



THE INTELLECTUAL PROPERTY INSTITUTE
(A company limited by guarantee)

REPORT AND ACCOUNTS

31 March 2003



**The Intellectual Property Institute
Contents**

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Status

The organisation is a charitable company limited by guarantee, incorporated on 22 April 1981 and registered as a charity on 30 September 1981.

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. Under those Articles, one third of the governors (those longest in office since their last election or appointment) retire from office - and are eligible for re-election - at each AGM.

Governors

Mr Ian Harvey, Chairman
Mr Henry Carr QC
Sir William Castell
Professor William Cornish QC
Mr Michael Flint
Mr Christopher Morcom QC
Mr David Roberts
Dr Stephen C Smith

Secretary

Dr Paul Leonard

Registered office

1st Floor, 36 Great Russell Street
London WC1B 3QB

Reporting accountants

Richard Hewson & Co.
Chartered Accountants
21 Corner Green
Blackheath
London SE3 9JJ

Charity Registration Number

283150

Solicitors

Denton Wilde Sapte
5 Chancery Lane
Cliffords Inn
London EC4A 1BU

The governors present their report and the financial statements for the year ended 31 March 2003.

Objects and principal activity of the charity

The charity's object and its principal activity continue to be to promote a greater understanding of, education in and research into all legal, social, economic and other matters relating to or connected with the creation, protection, use and exploitation of intellectual property rights throughout the world. The Intellectual Property Institute does this by liaising with its membership and externally to generate a timely and authoritative package of objective research, the results of which are published usually through our own publications. Research fundings are also used to inform decision-making bodies in the UK, the EU and overseas. The IP Institute has strong links with related research establishments.

Results

The statement of financial activities shows a deficit for the year of £53,648. Income (none of which was restricted to specific projects) was down by £6,000 on the previous year due to a fall in subscribers, expenditure was up by £36,000 mainly due to increased spending on research and seminars.

Report on activities for the year ended 31 March 2003

This year has been another successful one for the Institute, with a vigorous programme of research and events. The following events were particular highlights.

The Community Patent

On 28 June 2002 the Institute held a joint event with the British Institute of International and Comparative Law to address the issue of the Community Patent. The Hon. Mr Justice Jacob presided over the proceedings, with superb contributions from three eminent speakers. First, Thierry Stoll (Director, DG Internal Market at the European Commission) outlined a vision for progress on this long-debated issue, leaving no doubt as to the Commission's determination to see the Community Patent become a reality. This was followed by a view of what might constitute a usable right for industry, from Mike Barlow, Head of Patents and Agreements at BP International Ltd. Finally, the Institute's Chairman of Council, Mr Henry Carr, QC, addressed a number of key aspects of litigation which would need to be addressed if the Community Patent were to be a success. The result was an excellent analysis of this important issue, from the viewpoints of the law maker, the law user, and the law practitioner.

The Protection of Designs in the UK

The UK registered and unregistered designs law has undergone considerable change as a result of EU Directive 98/71/EC, which was implemented in the UK in December 2001. The Institute's annual seminar held in association with the British Literary and Artistic Copyright Association (BLACA) brought delegates up to date with the changes to the law, and allowed them to consider their effect in the UK and the EU. Geoffrey Adams (Designs Protection Adviser to the Bureau of European Designers Associations) delivered an overview of the current regime for the protection of designs in the UK. This was followed by a detailed consideration of the registered Community design, by Dr Uma Suthersanen of the Queen Mary IP Research Institute, University of London. Finally, Lindsay Lane (8 New Square) presented a similar analysis of the unregistered Community design. Kevin Garnett, QC, of Hogarth Chambers, chaired the event and moderated the day's discussion.

The Stephen Stewart Memorial Lecture 2002

Professor Sam Ricketson of Melbourne University delivered the 2002 lecture, entitled "Business Method Patents: A Matter of Convenience?" The Hon Mr Justice Jacob presided over the proceedings, and the event was hosted by Slaughter and May in their London offices. The move by the US to allow patent protection for business methods has been controversial. Indeed, the Institute recently conducted research for the European Commission on the related issue of software patents, and is currently investigating the business and economic effects of allowing patents for business methods, following the landmark State Street Bank decision. The subject of Professor Ricketson's lecture could not have been more topical.

Freedom of Expression and Copyright

In March 2003 the Institute was involved in a one-day seminar with the Queen Mary IP Research Institute and the Department of Law, addressing the issue of freedom of expression and copyright. The seminar was divided into two sessions chaired by Professor Fiona Macmillan and The Hon Mr Justice Jacob. Session One examined the theoretical and domestic aspects of copyright vis-à-vis freedom of speech, while the second session addressed the European and international perspectives. Clifford Chance hosted the day in London.

The Inaugural International Intellectual Property Law Mooting Competition

On 22 and 23 March 2003 the Oxford IP Research Centre and the IP Institute held the first international IP mooted competition, with twenty-one teams from the UK and Ireland participating. The event, held at St Peter's College, was a tremendous success. Apart from being interesting and fun for all concerned, it provided a large number of law students with an excellent opportunity to learn more about IP law and the litigation process. The case for the moot concerned the invasion of privacy and copyright, presenting a considerable test for even the most seasoned of professionals.

Kings College, London triumphed as the moot winners, with the University of Westminster runners-up. University College, Dublin, won the best written argument and Brunel University provided the best individual oralist. The final was judged by a most eminent panel; Lord Justice Mummery, Mr Justice Jacob and Michael Tugendhat, QC.

The Institute is most grateful to the following sponsors for their support for this event:

The UK Patent Office
The Intellectual Property Lawyers Organisation (TIPLLO)
Slaughter and May
Baker & McKenzie
Frank B Dehn & Co.
Rouse & Co. / Willoughby & Partners
Mewburn Ellis
Manches
Stikeman Elliot
Hart Publishing
Oxford University Press

Exploiting Patent Rights and a New Climate for Innovation in Japan

The end of March saw the launch of an IPI book, with the above title, at the Patent Office in London. The Hon Mr Justice Laddie welcomed guests, along with Mr Shigeyuki Hiroki, Economic Minister at the Japanese Embassy. The publication outlines the many changes in IP practice and infrastructure that are taking place in Japan. It has been a very successful publication for the Institute and widely acclaimed to be of enormous practical use to anyone concerned with technology-based business in Japan.

IP Institute Response to the DTI Review of UK Innovation Performance

The financial year ended with the submission of the IPI's input to the government Review of UK Innovation Performance. Consulting widely, the Institute set out its views on the contribution of IP to innovation. The paper stressed the need for empirical research that shed light upon the true social and economic effects of IP law, so that effective policies can be developed to maintain a favourable climate for innovation in the UK. The Institute also made the point that the UK had significant creative, artistic and technological resources, and that the IP system played a key role in translating these into economic success.

Research

The Institute carried out a wide range of research activities this year, some of which have been completed, others on-going. The Institute's profile as a high quality source of research-based advice and expertise in the field of intellectual property has steadily grown. A summary of our research projects for the year 2002/2003 is set out below.

Reports for the Government Intellectual Property Advisory Committee

The Institute drafted four reports on behalf of the Intellectual Property Advisory Committee (IPAC).

- Developments in the Law of Patents and Industrial Designs: a Global Perspective (Eddy D Ventose)
- A Scoping Study of Global Trademark Law: the Rise of the ® (Dev Saif Gangjee)
- Present and Future Priorities in Copyright Law – a Scoping Study (Yoav Mazeh)
- The Economics of Intellectual Property: a Review to Identify Themes for Future Research (Padraig Dixon & Christine Greenhalgh)

The work, carried out by the Oxford IP Research Centre at St Peter's College, aimed to inform IPAC of the current research landscape in the UK across the range of intellectual property rights, including an analysis of current research priorities.

The Scope of Copyright

The Institute fully funded a study that considered the scope of copyright in the so-called "digital revolution" of the past twenty years. The work raised some important issues about the future shape of the law. In particular, the work concludes that much of the reform of copyright law which has occurred since the mid-1990s has been driven, understandably, by the concerns of copyright-dependent industry responding, for example, to the rampant piracy that digital technology has facilitated. Relatively little work has been directed towards the impact of copyright on the education and research sectors (private and public). The paper sets out a series of proposed empirical studies that will address this issue, and the Institute hopes to pursue these in the future. Hector MacQueen and Charlotte Waelde, at the AHRB Research Centre for the Study of Intellectual Property and Information Technology Law, Edinburgh University, carried out the work.

The Business Implications of Business Method Patents

Currently there are exceptions in UK and European patent law that exclude patents for methods of doing business. There are no corresponding exceptions in US patent law and, after a recent landmark case, many business method patents are being granted, which are unlikely to be granted in Europe. The aim of this research, fully funded by the Institute, is to study the business implications of granting patents for business methods. Doing so will help to guide policy decisions regarding whether the UK/EU should maintain a different scope of protection for business methods from the US, or follow the US example. The research is nearing completion, and an interim report has been submitted to the Patent Office. Dr Robert Pitkethly (St Peter's College, Oxford and the Said Business School) and Mr Robert Hart (independent IP consultant) form the research team. A final report will be submitted to the Institute at the end of July 2003.

Exploiting Patent Rights and a New Climate for Innovation in Japan

This report explains in English for the first time, through foremost authorities in Japan and the UK, changes in policy, practice and infrastructure in Japan, which are creating a new innovation climate. Japan is preparing itself for recovery and, as historical cycles show, is currently increasing its patented inventions, encouraging greater entrepreneurship, privatising the university sector and changing IPR law.

TLO's (technology licensing organisations) are a central part of such change and Prof. Tamai, who is the founder of CASTI - the number one TLO in Japan, based at Tokyo University - provides an unusually candid assessment of how such an organisation operates. Prof. Nishizawa, the former head of JASCO, the national venture capital organisation, and an architect of university privatisation, explains current trends in technology transfer from universities. A case study is also included from one of the top Japanese companies, Toshiba.

The IP Institute has published this report in the form of a book, edited by Dr Ruth Taplin. The research was sponsored by the UK Sasakawa Foundation.

The Patent Research Exemption

Patent law seeks not only to protect the rights of inventors, and provide a stimulus for research investment, but also to promote technological understanding and development. Activities that are purely research-based, and have no commercial implications, are not generally deemed to be infringing the rights of a patent holder. However, not least because of increasing commercial activity within university research departments, there is a great deal of uncertainty over what should and should not be allowed under the research exemption. Mr Trevor Cook (Bird & Bird) has this year worked on an analysis of this important issue on behalf on the Institute, which will be published in the near future.

Current Law and Practice Regarding Patents for Genetic Sequences

The Institute is currently working with the DTI to examine how the EU Directive for the Legal Protection of Biotechnological Inventions is being applied in UK, with particular regard to the protection of gene sequences. The work aims to address the issue of whether current law and practice in this area is stimulating or stifling biotechnological research, and whether it is helping or hindering biotechnology industry in the region. Dr Stephen Smith (NuPharm Intellectual Property), Dr Margaret Llewelyn (Sheffield University) and Dr Paul Leonard (IP Institute) form the Steering Group for the project. The Principal Research Team consists of Dr Robert Pitkethly (Oxford University), Dr Graham Christ and Professor Stefan Szymanski (both of Imperial College, London University). The work will be completed in 2003.

Director's Assessment of Performance for the Year

Once again, we have had a successful year with some notable achievements within our research and events programmes. We have increased our research spend this year, with fruitful results, and the diversity and quality of our seminars and conferences have been pleasing.

The IP Quarterly, our flagship journal, has increased in circulation again this year. The editor, Dr Margaret Llewelyn, continues to maintain the journal's high standard and we look forward to further increases in circulation in the years ahead. The Journal was made available on our web site this year, along with excerpts from the current issue.

The IPI office has benefited from some improvements: new computer hardware and software, and the implementation of broadband technology. Our Web managers, WBIS, continue to provide us with an excellent service and we are grateful for their help and advice during the year.

We continue to seek additional resource (human and financial) to build upon the considerable success we have achieved, to widen our research agenda and to expand our portfolio of seminars and events. A new Membership and Funding Committee has been proposed this year, which will take the lead responsibility in addressing our resource issues for the future.

The profile of the Institute has certainly risen, as has the profile of IP as a central issue for the UK economy. Indeed, over the past few years there has been something of a shift in emphasis from a need to inform the wider community of the importance of IP, to a need to promote a better understanding of what IP is and does. We believe that the Institute has an important role to play here.

I would like to thank the IPI staff, Board and Council for their work on behalf of the Institute this year and, of course, our member organisations for their crucial financial support.

Reserves Policy

The Institute does not have a formal reserves policy which has been discussed and agreed by the governors. However, the management of the Institute recognises the need to maintain an appropriate level of reserve financial resource, with a minimum level equivalent to 3 months operations (currently, £45,000). At the year end, 31 March 2003, the Institute's free reserves were £66,128 (not including fixed assets). For the coming year, we expect to reduce our level of free reserves by approximately £17,000, reflecting our intention that future research costs will be fully funded. Our free reserves are thus expected to be in excess of the £45,000 minimum requirement at year end 31 March 2004.

Governors and trustees

The governors, who are also trustees of the charity, are members of the Executive Committee and all work on a voluntary basis.

The names of the governors are listed on page 1.

Governors' responsibilities

Company law requires the governors to prepare financial statements for each financial year which give a true and fair view of the state of the charitable company's affairs at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements the governors should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue on that basis.

The governors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

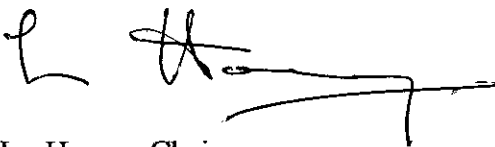
Reporting accountants

Richard Hewson & Co., Chartered Accountants, have indicated that they are willing to be reappointed at the forthcoming annual general meeting.

Exemption statement

For the financial year ended 31 March 2003, the company was entitled to exemption from audit under Section 249A(2) of the Companies Act 1985. Under Section 249B(2) each member of the company may give notice requiring the financial statements to be audited. The notice should be in writing and should be given at the Registered Office at least one month before the end of the financial year in question.

By Order of the Board,



Mr Ian Harvey, Chairman
24 July 2003

**Accountants' report to the members
on the unaudited financial statements of
The Intellectual Property Institute**

We report on the financial statements for the year ended 31 March 2003 set out on pages 10 to 16.

Respective responsibilities of governors and reporting accountants

As described on page 8 the company's governors are responsible for the preparation of the financial statements, and they consider that the company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

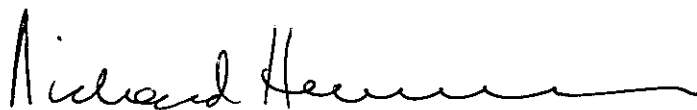
Basis of opinion

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the financial statements with the accounting records kept by the company, and making such limited enquiries of the officers of the company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

Opinion

In our opinion:

- (a) the financial statements are in agreement with the accounting records kept by the company under Section 221 of the Companies Act 1985;
- (b) having regard only to, and on the basis of, the information contained in those accounting records:
 - (i) the financial statements have been drawn up in a manner consistent with the accounting requirements specified in Section 249C(6) of the Act; and
 - (ii) the company satisfied the conditions for exemption from an audit of the financial statements for the year as specified in Section 249A(4) of the Act and did not, at any time within that year, fall within any of the categories of companies not entitled to the exemption specified in Section 249B(1).



Richard Hewson & Co.
Chartered Accountants
Reporting Accountants

21 Corner Green
Blackheath
London SE3 9JJ

24 July 2003

The Intellectual Property Institute
Statement of financial activities (including Income and Expenditure Account)
for the year ended 31 March 2003

		Unrestricted Funds	
	Notes	2003 £	2002 £
Incoming resources			
Donations and subscriptions		106,057	112,930
Activities to further the charity's objects	2	17,787	16,308
Bank interest		2,440	3,697
		<u>126,284</u>	<u>132,935</u>
Total incoming resources			
Resources expended			
Charitable expenditure	3	163,923	128,414
Management and administration	3	<u>16,009</u>	<u>15,546</u>
		<u>(179,932)</u>	<u>(143,960)</u>
Total resources expended			
Net (resources expended)			
- net (deficit) for the year	4	(53,648)	(11,025)
Total funds at 1 April 2002		<u>125,850</u>	<u>136,875</u>
Total funds at 31 March 2003		<u><u>72,202</u></u>	<u><u>125,850</u></u>

The notes on pages 12 to 16 form part of these financial statements

The Intellectual Property Institute
Balance Sheet
31 March 2003

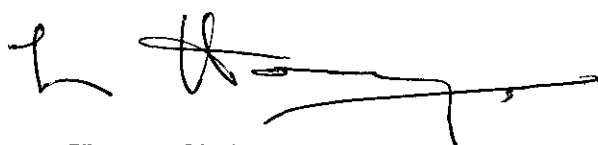
	Notes	Unrestricted funds	
		2003	2002
		£	£
Fixed assets			
Tangible fixed assets	7	6,074	6,627
Current assets			
Debtors	8	8,712	19,563
Cash at bank and in hand		<u>63,809</u>	<u>104,453</u>
Total current assets		72,521	124,016
Creditors			
Amounts falling due within one year	9	<u>(6,393)</u>	<u>(4,793)</u>
Net current assets		<u>66,128</u>	<u>119,223</u>
Net assets		<u>72,202</u>	<u>125,850</u>
Unrestricted funds		<u>72,202</u>	<u>125,850</u>
Total funds		<u>72,202</u>	<u>125,850</u>

The governors have taken advantage of the exemption conferred by Section 249A(2) not to have these financial statements audited and confirm that no notice has been deposited under Section 249B(2) of the Companies Act 1985.

The governors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its result for the year then ended in accordance with the requirements of Section 226, and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board of Governors on 24 July 2003 and signed on its behalf:



Mr Ian Harvey, Chairman

The notes on pages 12 to 16 form part of these financial statements

1 Accounting policies

- (a) The financial statements have been prepared under the historical cost convention, in accordance with the Financial Reporting Standard for Smaller Entities and the Companies Act 1985 and follow the recommendations in "Accounting and Reporting by Charities : Statement of Recommended Practice" issued in October 2000.
- (b) Voluntary income is received by way of donations and subscriptions and is included in full in the Statement of Financial Activities when receivable. The value of services provided by volunteers has not been included.
- (c) Incoming resources from activities to further the charities' objects and in respect of bank interest are included when receivable.
- (d) Resources expended are recognised in the period in which they are incurred and include attributable VAT which cannot be recovered.
Salary costs have been attributed as follows:
Charitable expenditure – 90%
Management and administrative expenditure – 10%
- (e) Rentals payable under operating leases are charged on a time basis over the lease term.
- (f) Depreciation is calculated to write off the cost of each tangible fixed asset at 25% per annum by the reducing balance method.
- (g) Unrestricted funds are donations, subscriptions and other income resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

2 Incoming resources from activities to further the charity's objects (all unrestricted)

	2003	2002
	£	£
Conference and seminars	4,045	3,697
Publications and sales	<u>13,742</u>	<u>12,611</u>
	<u>17,787</u>	<u>16,308</u>

3 Total resources expended

	Charitable expenditure	Management and administrative	2003 Total	2002 Total
	£	£	£	£
Conferences and seminars	16,559	-	16,559	2,665
Research and study costs	22,782	-	22,782	10,162
Publication expenses	8,024	-	8,024	5,525
Staff costs (note 5)	84,633	9,404	94,037	91,923
Rent and rates	19,045	-	19,045	15,247
Insurance	423	-	423	573
Repairs and maintenance	1,189	-	1,189	773
Other premises expenses	335	-	335	1,165
Telephone, fax and internet	3,039	-	3,039	2,501
Training	-	-	-	13
Postage, printing and stationery	4,037	-	4,037	4,001
Sundry expenses	187	-	187	212
Travel and subsistence	727	-	727	637
Legal and professional	-	15	15	15
Reporting accountants' fees	-	992	992	744
Bookkeeping	-	5,385	5,385	5,433
Office equipment depreciation	2,215	-	2,215	2,209
Bank charges	-	213	213	162
Loss on disposal of fixed assets	563	-	563	-
Subscriptions	165	-	165	-
	<u>163,923</u>	<u>16,009</u>	<u>179,932</u>	<u>143,960</u>

The Intellectual Property Institute
Notes to the financial statements
31 March 2003

	2003	2002
	£	£
4 Net (resources expended) for the year		
This is stated after charging/(crediting):		
Bank deposit interest	(2,440)	(3,697)
Reporting accountants' fees	992	744
Depreciation of fixed assets	2,215	2,209
	<u> </u>	<u> </u>

5 Staff costs

Staff costs during the year were as follows:

Wages and salaries	85,087	83,112
Social security costs	<u>8,950</u>	<u>8,811</u>
	<u>94,037</u>	<u>91,923</u>

One employee received emoluments in the range £60,001 - £70,000 during the year (2002-1).

The average weekly number of employees (excluding governors) during the year, calculated on the basis of full-time equivalents, was as follows:

	2003	2002
	No.	No.
In activities to further the charity's objects	1	1
In administrative support	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

6 Taxation

The company is exempt from corporation tax on its charitable activities.

7 Tangible fixed assets

	Office equipment	
	£	
Cost		
At 1 April 2002	30,576	
Additions	2,225	
Disposals	<u>(2,740)</u>	
At 31 March 2003	<u>30,061</u>	
Depreciation		
At 1 April 2002	23,949	
Charge for year	2,215	
Depreciation on disposals	<u>(2,177)</u>	
At 31 March 2003	<u>23,987</u>	
Net book values		
At 31 March 2003	<u>6,074</u>	
At 31 March 2002	<u>6,627</u>	

	2003	2002
	£	£
8 Debtors		
Trade debtors	7,614	18,522
Other debtors and prepayments	<u>1,098</u>	<u>1,041</u>
	<u>8,712</u>	<u>19,563</u>

9 Creditors: amounts falling due within one year

Trade creditors	-	-
Other creditors and accruals	<u>6,393</u>	<u>4,793</u>
	<u>6,393</u>	<u>4,793</u>

10 Commitment under operating lease

The company is committed to make rental payments of £19,000 next year under an operating lease on its premises which expires after more than five years.

11 Transactions with governors

There were no transactions with or for governors during the year.

12 Liability of members

As the company is limited by guarantee (having no share capital), every member is liable to contribute a sum not exceeding £1 in the event of the company being wound up, in accordance with the Memorandum of Association. At March 2003 there were 22 members (2002 - 22).