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

I was appointed Accounting Officer with effect from 15 February 2010, and have therefore carried out responsibilities for internal control, safeguarding public funds, record keeping and managing risk and resources from that date up to the date of signing these Accounts. For the period April 2009 until 31 October 2009, when he stood down as Chief Executive, Ian Fletcher as Accounting Officer carried out these responsibilities. For the period 1 November until 14 February 2010, Sean Dennehey was interim Chief Executive and Accounting Officer. Outside this period, Sean Dennehey was Director of Patents and Assistant Comptroller General and has provided continuity throughout the year.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Patent Office policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. This system includes management of all risks including operational (delivery and policy), financial and reputational risk. The system of internal control has been in place in the Patent Office for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3. Capacity to handle risk

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

- An internal Board that meets monthly on a formal basis to consider the plans, progress and strategic direction of the Office (the Board comprises the Chief Executive and Directors)
- A Steering Board that meets quarterly to discuss strategic issues (the Steering Board comprises senior management representatives of BIS, the Chief Executive and five external independent members, with Patent Office Directors as attendees)
- An Audit Committee that meets at least four times each year to assist the Chief Executive on audit and Corporate Governance issues (throughout the year the Committee comprised three external independent members, who are also members of the Steering Board, the Chief Executive and Finance Director as obligatory attendees with Patent Office Directors and senior representatives from Internal and External Audit as attendees)
- Training has been provided to key managers and staff in risk identification, evaluation and management, based on best practice guidance from the Departments and Treasury. Individual directorates have extended this training as part of their risk management processes
- Any event that occurs highlighting a significant risk or control weakness is followed through to ensure that appropriate action is taken to manage the risk and reduce future risks and improve controls



#### 4. The risk and control framework

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

##### Identification, assessment and recording of risks

- a strategic risk register compiled from discussions with individual Directors and consideration of Directorate risk registers is debated and agreed by the Patent Office Board
- high profile events and associated risks are discussed by the Steering Board at each meeting
- the risk registers of individual directorates of the Office
- risk registers for all programmes and projects within the Office
- a risk register format that requires the identification of both internal and external risks, assignment of a risk owner and actions to be taken to manage the risk
- risk evaluation performed by source, type (reputation, financial, operational), likelihood, impact, effectiveness of controls, and comparison with risk appetite
- guidance on the compilation of Directorate risk registers both bottom-up by team members and top-down from Directors

##### Monitoring and review

- development and operation of the Office's risk management strategy and procedures are reviewed regularly by the Audit Committee
- review of an assurance matrix to provide confirmation that the Accounting Officer's roles and responsibilities have been discharged adequately with all necessary controls and systems in place to support delivery of the Office's aim and objectives
- monitoring of operational and financial performance on a monthly basis with remedial action taken as appropriate
- procedures for planning, approving and monitoring major projects, including a requirement to use risk registers

##### Audit and assurance

- regular reports by Internal Audit on the adequacy and effectiveness of the Office's systems of internal control based on a risk-based audit programme. No urgent actions have been required following the audits conducted this year
- an annual statement of opinion from Internal Audit on the Office's systems of control and risk management framework
- the Internal and External Audit arrangements and follow up of recommendations overseen by the Audit Committee
- confirmation provided at Directorate level of the internal control arrangements and identification of areas for improvement

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

The management of information risk continues to be a priority for the Patent Office Board. The quarterly risk return for BIS are approved by the Senior Information Risk Officer (SIRO) prior to sending and the SIRO regularly briefs Board colleagues on issues of information risk and risk management.

During the last financial year, a programme of information assurance improvement projects have continued to deliver change to the way the Patent Office captures, records and manages information risk. Requirements for information assurance have changed significantly, following well-publicised data losses by Government departments. We have confirmed through external health checks that our IT systems and infrastructure have good resistance to external and internal attack, even though we still have some controls left to implement. Governance and structural requirements now demanded of Government departments and agencies are being put in place, so that the Patent Office is fully compliant with Government requirements by the end of 2010/11.

## **5. Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Patent Office who have responsibility for the development and maintenance of the internal control framework, by our ISO 9001:2000 certification of some of our internal processes, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and plans to address weaknesses and ensure continuous improvement of the system are in place. During 2009/10, the Patent Office commissioned studies into the value-for-money it provides and these reports have made a number of recommendations for improvements, including in the Office's governance and management information. Action to address these is underway. One of the key challenges over the coming year will be to deliver improvements within a more financially constrained public sector.

During the year periodic reviews of the strategic, directorate and long term risk registers have been conducted by the Board, Steering Board and Audit Committee, as well as management boards and staff teams. Internal Audit spent 68 audit days conducting audits, including reviews of internal controls, and giving specialist IT consultancy during the year. In addition Directors took part in a peer review exercise led by Internal Audit to provide additional assurance to me on their exercise of operational and financial controls in the year.

The Head of Internal Audit's opinion for the 2009/10 accounting period was that "the systems of risk management, internal control and governance that have operated in the IPO have been satisfactory. Instances of control failure highlighted by internal audit did not require urgent action and are mostly around process such as documenting project actions and audit trails. These are isolated and are not judged to have arisen from significant systemic weakness. Management's actions should focus on corrective action but also look for continuous improvement in the control environment."

The conclusion of these reviews is that there is no indication of any major control weakness that would lead me to qualify this statement on internal control and that risk management awareness is good. I conclude that risk management and controls are implemented in all key areas and that we are taking steps to improve performance.



**John Alty**  
**Chief Executive and Accounting Officer**

**25 June 2010**

## **THE PATENT OFFICE**

### **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

I certify that I have audited the financial statements of the Patent Office for the year ended 31 March 2010 under the Government Trading Funds Act 1973. These comprise the Income Statement and Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **RESPECTIVE RESPONSIBILITIES OF THE PATENT OFFICE, ACCOUNTING OFFICER AND AUDITOR**

As explained more fully in the Statement of Patent Office's and Chief Executive's Responsibilities, the Patent Office and its Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Patent Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Patent Office; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **OPINION ON REGULARITY**

In my opinion:

- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **OPINION ON FINANCIAL STATEMENTS**

In my opinion:

- the financial statements give a true and fair view of the state of the Patent Office's affairs as at 31 March 2010 and of its surplus, changes in capital and reserves and cash flows for the year then ended;
- and the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

## OPINION ON OTHER MATTERS

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## REPORT

I have no observations to make on these financial statements.

**Amyas C E Morse**  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London  
SW1W 9SP

**29 June 2010**

## INCOME STATEMENT

For the year ended 31 March

		<b>2010</b>	<b>2009</b>
	Notes	£000	£000
Turnover	5	<b>61,202</b>	61,139
Staff costs	6	<b>(36,041)</b>	(39,989)
Depreciation and amortisation		<b>(1,973)</b>	(1,973)
Other operating charges		<b>(18,743)</b>	(29,017)
<b>Operating surplus / (deficit) before financing and dividend</b>		<b>4,445</b>	(9,840)
Financial Income	9	<b>189</b>	2,651
<b>Operating surplus / (deficit) on ordinary activities</b>		<b>4,634</b>	(7,189)
Financial Expenditure	10	<b>(259)</b>	(183)
<b>Surplus / (deficit) for the year</b>		<b>4,375</b>	(7,372)
Dividend	11	<b>(2,465)</b>	(7,200)
<b>Retained surplus / (deficit) for the year</b>		<b>1,910</b>	(14,572)

All of the operations are classed as continuing.

## STATEMENT OF FINANCIAL POSITION

As at 31 March		2010	2009	1st April 2008 Restated
	Notes	£000	£000	£000
<b>Non-current assets</b>				
Property, plant & equipment	12	21,015	19,904	24,455
Intangible assets	13	1,973	3,026	4,033
		<b>22,988</b>	<b>22,930</b>	<b>28,488</b>
<b>Current assets</b>				
Trade and other receivables	14	2,670	2,824	2,441
Cash and cash equivalents	15	70,662	70,272	77,088
		<b>73,332</b>	<b>73,096</b>	<b>79,529</b>
<b>Total assets</b>		<b>96,320</b>	<b>96,026</b>	<b>108,017</b>
<b>Current liabilities due in less than 1 year</b>				
Trade and other payables	16	(14,944)	(11,750)	(11,938)
Other liabilities	16	(12,586)	(18,688)	(13,457)
Total current liabilities		<b>(27,530)</b>	<b>(30,438)</b>	<b>(25,395)</b>
<b>Non current assets plus net current assets</b>		<b>68,790</b>	<b>65,588</b>	<b>82,622</b>
<b>Non current liabilities greater than 1 year</b>				
Provision for liabilities and charges	17	(2,242)	(2,282)	(659)
Financial liabilities	18	(1,164)	(1,331)	(1,497)
<b>Total non-current liabilities</b>		<b>(3,406)</b>	<b>(3,613)</b>	<b>(2,156)</b>
<b>Net Assets</b>		<b>65,384</b>	<b>61,975</b>	<b>80,466</b>
<b>Financed by:</b>				
<b>Capital and reserves</b>				
Public dividend capital		6,325	6,325	6,325
Revaluation reserve		3,590	2,403	7,319
General reserve		55,469	53,247	66,822
<b>Total financing</b>		<b>65,384</b>	<b>61,975</b>	<b>80,466</b>

*John Alty*

**John Alty**  
Chief Executive and Accounting Officer

25 June 2010

## STATEMENT OF CHANGES IN CAPITAL AND RESERVES

As at 31 March		PDC	Revaluation Reserve	General Reserve	Total Capital & Reserves
	Notes	£000	£000	£000	£000
<b>Balance at 31 March 2008</b>		<b>6,325</b>	<b>7,319</b>	<b>68,116</b>	<b>81,760</b>
Effect of changes under IFRS	2	-	-	(1,294)	(1,294)
<b>Restated balance at 1 April 2008</b>		<b>6,325</b>	<b>7,319</b>	<b>66,822</b>	<b>80,466</b>
<b>Changes in capital and reserves for 2008/09</b>					
Net loss on revaluation of property, plant and equipment		-	(4,167)	-	(4,167)
Net gain on revaluation of intangible assets		-	248	-	248
Transfer of (excess) / realised depreciation between reserves		-	(997)	997	-
Retained loss		-	-	(14,572)	(14,572)
<b>At 31 March 2009</b>		<b>6,325</b>	<b>2,403</b>	<b>53,247</b>	<b>61,975</b>
<b>Changes in capital and reserves for 2009/10</b>					
Net gain on revaluation of property, plant and equipment		-	1,362	-	1,362
Net gain on revaluation of intangible assets		-	137	-	137
Transfer of (excess) / realised depreciation between reserves		-	(312)	312	-
Retained surplus		-	-	1,910	1,910
<b>At 31 March 2010</b>		<b>6,325</b>	<b>3,590</b>	<b>55,469</b>	<b>65,384</b>

## STATEMENT OF CASH FLOWS

For the year ended 31 March

	2010	2009
	£000	£000
<b>Net cash inflow/(outflow) from operating activities</b>		
Retained surplus / (deficit)	1,910	(14,572)
Adjustment for non-cash items	3,905	9,434
Decrease / (Increase) in trade and other receivables	154	(383)
(Decrease) / Increase in trade payables	(2,908)	5,043
Movements in payables relating to items not passing through the income statement (capital accruals and short term provision movement)	879	(1,275)
Use of provisions	(2,961)	(4,355)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>979</b>	<b>(6,108)</b>
<b>Cash flows from investing activities</b>		
Purchase of property plant and equipment	(423)	(542)
Purchase of intangible assets	-	-
<b>Net cash outflow from investing activities</b>	<b>(423)</b>	<b>(542)</b>
<b>Cash flows from financing activities</b>		
Repayment of Loans	(166)	(166)
<b>Net Increase / (decrease) in cash and cash equivalents in year</b>	<b>390</b>	<b>(6,816)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>70,272</b>	<b>77,088</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>70,662</b>	<b>70,272</b>

The adoption of IFRS has no impact on the cash position of the Office. No reconciliation is therefore required for prior year cashflow.



## NOTES TO THE ACCOUNTS

### 1 Accounting policies

#### 1(a) Statement of accounting policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged the most appropriate to the particular circumstances of the Patent Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Patent Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### IFRS 1 - First Time Adoption

The Office's date of transition is 1 April 2008. IFRS 1 first time adoption of International Financial Reporting Standards allows entities adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the year of transition (i.e. 2009/10). In line with the FReM the Office has not taken any exemptions.

#### 1(b) Accounting convention and estimates

The accounts have been prepared in accordance with the historical cost convention modified to include revaluation of property, plant and equipment and intangible assets, in a form determined by the Treasury in accordance with section 4(6)(a) of the Government Trading Funds Act 1973.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported assets, liabilities, revenue and expenditure. Actual results can differ from those estimates. The accounting policy descriptions set out those areas where judgement needs exercising. The most significant in managements view are asset valuation, provision for early retirement benefits and income recognition (deferred income).

#### 1(c) Property, Plant and Equipment valuation

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

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

#### 1(d) Depreciation

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

Freehold buildings inc car park	59 years
Information technology	5 years
Plant and machinery	5 years

A full year's depreciation is charged in the year of acquisition.

**1(e) Intangible Assets**

Intangible assets consist of specialist software developed for the Patent Office.

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

**1(f) Amortisation**

Amortisation is provided on intangible assets, at rates calculated to write off the cost or valuation of each asset on a straight line basis over its expected useful life as follows:

Major software developments	10 years
Other software	5 years

A full year's amortisation is charged in the year the asset is brought into use.

**1(g) Deferred income (prepayment)**

In many instances the Patent Office collects fees and charges for services before those services are performed. Therefore, at any point in time a prepayment situation exists in respect of unperformed services. Income relating to those services is recorded as deferred income (see note 16) and is only recognised in the operating account when the services are performed.

**1(h) Turnover**

Turnover, which is exclusive of VAT, comprises fees earned from the grant of patents, trade marks and designs; sales of Patent Office publications; and fees earned from other commercial services. Renewal fees can be paid within a statutory time period, some of which is before the payment due date. Income is recognised immediately on payment, which is when the register is updated, rather than over the renewal period.

**1(i) Value Added Tax (VAT)**

The Patent Office is not registered separately for VAT, but falls within the Department for Business Innovation and Skills (BIS) registration.

Irrecoverable VAT on revenue expenditure is charged to the operating account and on capital expenditure to the balance sheet.

**1(j) Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences (see note 7) are taken to the operating account.

**1(k) Operating Lease Rentals**

Operating lease rentals are charged to the Operating Account on a straight line basis over the period of the lease.

**1(l) Financial Instruments**

The Patent Office has very limited powers to borrow or to invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Office in undertaking its activities. Any possible embedded derivatives are investigated and disclosed if necessary.

**1(m) Provisions**

All provisions where the time value of money is significant are discounted at the Treasury approved rate (see note 17).

**1(n) Cost of capital**

Under Section 4(1) of the Government Trading Funds Act the Patent Office may be set further financial objectives which impact on plans and charges, the current financial objective and performance is shown in note 8. This objective is in part to reflect the cost of capital utilised by the Patent Office and fees and charges are set to recover costs to meet this further financial objective.

**1(o) Pension costs**

Past and future employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non contributory except in respect of dependants' benefits. The Patent Office recognises the expected cost of providing pensions on a systematic basis over the period in which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of defined contribution schemes, the Patent Office recognises the contributions payable for the year. Further information is given in note 6.

**1(p) Contingent Liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37 (see note 21) the Patent Office is obliged to disclose for parliamentary reporting and accountability purposes certain statutory and non statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which must be reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at amounts reported to Parliament.

**1(q) Standards issued but not yet effective**

Standards issued but not yet effective

The following standards have been issued but have not been adopted by the Office in these financial statements as they are not yet effective:

Interpretations that are not predicted to have an impact on the Office:

- IFRIC 17 'Distributions of non-cash assets to owners'
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
- IFRIC 14 (amended) 'Prepayments of a Minimum Funding Requirement'

IFRS 1 'First time adoption of IFRS' - Revision and amendments. As the Office has adopted IFRS in the period to 31 March 2009 these revisions and amendments are not predicted to have any impact on the Office.

IFRS 9 'Financial Instruments'. Under IFRS 9 financial assets should be classified on the basis of the entity's business model for their management, and their contractual cash flows characteristics, They should be measured initially at fair value and subsequently at either fair value or amortised cost. The IFRS is effective for periods commencing on or after 1 January 2013 and the Office does not believe this will have any significant impact.

IAS 24 'Related Party Disclosure' - Revision. This revision simplifies and clarifies the definition of a related party and provides government related entities with partial exemption from the disclosure requirements relating to related party transactions and outstanding balances.

IAS 32 'Financial Instruments: Presentation' - Amendment. This amendment deals with puttable financial instruments and obligations arising on liquidation. The amendment is effective for periods commencing on or after 1 January 2009. The Office does not believe the adoption of this amendment will have any impact on the Office.

IAS 39 'Financial Instruments: Recognition and measurement' - Amendment. These amendments relate to eligible hedged items and embedded derivatives. The amendments are effective for periods commencing on or after 1 July 2009. The Office does not believe the adoption of these amendments will have any impact on the accounts of Office.

In addition to the above revisions and amendments the Annual Improvement Projects in 2008 and 2009 have updated a number of standards for incidental terminology or editorial changes as well as some minor technical changes with minimal accounting effect.

There are also likely to be the following major changes to the 2010/11 FReM which are not expected to impact on the Office.

Tangible non - current assets - FRS 30 'Accounting for Heritage Assets' is to be applied.

Income and Expenditure - The removal of Cost of Capital charging from accounts.

Accounting for consolidated fund revenue - introduction of trust statement for revenue collected by entities that is due to the consolidated fund where the entity is acting as an agent on behalf of the consolidated fund.

## 2 First time adoption of International Financial Reporting Standards

	<b>PDC</b>	<b>General Reserve</b>	<b>Revaluation Reserve</b>	<b>Total Capital &amp; Reserves</b>
	£000	£000	£000	£000
Capital and reserves at 31 March 2008 under UK GAAP	6,325	68,116	7,319	81,760
Adjustments for:				
IAS 19 Employee benefit - accrual for untaken leave	-	(1,310)	-	(1,310)
Change in discount rate on provisions	-	16	-	16
Capital and reserves at 1 April 2008 under IFRS	<b>6,325</b>	<b>66,822</b>	<b>7,319</b>	<b>80,466</b>
				£000
2008/09 retained deficit under UK GAAP				(14,449)
Adjustment for:				
IAS 19 Employee benefit - movement in liability for employee leave				(405)
IAS 19 Employee benefit - movement in asset for employee leave				188
Change in discount rate on provisions				94
2008/09 retained deficit under IFRS				<b>(14,572)</b>

## 3 Segmental reporting and fees and charges information

Decisions are taken based on the overall position described in the Income Statement and the Statement of Financial Position as such the management consider there is only one segment. The Office is managed as an integrated whole and decisions made on that basis.

#### 4 Fees and charges information

The following information on the main activities of the Office is produced for fees and charges purposes.

2009/10	Patents	Trade marks	Designs	Publications	Commercial	Total
	£000	£000	£000	£000	£000	£000
Income	42,707	16,325	1,373	168	629	61,202
Expenditure	(39,896)	(15,058)	(980)	(157)	(666)	(56,757)
Subtotal	2,811	1,267	393	11	(37)	4,445
Financial Income						189
Financial Expenditure						(259)
Dividend						(2,465)
Retained surplus / (deficit)	<b>2,811</b>	<b>1,267</b>	<b>393</b>	<b>11</b>	<b>(37)</b>	<b>1,910</b>
2008/09	Patents	Trade marks	Designs	Publications	Commercial	Total
	£000	£000	£000	£000	£000	£000
Income	39,948	18,658	1,334	216	983	61,139
Expenditure	(45,489)	(22,381)	(1,358)	(149)	(1,602)	(70,979)
Subtotal	(5,541)	(3,723)	(24)	67	(619)	(9,840)
Financial Income						2,651
Financial Expenditure						(183)
Dividend						(7,200)
Retained surplus / (deficit)	<b>(5,541)</b>	<b>(3,723)</b>	<b>(24)</b>	<b>67</b>	<b>(619)</b>	<b>(14,572)</b>

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

Management review the income streams above and total expenditure across the Office as a whole. They also review the statement of financial position, including the total assets of £96,320,000 (2008/09 £96,026,000).

The financial objective for Office services is given in the Treasury Minute of 23 June 2009 (Appendix A to these accounts), and the performance against this is referred to in note 8.

## 5 Income

Analysis of operating income by classification and activity

For the year ended 31 March	2010	2009
	£000	£000
<b>Patents</b>		
Application, search and examination fees	2,467	2,630
Renewals for UK Patents	10,188	9,577
Renewals for European patents designating the UK	29,214	26,743
Other	838	998
	<b>42,707</b>	<b>39,948</b>
<b>Trade Marks</b>		
Application fees	8,941	9,399
Renewal Fees	6,058	6,396
Other	1,326	2,863
	<b>16,325</b>	<b>18,658</b>
<b>Designs</b>		
Application fees	206	189
Renewal Fees	1,121	1,083
Other	46	62
	<b>1,373</b>	<b>1,334</b>
<b>Publications</b>	168	216
<b>Commercial services</b>	629	983
<b>Total Turnover</b>	<b>61,202</b>	<b>61,139</b>

All income is from the payment of statutory or non-statutory fees for services and all is attributable to turnover arising in the UK.

## 6 Staff costs and employee information

### 6(a) Staff costs

	2010	2009
	£000	£000
Salaries and wages	27,205	29,054
Social security costs	2,061	2,239
Pension costs	5,166	5,630
Agency/Contract staff	1,609	3,066
Capitalised staff costs included above	-	-
	<b>36,041</b>	<b>39,989</b>

**6(b)** The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2009/10 employer contributions of £5,190,540 were payable to the PCSPS (2008/09 £5,591,774) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The difference between this contribution and pension cost in 6(a) is the movement in holiday pay adjustments. The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,697 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £289, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £451. Contributions prepaid at that date were zero.



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

2009/10	Directors	Staff	Seconded in staff	Agency / Contract	Seconded out staff	2010	2009
Patents	1	348	-	-	3	352	370
Trade marks	1	141	-	-	3	145	175
Designs	-	-	-	-	-	-	4
Other	6	382	10	14	4	416	441
						<u>913</u>	<u>990</u>

In 2009/10 no staff or contract staff were working on capital projects (2008/09 nil).

Of the people employed by the Office in 2009/10, 881 were civil servants (944 2008/09).

**6(d)** The in year provision for early retirement and severance schemes (see note 17) of £1,811,000 (£7,433,000 2008/09) is shown under other operating charges.

## 7 Other non staff costs

<b>This includes</b>	<b>2010</b>	<b>2009</b>
	£000	£000
IT, Telecoms and bureau charges	5,729	6,508
Accommodation (ex leases)	3,346	3,776
Office supplies and equipment inc postage	1,003	1,191
Training, recruitment and other staffing costs	938	1,512
Other admin costs	801	814
Legal and hearings	792	1,072
Travel	753	1,098
Subscriptions to international bodies	745	587
Property lease payments	729	619
Research co-operation and seminars	653	533
Outreach and marketing	553	2,641
Hire of office machinery	492	429
Departmental overheads	213	449
Contracted out work	198	571
Audit fee	36	36
Exchange rate gains	(51)	(252)
<b>Total</b>	<b>16,930</b>	<b>21,584</b>
<b>Non cash items</b>	£000	£000
Amortisation	1,190	1,255
Depreciation	783	718
Loss on disposal of assets	2	-
Provision for early departure in year	1,811	7,433
<b>Total non cash</b>	<b>3,786</b>	<b>9,406</b>
<b>Total cash and non cash</b>	<b>20,716</b>	<b>30,990</b>

The National Audit Office were also paid £10,000 (£8,000 2008/09) for auditing the restated accounts under IFRS.

## 8 Performance against financial objective

The Treasury Minute at Appendix A requires the Office to achieve for the period from 1 April 2009 to 31 March 2014 a return, averaged over the period as a whole, of 4% in the form of a surplus on ordinary activities before interest payable and dividends payable expressed as a percentage of average capital employed.

The return achieved for the year ended 31 March 2010 was 7.1% (-9.9% at 31 March 2009 as recalculated under IFRS).

## 9 Financial Income

	2010	2009
	£000	£000
Short term deposits - operating activities	189	2,651

The interest derives from deposits with the Office of the Paymaster General and from short term investments with the Debt Management Office or the National Loans Fund.

## 10 Financial expenditure

	2010	2009
	£000	£000
Interest on loans (see note 18)	139	155
Unwinding of discount on early retirement provision (see note 17)	120	28
	259	183

## 11 Dividends

A dividend of £2,464,925 will be paid in July 2010 to the Consolidated Fund. The 2008/09 dividend paid in July 2009 was £7,200,000. This was in excess of the 4% return on capital and represented payment of earlier excess surpluses.

## 12 Property, plant and equipment

2009/10	Land	Buildings	Plant and machinery	Information Technology	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation</b>					
At 31 March 2009	4,500	14,500	1,260	3,135	23,395
Additions	-	-	64	469	533
Revaluation	-	1,000	13	174	1,187
Disposals	-	-	(155)	(14)	(169)
At 31 March 2010	4,500	15,500	1,182	3,764	24,946
<b>Depreciation</b>					
At 31 March 2009	-	-	985	2,506	3,491
Provided during the year	-	246	146	462	854
Surplus on revaluation	-	(246)	-	-	(246)
Disposals	-	-	(155)	(13)	(168)
At 31 March 2010	-	-	976	2,955	3,931
<b>Net book value at 31 March 2010</b>	<b>4,500</b>	<b>15,500</b>	<b>206</b>	<b>809</b>	<b>21,015</b>
<b>Net book value at 31 March 2009</b>	<b>4,500</b>	<b>14,500</b>	<b>275</b>	<b>629</b>	<b>19,904</b>
<b>2008/09</b>					
<b>Cost or valuation</b>					
At 1 April 2008	5,500	18,000	1,195	2,939	27,634
Additions	-	-	33	300	333
Revaluation	(1,000)	(3,500)	34	(27)	(4,493)
Disposals	-	-	(2)	(77)	(79)
At 31 March 2009	4,500	14,500	1,260	3,135	23,395
<b>Depreciation</b>					
At 1 April 2008	-	-	842	2,337	3,179
Provided during the year	-	300	145	246	691
Surplus on revaluation	-	(300)	-	-	(300)
Disposals	-	-	(2)	(77)	(79)
At 31 March 2009	-	-	985	2,506	3,491
<b>Net Book value at 31 March 2009</b>	<b>4,500</b>	<b>14,500</b>	<b>275</b>	<b>629</b>	<b>19,904</b>
<b>Net Book Value at 1 April 2008</b>	<b>5,500</b>	<b>18,000</b>	<b>353</b>	<b>602</b>	<b>24,455</b>

The land and buildings referred to above are freehold and were revalued at £20 million by the District Valuer, Newport, South Wales on 31 March 2010 on the basis of existing use. The valuations were prepared in accordance with the Royal Institute of Chartered Surveyors Valuation the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards, sixth edition.

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

Depreciation in note 7 is made up of in year (£854,000) provision offset where the upward revaluation reverses a previous downward revaluation (£71,000).

### 13 Intangible Assets

	Software in use 2009/10	Software in use 2008/09
	£000	£000
<b>Cost or valuation</b>		
At 1 April	<b>9,626</b>	<b>9,378</b>
Revaluation	137	248
At 31 March	<b>9,763</b>	<b>9,626</b>
<b>Amortisation</b>		
At 1 April	<b>6,600</b>	<b>5,345</b>
Provided during the year	1,190	1,255
At 31 March	<b>7,790</b>	<b>6,600</b>
<b>Net Book value at 31 March</b>	<b>1,973</b>	<b>3,026</b>
<b>Net Book Value at 1 April 2008</b>		<b>4,033</b>

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

The historic cost net book value at 31 March 2010 is £1,769,000. (£2,730,000 at 31 March 2009).

## 14 Trade receivables

	2010	2009	At 1 April 2008
	£000	£000	£000
Trade receivables	216	177	623
Other receivables	186	308	258
Prepayments and accrued income	2,268	2,339	1,560
	<u>2,670</u>	<u>2,824</u>	<u>2,441</u>

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

Other receivables	14	20	34
Prepayments and accrued income	27	58	8
	<u>41</u>	<u>78</u>	<u>42</u>

## 15 Cash and cash equivalents

	2010	2009	At 1 April 2008
	£000	£000	£000
Short term investments	60,000	67,000	75,500
Cash at bank - at Government Banking Service	10,092	2,776	674
Cash at bank - in Commercial Banks	569	495	913
Cash in hand	1	1	1
	<u>70,662</u>	<u>70,272</u>	<u>77,088</u>

## 16 Current liabilities

	2010	2009	At 1 April 2008
	£000	£000	£000
User deposit accounts	4,379	3,765	3,519
Trade payables	10,565	7,985	8,419
	<b>14,944</b>	<b>11,750</b>	<b>11,938</b>
Deferred income - prepayment	3,289	3,578	5,014
Early retirement provision (see note 17)	819	1,809	326
Taxation and social security	683	717	716
Superannuation	485	520	517
Other liabilities	34	39	38
Dividend payable	2,465	7,200	3,032
Untaken annual leave owed	1,505	1,715	1,310
Dilapidations	400	400	-
Accruals	2,739	2,544	2,338
Loans (see note 18)	167	166	166
	<b>12,586</b>	<b>18,688</b>	<b>13,457</b>

## 17 Provision for liabilities and charges

Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised in the accounts when early departure decisions are made. The income statement is charged with the full liability of new decisions taken and a statement of financial position provision made, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2010 and 2018. The provision has been assessed at current prices at the balance sheet date, and, in accordance with International Accounting Standard 37, has been discounted at a real rate of 1.8%, with the unwinding of the discount treated as an interest charge on the operating account (see note 10). The discount factor was 3.2% at 31 March 2009 and 2.8% at 31 March 2008. These are changes from the 2.2% under previous FReM guidance and are treated as IFRS adjustments (see note 2).

	2010	2009
	£000	£000
At 1 April	<b>4,091</b>	<b>985</b>
Provision made in year (see note 7)	1,811	7,433
Unwinding of discount on provision (see note 6)	120	28
Payments offset against the provision	(2,961)	(4,355)
At 31 March	<b>3,061</b>	<b>4,091</b>
Less amount payable within one year (included in Creditors - see note 16)	(819)	(1,809)
Amount payable after one year	<b>2,242</b>	<b>2,282</b>

## 18 Loans

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

Amount	Date Issued	Period	Interest	Weighted Average interest	Book Value 2010	Fair Value 2010
£000					£000	£000
2,161	1.10.91	26 years	9.625%	} 9.813%	665	810
2,164	31.03.92	26 years	10.000%		666	802
					1,331	1,612
Amounts due within one year (see note 16)					167	
Amounts falling due over one year					<b>1,164</b>	

In accordance with Treasury guidance, the fair value has been calculated by discounting future cash flows at the 31 March 2010 interest rate of 4.49%: this is the rate applicable to loans of 26 years.

Equal instalments of principal are repayable on the 6 month anniversary of issue.

Under machinery of government changes these loans are now deemed to have been made by the Department for Business Innovation and Skills (BIS).

## 19 Capital commitments

	2010	2009	At 1 April 2008
	£000	£000	£000
Contracted	-	74	-

## 20 Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2010	2010	2009	2009
	£000	£000	£000	£000
	Buildings	Other	Buildings	Other
Leases expiring:				
within 1 year	68	-	153	126
between 1 and 5 years	734	1,142	897	72
after 5 years	6,810	-	-	786
	<b>7,612</b>	<b>1,142</b>	<b>1,050</b>	<b>984</b>

There are no commitments under non cancellable contracts apart from leases.



## **21 Contingent liabilities**

In June 2009 the Government stated that the Intellectual Property Office would make a payment of £25m to the Department for Business, Innovation and Skills to help finance a new innovation fund led by the Department. This payment has not been made and the timing remains uncertain and is dependent on the requirements of the innovation fund and future government policy.

The Directors are not aware of any other contingent liabilities at 31 March 2010.

## **22 Related party transactions**

The Office is an executive agency of the Department for Business, Innovation and Skills. The Department is regarded as a related party. During the year, the Office had various material transactions with the Department. These were the dividend, loans payments and some payments for central services provided by the Department. In addition, the Office had a small number of material transactions with other Government Departments and other central government bodies. Most of these transactions were with the UK Statistics Authority, HM Treasury, the Insolvency Service and the Cabinet Office for services such as accommodation and legal services.

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

## **23 Financial instruments**

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

### **Liquidity risk**

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

### **Interest rate risk**

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

Interest bearing financial assets (see note 15) comprise cash balances which are held at floating rates of interest. Given that cash is available on demand or is placed on short term deposit at fixed rates and given that interest is budgeted conservatively, interest rate risk is limited but remains a factor because of the level of cash balances held.

### **Foreign currency risk**

All fees are denominated in sterling with the exception of certain international trade mark business. The Madrid Protocol element (3.54% of turnover), denominated in Swiss Francs and payable by the World Intellectual Property Organisation, is managed by offsetting this against the sums due to the Organisation in respect of Patent Co-operation Treaty fees. The European Community Trade Mark Office search work (0.01% of turnover), is now de minimis as are other foreign currency transactions.

## 24 Intra-government balances

	2010	2010	2009	2009	Restated 2008	Restated 2008
	£000	£000	£000	£000	£000	£000
	Receivables	Payables	Receivables	Payables	Receivables	Payables
Balances with:						
Central government bodies	329	4,393	452	9,393	271	5,228
Local authorities	45	48	-	69	-	29
Public corporations and other trading funds	-	2	-	9	-	-
Total at 31 March	374	4,443	452	9,471	271	5,257

## 25 Subsequent Events

The financial statements were authorised for issue on 29 June 2010.

# Annex A

## TREASURY MINUTE DATED 23 JUNE 2009

### THE PATENT OFFICE TRADING FUND:

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

- (a) to manage the funded operations so that the revenue of the fund:
    - (i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
    - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
  - (b) to achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. A trading fund known as The Patent Office was established on 1 October 1991 in pursuance of The Patent Office Trading Fund Order 1991 (S.1 1991 No. 1796).
  3. The First Secretary of State, Secretary of State for Business, Innovation and Skills, Lord President of the Council, being the responsible minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by The Patent Office Trading Fund for the 5-year period from 1 April 2009 to 31 March 2014 shall be to achieve a return, averaged over the period as a whole, of 4.0 per cent in the form of a surplus on ordinary activities before interest payable on long term Treasury loans and dividends payable expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, ie the Public Dividend Capital, long-term element of Exchequer loans and reserves.
  4. This minute supersedes that dated 26 February 2004.
  5. Let a copy of this minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

**HM TREASURY**  
**23 June 2009**

# Chapter Four

## Remuneration

### REMUNERATION REPORT FOR SENIOR STAFF AT THE PATENT OFFICE

#### REMUNERATION POLICY

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- The Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at <http://www.ome.uk.com/index.cfm>.

Directors comprise mainly members of the senior civil service (SCS) or those whose pay and conditions, although delegated to the Office are determined by analogy with the SCS in the Department for Business, Innovation Universities and Skills (BIS).

Performance is assessed by line management into three tranches: top, middle and bottom. The percentage of staff that can be accepted in each category is established centrally by BIS. Performance pay of up to 5% of the pay bill is available to reward top and middle tranche performers. For SCS members the line management assessment is combined with those for all other BIS SCS and the outcome moderated by the BIS pay committee.

For SCS analogues the Chief Executive, and Kathryn Bishop, an independent member of the Steering Board, form a remuneration committee and moderate the final performance distribution. The committee met on 9 June 2009 to moderate the 2009/10 award. For the 2010/11 award Mary Champion will formally replace Kathryn Bishop on the committee.

#### SERVICE CONTRACTS

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

## SALARY AND PENSION ENTITLEMENTS

The following tables provide details of the remuneration and pension interests of the Chief Executive and Directors of the Office and are audited.

	2009/10		2008/09	
	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
	£000	£000	£000	£000
John Alty <sup>1</sup> Chief Executive from 15.02.10	15 – 20 (120 - 125 full year equivalent)	Nil	N/A	N/A
Ian Fletcher <sup>1</sup> Chief Executive until 31.10.09	105 – 110 (160 - 165 full year equivalent)	Nil	155 - 160	Nil
Sean Dennehey <sup>2</sup> (Also Interim Chief Executive from 01.11.09 to 15.02.10)	120 – 125	Nil	115 – 120	Nil
Andrew Hardingham <sup>3</sup> Director from 23.11.09	35 - 40 (95 - 100 full year equivalent)	Nil	N/A	N/A
Robin Webb <sup>1</sup>	70 – 75	Nil	65 – 70	Nil
Louise Smyth <sup>1</sup>	70 – 75	Nil	70 – 75	Nil
Mark Pacey <sup>1</sup>	5 – 10 (60 - 65 full year equivalent)	Nil	60 – 65	Nil
Anthony Howard <sup>2</sup> Director from 16.11.09 to 15.02.10	20 -25 (80 - 85 full year equivalent)	Nil	N/A	N/A
Peter Holland <sup>1</sup>	75 - 80	Nil	35 – 40 (60 – 65 full year equivalent)	Nil
Andrew Layton <sup>1</sup>	75 - 80	Nil	60 - 65	Nil
Edmund Quilty <sup>1</sup>	75 - 80	Nil	75-80	Nil
Gillian Pratt <sup>4</sup> Director until 09.04.09	N/A	N/A	N/A	N/A

<sup>1</sup> is a member of the Senior Civil Service.

<sup>2</sup> is a member of the Senior Civil Service by analogy.

<sup>3</sup> is a member of the Senior Civil Service with a renewable three year contract.

<sup>4</sup> Gillian Pratt joined the Office on a secondment from the Environment Agency.

## SALARY

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. Ian Fletcher's salary includes £30,300 in reimbursement for gross taxable expenses relating to his detached duty in South Wales. Andrew Hardingham's salary includes £7,000 in reimbursement for gross taxable expenses relating to his detached duty in South Wales.

## BENEFITS IN KIND

There were no benefits in kind in 2009/10.

## PENSION BENEFITS

	Accrued pension at age 60 as at 31/3/10 and related lump sum	Real increase / (decrease) in pension and related lump sum at age 60	CETV at 31/3/10 or leaving office	CETV at 31/3/09 or taking office	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
John Alty <sup>1</sup> Chief Executive from 15.02.10	45 – 50 plus 145 - 150 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	1001	1003	7
Ian Fletcher <sup>1</sup> Chief Executive until 31.10.09	30 – 35 plus 95 - 100 lump sum	0 – 2.5 plus 2.5 - 5 lump sum	617	544	23
Sean Dennehey <sup>2</sup> (Also Interim Chief Executive from 01.11.09 to 15.02.10)	40 – 45 plus 130 - 135 lump sum	2.5 – 5 plus 5 - 10 lump sum	848	751	48
Andrew Hardingham <sup>3</sup> Director from 23.11.09	0 – 2.5 plus 0 – 2.5 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	9	0	8
Robin Webb <sup>1</sup>	15 – 20 plus 45 - 50 lump sum	0 – 2.5 plus 2.5 - 5 lump sum	264	230	18
Louise Smyth <sup>1</sup>	15 – 20 plus 45 - 50 lump sum	0 – 2.5 plus 2.5 - 5 lump sum	258	223	19
Mark Pacey <sup>1</sup>	10 – 15 plus 10 - 15 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	165	161	1
Anthony Howard <sup>2</sup> Director from 16.11.09 to 15.02.10	30 – 35 plus 90 - 95 lump sum	0 – 2.5 plus 2.5 - 5 lump sum	680	640	25

	Accrued pension at age 60 as at 31/3/10 and related lump sum	Real increase / (decrease) in pension and related lump sum at age 60	CETV at 31/3/10 or leaving office	CETV at 31/3/09 or taking office	Real increase/ (decrease) in CETV
Peter Holland <sup>1</sup>	15 - 20 plus 30 - 35 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	257	215	26
Andrew Layton <sup>1</sup>	10 - 15 plus 40 - 45 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	189	162	15
Edmund Quilty <sup>1</sup>	20 - 25 plus 70 - 75 lump sum	0 – 2.5 plus 2.5 - 5 lump sum	430	383	21

## CIVIL SERVICE PENSIONS

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is up rated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## **CASH EQUIVALENT TRANSFER VALUES**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## **REAL INCREASE IN CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## **COMPENSATION FOR LOSS OF OFFICE**

Mark Pacey left under Voluntary Severance Terms on 30 April 2009. He received a compensation payment of between £145,000 - £150,000.



## STEERING BOARD MEMBERS

Phillip Rycroft (Director General) appoints independent Board members for a fixed term, which may be renewed. In addition he held the appointment without a fixed term. Professor Adrian Smith was appointed DIUS member on 1 September 2008.

Phillip Rycroft replaced Professor Adrian Smith on 11 May 2009 as a result of the Intellectual Property Office moving into the Business and Innovation Directorate of DIUS. Zina Etheridge stood down from the Steering Board in May 2009. Simon Edmonds joined the steering board to fill the vacancy in April 2010.

The Independent Board members and their remuneration are:

	2009/10 Remuneration £000	2008/09 Remuneration £000
Kathryn Bishop Term Ended 14 July 2009	0 - 5	5 - 10
Mary Champion Reappointed 1 September 2007 to 31 August 2010	5 - 10	5 - 10
Geoffrey Drage Term Ended 14 July 2009	0 - 5	5 - 10
David Roberts Appointed 16 April 2007 to 15 April 2010	5 - 10	5 - 10
Gary Austin Appointed 15 July 2009 to 14 July 2012	5 - 10	Not Applicable
Sir Anthony Pigott Appointed 15 July 2009 to 14 July 2012	5 - 10	Not Applicable
David Richards Reappointed 9 March 2006 to 5 February 2010 extended to 5 February 2011 with permission of Minister of State	Not Applicable	Not Applicable

Professor Adrian Smith, Phillip Rycroft, Zina Etheridge, Simon Edmonds and David Richards are civil servants and are not remunerated by the Office.

Gary Austin was also asked to be part of a value for money project for the office. He was remunerated separately for this work. If this was included his overall remuneration would have been in the range £20,000 - £25,000. Geoffrey Drape was separately appointed to the Audit Committee of the World Intellectual Property Organisation (WIPO) in January 2006 and receives fees from the Patent Office for his work in this context. If this was included, his overall remuneration would have been in the range £20,000 - £25,000.



**John Alty**  
Chief Executive and Accounting Officer

**25 June 2010**

# Chapter Five

## Performance against Agency Targets

### 2009/2010 BALANCED SCORECARD

Measure	Target	Outcome
A substantive response to an allowable request for accelerated patent examination to be issued within 2 months of receipt in 90% of searched applications.	90	95
Good customer service in processing patent applications to be given in 95% of quality assured cases.	95	96
80% of patent search reports to be issued within 4 months of request.	80	90
The correct decision on registration to be made on at least 98.5% of trade mark applications.	98.5	99
90% of trade mark applications (to which no substantive objections have been raised or oppositions filed) to be registered within 7 months.	90	99
95% of correctly filed design applications to be registered within 2 months.	95	99
Strategy agreed by Whitehall ministerial or senior official group by February 2010.		Not Achieved
Intelligence Hub will be seen by industry and enforcement agencies as the lead player in coordination and dissemination of IP crime-related intelligence.		Achieved
Industry and law enforcement agencies will give positive feedback on awareness raising and training activities.		Achieved
By December 2009, a third venue will have been identified for the Science Museum exhibition, and agreement will be in place.		Achieved
Evaluation will demonstrate positive impact and value for money of the Science Museum project and provide information for future outreach work.		Achieved
IP Healthcheck reported as useful by over 66% of respondents.	66	88
"Good" or "satisfactory" ratings received in at least 80% of responses to customer surveys.	80	96
Achieve 4.0% return on capital employed.	4	7
5.0% cost efficiency	5	12
95% of performance management forms signed off and return to HR by 31 May 2009.	95	96
Proportion of waste recycled increased to 60%.	60	49
Carbon emissions reduced by 10% compared to 2008/09 figures.	10	16
Numbers of sick absence days per person to be reduced to 7.0 days.	7	7.5
99% of the agreed monthly service levels for key IT systems achieved.	99	100
Positive feedback from Forum participants.		Achieved
A plan, agreed by SABIP and the IPO, for commissioning research.		Achieved
Two research projects to be completed and reports received		Achieved
Contracts to have been awarded for two further research projects.		Not Achieved
New fees and services to be introduced in October 2009.		Achieved
National and international stakeholders will report increased awareness of our work on the copyright strategy.		Achieved
Agreement on mutual recognition with Japan by March 2010.		Not Achieved
MoUs on worksharing signed with Korea and China in 2009.		Not Achieved
Policy skills audit carried out and a targeted training and development programme devised by autumn 2009.		Achieved

## 2008/2009 BALANCED SCORECARD

Measure	Target	Outcome
To receive an overall "good" or "satisfactory" rating in at least 80% of responses in customer surveys	80	96
Issue 90% of patent search reports within 4 months of request	90	92
To issue a substantive response to an allowable request for accelerated patent examination within 2 months of receipt in 90% of searched applications	90	96
To register 90% of processed trade mark applications, to which no substantive objections have been raised or oppositions filed, within 7 months of application	90	98
To register 95% of all correctly filed design applications within 2 months	95	97
Meet 80% of agreed milestones in development of policy initiatives	80	83
By 31 March 2009, 66% of business advisors (UKTI export and Business Link advisors and their devolved counterparts) will have received training from the UK-IPO in advising businesses on intellectual property (IP) management. (Contributing to the Science and Innovation Strategy goal for all business advisors [UKTI export and Business Link advisors and their devolved counterparts] to have received this training by summer 2009)	66	67
By 31 March 2009, to have a defined role for UK-IPO in relation to IP crime, working in partnership with other agencies, and to have developed the resources, expertise and authorisations to fulfil that role credibly and effectively		Achieved
Refine copyright policy and improve its relevance in the digital age and to make visibly perceived progress in the eyes of stakeholders through the chain from producers to end users		Achieved
To resolve 55% of Trade Mark disputes in 1 year	55	59
Achieve the target of 4% on Return on Capital Employed	4	9.0
The Office will deliver direct benefits to customers and stakeholders of £2.5m through a combination of the implementation of new or expanded services, and reductions in Office statutory fees	2.5	2.9
Make the correct decision on registerability in at least 98.5% of trade mark applications	98.5	99
Give good customer service in processing patent applications in 95% of quality assured cases.	95	97
Promote a healthy workforce where people are fit and able to come to work 97% of the time	97	96.71
Complete, sign off and return 95% of Performance Management Forms to Personnel by 31 May 2008	95	97
To achieve 99% of the agreed monthly service levels for key IT systems	99	100
Reduce consumption of water, energy, travel and waste by 2%	2	6
Develop a highly trained workforce where 90% of people who have identified a legitimate training need will have received their training	90	92
To achieve 80% or more of agreed milestones for key business-change projects within the reporting year	80	80
By March 2009, UK-IPO Together will be embedded in the office culture and 80% of staff know and understand the management values	80	84

## 2007/2008 BALANCED SCORECARD

Measure	Target	Outcome
Issue 90% of patent search reports within 4 months of request	90	90
Grant 90% of patents within 2½ years of request	90	89
To register 90% of processed Trade Mark applications, to which no substantive objections have been raised or oppositions filed, within 8 months of application	90	95
To examine 95% of all Design applications within 3 months	95	100
To achieve 99% or more of the agreed monthly service levels for key IT systems	99	99
To achieve 80% or more of agreed milestones for key projects within the reporting year	80	84
To resolve 55% of Trade Mark disputes in one year	55	57
Develop 6 Target profiles, using Telpat intelligence	6	11
Make the correct decision on registerability in at least 98.5% of Trade Mark applications	98.5	99
Give good customer service in patent search and examination in 95% of quality assured cases	95	97
Meet 80% of agreed milestones in development of policy initiatives	80	70
The number of businesses taking action to improve the management of their IP will increase by 20% above baseline in targeted groups	20	60
Generate a 10% increase in demand for non-statutory innovation support services	10	14.1
To receive an overall "good" or "satisfactory" rating in at least 80% of responses in customer and Ministerial surveys	80	97.9
Achieve the target of 4% on Return on Capital Employed	4	15.60
Reduce total current expenditure on the operations of the trading fund compared with the baseline of the Corporate Plan 2004/05, in line with the DTI's published Efficiency Technical Note. Cumulative savings target for 2005/06, 2006/07 and 2007/08 is £2.7M	2.7	5.4
Achieve positive outcomes on 100% of ISO and Charter Mark healthchecks	100	100
Reduce number of days sick absence per person to		
9 days by March 2008		
8.5 days by March 2009	9	8.08
8 days by March 2010		
Complete, sign off and return 100% of Performance Measurement Forms to Personnel by 31 May 2008		
95% by 31 May 2007	95	95
100% by 31 May 2008		
80% or more of internal customers are "satisfied" or "very satisfied" with the provision of internal IT customer services	80	100
Apply for initial assessment of our Environmental Management System by the ISO Accreditation body by the end of March 2008.	100	100
Achieve a minimum of 75% "No actions required" recommendations in follow up Internal Audit reports where initial recommendations were "Necessary Actions Required" or "Urgent Actions Required"	75	77
80% of completed TREFs to contain positive feedback from Line Manager on the improved competences of staff.	80	100
Ensure that applications from black and minority ethnic people are running at 5% of applications for A-B1 level posts by end March 2008.	5	6.8

# Chapter Six

## Glossary

BERR	Department for Business, Enterprise and Regulatory Reform
BIS	Department for Business, Innovation and Skills
CETV	Cash Equivalent Transfer Value
DIUS	Department for Innovation, Universities and Skills
EU	European Union
EPO	European Patent Office
FReM	Financial Reporting Manual
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IP	Intellectual Property
IPO	Intellectual Property Office
IT	Information Technology
ISO	International Standards Organisation
KPIs	Key Performance Indicators
MoU	Memorandum of Understanding
OHIM	Office for Harmonisation in the Internal Market
PCSPS	Principle Civil Service Pension Scheme
PCT	Patent Co-operation Treaty
PECS	Patents Electronic Case Files Programme
PMF	Performance Management Forms
PPH	Patent Prosecution Highway
PSA	Public Service Agreement
SABIP	Strategic Advisory Board for Intellectual Property Policy
SCS	Senior Civil Service
SMEs	Small and Medium Enterprises
SPF	Security Policy Framework
UK GAAP	United Kingdom Generally Accepted Accounting Principles
VER/VES	Voluntary Early Retirement and Voluntary Severance Schemes
WA	Wrongly Accepted
WR	Wrongly Refused
WIPO	World Intellectual Property Organisation

# ANNUAL REPORT AND ACCOUNTS

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