



THE INTELLECTUAL PROPERTY INSTITUTE
(A company limited by guarantee)

REPORT AND ACCOUNTS

31 March 2005



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The Intellectual Property Institute
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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 - retired 12.01.05
Mr Michael Flint - retired 20.07.04
Mr Christopher Morcom QC
Mr David Roberts
Dr Stephen C Smith
Mr Simon Olswang - elected 20.07.04
Professor David Vaver - elected 20.07.04

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 2005.

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 findings 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 £12,272. Income was down by £64,000 on the previous year due to income from a research project in 2004, expenditure was down by £67,000 due mainly to the spending on the research project.

Report on activities for the year ended 31 March 2005

This year the Institute has carried out a diverse and high quality programme of research and events. Some of the highlights are set out below.

EVENTS

Queen Mary/ESRC IP Seminar

We are working with the IP Centre at Queen Mary, London, to help with putting on a series of seminars on various aspects of IP. On 24 January 2004 there was an event in London on various historical aspects of IP, and on 1 October 2004, again in London, we were involved in staging an event on IP and social development at Clifford Chance.

Non-Traditional Trade Marks

On 24 February 2004 we held an extremely interesting and successful event on the registerability of non-traditional trade marks, kindly hosted by Clifford Chance, the Hon. Mr Justice Pumfrey presided over the proceedings, and the speaker was Allan James, Head of Registry Practice at the UK Patent Office.

2nd International IP Mooting Competition - Oxford, 2-4 April 2004

From 2-4 April the Oxford IP Research Centre staged the annual mooting competition, held at Worcester College. As was the case last year, the event was a huge success (even outdoing last year's in my view). University College Dublin triumphed over Cambridge in the final.

IPI/Imperial College Short Course

A short course we held with Imperial College, as part of its Executive MBA programme, was mixed in its success. On the one hand, the standard of the lectures was extremely high and all those attending praised the series. Delegates have reported that they have changed the way in which they view and manage their IP assets as a result of the lectures. On the other hand, attendance was very low. However, the initiative has sparked a new and close relationship between the Institute and the University's Tanaka Business School, on which we hope to build in the future.

Unfair Competition

The Institute held an event on 6 July 2004 at Simmons & Simmons, with the Competition Law Association, which was a great success. Christopher Wadlow delivered a lecture on unfair competition following the recent publication of his book. Christopher is now to leave Simmons & Simmons and take up a place as a Reader at the University of East Anglia. The CLA and the IPI also collaborated this year to put on a timely event looking at the new provisions for the Technology Transfer Block Exemption Regulation within the EU.

Gene Patents

We held a major dissemination event in association with the DTI to follow up recent work on the UK law and practice regarding patents for genetic sequences in London, attended by Lord Sainsbury. The Institute's work was well received. Margaret Llewelyn and Stefan Szymanski set out the project and its findings, key amongst which was the need for greater clarity concerning the experimental use exception. This is the subject of ongoing IP Institute investigations led by Trevor Cook of Bird & Bird.

An IP-Free World in Higher Education

On 16-17 September 2004 the SCRIPT Centre at Edinburgh organised an extremely thought-provoking event that considered IP and economic regimes for the research community, stimulated by IP Institute research into the scope of copyright in today's digital environment.

IPI/BLACA Joint Meeting - Copyright Ownership

On 28 October 2004 the IPI held its annual joint seminar with the British Literary and Artistic Copyright Association, hosted by Bird & Bird, on copyright ownership. Under the Chairmanship of Jack Black, Prof. Paul Torremans of Nottingham University addressed cross-border issues and choice of law. Michael Edenborough of Hogarth Chambers looked at the issues surrounding ownership for employees, commissioned works etc. Finally, BLACA's Chairman, Prof. John Adams, looked at the distinction between common law and author's rights systems.

New Developments in the Law of Patent Claim Construction

The Institute was pleased to host an event in association with new members, Wilmer Cutler Pickering Hale and Dorr on this important issue. A stellar line-up of speakers and participants included leading advocates and judges from both sides of the Atlantic. The event was chaired by Robert Barry, with the first speaker his US colleague from Wilmer Cutler, Bill Lee (who addressed the issue of the use of dictionaries in claims construction).

Henry Carr QC, the Institute's Chairman of Council, followed by seeking to answer the question "Is there an ideal approach to claim construction?" There then followed views from the bench, from Our President, the Rt. Hon Lord Justice Jacob, Judge Gajarsa of the Appeals for the Federal Court, and Prof. Jan Brinkhof, formerly a judge at the Dutch Court of Appeal. It was, as one might imagine, a tremendously interesting and successful day.

RESEARCH

The Patent Research Exemption

Trevor Cook, Bird & Bird, has worked throughout the year to put together a definitive paper examining the provisions of the experimental use exception. This is now under review and we expect to publish the final draft shortly. The need for such research was highlighted by the results of our work with the DTI on UK law and practice for genetic sequences. This looked at a range of issues affecting public and private sector research facilities with regard to IP law and gene sequence protection in particular. The lack of clarity and understanding of the experimental use exception was widely cited as a problem.

IP Awareness Research

Robert Pitkethly has developed a paper as the first stage in the IP awareness research we are handling on behalf of the Patent Office, in association with the IP Awareness Network. The Patent Office is keen to understand better the current state of IP awareness, especially among SMEs, and to develop ways of monitoring changes so that new initiatives to address awareness can be assessed for efficacy and also be more effectively targeted.

Employee Inventors' Rights.

The Institute hopes to publish some new work from two young researchers from Queen Mary, London, Rajesh Sagar and Aditya Nagarsheth. They have scoped the provisions for employee inventor rights across a number of jurisdictions, and have then drawn conclusions on potential systems to be implemented elsewhere, with particular regard to India. We look forward to working with them in the future.

PEOPLE AND NEW MEMBERS

We welcomed a number of new corporate members this year and we are delighted to have them aboard.

Baker & McKenzie

Bristows

Dyson

Finnegan, Henderson, Farabow, Garrett & Dunner

McDermott, Will & Emery

Microsoft

Morrison & Foerster

SJ Berwin

Wilmer Cutler Pickering Hale and Dorr

This year saw the first award of the IP Institute Scholarship, to **Tanja Suessenbach** who will carry out a research project on the current effects of copyright provisions within the UK music industry.

Mr Michael Flint retired from the Board on 20 July 2004, but we are delighted that the Institute will still have the benefit of his experience and advice as a member of Council. We have been very pleased to welcome **Mr Simon Olswang** and **Professor David Vaver** who were formally elected onto the Board on 20 July 2004.

Professor William Cornish QC also retired, on 12 January 2005. We will still have the benefit of Bill's advice through Council, but we would like to express our thanks to Bill for his help, support and advice as a Board member over the years.

Director's Assessment of Performance for the Year

The Institute continues to grow in confidence and stature. The quality of our work is as high as it has ever been, and this has been reflected in a growing list of corporate supporters. Our great strength is our people. We have a wonderful array of talent at our fingertips through our Council and Board membership, and also our many friends and supporters who contribute in a less formal, but equally important way.

Our great weakness continues to be our financial resources. The increase in membership has not been accompanied by an increase in financial resource, because we have reduced the level of corporate subscriptions. We need to attract many more new members to cover the deficit and this will continue to be the focus of our efforts in the year 2005/06.

I am very pleased that our relationship with Ron Marchant and his colleagues at the Patent Office continues to develop. There has been a real effort to establish a system of policy development and implementation across government departments, spearheaded by the Patent Office. Naturally, the Institute will continue to encourage and support these efforts, and we will hopefully play a big part in delivering results in the future.

Finally, as ever, I would like to thank our members for their continued support, and the Board and the Council for their help and advice. I would like to thank our President, Sir Robin Jacob; the Chairman of Council, Henry Carr; and our Editor-in-Chief, Margaret Llewelyn. I would also like to thank the Chairman of the Board, Ian Harvey; Associate Director, Richard Howe; Administrator, Anne Goldstein; and Bookkeeper, Sue Hanstead. They all work very hard for the Institute throughout the year and I appreciate it very much.

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 £35,000, excluding funded research). At the year end, 31 March 2005,

the Institute's free reserves were £40,535 (not including fixed assets). For the coming year, we intend that future research costs will continue to be fully funded.

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 2005, 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
20 July 2005



**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 2005 set out on pages 8 to 14.

Respective responsibilities of governors and reporting accountants

As described on page 6 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.

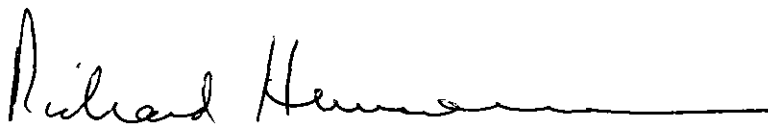
Basis of opinion

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

20 July 2005

The Intellectual Property Institute
Statement of financial activities (including Income and Expenditure Account)
for the year ended 31 March 2005

		Unrestricted Funds	
	Notes	2005 £	2004 £
Incoming resources			
Donations and subscriptions		108,721	108,811
Activities to further the charity's objects	2	40,511	104,240
Bank interest		812	570
Other income		-	1,037
		<u>150,044</u>	<u>214,658</u>
Resources expended			
Charitable expenditure	3	145,484	212,960
Management and administration	3	<u>16,832</u>	<u>16,793</u>
Total resources expended		(162,316)	(229,753)
Net (resources expended)			
- net (deficit) for the year	4	(12,272)	(15,095)
Total funds at 1 April 2004		<u>57,107</u>	<u>72,202</u>
Total funds at 31 March 2005		<u>44,835</u>	<u>57,107</u>

The notes on pages 10 to 14 form part of these financial statements

**The Intellectual Property Institute
Balance Sheet
31 March 2005**

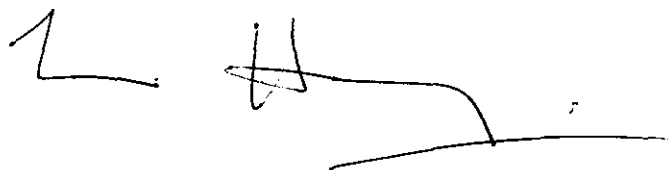
	Notes	Unrestricted funds	
		2005	2004
		£	£
Fixed assets			
Tangible fixed assets	7	4,300	4,708
Current assets			
Debtors	8	24,296	13,583
Cash at bank and in hand		<u>33,257</u>	<u>44,115</u>
Total current assets		57,553	57,698
Creditors			
Amounts falling due within one year	9	<u>(17,018)</u>	<u>(5,299)</u>
Net current assets		<u>40,535</u>	<u>52,399</u>
Net assets		<u>44,835</u>	<u>57,107</u>
Unrestricted funds		<u>44,835</u>	<u>57,107</u>
Total funds		<u>44,835</u>	<u>57,107</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 2005 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 20 July 2005 and signed on its behalf:



Mr Ian Harvey, Chairman

The notes on pages 10 to 14 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)

	2005	2004
	£	£
Research and study projects	30,375	85,290
Conference and seminars	1,380	3,390
Publications and sales	<u>8,756</u>	<u>15,560</u>
	<u>40,511</u>	<u>104,240</u>

3 Total resources expended

	Charitable expenditure	Management and administrative	2005 Total	2004 Total
	£	£	£	£
Conferences and seminars	2,177	-	2,177	2,966
Research and study costs	14,193	-	14,193	79,959
Publication expenses	5,212	-	5,212	8,491
Staff costs (note 5)	90,786	10,088	100,874	99,022
Rent and rates	19,737	-	19,737	19,622
Insurance	505	-	505	564
Repairs and maintenance	342	-	342	577
Other premises expenses	457	-	457	624
Telephone, fax and internet	2,185	-	2,185	3,339
Postage, printing and stationery	4,073	-	4,073	3,519
Sundry expenses	332	-	332	202
Travel and subsistence	3,706	-	3,706	2,281
Legal and professional	-	15	15	15
Reporting accountants' fees	-	800	800	810
Bookkeeping	-	5,770	5,770	5,695
Office equipment depreciation	1,434	-	1,434	1,570
Bank charges	-	159	159	371
Subscriptions	345	-	345	126
	<u>145,484</u>	<u>16,832</u>	<u>162,316</u>	<u>229,753</u>

The Intellectual Property Institute
Notes to the financial statements
31 March 2005

	2005	2004
	£	£
4 Net (resources expended) for the year		
This is stated after charging/(crediting):		
Bank deposit interest	(812)	(570)
Reporting accountants' fees	800	810
Depreciation of fixed assets	1,434	1,570
	<u> </u>	<u> </u>

5 Staff costs

Staff costs during the year were as follows:

Wages and salaries	90,503	88,310
Social security costs	<u>10,371</u>	<u>10,712</u>
	<u>100,874</u>	<u>99,022</u>

One employee received emoluments in the range £70,001 - £80,000 during the year (2004 - 1 in the range of £70,001 - £80,000).

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

	2005	2004
	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 2004	30,265
Additions	<u>1,026</u>
At 31 March 2005	<u>31,291</u>
Depreciation	
At 1 April 2004	25,557
Charge for year	<u>1,434</u>
At 31 March 2005	<u>26,991</u>
Net book values	
At 31 March 2005	<u>4,300</u>
At 31 March 2004	<u>4,708</u>

	2005 £	2004 £
8 Debtors		
Trade debtors	23,268	12,592
Other debtors and prepayments	<u>1,028</u>	<u>991</u>
	<u>24,296</u>	<u>13,583</u>

9 Creditors: amounts falling due within one year

Trade creditors	11,882	500
Other creditors and accruals	<u>5,136</u>	<u>4,799</u>
	<u>17,018</u>	<u>5,299</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 31 March 2005 there were 21 members (2004 - 22).