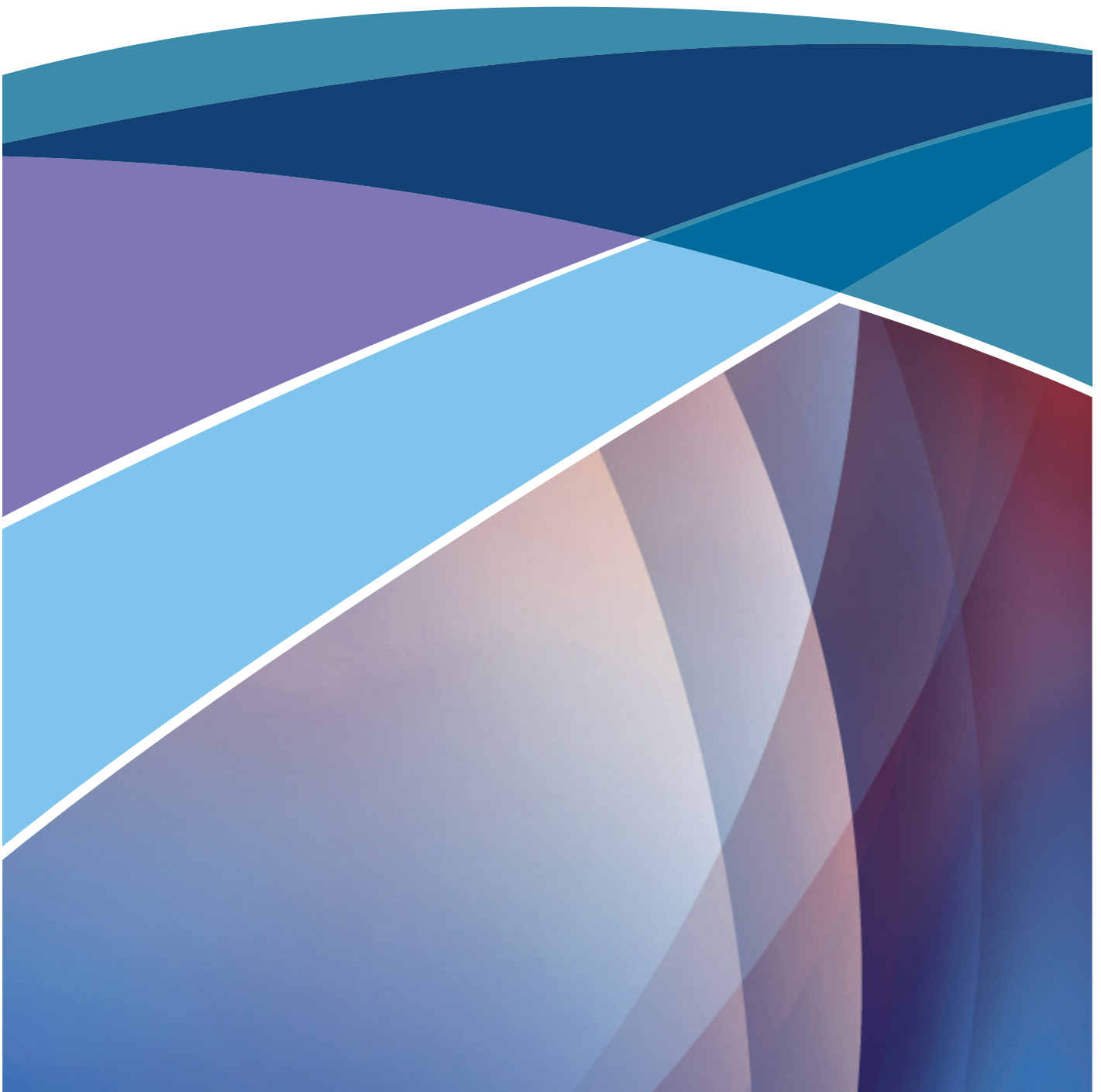




Intellectual  
Property  
Office

# Corporate Plan

2015-2018





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# Minister's foreword

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The United Kingdom has a proud heritage of discovery and innovation, of breathtaking art and creativity. Today, despite tough economic conditions, Britain remains in the vanguard of science and technology, of design, music and film. Our investment in the intellectual property that underpins these strengths massively outstrips that in more physical assets like buildings or machinery. As we work to lay the foundations for robust, sustainable growth, we must deliver an IP system that supports our innovators, creators and entrepreneurs, and inspires the confidence of rights holders and users alike.

We can be proud of what this Government has achieved. Since taking office in 2010, we have driven forward an ambitious suite of projects to implement recommendations from the Hargreaves review of Intellectual Property and Growth, commissioned by the Prime Minister and published in 2011. The changes we have delivered, in both the legislative framework and our rights granting systems, bring the UK's IP environment out of the 20th century and into the digital era. They better align our IP framework with the needs of both users and creators. The Intellectual Property Enterprise Court now offers an effective dispute resolution mechanism within the UK. Our network of IP attachés has helped to protect nearly £400million worth of UK IP assets on the global stage. Our businesses have access to better advice and guidance on IP through the launch of our IP for Business Tools and, most recently, the IP Finance Toolkit; and our higher education students can now tap into online learning tools to help them understand IP within their chosen discipline.

But challenges remain. We have further to go before we can say with conviction that employees and entrepreneurs fully understand IP and before they have full confidence that their IP rights will be respected and can be enforced around the globe. If our budding innovators and entrepreneurs can maximise the value of their work in a society that respects intellectual property, the UK will continue to lead the world in innovation and creativity. It is for this reason that one of the targets I have agreed for this year is the design and launch of a new online educational hub, as part of a drive to make IP an integrated part of our education system, from the first days at school right through to graduation day. And why I have been encouraging the IPO to continue its work to ensure effective enforcement of IP rights, not just in the UK but internationally, building on the solid foundation created by the International IP Enforcement Summit which we hosted in 2014.

These are big ambitions. As the IPO works to deliver on them, it must, of course, ensure that it remains true to the continuous improvement of its core rights granting services. The changes the office has already made have, I know, been warmly welcomed. In this plan I am pleased to see how the IPO plans to continue its transformation to a truly digital business which delivers the high quality services its customers expect.

I am determined to ensure that we maintain our progress towards an infrastructure which helps the UK truly stand out as a global hub for IP development and exploitation. The stretching targets I have agreed within this plan chart the next steps the IPO will take in its journey towards that objective. I have every confidence in the Office to deliver them.

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

# Ministerial Targets

As an executive agency and trading fund of the Department for Business, Innovation and Skills, we set targets which are agreed by the Minister for Intellectual Property and laid before Parliament. For 2015 – 2016 our targets are:

Strategic Goal		Proposed Target
Promoting UK Growth through IP policy	1	We will complete all necessary steps for the domestic implementation of the UPC agreement, ready for ratification at the appropriate time.
Delivering high quality rights granting services	2	We will deliver an operational online application service for our Designs customers as part of the TRIPOD portfolio by the end of March 2016.
	3	We will ensure that overall average customer satisfaction is at least 80%.
	4	We will offer faster handling of patent applications, by providing an examination report with a search report when both are requested at the application date, and meeting at least 90% of requests for an accelerated two-month turnaround for search, publication and examination.
	5	We will publish 85% of acceptable applications for national trade marks for opposition within 90 days of filing.
Ensuring IP rights are respected and appropriately enforced	6	We will launch a new online hub, bringing together educational material for all forms of IP, and achieve a 7.5% increase in traffic to this website over that achieved on the previous website.
Educating and enabling business to understand, manage and protect their IP	7	We will reach an audience of at least 100,000 businesses in the UK with IP messages by the end of March 2016.
	8	We will support the export activity of UK companies by providing education, advice and specific case support to 4,500 businesses by March 2016.
Improving the skills and capability of our people	9	We will define the future operating model for the IPO, identifying the structure, behaviours and roles we will need to deliver for our customers in a digital environment.
Increasing efficiency and delivering value for money	10	We will achieve a 4% Return on Capital Employed (ROCE).
	11	We will deliver an efficiency gain of 3.5%.

# Chief Executive's introduction

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When I took on this role in February 2010, the world was facing the challenge of recovering from the global financial crisis and it was clear that intellectual property assets would be key drivers of economic growth. Shortly thereafter, following the comprehensive review of the intellectual property landscape by Professor Ian Hargreaves, we outlined a challenging set of plans to align the UK's IP environment with the needs of 21st century businesses and creators. A significant amount of hard work over the last three years has seen these plans come to fruition, and I am delighted that 2014 saw the culmination of our efforts with, amongst other things, the passage of the IP Act, the introduction of modernised exceptions to copyright and, finally, the launch of our ground-breaking Orphan Works Licensing Scheme on 29th October.

I have been impressed throughout by the commitment and energy, both of our people and a wide array of stakeholders, in driving forward these important reforms and initiatives.

Our focus is on continuous improvement to the UK's already highly-regarded IP regime. For the IPO it is key that we remain in the vanguard when it comes to delivering on stretching targets and priorities across our six strategic goals, which encompass the quality of our rights granting services; our policy development; and supporting and educating businesses, consumers and, of course, our own people. With this in mind, and looking ahead to the publication of a new five-year Corporate Strategy later this year, we have clarified the overarching purpose of our organisation – **“Making life better by supporting UK creativity and innovation”** - and its mission - **“Dedicated to giving everyone the confidence to make best use of IP”**.

It is important for everyone in the organisation to recognise the significance of our contribution to the whole of society: promoting innovation and creativity with its wide-ranging benefits, from economic growth to general well-being. We also wanted to capture the essence of our professional contribution to this purpose – striving to give creators and users of IP the confidence to exploit its potential to the full.

This plan is testament to the ambitious attitude within the IPO. In particular, this year we will embark on a major three-year project to deliver a digital transformation of our services in line with the needs of our customers. **“Transforming the IPO Digitally (TRIPOD)”** will not only improve our customer services, but also provide our people with the modern technology they need to work effectively.

Education, both in terms of raising business awareness and better consumer understanding, is at the heart of our plans to build greater understanding of, and respect for, IP rights. We need to help our aspiring innovators to take well-informed decisions about protecting their IP and make sure that they are in a position to maximise the value of their work in a society which respects its worth. Demanding targets around our business outreach activities and the launch of our new online educational hub reflect the importance we attach to this work.

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Despite significant increases in demand for our rights granting services during 2014/15, the IPO maintained patent and trade mark processing and service quality performance, and improved patent examining output. Patent pendency is still a challenge and demand is only projected to increase, so over the three years of this planning period we will target a reduction in patent pendency through a recruitment programme that will significantly increase our examining capacity.

The plan also covers the important European issues of delivery of the Unitary Patent and the Unified Patent Court (UPC); and our role in supporting the creation of a digital single market in the EU. Both of these will be priorities for us.

We have done considerable work on enforcement in recent years, with the establishment of the City of London Police IP Crime Unit; considerable research on what works; and reforms to the IP Enterprise Court. We plan to refresh our enforcement strategy to ensure we are playing the right role with partners to maximise our effect.

Our domestic work is not only important for our home market. The quality of our rights granting services, the pace of our delivery and our innovative policy thinking all contribute to a robust and business-friendly IP regime which makes the UK a globally trusted partner. The increasing internationalisation of innovation requires the support of a robust international framework, and the UK will continue to play a leading role through both bilateral and multilateral work to address major global policy challenges. Our attaché teams play an increasingly crucial role in this area, supporting UK businesses in key emerging markets.

All of these projects and challenges will require new skills and continued change in the way we work if we are to deliver them successfully. We have a strong culture of personal development and will be taking steps over the three years of this plan to make our business more agile and able to adapt to what is demanded of us. We also face a period of significant new financial commitments, not least

from the UPC, as well as increased staff numbers to meet demand. This will require us to make more efficient use of resources, and we also plan to consult on proposals on the make-up of our fees. As a result of these and other activities set out in the plan, I am confident that we can maintain the UK's strong reputation in recent international surveys as one of the best places in the world to secure, exploit and protect IP rights, to the benefit of our economic growth and wider society. In the words of our purpose, we plan to go from strength to strength in making life better by supporting UK creativity and innovation.

**John Alty CB**  
**Chief Executive**

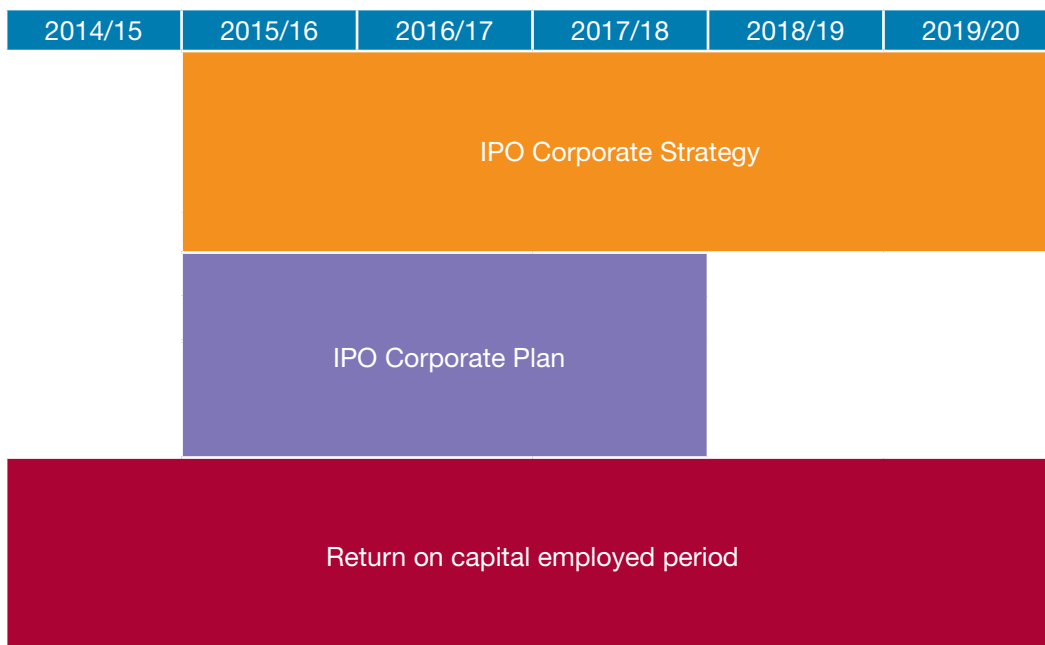
# About us

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## About this plan

This plan covers our key objectives for the next three years, and specifically our priorities for the forthcoming year. Many of our priorities will deliver benefits over the medium term. We also set out a number of shorter term delivery targets which have been agreed with Ministers and are the top priorities for delivery by the IPO in 2015/16.

Our five year Corporate Strategy is being updated and will be published later in 2015. The Strategy, which replaces the document we published in 2011, will provide the strategic framework for IP to support the Department for Business, Innovation and Skills' (BIS) role as the "Department for Growth".





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## About BIS

The IPO is an Executive Agency of the Department for Business, Innovation and Skills (BIS).

BIS's vision is to achieve strong, sustainable and balanced growth, evenly shared across the country and between industries.

We are supporting BIS's objective to help the translation of knowledge and ideas into successful commercial and public service outcomes, increasing productivity, growth and quality of life.

## About us

The IPO helps people innovate by giving them a way to protect and share their ideas, creating confidence to exploit them and openness so that others can build on them. We work to deliver a strong and accessible IP system which encourages and supports investment in the future of our ideas. We are responsible for UK IP policy, granting UK patent, trade mark and design rights, improving IP awareness and education, and supporting effective IP enforcement. We have a strong international reputation for the quality of the services we deliver and the contribution we make to international thinking on global and European IP policy challenges.

We are a self-funding agency (trading fund) with income flowing from customer fees for patent, design and trade mark registration and renewal. Our operation is overseen by a Steering Board of non-executives.

We employ around 1000 people, mainly based in Newport with a small London office and a storage facility at Nine Mile Point, South Wales. Our skills base includes scientists, engineers, economists, statisticians and data analysts as well as specialists in rights granting, IP policy, IT, HR, communications and finance.

## Our governance

### Our Executive Board:

John Alty, Chief Executive Officer  
Sean Dennehey, Deputy Chief Executive Officer  
Ros Lynch, Director of Copyright & Enforcement  
Rosa Wilkinson, Director of Innovation and Strategic Communications  
Neil Feinson, Director of International Policy  
Louise Smyth, Chief Operating Officer  
Paul Feldman, Chief Technical Officer  
Dave King, Acting Director of Finance

### Our Non-Executive Board:

Bob Gilbert (Chair)  
Gary Austin  
Iain Maclean  
Ralph Ecclestone  
Tim Suter  
Nora Nanayakkara  
Amanda Brooks (BIS)

# The Intellectual Property Office

*Our purpose:*

Making life better by supporting UK creativity and innovation.



*Our mission:*

Dedicated to giving everyone the confidence to make best use of IP.



*Our goals:*

- Promoting UK growth through IP policy
- Delivering high quality rights granting services
- Ensuring IP rights are respected and appropriately enforced
- Educating and enabling business to understand, manage and protect their IP
- Improving the skills and capability of our people
- Increasing efficiency and delivering value for money



*Our values:*

- Delivering for our customers
- Valuing our people
- Innovating for success



# Our achievements

In developing our plan for the coming year, we spent some time reflecting on whether we had achieved the targets and priorities set out in our Corporate Plan last year and our progress towards the goals we set out in our Corporate Strategy in 2011. It was a challenging but productive year. A key milestone was the completion of significant projects to implement recommendations from Professor Hargreaves' 2011 Review of IP and Growth. The box below provides a short summary of what we have achieved since we began this work in 2012.

## **We have:**

### **Intellectual Property Act (2014)**

Introduced the IP Act to strengthen the UK's world-class IP system and help businesses of all sizes to protect their IP rights in the UK and abroad. The Act introduces the Unified Patent Court Agreement, new protections for pre-publication research, a criminal sanction for the intentional copying of registered designs and expands the existing Patent Opinions Service.

### **Copyright licensing**

Introduced the Orphan Works Licensing Scheme, allowing access to the works of copyright owners who are unknown or cannot be located. This ground-breaking scheme is the first in the world to use an electronic application system and searchable register

Made provision for Government to authorise extended collective licensing schemes from qualifying collecting societies. This should help improve the efficiency of collective licensing for both users and rights holders

### **Exceptions to copyright**

Modernised exceptions to copyright to support the reasonable use of creative content, without undermining copyright's important role in supporting the creative industries. The package of reforms will contribute £500m to the UK economy over the next ten years.

### **IP attachés**

Deployed four specialist IP attachés in the world's most challenging and fastest growing markets: China, India, Brazil, and South East Asia. So far they have provided one-to-one practical help and support to 537 UK businesses experiencing IP issues, with an estimated value at risk of over £398m. They have also helped a further 8,400 UK businesses via 341 outreach and education workshops and events. We have also recognised the particular demand for IP support in China and added a dedicated Business Support Officer to focus on providing help to British businesses navigating the Chinese IP system.

### **Small claims track in the IP Enterprise Court**

Introduced a small claims track in the IP Enterprise Court which gives SMEs the option of pursuing basic IP disputes through an informal hearing, without legal representation. It aims to significantly reduce the cost of pursuing IP infringement cases.

### **The Digital Copyright Hub**

Supported the creative industries in their work to create a Digital Copyright Hub, including providing financial support of £150,000 of kick-start funding. Fully realised, this project will mean small companies wanting to license the works of others should find it easier to find the right people to approach, and in time to obtain simple licences through an automated transaction. This will mean a reduction in admin costs and legal fees.

### **Helping SMEs get value from their IP**

Introduced new services and improved existing services for business, including expansion of our funded IP audit scheme. This scheme provides high growth SMEs with the ability to manage their own IP and develop a management plan or strategy to make their IP work for them and grow their business.

### **Codes of practice for collecting societies**

Introduced minimum standards for UK collecting societies (organisations which collectively manage copyright on behalf of rights holders to the tune of £1bn per annum) and worked with them on codes of conduct. This has already substantially reduced the number of complaints the Government receives about collecting societies.

### **Research and evidence**

Published a review into the methodologies used to identify infringement of IP rights, along with an international comparison of approaches to online copyright enforcement.

During the year we also made important progress across the rest of our agenda. Highlights included:

## Promoting UK growth through IP policy

### Domestic

- Making significant progress on **patent harmonisation and client-attorney** privilege by chairing an informal group of developed countries, the “Group B+”, driving workstreams and engaging with industry.
- Changing UK patent law to make it easier to run **clinical trials without the risk of patent infringement**.
- Building understanding of the economic importance of IP through our **economics research programme** including investigations into 3D printing, online platforms, markets in IP and their enabling information ecosystems, and measuring infringement of IP rights.

### International

- A highly successful **UK-China IP Symposium**, led by the Minister for IP, confirmed the UK as China’s leading international partner on IP reform. The Symposium also delivered important commercial outcomes for British business, such as an online enforcement agreement between Alibaba and the China British Business Council.
- Helping India to play its full role in tackling IP crime by developing a **Copyright Enforcement Toolkit for Indian police and customs officers**.
- Working with the Confederation of Indian Industry to examine **the monetary impact of counterfeiting and piracy** on the publishing sector in India.
- Supporting Indonesia in its work to address **IP enforcement** issues by working with the FCO to deliver a report into current capability and training gaps and creating a training programme for the Indonesian IP Enforcement Agency.
- Arranging an exchange of economists between the IPO and the IP Office of Singapore (IPOS) to **share expertise and best practice in evidence-based policy making**.

- Agreeing the **EU Collective Rights Management Directive** in line with UK objectives for more efficient collective licensing underpinned by good governance and transparency.
- Stimulating a global dialogue on **IP-backed finance** by leading a successful seminar at the WIPO General Assemblies on IP-backed finance; co-hosted with the Chinese and Singaporean offices.
- Launching the **Global Patent Prosecution Highway (PPH) pilot** with IP offices across the world to enable quicker and simpler access to patent protection in important global markets.

### Delivering high quality rights granting services

- Maintaining our **patent and trade mark processing and service quality performance**, despite an extremely high level of demand.
- Beating our target for **customer satisfaction** by achieving an average rating of over 8 out of 10 for our services.
- Improving our **patent examining output**, with over 14% more patent searches performed and an overall rise of over 5% in patent searches and full examinations in total.
- Making sure that we sustain and strengthen that improvement by **recruiting 49 new patent examiners and redesigning the training programme**
- Successfully **achieving ISO 9001 re-certification** of our patent granting process, an award we have held continuously since 2003.
- Improving our **online services**, with developments including the Orphan Works Licensing Scheme and the launch of the designs project alpha phase – a project that will deliver an online application service for our designs customers by the end of March 2016.

# Our achievements

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## Enabling business to understand, use and protect their IP rights and educating consumers to respect others' IP rights

- **Helping more businesses to manage their IP effectively.** In particular, we:
  - Saw over 20,000 uses of our online 'IP for Business' tool, exceeding the target agreed with ministers.
  - Improved our engagement with **business advisers**, with over 4,000 modules of our flagship training tool IP Equip completed. The tool achieved a satisfaction rating of 85%.
  - Stimulated business interest in IP by reaching 25 million businesses through traditional and social media channels.
- Hosting the world's first **International IP Enforcement Summit** which brought together business, enforcement and government representatives from over 50 countries and cemented a desire for international collaboration in tackling global IP infringement. Excellent media coverage of the event and the IPO's most successful social media campaign to date - #IPSummit14 – also raised public awareness of the issues.
- Developing a suite of tools to build student understanding of IP by encouraging university lecturers to bring IP into course material, and working with other government departments to support **Creative Content UK** - an industry-led initiative to educate consumers on the value of IP and direct them to legal sources of content.
- Exceeding our target to reach an audience of 5 million people with messages to build **respect for IP**.

## Improving the skills and capability of our people

- Achieving Silver Status following reassessment for **our Investors in People award** with particular recognition for our promotion of empowerment and ownership, continuous improvement work and recruitment and training of new patent examiners.

- Introducing "The Key" **People Manager Development Programme** to improve confidence and ability across our managers.
- Continuing our work to **embed our values across the organisation** by sharing examples of how people have made a difference through our Excellence Awards and our Rewarding our Values scheme.
- Introducing a **new apprenticeship scheme** offering a high-quality training and work experience package for 8 new starters in 2014.

## Increasing efficiency and delivering value for money

- Introducing an **IPO pay pilot** following agreement with Treasury.
- Continuing to deliver a **modern working environment** that facilitates more flexible and effective ways of working.
- Implementing the transition to **UKSBS** as part of the move to shared business services across government. The IPO has 4 staff members seconded to the UKSBS for approximately 6 months.



# Promoting UK growth through IP policy

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## Introduction

Innovation and creativity are key determinants of Britain's economic health. They are also a key strength. Britain gave birth to the first Industrial Revolution and remains in the vanguard of new developments from life sciences to composite materials, from large scale civil engineering to nanotechnologies. British music, imagery, architecture and literature are prized around the world and the value they contribute to the UK's overall economy - £76.9bn in 2013 - is growing faster than any other sector.

In the five-year Corporate Strategy we published in 2011, we set out how we would focus our efforts to ensure that the benefits of the IP system would be maximised to support continued innovation and growth and enrich the whole of our society. Growth will remain at the heart of the new Corporate Strategy we will publish later this year. It will signal our commitment to making life better by supporting UK creativity and innovation. We will do this through the development of an IP infrastructure that is understood, easy to access and use, and which reflects the needs of today's creators and users across all sectors. The Strategy will provide an important pillar of the Government's wider business architecture and plans to cement sustainable growth.

## Our work domestically

We are making good progress. The UK's IP regime, independently judged by Taylor Wessing's 2013 Global IP Index<sup>1</sup> to be the best place in the world to obtain, exploit and enforce IP rights, is highly respected. It helps us to attract important inward investment, and is fundamental to the continuing success of many of our world-leading industries.

We have worked hard to secure those benefits. Over the past five years we have driven a significant reform of the UK's IP environment, picking up the recommendations from "Digital Opportunity: A Review of Intellectual Property and Growth", the 'Hargreaves Review'. Our goal has been to ensure that the UK has an IP framework best suited to supporting innovation and creativity in the digital

age. Our work has included the changes to design and patent law in the IP Act and a wide range of reforms to modernise copyright law. Each of these has sought to create an IP environment which encourages and rewards innovators and creators at the same time as affording easier access and greater transparency to consumers. But we recognise that our work will never be complete.

As we near completion of our implementation of Professor Hargreaves' recommendations, our challenge now is to maintain our momentum developing the UK's IP environment to ensure that it continues to reflect the needs and technologies of 21st century businesses and creators as they strive for success at home and abroad. In the coming year, we will do that by:

- Reforming the law to protect businesses better against groundless threats of infringement action for trade marks, designs and patents;
- Implementing the Unitary Patent and the UPC Agreement;
- Securing the right outcomes for the UK from the EU reform of copyright;
- Strengthening our bilateral engagement with China;
- Delivering global patent reform.

## Reforming the law on groundless threats for trade marks, designs and patents

Handling legal action can be costly and time-consuming for any business. Patent, trade mark and design law protects certain types of business from being threatened with legal action for IP infringement, when those threats are actually groundless. This stops threats being made for the sole purpose of intimidation or to seek an unfair advantage, and where no infringement of an IP right has actually occurred.

After lengthy research and consultation (at our request), the Law Commission has recommended that the Government should reform the law in this area. The proposed reforms should help ensure that the threats provisions are sufficiently clear in scope, and that they protect the right sorts of business from being threatened, particularly retailers and stockists.

1 <http://www.taylorwessing.com/ipindex/>



They will also allow legitimate interaction between parties involved in a dispute over IP infringement; in particular good faith attempts to settle before litigation in compliance with the courts' Civil Procedure Rules.

#### **Our Corporate Priority:**

##### **Reforming the law on groundless threats**

We will work with the Law Commission to take forward amendment of the relevant provisions in IP legislation on groundless threats of infringement action.

#### **Our work in Europe**

The UK business environment emerges from a complex interplay of legislation shaped at home and with our partners in Europe. Where European negotiations touch on our intellectual property framework, we will strive to ensure that conclusions support our mission to make life better by supporting UK creativity and innovation.

We made valuable progress on this agenda in 2014/15:

- The successful outcome the UK negotiated on the Collective Rights Management Directive, will boost the UK rights management industries by making the process for licensing music across the EU more efficient. It should help improve access to legitimate EU-wide online music services and will introduce minimum standards of conduct for all EU collecting societies. As the UK is one of just two net exporters of music in Europe, this is vitally important to many British music businesses.
- Negotiations also began on reform of the Trade Mark Directive which will open up the potential to simplify and streamline trade mark rules.
- Proposals were made and negotiations commenced on proposed new legislation on trade secrets, a key part of the IP toolkit for many innovative businesses. Our input to these negotiations provides a welcome opportunity to address the lack of consistency across the single market.

In 2015/16, a key challenge will be to influence the accelerating debate around copyright reform as the new European Commission focuses on the digital single market. We will also take the remaining steps towards domestic implementation of the Unified Patent Court Agreement (UPC). We will also look ahead to the UK's EU Presidency in 2017, working closely with all EU partners – the European Commission, the European Parliament, other member states and stakeholders – to improve the European IP framework for all.

#### **The future copyright framework for Europe**

The European Commission intends to bring forward proposals to support the creation of a digital single market. In January 2015, the UK Government urged the Commission to take bold steps to create an open, flexible market where consumers have access to the goods and services they would expect in a modern digital economy.<sup>2</sup> The copyright framework plays an important role in supporting that market, and it is expected that the Commission will bring forward a package of reforms later in 2015. It is not entirely clear where the Commission will focus, although there are strong indications that they will propose legislative change covering territoriality and exceptions.

Rather than waiting to react to final proposals, a key priority for us will be to influence Commission thinking. We have established a dedicated team to focus on this and are working with colleagues across other Government departments, and with stakeholders, in order to develop evidence-based positions on copyright reform. The work will include economic research and engagement with UK stakeholders and European partners to develop our policy positions in advance of any proposals from the European Commission.

We will continue to engage with key players to ensure that our positions are based on evidence and consultation and that we are able to influence outcomes in the UK's interest. It is critical that we do this in advance of the key proposals expected in autumn 2015.

<sup>2</sup> <http://engage.number10.gov.uk/digital-single-market/>

# Promoting UK growth through IP policy

## **Our Corporate Priority:**

### **Securing the right outcomes for the UK from the EU reform of copyright**

We will work with the Commission, European partners and UK stakeholders to ensure that the future EU copyright framework supports the development of a digital single market, providing appropriate incentives for the creation and use of copyrighted works. We will focus the debate on areas where evidence shows changes can create an opportunity for innovation and growth.

## **The Unitary Patent and Unified Patent Court Agreement**

After 40 years of negotiation to simplify the European patenting process, the Agreement on the Unified Patent Court (UPC) was signed in February 2013. This will provide, alongside a Unitary Patent, a simplified European patent system including a single jurisdiction for litigation. This should afford simpler access to European markets, reduce bureaucracy and costs and provide greater legal certainty. London will host a chamber of the Court's Central Division, specialising in pharmaceutical and life science cases, and the UK Local Division.

Implementing the UPC Agreement and creating a new court is challenging, especially with a relatively tight timescale. Our priority remains to ensure that we deliver a high quality court that is accessible to all, including small and medium-sized enterprises, and which is sustainable in the long term. In order to do this we will be working within the Preparatory Committee on the foundations of the court such as the rules of procedure; the court fees; the rights of representation; judicial training and the appointments and functions necessary for the court to operate.

Domestically we need to complete all the necessary steps for implementation in order for the UPC to begin operating in 2016. This will involve amending our domestic legislation (Patents Act 1977) through a Statutory Instrument and placing an order under the International Organisations Act (1968) setting out the privileges and immunities associated with the Court. In parallel, we will secure a suitable property to house the UPC in the UK.

## **Ministerial Target**

We will complete all necessary steps for the domestic implementation of the Unified Patent Court Agreement, ready for ratification at the appropriate time.

Entry into force of the UPC Agreement will bring into effect the EU Regulations setting up the Unitary Patent, agreed in December 2012. In order for Unitary Patents to be granted by the European Patent Office (EPO), the participating states need to agree on the implementing rules, the financial arrangements and, in particular, the level of annual renewal fees. At the national level, we also need to provide technical solutions which will allow for the necessary exchange of data between the EPO and the IPO.

EPO Administrative Council negotiations on the level of annual renewal fees and their distribution between the EPO and the participating states are not straightforward. We want to see a more affordable product for businesses seeking wide patent protection within Europe. The level of renewal fees must be set so that the EPO has sufficient income to cover its costs, pre-grant and post-grant, from the fees it receives throughout the process. At the same time, the system must cover the cost of a translation compensation scheme for certain applicants, and any discounts available. The Select Committee will be meeting in May and June 2015 with the aim of finalising fee levels. However, we will need to review progress in the light of the parallel process of ratification and prospective entry into force of the UPC Agreement.

## **Our Corporate Priority:**

### **Implementing the Unitary Patent and the UPC Agreement**

We will work with European partners to reach agreement on the details of the Unitary Patent and the Unified Patent Court, providing a new option for patenting within Europe.

## Reforming the global IP environment

Europe is the UK's principal market, but our successful businesses want to trade right around the world. Our work this year will therefore maintain its strong focus on ensuring that the international IP environment encourages the global success of British businesses. As an example, the global market in IP licences which represented about 5% of all global trade, worth some £600 billion per year in 2010, is growing rapidly. As it develops and as UK firms and creators increasingly look beyond Europe to find new suppliers, partners and customers, it is hugely important that we influence the emergence of global IP systems to help these businesses tap into new opportunities and larger markets with confidence. We also need to assist the development of appropriate IP frameworks in those countries that are still emerging into the business world.

This approach has led us to championing the development of initiatives such as the Patent Prosecution Highway (PPH) which speeds up the examination process, to help enhance the global patent system and enable quicker and simpler access to patent protection in important global markets. Having initiated the launch of the Global PPH (GPPH) system in 2014, as secretariat over the past year we have enabled the network to grow to 19 offices. Over the lifetime of this plan we will work with other participating offices to review, improve and extend the system further.

## Building our global reputation – Our bilateral and multilateral relations work

The UK has a strong and well deserved international reputation for the contribution we make to international thinking and addressing global policy challenges. Our focus is on creating international systems and environments that enable UK companies to operate fairly, efficiently and effectively.

In addition to the work of our international policy team in the UK, we do this through our network of specialist IP attachés embedded in key markets. Together they work to:

- Build the UK's reputation for high-quality, informed and influential IP policy making;

- Develop trusting relationships with our international partners, enabling us to understand, influence and inform their thinking;
- Initiate IP-specific projects aimed at building the capacity of host countries often in collaboration with the UK Foreign Office and other experts.

In China, we will continue to develop the UK's role as China's partner of choice for IP co-operation through high-level engagement at the 3rd UK-China IP Symposium to be held in the UK in 2015 and technical discussions between policy leads. In 2015/16 we will focus project work and policy discussions on copyright collective licensing, civil judicial procedures and specific elements of trade mark and patent examination.

### Our Corporate Priority:

#### Strengthening our bilateral engagement with China

We will continue to build our strong and co-operative relationship on IP issues with China through a range of activities, including hosting the 3rd UK-China IP Symposium in the UK in 2015.

In Brazil, we will be building links with the newly elected government. We hope that this will present us with the opportunity to engage proactively with their new agenda. We will continue to offer Brazilian IP authorities help and support on brand protection ahead of the Rio Olympics and to work with Brazilian IP experts to improve the current level of IP information available to UK businesses operating in this important emerging market.

In India, we will maximise the opportunities arising from India's national IP policy consultation to build relationships with the new government, by offering bilateral support to reduce patent pendency by sharing best practice, guidelines and examiner recruitment and training. We will also look to provide support on enforcement at agency and judicial level, and on the governance of collective management organisations.

In South East Asia we will share best practice and, where appropriate, foster improvements to national regimes. Given the varying depth and breadth of national IP frameworks within the ASEAN group, we will

# Promoting UK growth through IP policy

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target our interaction by focusing on markets that are the most important to UK businesses and by paying attention to our interaction on those areas that will have most effect in the fields of enforcement of IP, collection of IP revenues for the creative industries and patent processing. We will also engage with regional thought leaders on the subject of IP and finance.

We will continue to look for opportunities to collaborate and engage in other emerging markets, where we do not have a permanent presence, and will support this through our desk officers based in the UK. Our aim here will be to focus on selected countries where our activity could deliver the best return for UK growth and UK businesses. We will do this by working closely with British businesses and UK Trade & Investment to understand the issues they face and the potential political, legislative or practical remedies.

Another key element of our international work is our engagement within the World Intellectual Property Organization (WIPO). WIPO provides a global policy forum where governments, intergovernmental organisations, industry groups and civil society come together to address international IP issues. Our engagement with WIPO is extensive and has been significantly enhanced since the appointment of a Geneva-based IP attaché in 2013. Over the lifespan of this plan, we will pursue the following core objectives:

- Securing and improving WIPO's global IP services to industry, including rights granting services and international co-ordination on the enforcement of IP rights;
- Ensuring that WIPO's international standards and norms are based on sound economic evidence and designed to support economic growth;
- Supporting and guiding WIPO's efforts, in line with our balanced approach, to promote IP in developing and emerging markets through focused technical assistance and capacity building; and
- Ensuring WIPO is an efficiently and effectively run organisation that meets UK Government expectations of good governance, accountability and transparency in the UN system.

Key challenges over the coming twelve months will include continuing negotiations towards: the agreement

of international treaties on design law and the protection of broadcasting organisations; the controlled expansion of WIPO's network of external offices to provide support to WIPO's global services and targeted technical assistance and capacity building; and a positive outcome for the UK at the diplomatic conference in May on revisions to the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration.

## **Improving global and European patent systems**

While patents for up to 40 European countries can be obtained through a single application to the European Patent Office, businesses seeking global patent protection must deal with the different legal and procedural frameworks in each country. These differences may have arisen for historical, economic or cultural reasons, but they cause additional burdens for businesses wanting to secure patents or avoid infringement in different countries. They also inhibit work sharing between offices handling parallel applications. We have therefore been working for some years to find ways to simplify systems and reduce the differences where possible. Discussions in WIPO have made little progress in this area recently, so our efforts have focused on collaboration with offices and countries that are interested in making the systems work better for business and users.

The UK is a member of an informal group of developed countries and intergovernmental organisations (the "Group B+") which was set up in 2005 to work on patent law harmonisation. For the past three years our Chief Executive, John Alty, has held the chair in a personal capacity. Group B+ is working to harmonise patent laws, including grace periods, to encourage improvements to work sharing initiatives such as the Patent Cooperation Treaty (PCT) and Patent Prosecution Highway (PPH), and to develop IT systems to enhance work sharing. Recently a subgroup has agreed to work on core principles to underpin the harmonisation of patent laws in key areas under discussion. It will come to the UK in April this year and then feed back to the plenary gathering of the B+ Group in October. We will continue to engage users of the patent system as well as take on board the outcomes of substantive discussions among the trilateral industry associations (in Europe, Japan and the US). We will also engage other countries and keep them informed of progress.

We will build on recent progress to seek agreement for further improvements to the PCT system as the primary mechanism through which innovators seek international patent protection. In particular we will focus on measures to increase the quality, transparency and efficiency of work done in the initial ‘international phase’ of the application process.

We will enhance the quality and efficiency of the examination process internationally by encouraging work sharing through expansion of the PPH network and increased coverage and take-up of the work sharing platform developed by WIPO (“WIPO-CASE”) and its linkage with the One Portal Dossier system of the Big 5 IP Offices (“IP5”). This will allow examiners to access examination results from other offices more easily.

We also continue to work closely with the European Patent Office (EPO) both at a technical and operational level, using our role as a member of the Administrative Council to work for an effective and sustainable patent granting operation which meets the needs of its customers and the wider European economy.

In all of our interactions with IP Offices around the globe, we will be alert to good practice and seek to identify ways we might improve the efficiency and quality of our own rights granting operations. For example we will undertake further exchanges with our partners in the Canadian, Australian, German and Chinese IP offices to improve our quality and productivity and understanding of each other’s practices.

#### **Our Corporate Priority:**

##### **Delivering Global Patent Reform**

We will continue to work with other IP offices to improve the global patent system for the benefit of UK businesses

#### **Focusing our policy activity**

Key to delivering our Corporate Strategy is ensuring that policy making is informed by a deeper understanding of the economic and social impact of IP rights and the IP infrastructure within the UK. The need is to ensure that development of the IP system is driven, as far as

possible, by objective evidence. Our aim in all our policy conclusions is to balance measurable economic objectives against social goals and the potential benefits for rights holders with impacts on consumers and other interests.

Our Economics, Research and Evidence (ERE) team works with policy teams internally, external partners across government, industry representatives and leading academics to determine the best approaches for evidence-based policy and to deliver a policy-relevant annual research and evaluation programme. The results of this work have made a significant impact in the development of policy, domestically and on the international stage through WIPO, the EPO and the Organisation for Economic Co-operation and Development (OECD).

In 2014/15, with our Patent Informatics team, the ERE team published 25 analytical reports including 13 independent research reports which underpinned and informed the delivery and implementation of our legislative programme, taking new thinking on IP and its uses higher up the political agenda. Examples include reports into the IP implications of 3D printing and on an international comparison of approaches to online copyright enforcement. To ensure that the research outputs are well informed and accessible, the ERE team worked with a range of third parties to deliver stakeholder events to peer review the findings. The events have been well attended and the debate has been extremely valuable in shaping final publications.

To support our priorities for 2015, we will look to improve our data collection and further develop our statistical capability. An updated comprehensive research and evaluation programme will be published in spring 2015, building on the key themes of IP enforcement and EU patent and copyright issues. We will also look at behavioural economics and commissioning work on better understanding user behaviours around IP infringement. This will be achieved through the delivery of a survey to track online copyright infringement and a research project to better understand how social media can be used to promote awareness of IP as well as provide opportunities for infringement. The ERE team has also embarked upon an evaluation to assess the impact of the IPO’s policy interventions to inform our future approach.

# Promoting UK growth through IP policy

## Summary of our Corporate Priorities and Ministerial Targets for 2015 – 2016:

1

### Reforming the law on groundless threats

We will work with the Law Commission to take forward amendment of the relevant provisions in IP legislation on groundless threats of infringement action.

2

### Securing the right outcomes for the UK from the EU reform of copyright

We will work with the Commission, European partners and UK stakeholders to ensure that the future EU copyright framework supports the development of a digital single market, providing appropriate incentives for the creation and use of copyrighted works. We will focus the debate on areas where evidence shows changes can create an opportunity for innovation and growth.

3

### Preparing the UK for ratification of the Unified Patent Court Agreement

We will complete all necessary steps for the domestic implementation of the Unified Patent Court Agreement, ready for ratification at the appropriate time. **(Ministerial Target)**

4

### Implementing the Unitary Patent and the UPC agreement

We will work with European partners to reach agreement on the details of the Unitary Patent and the Unified Patent Court, providing a new option for patenting within Europe.

5

### Strengthening our bilateral engagement with China

We will continue to build our strong and co-operative relationship on IP issues with China through a range of activities, including hosting the 3rd UK-China IP Symposium in the UK in 2015.

6

### Delivering global patent reform

We will continue to work bilaterally and multilaterally with other IP offices to improve the global patent system for the benefit of UK businesses.

# Delivering high quality rights granting services

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## Introduction

Intellectual property rights support economic growth by encouraging investment in new technologies, in the development of brands, and in creativity. We know that the use of patents and trade marks is associated with better creation, transfer and use of knowledge, and higher firm productivity. Our delivery of high quality rights granting services is therefore key to promoting UK growth.

Granting rights with a high presumption of validity is central to business confidence in the system. As noted in the previous chapter, the current Taylor Wessing Global IP Index finds the UK to be the best place in the world to obtain, exploit and enforce IP. Overall, we are ranked first for trade marks, second for patents and fifth for designs. We have been specifically praised for the quality of our services, especially for small businesses.

In 2015/16 we will build on the strong foundations we have already developed to ensure that our rights granting services reflect modern business practices and meet our customers' needs. This will include the start of a major new three-year portfolio of work – “Transforming the IPO Digitally (TRIPOD)” - to drive digital transformation of our services in line with the requirements of the Government Digital Service (GDS) and the feedback we have received through our customer insight programme.

Alongside TRIPOD and against the challenging backdrop of increasing demand for our services, in 2015/16 we will also deliver faster patent services where our customers need them, maintain the pace of our trade mark service delivery and ensure that our customer satisfaction remains high. These priorities will be reflected in the new Corporate Strategy.

## Transforming the IPO Digitally - TRIPOD Portfolio

The IPO is about to embark on a portfolio of work to transform not only its customer services but also its back office processes and systems. Our aim is to provide the best possible service to our customers, whilst using the modern technology that gives our people the tools they need to work effectively.

The TRIPOD portfolio has been established to deliver the business and technical changes that will enable better services that reflect the needs of new and existing customers in the 21st century.

The IPO offers a diverse range of services summarised in Figure 1.



Figure 1: IPO Service Summary

We remain committed to continuous improvement of our existing offering by ensuring that our internal processes are both efficient and meet the needs of our customers and IPO staff. The TRIPOD portfolio will establish a number of key indicators to ensure that we can demonstrate improvement and success.

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

This work will ensure that the IPO is seen as being at the forefront of efficient and responsive rights granting delivery and will ensure that we are delivering the best possible customer service in line with the Government Digital Service requirements.

We've said before, and no doubt we'll say it again: transformation means more than fixing websites. It goes deeper than that, right into the organisations behind the websites. There's a logic to it: **digital service design means designing the whole service**, not just the digital bits. If you're redesigning a service, you need to think about the organisation that runs it.

Figure 2: GDS Blog (Dec 2014)

## Portfolio outcomes

The projects within our TRIPOD portfolio will help the IPO to deliver four strategic outcomes:

- **Outcome 1:** Transformation of existing end-to-end business processes across the directorates and divisions of the IPO to ensure efficient service delivery to the customer.
- **Outcome 2:** Introduction of new and enhanced digital and non-digital services to IPO customers.
- **Outcome 3:** Revitalisation of the technology platforms of the IPO to enable more effective continuous improvement for the customer and the organisation.
- **Outcome 4:** Business change and a supporting operating model which is aligned to the requirements of new digital services.



# Delivering high quality rights granting services

## Portfolio structure

The portfolio is built around a number of aligned projects as set out below:

TRANSFORMING IPO SERVICES DIGITALLY					
Identity Management	Apply for a Design	Apply for a Patent	Digital Searching of IP Rights	Digital Management of IP Rights	Digital Challenging of IP Rights
<b>By End of 2015</b>	<b>By Early 2016</b>	<b>By End of 2016</b>	<b>By Early 2017</b>	<b>By Mid 2017</b>	<b>By End of 2017</b>
New organisational identity management to provide identity assurance for organisations to access their IP rights	Delivery of new designs front & back office digital services through agreed software with gap analysis to business processes and associated business change	Delivering new ways of working new e-filing back office solutions to replace current technology including the development of workflow and associated business change	New (unauthenticated) digital services for customers to search IP rights held on our database	New (authenticated) digital services for IP right owners/representatives to manage their IP rights themselves	New (authenticated and unauthenticated) digital services for customers to challenge on decisions of IP rights
Underpinning digital infrastructure & technical architecture					

The TRIPOD portfolio will result in an upgrade of technology and business processes across the IPO and will deliver a broad range of benefits including improved accessibility, more efficient improved process handling and increased service quality. Everyone in the IPO will experience some change in the work they do as the projects reach completion and full implementation. We will support this through a team of Business Change Managers who will work closely with operational managers to help build our change readiness.

## Approach to delivery

The Government Digital Service (GDS) is leading the digital transformation of government, making public services digital by default, simpler, clearer and faster to use. In line with its recommendations, we will be using an 'Agile' approach to delivery of the TRIPOD portfolio. That means that we will adopt an incremental, phased approach to each project:

Shaping	Alpha	Beta	Live
Initial work to define project and provide a baseline for delivery.	First phase of project delivery to test uncertainty, gain customer insight and 'prototype' the new service.	Continuation of the project including understanding how to build and scale, while meeting user needs and releasing a test version to customers.	Final release of service to the customer.

Following the release of the project into a live environment, the service will then follow a process of continual improvement. At this point we will react to customer requests, new opportunities and changes to legislation to improve the service offering.

We have developed a Corporate Priority around taking forward the TRIPOD portfolio work:

### Our Corporate Priority:

#### Transforming the IPO Digitally

We will take forward the TRIPOD portfolio to transform our organisation to digital by default.

## Work anticipated for 2015/16

As part of the implementation of the above plan, work has now commenced on two projects to start to deliver the change:

**Apply for a Design:** The alpha phase of this project commenced in October 2014 to test areas of uncertainty around delivering a new online application service for our designs customers. We will move into the beta phase in April 2015 and will continue incrementally to

develop the service throughout 2015/16. We have agreed a Ministerial Target:

### Ministerial Target

We will deliver an operational online application service for our designs customers as part of the TRIPOD portfolio by the end of March 2016.

**Apply for a Patent:** The shaping phase for this project started in November 2014 with a view to commencing delivery of an alpha phase in April 2015. We will learn and adapt from experience of our Apply for a Design work as much as possible.

### Our Corporate Priority:

#### Transforming patent services

We will advance the modernisation of our patents systems through both new and enhanced customer-led web services and upgraded internal systems.

Throughout 2015/16, these two projects will build towards new rights granting systems and provide the foundation for other TRIPOD projects.

# Delivering high quality rights granting services

## Delivering for our customers

We are in a period of significant change for our customers, with growing demand for our services coupled with our progressive digitisation of online services. Through this period, it is essential that we maintain high standards of customer service in our Information Centre, often a first point of contact for those looking to register their rights or ask general questions about the application and use of IP rights. We must also ensure that our service development is underpinned by an informed understanding of customer behaviour, preferences and evolving expectations.

Our aim is to answer over 80% of telephone enquiries within 20 seconds and to respond to over 98% of email, fax and letter enquiries within 5 days and over 90% within one day (our previous target was 95% within 5 days). The Information Centre will investigate the use of Webchat as an additional support tool and will also develop a new measure of performance by tracking (and taking action to minimise) the rate at which they need to transfer calls to other people in the organisation.

Our Customer Insight team manage a programme of activities to track and measure customer experience with our services. We will conclude a journey mapping exercise to track experience through the process involved in registering a trade mark. From this we will draw out actions to improve our services and processes. This work will also inform the work of our TRIPOD portfolio in its development of new online services.

Meeting customer needs is important to us, which is why we have a Ministerial Target:

### Ministerial Target

We will ensure that overall average customer satisfaction is at least 80%.

This target looks at the satisfaction levels of customers who have used one of our transactional services, and is measured through a statistically significant survey conducted in line with industry best practice.

## Rights granting services: demand and delivery

During 2014/15, increases in demand for our rights granting services continued - a trend that has been mirrored around the world. We are working hard to improve our ability to forecast demand and understand the relationship between demand for IP rights and economic variables, although there are always uncertainties around any forecasting. Based on the available data, we expect demand for new IP rights to be at least sustained while demand for other services, such as renewals, should continue to rise.

## Patents

Our customers place a high priority on receiving an early idea of how innovative their inventions are. We know that this will inform their future business plans and, for some, will help them to secure the funds to develop their idea and move to manufacture. Equally, we know that early grant of a patent is important to some customers, especially those wishing to enforce their IP rights.

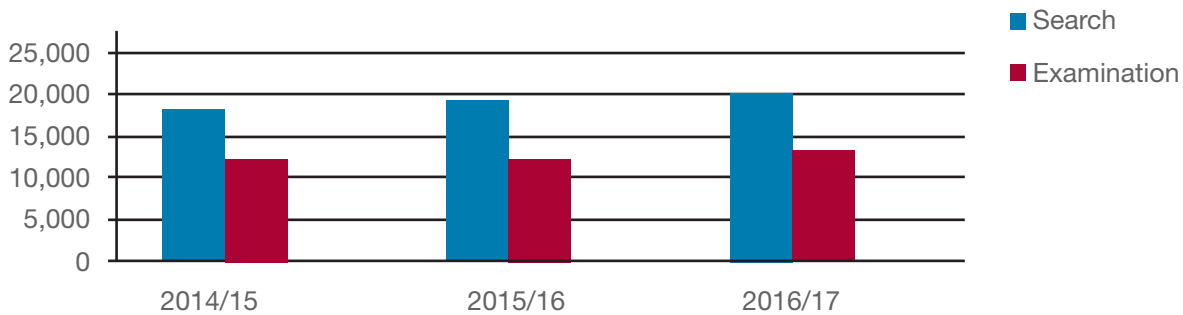
We currently provide a fast examination report with a search report under our combined search and examination service and will continue to do so. We are also achieving our current Ministerial Target to meet at least 90% of requests for an accelerated two-month turnaround for search, publication and examination. We will maintain our focus on delivering our accelerated services efficiently and reliably to ensure that those customers who want to can get a patent in a year or less.

During 2014, increases in demand for our services continued and this trend has been mirrored around the world. Take-up of our “fast track” routes to grant, for example via the Global Patent Prosecution Highway and “green channel”, continues to increase. Based on the available data we expect demand for new patent rights to be at least sustained while demand for other services, such as renewals, should continue to rise. It is possible that the recently announced changes to the Patent Box (to be introduced in July 2016) could result in a short-term increase of requests for acceleration.



The graph below shows the forecast demand for patent searches and examinations in the next three years of our strategy.

**Projected patent demand (volume)**



Despite continued increases in our output - in 2014/15 we completed over 5% more searches and examinations than in the previous year - current demand for patent searches and examinations considerably outstrips specialist capacity. That means we cannot deliver services as quickly as we and our customers would like, even with continued overtime working.

In 2014, we embarked on a series of measures to build our examiner capacity. Recruitment of a significant number of new examiners will enable us to improve delivery in the medium term. We

recruited 49 new specialists this year and we plan to recruit 50 more in each of the next two years. This equates to an increase in examining capacity of 60% once all are fully trained. However, to deliver improvements in the short term, we need to continue to make the most of the capacity we currently have.

To do this, we are managing demand to take account of the impact on innovation and economic growth when allocating high-value examiner resources, and we will build on our current efforts to prioritise our work. We have evolved our approach

# Delivering high quality rights granting services

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to unrepresented applicants to provide more direct and realistic advice on whether they should be seeking patent protection. Unrepresented clients, those who do not use the services of a patent attorney or other professional, account for just over 20% of all patent applications filed with us, but only around 5% of such applications result in a granted patent and few of those granted are renewed for any length of time.

To provide greater choice, and in response to strong support from customers, we will deliver a more flexible publication service which allows the applicant to choose to have their application published at any point prior to the 18 months required by patent law, regardless of whether a search has been performed. We will take this work forward under the TRIPOD and Fees Review projects. Following a successful collaborative working pilot in 2014, we will also transfer some essential non-technical work from patent examiners to administrative staff.

We will maintain our efforts to deliver a timely service at all stages of the granting process to meet the competing needs of customers. We will aim to continue to deliver search reports in approximately six months, as our customers tell us this is generally when they need them. We expect a modest improvement in the timeliness of examination reports in the medium term as the benefits of our recruitment programme kick in. We will then make progress towards reducing the time-to-grant to 42 months, which is our long-term goal.

The impact of the introduction of the Unitary Patent and Unified Patent Court (UPC) is hard to predict in the short and medium term. Many UK commentators suggest that caution over the operation of the UPC will increase demand for national patents in the UK (and some other European states) at least in the short term. The fee regime may also cause firms to examine more critically whether protection across Europe represents best value for money for their business. We are considering a range of options in planning for future consumer needs.

Quality will remain at the heart of what we do: an inadequate search or an invalid patent is bad for applicants and the economy, no matter how quickly it might be provided. Our patents granting process has been certified as meeting ISO 9001:2008 (Quality Management Systems) and we successfully achieved ISO re-certification in early 2015. To underpin our efforts, we have agreed a delivery target of providing good service to patent customers in 95% of quality assured actions. We have also agreed a Ministerial target:

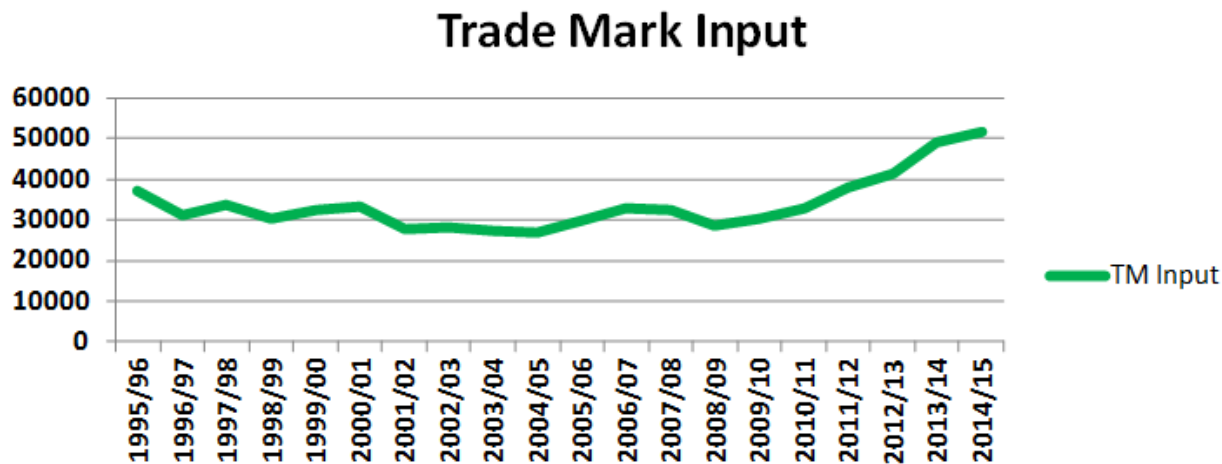
#### **Ministerial Target**

We will offer faster handling of patent applications, by providing an examination report with a search report when both are requested at the application date, and meeting at least 90% of requests for an accelerated two-month turnaround for search, publication and examination.

## Trade marks

The UK is judged to have the best trade mark environment in the world, with particular praise for the speed, consistency and accessibility of the IPO's services and the helpfulness of our people. We are determined to retain and strengthen that position against the challenging backdrop of increasing demand for domestic trade mark registrations: up 5% in 2014/15. Applications to the UK via the international route continue their slightly downward trend.

The graph below shows the level of demand for domestic trade marks since 1995.



Whilst demand is difficult to forecast, it has risen continuously over the last 5 years and we have therefore planned for continued increases in demand for the next three years. The continued increase in trade mark applications is reflected in more cases being referred to hearing at the ex parte (pre-registration) stage and we have experienced a similar increase of around 15% in oppositions. The fast track opposition route continues to be popular, with a steady increase of 7% in the number of opponents choosing this route.

With the continued high demand for our trade mark services, we need to recruit additional resources in the examination teams. In March 2015 we recruited 10 new Trade Mark Examiners and they are undergoing an intensive training programme. During this period of training we will continue to need some overtime to keep the period for first examination of applications at around 10-15 days. We will also recruit further examiners if demand continues to rise.

In 2014/15, we reviewed our suite of targets and expanded them to cover a wider range of outputs.

This year, we are making some of them more challenging, for example in raising the Ministerial target from 80% to 85%.

#### Ministerial Target

We will publish 85% of acceptable applications for national trade marks for opposition within 90 days of filing.

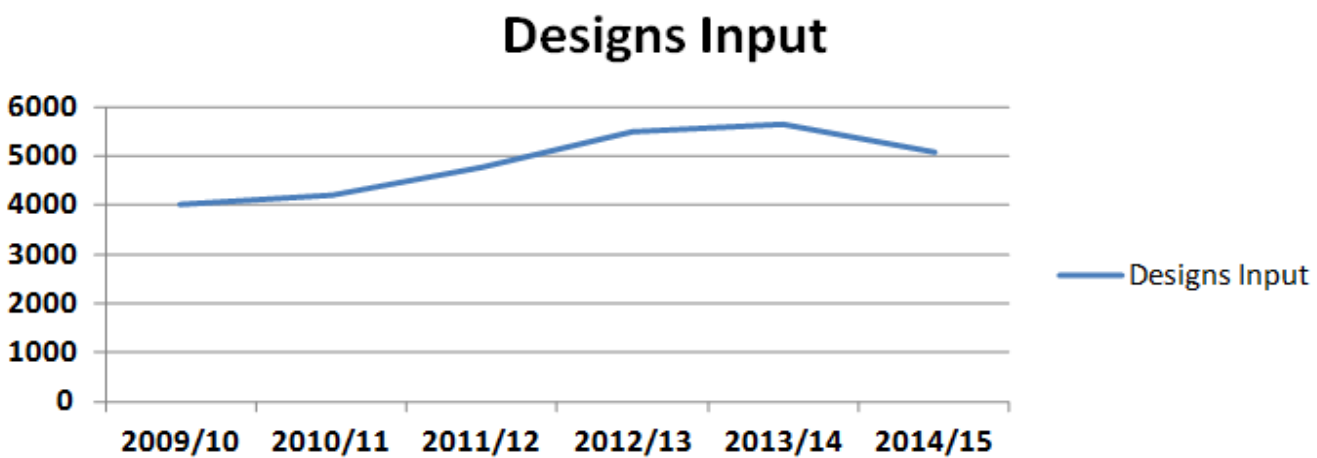
Last year we also reviewed the existing quality management system using Lean methodology and introduced a more efficient and appropriate system for driving continuous improvement. In 2015, our administrative team will continue to display their mature Lean capability and, in parallel with a customer journey mapping exercise for users of the trade mark services, we will be conducting a Lean review of the examination system.

In 2015/16, we will also seek ISO certification for our trade marks service.

# Delivering high quality rights granting services

## Designs

The level of demand for design rights has decreased by 10% since 2013/14:



We are continuing to modernise our designs services, and will be implementing the changes resulting from the IP Act to establish an appeal route to the Appointed Person and to implement a Design Opinions Service. Both are expected to be introduced in 2015 and are described in more detail around a Corporate Priority in the later chapter on “Ensuring IP rights are respected and appropriately enforced”. We will also implement the legislation necessary to introduce an international design registration service under the World Intellectual Property Organization’s Hague Agreement.

Additionally, we are planning extensive customer engagement activities to ensure that these services and our wider offerings fully meet the needs of designers and design-focused customers:

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

# Delivering high quality rights granting services

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## Summary of our Corporate Priorities and Ministerial Targets for 2015 – 2016:

1

### Transforming the IPO Digitally

We will take forward the TRIPOD portfolio to transform our organisation to digital by default.

2

### Delivering an online designs application service

We will deliver an operational online application service for our designs customers as part of the TRIPOD portfolio by the end of March 2016. **(Ministerial Target)**

3

### Transforming patent services

We will advance the modernisation of our patents systems through both new and enhanced customer-led web services and upgraded internal systems.

4

### Providing customer satisfaction

We will ensure that overall average customer satisfaction is at least 80%. **(Ministerial Target)**

5

### Processing patent applications

We will offer faster handling of patent applications, by providing an examination report with a search report when both are requested at the application date, and meeting at least 90% of requests for an accelerated two-month turnaround for search, publication and examination. **(Ministerial Target)**

6

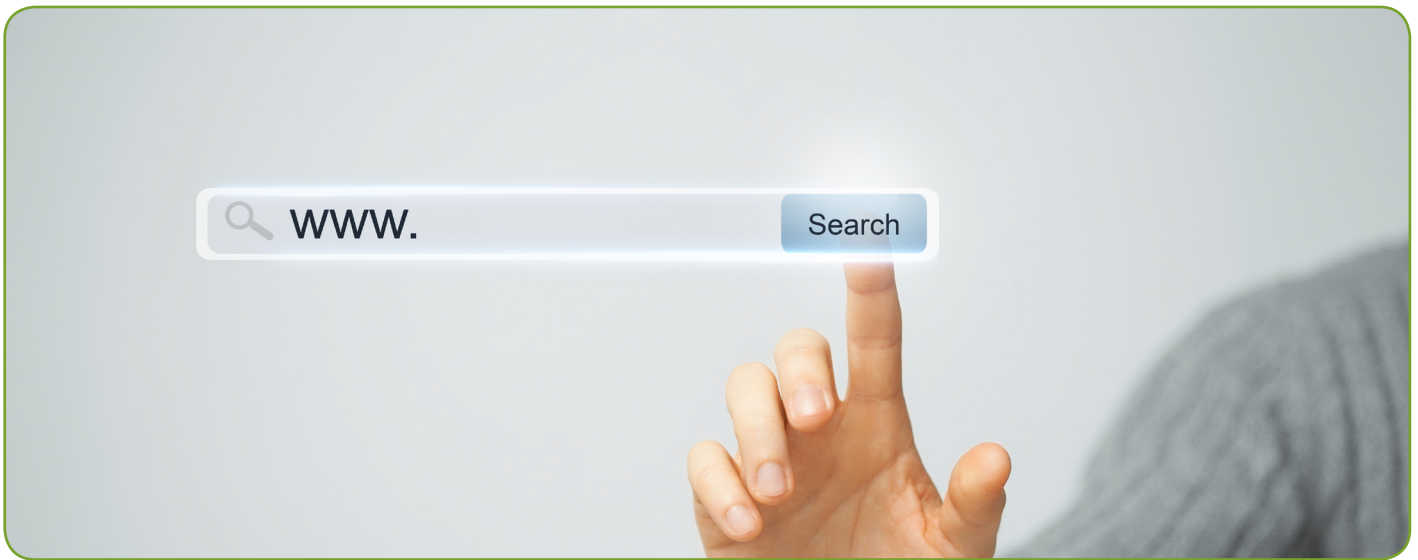
### Publishing trade mark applications

We will publish 85% of acceptable applications for national trade marks for opposition within 90 days of filing. **(Ministerial Target)**



# Ensuring IP rights are respected and appropriately enforced

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## Introduction

Intellectual property rights matter. By offering innovators and creators a monopoly, they encourage the ideas that deliver new products and services that help secure new customers and generate growth. They allow the development of brands that enable businesses to grow trusted relationships with their customer base. By enabling a fair return on effort and expenditure, they underpin investment in the research and development critical to conquering global challenges.

But these positive effects can only be secured if IP rights are respected and if inventors, designers and creators have access to appropriate measures to tackle infringement when it does occur. Although the IPO does not have the authority to enforce IP rights directly, we have an important role to play in encouraging respect for IP rights across our society and in ensuring that there is an effective enforcement architecture to protect those whose rights are infringed.

The IPO's role in the enforcement landscape has grown over recent years and more and more demands are being made on us to increase both activity and expenditure in this area. To ensure that we can deliver our priorities and goals, and to bring clarity around our role, later this year we will set out our strategy for and approach to IP enforcement.

## Building respect for IP rights amongst users and consumers

Respect for IP rights requires a number of foundation stones: the system of rights and protections must be perceived to be fair in the first instance; people must understand what it means for them and they must be motivated to apply it. The work we do seeks to cement each of these blocks:

We work to ensure that our policy decisions balance measurable economic objectives against social goals and the potential benefits for rights holders with impacts on consumers and other interests. Recent changes to copyright exceptions to maintain a fair balance between protection for creators and freedom for users demonstrate our commitment to getting this balance right.

We manage an extensive range of activities to build public understanding of IP. Our work here has grown significantly in recent years. In the next chapter we describe how we are focusing a key strand of that activity to ensure that our businesses and creators understand how best to manage and protect their intellectual property, but we have also extended our reach to consumers, including young people, to build greater respect for the investment others make in creating new goods and services including digital content.

As part of this, we ensure that businesses, users and consumers of others' IP understand the consequences of infringement and the harm it can do. Our goal is to quash the perception that the illegal downloading of online content or the buying of counterfeit goods is a victimless crime.

## Educating the next generation

In today's connected environment, even very young people are IP consumers, accessing online digital content independently and regularly. They are also creators of intellectual property and many will leave school or university to take up careers in industries that rely on the creation of IP and will go on to develop businesses founded on their own inventiveness and creativity. A basic understanding of IP and a respect for others' IP rights is therefore a key life skill. Despite this, IP is too often ignored in our education system. For us, ensuring that the next generation is equipped with the knowledge it needs to succeed in a competitive world and is motivated to respect the effort others have invested in developing new products, images or music is a key priority within our wider outreach work to build IP awareness.

### Our Corporate Priority:

#### Raising understanding of and respect for IP amongst school pupils, future entrepreneurs and consumers

We will work with partners to promote positive messaging and understanding of IP across all target groups.

Last year we developed and launched 'IP Tutor', an online training tool designed to help university students develop a wider understanding of IP and foster their entrepreneurial capability. IP Tutor picks up on feedback from students that they wanted to know more about IP and offers tailored options to meet the needs of students following a variety of disciplines – STEM; humanities; business and law; or creative arts. It challenges common misconceptions about IP and provides practical guidance on how to make the most of IP assets. In the coming year we will be promoting IP Tutor to students and lecturers. We will also begin work to identify gaps in our offering to students within the further education sector.

# Ensuring IP rights are respected and appropriately enforced

Although IP is not included as a specific topic in the current curriculum anywhere in the UK, the IPO has a successful track record of producing educational IP material to support teachers. In 2015/16, in collaboration with external partners and stakeholders, we will focus our efforts on building and extending those resources, the better to meet the needs of teachers across subject disciplines. We will also work to make it easier for busy teachers and tutors to find their way to resources that help them build engaging and impactful lesson plans.

Our work will include a significant redesign of the IPO's 'Cracking Ideas' website to develop it into an online hub for educational resources. The current site already provides a range of teaching materials for younger children, centred on Aardman's Wallace and Gromit characters. However, it is focused on younger children and lacks the broader appeal we need to reach a wider audience. The new hub will be aimed at teachers and tutors, with material that is suitable for school children through to university students, making it easier to introduce IP in the classroom or lecture hall. This work will be partly funded by OHIM<sup>3</sup> and we will be appointing web designers who can demonstrate experience in creating exciting and successful education websites.

The hub will cover all the main forms of IP (patents, copyright, trade marks and designs) and will enable us to offer lesson plans, video, games and other materials all under the crackingideas.com banner, creating a 'one stop shop' for IP education resources. Of course, the IPO is not the only producer of high quality education resources and we will be working with partners in industry who share our vision of improving IP education across all age ranges. The hub will offer the opportunity of including, or linking to, other peoples' resources, giving maximum variety to users and ensuring we are making the most of the good work others are doing and wish to share.

## Ministerial Target

We will launch a new online hub, bringing together educational material for all forms of IP, and achieve a 7.5% increase in traffic to this website over that achieved on the previous website.

Making IP an integrated part of learning from the earliest school years through to higher education is important, but we also recognise the need to engage young people outside the schoolroom. Working with UK Music we developed Music Inc, an app based game that allows people to experience the highs and lows of taking a new artist and nurturing them to become a star. In the year since we launched the game we have had nearly 200,000 players and we can see that, as they see the impact of piracy, their behaviours within the game begin to change. We have seen similar success with our 'Karaoke Shower,' a mock shower booth that has travelled the UK encouraging people of all ages to come in and sing and, of course, receive messaging about the value of music, our emotional connection to songs and the sharing of music. Both initiatives are designed to pass on key soft messages around the value of copyright in ensuring the continued success of British music. The IPO will continue to use and look out for innovative mechanisms to engage younger audiences and inspire them to follow appropriate IP principles.



<sup>3</sup> The Office for Harmonization in the Internal Market which registers the Community Trade Mark in the European Union

## **Tackling online infringement and the supply of counterfeit goods**

Our work to bring IP understanding into the education system and to reach out to users and consumers of all ages will be complemented by a wide-ranging public awareness campaign run by the audiovisual and music industries. The £3.5 million 'Creative Content UK' education campaign, which will begin in late 2015 and run for three years, will be funded by the IPO, BIS and DCMS. It represents a groundbreaking collaboration between the music and film industries and a range of partner organisations to deliver an education campaign in support of a new system of alert notifications to internet users who infringe copyright online. The campaign's principal aim is to reduce online copyright infringement and build respect for copyright amongst consumers of all types of media.

These awareness raising activities are complemented by government support for new business models and the increasing provision of attractive legal offers. Innovations like the Copyright Hub are key in helping to build an environment where new content businesses can get off the ground with the minimum of paperwork and bureaucracy and where users and consumers can find their way easily to legal content.

In addition to reaching out to educate the users of websites that provide illegal access to content, the IPO is also taking forward a number of activities under the "Follow the Money" banner. This type of approach aims to disrupt the revenues that flow into infringing sites from advertising and make it difficult for them to take payments by limiting their access to payment processing services. Our work includes working with search engines and rights holders to ensure infringing sites are deranked in search results and collaborating with brands and marketing organisations to ensure that brands do not place advertising on sites that are known to infringe copyright or provide easy access to counterfeit goods.

Providing support for this work, and other enforcement interventions, is a developing research base. In conjunction with our economists, our enforcement team is engaged in an ongoing programme of research to develop better understanding of the harm caused by IP infringement, the effectiveness of various interventions and the overall scope and scale of relevant activity. This programme will continue over the coming year, with research on the use of social media as a medium for selling infringing articles, along with other analysis to develop a robust model for measuring the harm caused by infringing activity.

Robust and credible information about the harm that can result is a necessary foundation for building respect for IP. For example, being able to show the effect on legitimate traders of infringing sellers at local markets provides a strong driver for the appropriate local bodies to take action.

### **Our Corporate Priority:**

#### **Reducing online IP infringement and the supply of counterfeit goods**

We will take forward initiatives in partnership with enforcement and industry bodies, nationally and internationally, to reduce online IP infringement and the supply of counterfeit goods.

# Ensuring IP rights are respected and appropriately enforced

## **IP enforcement**

An effective enforcement system requires that disputes around IP infringement can be settled quickly and in a cost effective manner. There is a balance that must be struck between the ease of bringing action against infringers, and the risk of vexatious or unfounded actions restricting legitimate business. It is in this area that mediation and other non-legal interventions play a crucial role.

The UK has a strong reputation internationally for its work on enforcement. In the third edition of the US Chamber of Commerce Global IP Centre International IP Index, published in February 2015, the UK was judged to have the best environment for IP enforcement of the 30 nations surveyed. In particular the UK system was praised for its “consistent, effective and innovative border protection against counterfeited and pirated goods”<sup>4</sup> and the framework we have put in place to promote action against online piracy.

This endorsement reflects the strength of the strategy and coordination work at the IPO and its intelligence hub. This includes work we have done to help businesses access and use civil protection measures, such as reforming the Intellectual Property Enterprise Court (IPEC) and targeting IP crime by setting up and funding the dedicated Police IP Crime Unit. The ranking of the UK also acknowledges effective partnership working between industry, law enforcement and government, something which the IPO actively supports through bodies such as the IP Crime Group.

We also recognise the international nature of the challenge. The first International IP Enforcement Summit, which we hosted in June 2014, brought together key European and international decision makers, enforcement agencies, multinational companies and other stakeholders to discuss the growing impact of intellectual property right infringements and the challenges facing enforcement bodies and society. There is no doubt that the summit highlighted the challenges we are all facing in tackling global IP infringement and the benefits that could accrue from working in partnership. In 2015/16 we will continue our work to reduce the flow

of infringing goods and services into the UK. We will build on our existing relationships and share intelligence and best practice with a range of partners, including the European Commission, inland and border enforcement agencies. We will also support action with new networks and associates.

## **Reforming the law of groundless threats for trade marks, designs and patents**

IP law protects certain types of business from being unfairly threatened with legal action for infringement. Although this aims to stop threats being made for the sole purpose of intimidation or to seek an unfair advantage, there are concerns that the law is overly complex and hampers good faith attempts to resolve disputes without litigation. The Law Commission has done a detailed study of the problem and, in February 2015, the Government welcomed the Law Commission’s recommendations for reform in this area. During 2015/16, we will be working with the Law Commission to take forward amendment of the threats provisions as described earlier in our Corporate Priority under the strategic goal, “Promoting UK growth through IP policy”.

## **Ensuring that rights holders and rights users have access to a range of mechanisms to resolve disputes and tackle infringement**

The UK’s Intellectual Property Enterprise Court (IPEC) has been praised internationally for providing a reasonably low cost, quick and high quality forum within which IP disputes can be resolved. In 2014/15 we worked to further improve its operation with the introduction of a fast track scheme and streamlined case handling procedures. These changes make it considerably easier for cases of civil infringement to be dealt with, with a cap on damages ensuring that legal action does not have a disproportionate punitive effect. During 2015/16, a formal review of the changes will be finalised and published.

We will also continue to support the courts and rights holders to develop the use of injunctions against online service providers where those providers are aware of their services being used to infringe copyright or trade marks. The flexibility available to the courts to take proportionate action in these cases is a vital tool in the enforcement framework.

<sup>4</sup> [http://www.theglobalipcenter.com/wp-content/themes/gipc/map-index/assets/pdf/Index\\_Map\\_Index\\_3rdEdition.pdf](http://www.theglobalipcenter.com/wp-content/themes/gipc/map-index/assets/pdf/Index_Map_Index_3rdEdition.pdf)

Mediation is at the core of Government (MoJ) initiatives to improve access to justice at proportionate costs. The IPO offers a mediation service, but it has not been widely used. In March 2013, we improved the service to make it more accessible to users. This year we will further promote the service by building profiles of our mediators and developing a stronger presence within the mediation profession through more effective use of social media channels, webinars, live question and answer sessions and mediation events. At the end of last year we began a pilot with our Trade Mark Hearing Officers, who have referred relevant tribunal cases to mediation. This pilot will be reviewed and, if successful, will be introduced as a standard part of our case management procedures within the IPO. From a policy perspective we will continue to work with other government departments and trade bodies to promote the use of mediation. We will also continue to promote the recently expanded Patent Opinions Service as a further alternative to litigation.

In addition to our mediation service, the IPO also provides a low-cost tribunal for resolving disputes about the ownership and validity of patents, trade marks and designs. In recent years we have focused on speeding up the resolution of disputes before the Trade Marks Tribunal and have made good progress in this area. The process requires the parties to be given adequate time to file evidence and present their cases. 80% of such disputes are resolved during this process by the parties themselves coming to an agreement, or by one side or another withdrawing. Where a decision from

the Tribunal is required, over 80% of the Tribunal's decisions are now issued within 15 months of a defence being filed.

The time taken to resolve disputes is important. SMEs, in particular, who make up an increasing proportion of the users of the Tribunal need disputes to be resolved in a timescale that is relevant to their commercial plans. Reducing the length of proceedings can also reduce the costs of proceedings to business and therefore make access to resolution more affordable. In 2015/16, we will aim for a further reduction in the length of proceedings before the Tribunal:

#### **Our Corporate Priority:**

##### **Improving dispute resolution mechanisms and modernising the registered designs system**

We will issue 75% of trade mark and registered design tribunal decisions within 12 months of a defence being filed; introduce a new Design Opinions Service and offer new routes of appeal against our decisions.

This target will not cover the small minority of cases where the parties have obtained a stay of the proceedings. Nevertheless, it is a challenging target because of the continuing increase in trade mark applications and consequential increase in oppositions. However, we believe that better use of existing case management powers will permit us to further accelerate the process.

# Ensuring IP rights are respected and appropriately enforced

## **Implementing the provisions of the IP Act 2014 to modernise the system for registered designs**

Work will continue to implement the provisions of the IP Act 2014 to modernise the existing system for registered designs and to introduce new services for designers.

We will involve designers and design-intensive industries in shaping and developing our practices, procedures and services. Where necessary we will introduce legislative changes using Directions or through amending the relevant rules. Within TRIPOD, we will also look to transform the way in which customers interact with us, moving from a paper-based to a digital service.

Key outcomes will be to introduce new routes of appeal against our decisions relating to both registered and unregistered designs by introducing an appeal route to an Appointed Person and the Courts and to introduce a Design Opinions Service. This will enable designers to seek a non-binding opinion from us on matters concerning questions of validity or infringement relating to both registered and unregistered designs. Finally, we will continue our work towards accession to the WIPO-run international designs registration system by ratifying the Hague Agreement. This will add an additional route for UK designers looking to protect their designs overseas.

## **IP crime and the Police IP Crime Unit**

Where infringement of rights is carried out deliberately and for gain, the law often requires criminal sanctions to be available. To ensure that such action is effective, the IPO continues to provide an intelligence capability on IP Crime through the IP Crime Intelligence Hub. This has built a strong reputation, and works closely with UK partners from Trading Standards, HM Revenue & Customs, the National Crime Agency and the Police Intellectual Property Crime Unit (PIPCU), and with contacts in other countries' enforcement agencies.

PIPCU was set up in 2013 to tackle serious instances of counterfeiting and piracy (with the exception of pharmaceuticals) carried out through online platforms. The increased use of online

platforms to advertise and facilitate the sale of counterfeit goods, and to provide copyright infringing material through advertising supported websites, has created challenges for traditional enforcement mechanisms. With many websites being based outside of the UK, innovative initiatives are needed to reduce the harm caused by infringing activity. The harm caused includes consumer safety issues, economic loss to rights holders and economic loss to HM Treasury (tax loss).


The unit has already had a number of successes, with their Infringing Website List (IWL) gaining traction amongst advertisers as a useful list of infringing sites to avoid when placing advertisements. During 2015/16 it is anticipated that the unit will continue to develop interventions like the IWL, adding to the range of options available for use in criminal IP cases. Our enforcement team will work closely with PIPCU in pursuit of this aim.

We have therefore announced a further two years of funding for PIPCU, taking the Unit through into 2017. As part of this deal, we will continue to build on the relationship between the IPO and PIPCU, to ensure close working on operational issues through the Intelligence Hub and closely co-ordinated communications activity. The unit will target priority areas of criminality and have a measurable impact on levels of infringement and harm caused. Evidence about harm and levels of infringement will be shared with us for policy development purposes, and the joint communications team will enhance the enforcement activity through well supported and targeted use of information about the unit's activities.

### **Our Corporate Priority:**

#### **Providing further strategic direction and funding to the Police IP Crime Unit**

We will sign a new Memorandum of Understanding with the Police IP Crime Unit, setting out detailed, measurable objectives and clear monitoring and reporting requirements.



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We will also continue to engage with a wide range of enforcement and industry bodies to stem the harm from counterfeiting and piracy and tackle the importation of infringing goods into the UK from abroad.

Key elements of this work are delivered through the IP Crime Group and supported by us. The group acts as a forum for knowledge exchange between enforcement agencies, government departments and industry. Following a recent review of the role of the IP Crime Group, the IPO enforcement team will continue to support the valuable work of the group over the coming year.

In addition to the IP Crime Group, the decision was recently taken to partner with the National Crime Agency to create a more practically focused group of enforcement specialists, with a view to facilitating coordinated action on IP Crime from the manufacture of infringing articles, through shipping and sale, all the way to the end user.





# Ensuring IP rights are respected and appropriately enforced

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## Summary of our Corporate Priorities and Ministerial Targets for 2015 – 2016:

1

### Raising understanding of and respect for IP amongst school pupils, future entrepreneurs and consumers

We will work with partners to promote positive messaging and understanding of IP across all target groups.

2

### Launching a new online educational hub

We will launch a new online hub, bringing together educational material for all forms of IP, and achieve a 7.5% increase in traffic to this website over that achieved on the previous website. **(Ministerial Target)**

3

### Reducing online IP infringement and the supply of counterfeit goods

We will take forward initiatives in partnership with enforcement and industry bodies, nationally and internationally, to reduce online IP infringement and the supply of counterfeit goods.

4

### Improving dispute resolution mechanisms and modernising the registered designs system

We will issue 75% of trade mark and registered design tribunal decisions within 12 months of a defence being filed, introduce a new Design Opinions Service and offer new routes of appeal against our decisions.

5

### Providing further strategic direction and funding to the Police IP Crime Unit

We will sign a new Memorandum of Understanding with the Police IP Crime Unit, setting out detailed, measurable objectives and clear monitoring and reporting requirements.



# Educating and enabling business to understand, manage and protect their IP

## Introduction

The IPO plays a central role in creating an environment which helps businesses and creators translate their IP into growth. The work we are doing to improve our rights granting operations and to reform the legislative environment to fit modern needs will help to ensure that the UK seals its position as the best IP regime in the world. However, unless businesses, creators and other users understand how best to navigate that environment and unless they can find the support they need to manage their rights, enforce them where others infringe and translate them into commercial success, we will fail to reap the full benefits for our economy.

In this chapter we describe our plans to ensure that businesses can understand, manage and protect their intellectual property. In particular we set out the actions we will take to:

- Integrate IP into professional business advice;
- Reach out directly to businesses;
- Support IP-rich businesses overseas;
- Facilitate the use of IP as a financial asset;
- Support the development of the IP marketplace.

## Integrating IP into professional business advice

The UK has a rich seam of business advisory professions. Our accountants, solicitors, financial advisers and, of course, IP professionals offer valuable insights geared to helping businesses of all sizes grow. However, we know that smaller businesses are often frustrated that they must visit a number of different professionals to get the best advice for their business and that, as a result, opportunities can be missed. Our flagship training course - the IP Master Class - was set up to help business advice professionals who do not specialise in intellectual property to develop a detailed understanding of IP and its relationship with business, culture and the economy, as well as

sound practical skills to apply within the business environment. Previously held as a residential course at the IPO headquarters in Newport, in 2015/16 the course will also be offered in London, Manchester and Bangor, Northern Ireland. The course is now also available as an online distance learning course.

This year we piloted a conference for business advisers and in-house IP experts who had previously attended the Master Class. Feedback from the conference was very positive, with delegates requesting a network, managed by us, to continue to support business advisers. This year we will therefore run a second annual business adviser conference and three regional networking events, including in the North West of England and the Midlands. We will also provide virtual support for the network via LinkedIn and other social/digital media. The network of advisers, who have been trained in IP, will provide support to businesses across the UK. We will provide opportunities for them to share their experience as well as help them to keep their knowledge up to date.

### Our Corporate Priority:

#### Developing a business adviser network

We will continue to grow and manage a network of business advisers to help their clients proactively manage IP.

## Reaching out to business

Our ambition is to ensure that UK SMEs both recognise and understand the value of their IP and can access the advice they need to grow their business by maximising the benefits which flow from their innovation and creativity. This means engaging with SMEs and business advisers by utilising traditional channels such as print media and seminars, and newer channels such as social media and digital tools.

We will offer a vibrant programme of activities to address some of the key challenges businesses face in exploiting their IP, enabling businesses and business advisers to recognise the potential pitfalls and spot IP-related opportunities to generate income both in the UK and when trading internationally. Last year we attended over 350 events covering the length and breadth of the UK. We remain committed to offering our outreach to the widest possible audience across the UK. We will continue to support the UK Patent Library Network having welcomed two new members in the past year, Hull and Northampton. We will also continue to work with the British Library to develop a national network of Business and IP Centres. To date seven centres have been opened, offering combined business and IP support to entrepreneurs locally.

Our challenging target encompasses three channels of support and information:

- Directly to businesses at our events;
- Using a multiplier effect to reach more businesses via their advisers (this is called indirect reach); and
- Online via our 'IP for Business' tools and other guidance.

### Ministerial Target

We will reach an audience of at least 100,000 businesses in the UK with IP messages by the end of March 2016.

## Supporting UK businesses overseas

The UK Government has set itself the ambition of doubling UK exports to £1 trillion by 2020. Ensuring that UK companies can benefit from global trade requires them to be confident that they are able to enter and invest in markets and protect their IP assets when they do so. In today's global marketplace we must support the growth of British businesses overseas. Our team of IP attachés (based in China, India, Brazil and South East Asia) can provide practical, on-the-spot, specialist advice to British businesses overseas. The attachés' role will remain focused on:

- i. Policy interaction and influence with host Governments, sharing best practices and promoting strong IP protection;
- ii. Supporting UK businesses that face IP issues within their overseas markets;
- iii. Outreach and education work to help UK businesses identify and avoid potentially expensive IP litigation and enforcement issues overseas.

Since its inception in 2011, the network of attachés has helped to support nearly 9,000 UK businesses in attaché markets, either through one-to-one contact or through their outreach and education work. The collective value of the IP assets at risk in these cases is estimated to be some £400 million. We are building on the success of the network by challenging ourselves to support more UK businesses operating overseas in 2015/16. We have set ourselves a Ministerial Target to crystallise this ambition:

### Ministerial Target

We will support the export activity of UK companies, by providing education, advice and specific case support to 4,500 businesses by March 2016.

# Educating and enabling business to understand, manage and protect their IP

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The support our attachés provide will continue alongside programmes and services provided by UK Trade and Investment and some trade associations. In those markets without an attaché, we will continue to work through the local British Embassy and support exporters through our dedicated web pages, online tools and IP guides. We will continue to scan markets for emerging IP issues and, where appropriate, provide additional support or resources to tackle IP issues. In the fastest growing economies where we do not have attachés (South Africa, Mexico and Turkey in particular) we will provide a targeted business support offer via desk officers in the UK and the FCO Prosperity Network.

We will also continue to use free trade negotiations led by the EU to drive improvements in IP regimes across the world, noting in particular the importance of negotiations in the coming year on the Transatlantic Trade and Investment Partnership (TTIP).

On the multilateral front, we will continue to work to improve the global framework of IP rules, both to strengthen protection where necessary and to reduce the costs and bureaucracy experienced by businesses trading internationally. To this end we will continue to maximise our influence in key international institutions such as the World Intellectual Property Organization, World Trade Organization, European Patent Office and Office of Harmonization in the International Market (European Community Trade Mark Office). We will also continue our work to contribute to the IP debate in the EU, following the formation of the new European Commission and European Parliament in 2014.

## **Our Corporate Priority:**

### **Helping UK companies to trade more internationally**

We will continue to support UK businesses abroad directly through our IP attachés and more widely through UK Government networks overseas.



## **Support for business: Facilitating the use of IP as a financial asset**

Making sure that the UK's entrepreneurs, innovators and creators can translate the investment they make in the creation of IP assets into value is key to the UK's long-term growth prospects. Often their ability to do so will depend on whether they are able to gain access to the finances needed to move their business forward. In 2013 we commissioned Inngot and Valuation Consulting Limited to undertake in-depth research into the difficulties faced by IP-rich SMEs in accessing finance. The research findings, published in November 2013, showed that knowledge assets were not appreciated in mainstream UK lending and that innovative businesses often struggled to leverage their most valuable assets.

The report made two overarching recommendations. First, we should sponsor development of a resource toolkit, backed by financial service providers, which would help SMEs to make more effective use of their IP assets. Second, we should work to ensure that policy measures across government – from the Patent Box to the Business Bank – join up effectively to help raise awareness of IP and put IP assets to practical use for business and growth.

In March this year, we published the first edition of a new IP Finance Toolkit designed to help businesses and the financial organisations they might approach for funding to engage in constructive dialogue. The toolkit was produced in collaboration with entrepreneurs, banks and other financiers. In 2015/16 we will look to ensure that the Toolkit has impact by developing it into a web-based resource and by working with the financial community and with business organisations to ensure that users can find their way to it.

We recognise that the Toolkit alone will not drive the behaviour change we believe needs to take place. There are a number of quantitative IP finance initiatives in the early stages of development that will produce evidence to support the use of IP assets in debt finance and build a compelling evidence base for different approaches both within business and within our financial institutions.

Improving the supply of credit to IP-rich companies will improve the capacity for growth in intangible investment. We will work with these private and public sector initiatives, and aim to co-ordinate the information flows arising from them to demonstrate the viability of IP assets in finance.

## **Supporting the development of the IP marketplace**

We recognise that lenders and investors will be more confident about their relationships with IP-rich businesses where they can be confident that, in the event of a default or failure, there is a well-functioning market for company assets and where they know that a company has protected against key risks through appropriate insurance. In the UK both IP markets and the IP insurance environment are still developing. In 2015/16 we will work to ensure that businesses can trade their IP assets and find appropriate insurance offers to protect against the key IP risks.

Recognition of the need to create value from IP through markets and exchanges has prompted public and private sector initiatives around the world. For example, the Danish IP Office has developed the 'IP Marketplace', an online market where entrepreneurs and innovators can seek out trading partners. IP rights, including patents, designs and trade marks are offered for sale or licensing. In the UK, 'Easy Access IP' offers free, licensed access to currently unused university IP, in return for some form of recognition for the originator. We committed, within the Science and Innovation Strategy<sup>5</sup> published by BIS in December last year, to undertake a review of schemes for IP markets and the data information systems essential to supporting them. In 2015/16 we will bring forward recommendations, based on the results of that review, geared to ensuring that businesses can find a suitable trading platform for their IP assets.

5 "Our Plan for Growth: Science and Innovation" – Department for Business Innovation and Skills, December 2014

# Educating and enabling business to understand, manage and protect their IP

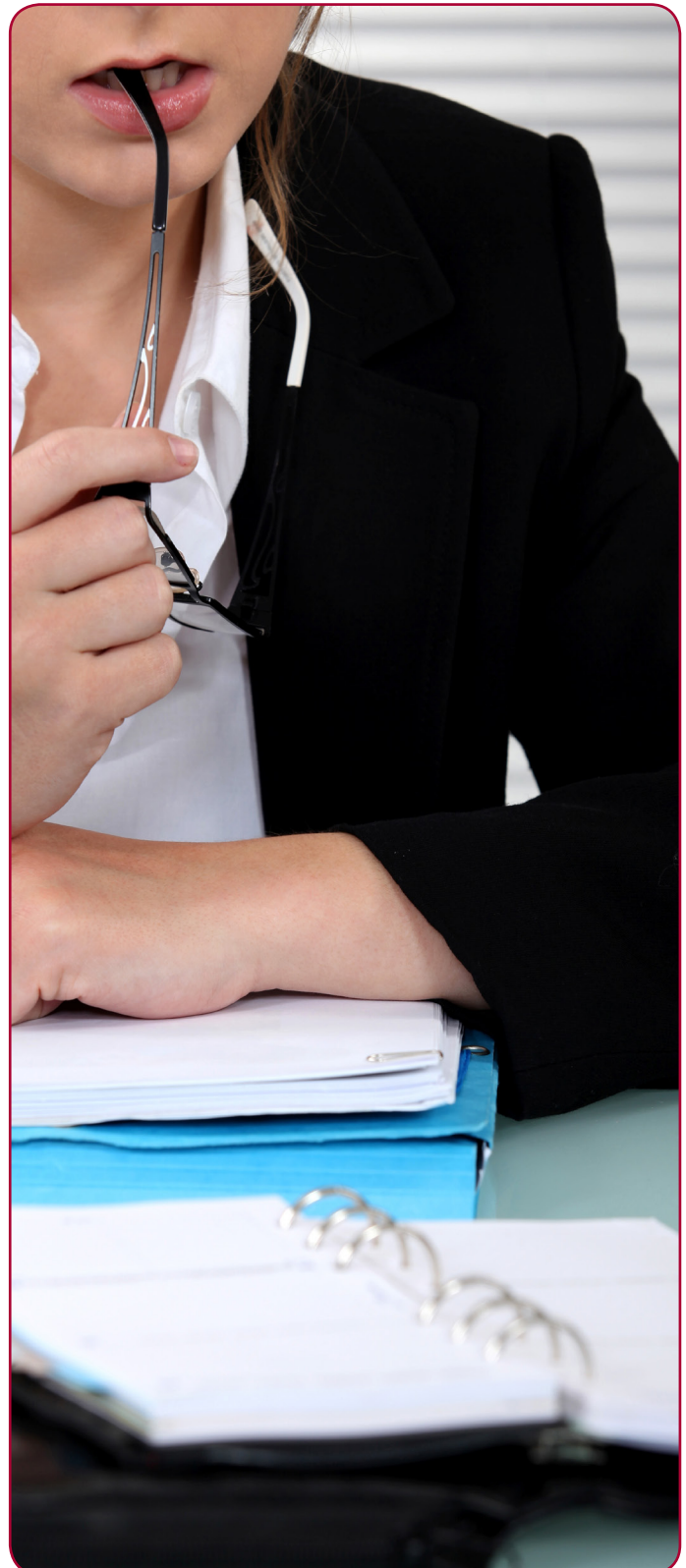
## **Our Corporate Priority:**

### **Supporting the development of IP markets**

We will undertake a review of the approaches to developing IP markets that exist around the world, and develop recommendations for a UK approach that will best support growth.

We will also do more to promote the UK's 'Licence of Right Scheme' which offers a 50% reduction in patent renewal fees in return for the rights holder's guarantee that they will license the right, on fair terms, to anyone who asks to use it. In doing so, our ambition is to encourage innovators to open up their great ideas to others who could build on them to generate growth and to generate new revenue streams which could be used to build company success.

For businesses to be confident in using IP assets as part of their collateral for finance, they need to know that those IP rights can be enforced effectively and defended if they are infringed. In the last chapter we set out how we will take forward the UK's IP enforcement environment. We will complement this by working with Britain's insurance industry. Our aim will be to help them to understand the evolving IP legal framework and the risks associated with IP disputes. This should enable them to continue to develop the products needed to provide appropriate tools for rights holders and confidence to business investors.



# Educating and enabling business to understand, manage and protect their IP

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## Summary of our Corporate Priorities and Ministerial Targets for 2015 – 2016:

1

### Developing a business adviser network

We will continue to grow and manage a network of business advisers to help their clients proactively manage IP.

2

### Reaching out to businesses

We will reach an audience of at least 100,000 businesses in the UK with IP messages by the end of March 2016. **(Ministerial Target)**

3

### Helping UK companies to trade more internationally

We will continue to support UK businesses abroad directly through our IP attachés and more widely through UK Government networks overseas.

4

### Supporting export activity through our IP attaché network

We will support the export activity of UK companies, by providing education, advice and specific case support to 4,500 businesses by March 2016. **(Ministerial Target)**

5

### Supporting the development of IP markets

We will undertake a review of the approaches to developing IP markets that exist around the world, and develop recommendations for a UK approach that will best support growth.



# Improving the skills and capability of our people

## Introduction

As this plan outlines, we are facing a period of significant change. We are operating in an environment of increasing demand for our services and growing expectations from our customers. We need to deliver services to our customers digitally and provide our people with modern, efficient tools to do their jobs. The TRIPOD (Transforming the IPO Digitally) portfolio, described in the chapter above on “Delivering High Quality Rights Granting Services”, will deliver this transformational change and is the primary driver for our people priorities in this corporate plan.

There will be a direct impact on our people. Many will need to master new systems and processes; they will need new skills; and they will need to interact differently with customers and colleagues. They will also need to adapt to new jobs and new ways of working. We are determined to support our people and engage them fully to help them adapt to the technical change and make it a success.

A key challenge in 2015/16 will be to identify what these changes will look like and to describe them to our people in a way that secures their support and helps them to understand how they might need to adapt. In parallel, we will focus on minimising any barriers to delivering the change, whether these flow from our organisational structure or operating model; from our systems, processes, practices and policies; or from other external constraints.

We are committed to ensuring that:

1. Our people understand the purpose, goals and priorities of the IPO, are clear about the skills they will need to do their jobs and able to drive their own development;
2. Our structures, processes and people policies become enablers of flexibility and business change.

## How will we achieve this?

We have set ourselves a Ministerial Target this year with a focus on defining our future shape. Our priorities will include a focus on becoming an “adaptive organisation” as well as understanding our skills base now and in the future.

## The future shape of the IPO

The IPO is undertaking a major transformation of its business processes and supporting technology. Although our focus is primarily in relation to our rights granting services, it will also impact other aspects of our business. Like many organisations, the IPO and its processes/operating model have evolved over a number of years. In 2015/16 we will review the IPO’s operating model. This will be a key outcome of our TRIPOD portfolio. The new model will put the customer at the heart of our thinking about how we deliver our services. We will define what this means for us in terms of our structures, resources and the skills we need to deliver our services in a digitised world, and we will work with the business to achieve this.

### Ministerial Target

We will define the future operating model for the IPO, identifying the structure, behaviours and roles we will need to deliver for our customers in a digital environment.

## The IPO as an adaptive organisation

An adaptive organisation is one that has the right structures, processes and people policies that allow it to be flexible and agile in an ever-changing environment. Over the period of this corporate plan we will identify what it means to become an 'adaptive organisation' and begin to make the necessary changes to get there. The benefits of becoming adaptive will ultimately impact the way we deliver to our customers and shape our approaches internally, so that we remove bureaucracy and re-focus how we manage change and engage people across the whole organisation. In line with our ambition to offer services to our customers faster and more accessibly, our people have increasing expectations of flexibility in their working practices and there are increasing pressures on our physical space. As part of our adaptive work, we will undertake a serious review of working practices this year and consider the feasibility and implications of offering greater flexibility and continuing to improve our physical environment.

This work will dovetail with our digital transformation. We will involve people across the business in developing our thinking:

### Our Corporate Priority:

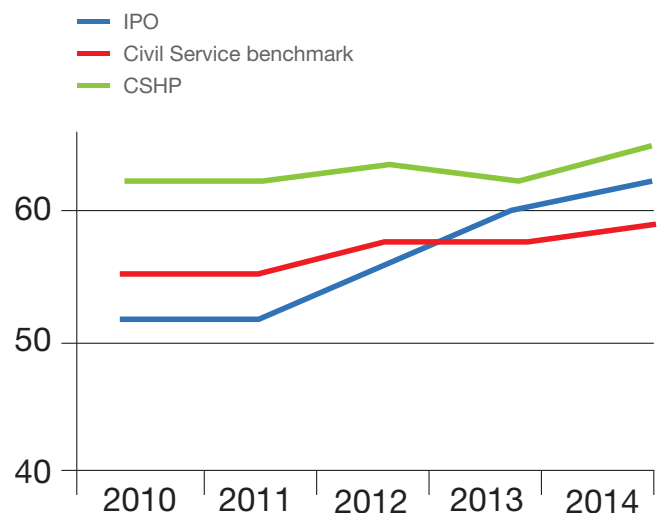
#### Engaging people to develop an adaptive organisation

We will engage people in the business to identify 3 significant areas of activity that will allow the IPO to adapt successfully to the change we are facing.

## Engaging our people

We are proud of the IPO team. Alongside the IP infrastructure we have shaped, they are a key part of the reason the IPO scores so highly in comparative evaluations of IP regimes in different countries. We want the whole of our team to feel fully engaged in meeting the challenges we set out in this plan. We are starting from an increasingly strong baseline.

The 2014 IPO People Survey gives a good indication of how our people feel about working here. The engagement index it delivers measures how people feel about the IPO as an employer, their emotional commitment to us and how well they are motivated to do the best for us (see below). Here we have seen strong progress with a significant majority of our staff saying they would recommend the IPO as a great place to work. From a position below the civil service average for engagement in 2011, we are now just 2% below the benchmark for civil service high performers:



# Improving the skills and capability of our people

Our focus this year is to enhance peoples' knowledge and understanding of the IPO's organisational objectives and purpose and to develop our leadership and capability to manage change. We are already good in these areas, according to civil service standards, but we can be better and have ground to make up on the best performing organisations. We want to articulate a clear future vision for our people to give them the clear sense of direction which will help them to understand how they can contribute to it. We will also build on the work we started in 2014 to develop our management capability and strengthen our ability to handle change well.

We do not underestimate the challenge in delivering on these ambitions. We know our work will need to be supported by excellent communications across our organisation. In 2015/16 we will therefore re-frame our internal communications work so that our people feel both better informed and more fully engaged.

## A strong focus on skills

Delivering the change will demand excellence from people and project managers across the organisation. In 2014/15 developing our management capability was a key focus. In this corporate planning period we will continue to offer high quality learning to our managers, but we will also focus specifically on developing our leadership capability and developing our future and aspiring managers and leaders. More broadly, we will undertake a skills audit and provide clarity on the skills we need in a digital age.

We will develop inspirational leaders who possess a strong strategic focus guided by the IPO's Values. We will link into the Civil Service Leadership Statement and Strategy which clarify expectations of all civil service leaders and will be used to hold leaders to account against these principles. The Statement provides a focus on three key characteristics:

- inspiring - about their work and its future;
- confident - in their engagement;
- empowering - their teams to deliver.

Our Future Leaders programme, launched in January 2015, will offer targeted leadership development opportunities to learn and apply leadership skills in the workplace. This will include projects, the opportunity to take on extra responsibility in their existing jobs, and the possibility of secondments to other teams or organisations. The recently formed Leadership Team will play a key role in modelling and applying their leadership skills in a visible way across the IPO and will provide strong support in shaping the organisation in the future.

Developing skills in leadership and managing Change is a corporate learning priority for *all* IPO managers this year. We will baseline capability in this area, identify where the key gaps are and design and offer appropriate learning.

We already have a strong change management community across the business: accredited business change management and Lean practitioners, as well as people with direct experience of leading change. We will make full use of this community to support this priority and ensure that the different strands of our work in this area are joined up.

### Our Corporate Priority:

#### Refocusing our approach to managing change and ensuring our people have the leadership skills to deliver it

We will enhance our change expertise to provide a skilled resource for the business and focus on developing leaders who inspire and empower people.

Although our People Survey scores for leadership and change are improving, it is clear that we still have more to do to ensure all of our people feel that change is managed well within the IPO. We will reshape how we manage change, including developing the role of our Business Change Managers.

As we have said, we expect TRIPOD to bring challenges in relation to skills. In order to predict what the full impact might be we will conduct a skills audit to baseline capability and identify where we should be placing most effort. At an organisational level we will be assessing the areas identified in the Civil Service Capabilities Plan as these are broadly consistent with our own skills priorities: Leadership and Managing Change; Digital; Programme and Project Management; and, to a lesser extent, Commercial.

### **Creating the right environment**

As we define the future shape of the IPO, we will provide a view of the staffing levels, profiles and skills requirements that we need in a digital environment. We will create a strong underpinning environment by ensuring our policies, processes, ways of working, and the way we involve and value our people support the changes we make.

### **Lean and continuous improvement**

Over the past year, we have made good progress in applying Lean methodology with a view to embedding a culture of continuous improvement. This has produced improvements for our customers and been popular with our people, helping us to further increase staff engagement.

Developing our people to use Lean thinking consistently across the whole of the organisation is a long term goal. We believe the benefits to our customers and our people will be substantial. Our programme of training events and workshops will develop organisational capability in this area. We will utilise Lean, not only for everyday work, but also as part of TRIPOD.

We will join up our use of Lean with Agile project methodologies and the work which underpins our Customer Service Excellence and Investors in People status, various ISO accreditations and our staff suggestion scheme to ensure that we optimise our continuous improvement capability.

#### **Our Corporate Priority:**

##### **Embedding a culture of Lean and continuous improvement**

We will broaden the reach of Lean and continuous improvement across the organisation and measure our progress against an agreed maturity model.

### **Rewarding our people**

Providing a competitive total reward package continues to be a key priority for us. The end of July 2015 will mark our first 12 months of participating in a pay pilot with HM Treasury (HMT) that is testing an alternative mechanism for managing public sector pay. We will continue to work with HMT to establish if the pilot is achieving the agreed objectives.

We need to be able to recruit, motivate and retain our people as demand for our services continues to rise. We want to build upon the work we have done in 2014/15 to restructure our pay system to ensure it is fair, meets our business needs, and is sustainable. Our plans will include a review of specialist allowances. This will ensure that our total pay arrangements are fit for purpose and flexible enough to allow us to compete for talented recruits and take action to adjust our resource needs to reflect changes in demand.

# Improving the skills and capability of our people

## Increasing pace on equality, diversity and inclusion

For our people to thrive and feel motivated to deliver their very best, they must operate in an inclusive, open environment where diversity is respected and differences are valued. In this planning period we will create a working environment where our people feel confident to be themselves in work.

There is increasing evidence that the best performing organisations are also those that invest most in promoting equality and diversity in the workforce. This is in line with one of our core values “Valuing our People”.

Our 2014 People Survey and recent Investors in People results show we score well as an employer on valuing diversity, inclusion and fair treatment. However, it is time to refresh our approach to equality and diversity and develop a strategy that focuses on our strengths, weaknesses and future priorities in this area.

### Our Corporate Priority:

#### Developing a diversity strategy

We will conduct an organisational deep dive to see how tolerant and open the IPO is and develop a diversity strategy that targets specific areas of concern.

Specifically, we know we need to improve the diversity data for our people. We have robust data on gender, age and working pattern but declaration rates are low on other protected groups such as race, religion or belief and sexual orientation. A lack of data here prevents us from conducting a thorough equality assessment of our HR practices and policies. This year we will seek to increase our declaration rates for the protected characteristics of race, religion or belief and sexual orientation by 20%.

## Ensuring our recruitment processes are fast and efficient

Unlike many other government departments, the IPO has seen a high volume of recruitment in the past 12 months, both to meet demand from our customers and to fill skills gaps in the IT area. Based on forecasts in the rights granting areas and the continuing shift towards delivering services digitally, we expect this trend to continue. To date, other than some specialised IT posts, we have succeeded in filling our vacancies quickly and we will continue to be creative about how we fill the more difficult posts. In 2015/16, it will also be important for us to plan carefully for TRIPOD and design a recruitment strategy that will help us deliver the change and ensure that we have the right resources when we need them.

## Portfolio governance

We will follow Agile methodology in the governance of our projects, carrying out the tasks that add value and that do not delay progress. TRIPOD will provide the foundation for this, ensuring we are responsive to both business needs and the delivery teams, while complying with the requirements of key stakeholders such as the Government Digital Service.

# Improving the skills and capability of our people

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## Summary of our Corporate Priorities and Ministerial Targets for 2015 – 2016:

1

### Defining the IPO's future operating model

We will define the future operating model for the IPO, identifying the structure, behaviours and roles we will need to deliver for our customers in a digital environment. **(Ministerial Target)**

2

### Engaging people to develop an adaptive organisation

We will engage people in the business to identify 3 significant areas of activity that will allow the IPO to adapt successfully to the change we are facing.

3

### Refocusing our approach to managing change and ensuring our people have the leadership skills to deliver it

We will enhance our change expertise to provide a skilled resource for the business and focus on developing leaders who inspire and empower people.

4

### Embedding a culture of Lean and continuous improvement

We will broaden the reach of Lean and continuous improvement across the organisation and measure our progress against an agreed maturity model.

5

### Developing a diversity strategy

We will conduct an organisational deep dive to see how tolerant and open the IPO is and develop a diversity strategy that targets specific areas of concern.

# Increasing efficiency and delivering value for money

## Introduction

Increasing efficiency has been identified as a key enabling goal for the IPO. Simply, the more efficient we become, the greater our ability to concentrate our resources on delivering priority activities. We have been working to an efficiency target since 2011 which equates to 3.5% per annum before inflation. This means we have adjusted budgets to target and encourage efficiencies in delivery of our outputs.

During 2014/15 we delivered a number of projects which helped to achieve our efficiency target:

We completed the final phases of our building rationalisation programme - our work to rationalise the space occupied in our main offices at Concept House, Newport, and reduction of space used at our storage facility at Nine Mile Point. Efficiencies also came through continued development of our Lean capability and smart procurement decisions, sometimes in collaboration with other trading funds. We also closely engaged our people in our efficiency work, running an 'innovation fund' which encouraged teams or individuals to bring forward ideas to provide efficiencies and take forward work to establish the feasibility of their proposals.

Additionally, we have rolled out a new records management system which enables our people to work more effectively and supports delivery of our 2010 - 15 Strategic Plan outcome of making our information easy to store, access and share within the IPO.

In 2015/16 we will continue to embed Lean working into our culture and to work closely with our parent department, BIS, to ensure our work is in line with their efficiency and effectiveness programme. This work is described in more detail in the earlier chapter on the strategic goal "Improving the Skills and Capability of our People".

### Ministerial Target

We will deliver an efficiency gain of 3.5%



## **Implementing agreed recommendations on fees changes**

The fees charged for IPO rights granting and renewal services and the structure of those fees have remained unchanged since 2010. In 2014/15 we began a fees review project to assess whether current fee structures remained in step with our move to more digitised services and encouraged customers to make greater use of digital service channels. The project will develop any initial proposals for change by the end of March this year, but our desire to engage stakeholders as we reach conclusions and the need to respect the formal parliamentary process means that we do not envisage any fee changes coming into force before April 2016.

To make sure our conclusions are informed by stakeholder views, we will look to engage our stakeholders, initially in informal workshops to consider the proposals developed by the IPO fees review project team. Thereafter we will begin a more formal consultation process, prepare a fuller impact assessment of any recommended changes and options and seek approval to proceed from ministers after the general election. Subject to ministerial views, we will launch a three-month external public consultation exercise. It is likely that there will be statutory instruments to lay before Parliament and possibly changes to legislation which will require further legal consultation and resources.

### **Our Corporate Priority:**

#### **Implementing fees changes**

We will take forward the agreed recommendations on fees changes

## **Further develop our “shared solution” approach to finance operations with Companies House**

The IPO Oracle finance system is nearing its end of life in terms of acceptable support packages from the supplier. Due to the Cabinet Office shared service agenda, we are looking to make efficiency savings by moving to a shared service offering.

Following 2014 discussions with Shared Business Services (SBS), the preferred supplier of shared services to BIS, we agreed that their standard offering would not meet our needs, which differ from those of most other organisations within the BIS family. We therefore secured agreement to an alternative interim approach through which we will share a solution with Companies House. Within this approach, the IPO will retain its existing finance staff, who will access the Companies House finance system. Both organisations will make savings by sharing all associated IT costs such as licences, maintenance and support. The approach will allow the IPO to use an appropriately sized mid-tier solution that has already been configured for use by a trading fund with very similar requirements to our own. This significantly reduces the need for specialist technical support and provides more appropriate licensing arrangements.

The system will go live during the first week of April 2015. The priority will be to ensure that the core functions needed to keep our business going, such as paying our bills, is available immediately. This will be followed by the roll-out of supporting functions such as a new travel and expenses system around July, and project accounting later in the year.

The solution sharing approach is novel and offers the opportunity to explore other such initiatives and further sharing either with Companies House or the wider BIS family.



# Increasing efficiency and delivering value for money

## **Our Corporate Priority:**

### **Transferring the IPO finance system to a shared solution with Companies House**

We will continue to develop the “shared solution” approach to our finance operations with Companies House.

## **IPO in the cloud - fully virtualised infrastructure**

We have a multi-year strategy to ‘virtualise’ the IPO’s technology, in effect moving away from using physical infrastructure to software/cloud-based infrastructure which is generally cheaper, more flexible and offers greater reliability. At the end of this programme we will be able to operate all of our services from any cloud or data centre that meets our needs.

We have already virtualised our desktops and most of our systems. The next stage we are looking at is to move away from network hardware to software-based networks. We will also look at increasing our flexibility by virtualising our data storage.

The project will involve deploying the software-based platform on top of our existing physical network to will reduce costs and improve our delivery of applications. This means that much of the existing vendor-specific equipment will no longer be required and maintenance costs will be drastically reduced. For example, the current annual storage network maintenance costs are £200K, and the Cisco network costs are £111K. We expect to see cost reductions of approximately 35-50% over two years.

Savings will be realised as existing systems come to a natural end of life and are replaced with cheaper hardware with much lower maintenance costs. Typically we expect to see savings on new specialist equipment of £100k per annum.

Benefits will be immediate as new systems will be deployed in a streamlined way as compared to the current multi-layered process.

Key outcomes will be:

- Reduced capital expenditure – lowering hardware costs by avoiding reliance on expensive hardware;
- Improved operational efficiency – the ability to deploy technical and business services more quickly;
- Ready for a “cloud first” world;
- Building on existing infrastructure and removing process bottlenecks;
- Reduced energy consumption.

## **Our Corporate Priority:**

### **Virtualising our IT network**

We will continue our move to flexible (virtual) technical infrastructure environments by initiating a two-year project to enable networks to be set up through software rather than in hardware, improving agility and reducing costs.

## **Procurement**

Our approach to procurement is an important mechanism for delivering cash savings within our business. However, as more and more expenditure is awarded via centrally-let framework contracts, the potential for further savings on commodity spend such as travel, stationery, and utilities is diminishing. The emphasis for procurement looking ahead is therefore on our non-commodity spend, such as specialist on-line patent services and research, and the management of larger service contracts. This change of focus will ensure that these contracts not only offer value for money when they are first let but continue to do so throughout their life.

# Increasing efficiency and delivering value for money

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## Summary of our Corporate Priorities and Ministerial Targets for 2015 – 2016:

1

### Delivering an efficiency gain

We will deliver an efficiency gain of 3.5% (**Ministerial Target**)

2

### Implementing fees changes

We will take forward the agreed recommendations on fees changes.

3

### Transferring the IPO finance system to a shared solution with Companies House

We will continue to develop the “shared solution” approach to our finance operations with Companies House.

4

### Virtualising our IT network

We will continue our move to flexible (virtual) technical infrastructure environments by initiating a two-year project to enable networks to be set up through software rather than in hardware, improving agility and reducing costs.

# Our finances

Our trading fund status means we fund our activities through the fees we receive for patents, trade marks, designs and the registration and other functions associated with those rights, rather than through funding received from taxpayers and the Treasury. This provides us with greater financial flexibility and autonomy. In exchange, we are generally required to achieve, on average and in real terms, at least a 4% Return on Capital Employed (ROCE) over a fixed five year period. This return is paid to BIS as a dividend each year. We entered into a new 5-year period in 2014/15 and have agreed with HM Treasury that the target remains relevant for the period of this Corporate Plan.

## Operating account

The table below sets out our operating account for the period covered by the Corporate Plan. It also shows the relevant period for the target of achieving a 4% Return on Capital Employed.

	Corporate Plan Period £'000		
	2015/16	2016/17	2017/18
Total income	84,968	87,521	90,086
Total expenditure	-79,401	-83,503	-84,056
Depreciation & interest	-1,844	-2,107	-2,567
Surplus	3,723	1,911	3,463
Dividends	-3,376	-3,385	-3,388
Retained earnings	<b>347</b>	<b>-1,474</b>	<b>75</b>
Return on Capital Employed	4.4%	2.3%	4.1%
Cumulative 5 year target (years 2 -4 )	4.5%	3.8%	3.9%

### Ministerial Target

We will achieve a 4% Return on Capital Employed (ROCE)

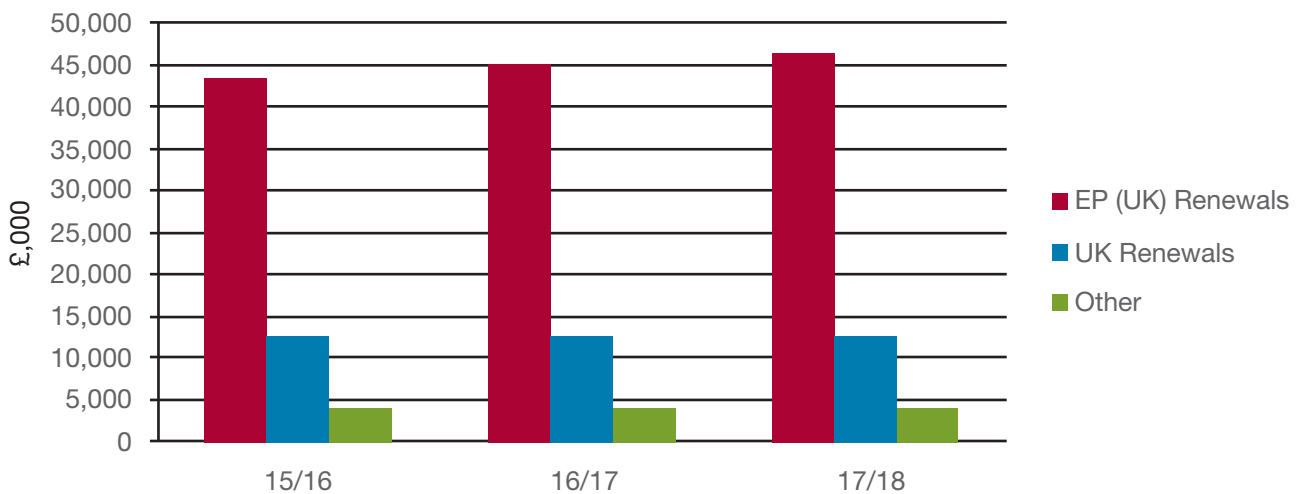
## Income

Our main income source is from renewals. In the case of patents, this is as a result of a policy choice to keep entry costs low to encourage innovation and recover these initial costs from renewal fees. Renewal fees increase according to the age of the patent as they become commercially more valuable and to encourage rights holders to relinquish patents they are not exploiting. We have not assumed any change in fees over the life of this plan

To determine our income budget, we have assumed that the renewal rate will remain constant for each year but that the growth in patents available for renewal, as we and the European Patent Office (EPO) increase the number granted, will increase our income significantly.

Demand remains difficult to predict and will be closely monitored, particularly to see the impact of the Unitary Patent which is expected to come into force in the latter period of the plan.

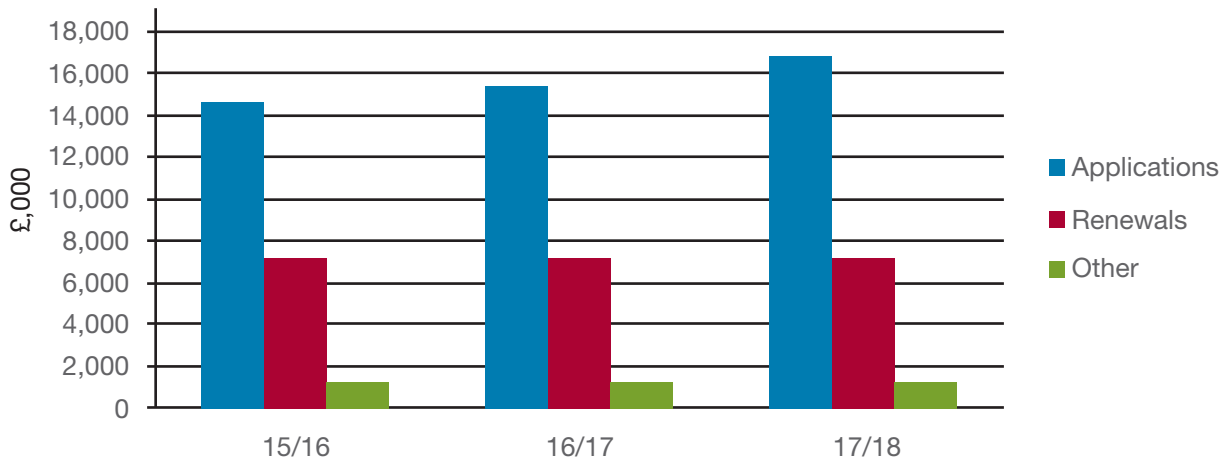
## Income from Patents



We forecast that the recent growth in trade mark applications will continue over the lifetime of the plan, reaching ca. 90,000 per annum by 2018. The resulting total trade mark income in 2017/18 will reach ca. £24.9m. The trade mark renewals are smaller in value and cyclical in nature due to changes introduced in the 1994 Patent Act, meaning there were fewer cases due for renewal in 2014/15. In the years covered by this plan we expect trade mark renewals income to increase by around £1.5m per year compared with 2015/16.

# Our finances

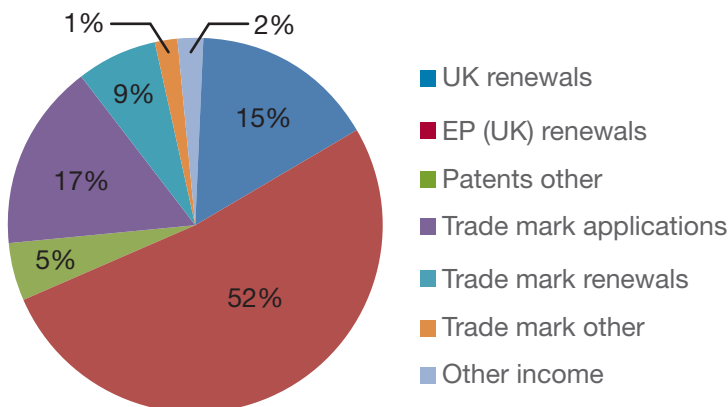
## Income from Trade Marks



## Budget 2015/16

	£'000
UK renewals	12,867
EP (UK) renewals	43,763
Patents other	4,292
Trade mark applications	14,315
Trade mark renewals	7,322
Trade mark other	988
Other income	1,421
<b>Total income</b>	<b>84,968</b>

## 2015/16 Income



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## Expenditure

Overall expenditure is expected to increase from £75m in 2014/15 to £79m in 2015/16. This includes pay costs which will increase by £2.6m. A 1% pay increase has been modeled effective from 1 August 2015. The IPO remains part of an ongoing pay pilot and the impact of changes to employer superannuation rates has also been included. The number of staff is planned to increase by 110 full time equivalents over the coming twelve months compared to 2014/15. This is in response to continued growth in service demand which is highlighted above. Other expenditure, excluding pay costs, will increase by £1.3m compared to the 2014/15 budget.

Currently, 2016/17 shows a moderate deficit in the retained surplus position. This reflects a number of significant costs across the plan which should reduce thereafter. There are a number of significant costs arising across the plan.

The main items of expenditure in 2015/16 are:

- £1.5m to the City of London Police's IP Crime Unit;
- £2-5m to support the establishment of the Unified Patent Court;
- £0.6m to transfer our financial accounting system to a shared service option; and
- £23m across the three years of the plan to support our change portfolio, TRIPOD.

## Cash

Although we forecast our cash position to reduce over the life of the plan, it remains very healthy, in the region of £80m. We may be required to fund a range of initiatives from our cash reserves, including the BIS Innovation Fund up to £25m, and the Unified Patent Court set-up costs, which are yet to be defined.

## Capital investment

£5.4m has been earmarked for capital investment in 2015/16. £3.7m will be spent on the transformational change of our software and support infrastructure as we move to fully digital working. Overall capital spend in the plan is expected to be £13.3m of which £9.9m relates to the transformational change agenda.

# Our finances

IPO Corporate Plan 2015/16 (£'k) Operating Statement		Budget	Corporate Plan		
		14/15	15/16	16/17	17/18
<b>Income</b>	Patents	59,492	60,922	62,440	63,981
	TM	19,876	22,625	23,610	24,883
	Other	1,539	1,421	1,471	1,222
<b>Total Income</b>		<b>80,907</b>	<b>84,968</b>	<b>87,521</b>	<b>90,086</b>
Pay costs*		(44,586)	(47,214)	(50,919)	(52,448)
Other Expenses		(30,487)	(32,187)	(32,584)	(31,608)
<b>Gross Surplus</b>		<b>5,834</b>	<b>5,567</b>	<b>4,018</b>	<b>6,030</b>
Depreciation		(2,200)	(2,108)	(2,395)	(2,875)
Bad Debt Provision		(2)	(2)	(2)	(2)
Interest Receivable		340	320	320	320
Interest Charge		(78)	(54)	(30)	(10)
<b>Depreciation &amp; Interest</b>		<b>(1,862)</b>	<b>(1,844)</b>	<b>(2,107)</b>	<b>(2,567)</b>
Total		3,894	3,723	1,911	3,463
Dividend		(3,419)	(3,376)	(3,385)	(3,388)
<b>Retained surplus</b>		<b>475</b>	<b>347</b>	<b>(1,474)</b>	<b>75</b>

\* Pay costs are pay, employer pension and national insurance contributions.

Note: This excludes any special dividends which may be required by BIS to cover particular costs, e.g. Innovation Fund £25m

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