



Canadian
Intellectual Property
Office

An Agency of
Industry Canada

Office de la propriété
intellectuelle
du Canada

Un organisme
d'Industrie Canada

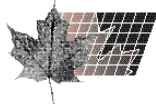
Annual Report 1998-99

Transforming The Way We Do Business



• Patents • Trade-marks • Copyrights • Industrial Designs • Integrated Circuit Topographies •

Canada

CIPO  OPIC

Canadian Intellectual Property Office

Annual Report 1998-99
Transforming The Way We Do Business

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Annual Report 1998-99

Transforming The Way We Do Business

• Patents • Trade-marks • Copyrights • Industrial Designs • Integrated Circuit Topographies •

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CIPO's Vision, Mission and Values
Vision
<i>Serving Canadians with excellent intellectual property services.</i>
Mission
<i>To accelerate Canada's economic development by:</i> <ul style="list-style-type: none">• fostering the use of intellectual property systems and the exploitation of intellectual property information;• encouraging invention, innovation and creativity in Canada;• administering the intellectual property systems in Canada (patents, trade-marks, copyrights, industrial designs and integrated circuit topographies); and• promoting Canada's international intellectual property interests.
Values
<i>Integrity Fairness Respect Efficiency Trust Continuous improvement</i>



Message from the CEO



Five years ago, in the 1993-94 fiscal year, the Canadian Intellectual Property Office (CIPO) became a Special Operating Agency (SOA). The change in status revolutionized the way we had traditionally managed Canada's intellectual property (IP) system. Never

before has CIPO gone through so many changes in such a short period of time.

The major adjustments are outlined further in this report. You will read about the switch to SOA status and the startup of our revolving fund—which changed not only what we do and how we do it, but the way we think. The transformation in corporate character and culture was dramatic. This evolution in philosophy placed greater emphasis than ever on the need for improved service.

It is not that we failed to provide superior service to our clients before 1993-94. In fact, we did. However, as an integral part of a government department, we also had to fulfil our management responsibilities in a broader context. Today, aside from fulfilling our statutory responsibilities, improving client service is our overriding imperative.

We have worked hard to reduce the time it takes us to complete many tasks. When we measure client satisfaction levels, they are typically high. Everyone at CIPO can take pride in this, recognizing that, while the effort to improve client service has a beginning, it has no end.

At CIPO, the drive to improve service began five years ago, when the organization wrote up its first business plan as an SOA. This year, it was time to prepare the architecture for another business plan—one that will take our organization through to the year 2004. The plan will seek to find the best means with which to achieve two objectives:

- continuously improve CIPO products and services; and
- foster an increased awareness of the importance of IP to Canadians.

As an SOA, CIPO must account for its assets, liabilities and cash balances in much the same way as a private sector company does. CIPO experienced its first operating loss, a sum of \$1.783 million in the 1998-99 fiscal year, in large part because of an increase in depreciation and other operating costs related to the deployment of the TechSource system.

"The expertise of our employees remains unparalleled. Organizational pride and morale are good and getting better. Overall, the outlook for CIPO looks solid and promising."

Anthony McDonough, Acting CEO, CIPO, at a meeting of the Patent and Trademark Institute of Canada, Ottawa, March 23, 1999

To counteract this shortfall, senior management started several cost-cutting and efficiency initiatives including:

- consolidating the various patent, trade-mark, copyright and industrial design search rooms into one integrated Client Service Centre;
- combining the marketing and information functions within CIPO; and
- joining the business and financial planning functions.

As a result of these and other measures, CIPO's recent annual losses will be reversed, a break-even position will be restored by 2001-02 and funds will be generated for future priorities. For example, CIPO will develop vital new automation initiatives as well as replace existing systems when they reach the end of their useful lives.

This is what makes the 1998-99 CIPO chronicle so remarkable. Faced with bleak financial results, the organization's leadership galvanized itself and set about the task of restoring its financial health by forging closer links between its business and financial planning elements, all the while consulting with senior management in the Operations Sector. This collaboration proved to be very beneficial to CIPO and enhanced its reputation and profile within the Department. In fact, these efforts drew the admiration of Industry Canada's Deputy Minister, Kevin Lynch, who said: "I am extremely pleased with your financial turnaround."

CIPO is paying its way. And its emergence as one of the most efficient and technologically advanced IP operations in the world is no accident. It could not have been done without the determination, skill and professionalism of our employees.

CIPO's managers and employees deserve the highest praise, not only for changing the nature of the agency, but for improving the timeliness and overall quality of the services it provides to clients at home and abroad. The accolades from clients everywhere testify to this excellence.

The organization's investment in leading-edge automation technology makes a distinct difference to our service delivery capabilities. Employees have moved the excellence yardstick further down the field to ensure unparalleled quality of service for clients. These efforts have earned CIPO an international reputation as an organization that practices innovative excellence.

Since technological innovation appears virtually limitless, CIPO is embarking on a voyage into the world of electronic commerce. We are in the process of integrating e-commerce into our operations and expect our day-to-day interactions with clients to benefit both service providers and service recipients.

CIPO has also achieved breakthroughs in the form of improved turnaround times in patent and trade-mark processing. As well, the new Canadian Patent Database has revolutionized the way in which we conduct business with clients. The inexorable move from paper to the Internet is providing electronic access to virtually everything there is to know about Canadian patent holdings. It will help Canadians perform more effectively in the domestic and international marketplace.

CIPO appears prepared and poised to meet the challenges of an increasingly connected and competitive world of commerce. This augurs well for the new millennium.



Anthony McDonough
Acting Chief Executive Officer and
Commissioner of Patents

Introduction

The Canadian Intellectual Property Office (CIPO) is an integral part of the federal government's fundamental culture change in delivering services to clients and citizens. As an SOA, with the authority to operate through a revolving fund, CIPO subscribes to and carries out the federal government's commitment to Citizen-Centred Service. This undertaking incorporates citizens' and clients' concerns at every stage of the service design and delivery process.

CIPO also continues to look for ways to improve its services through partnerships that build upon increased awareness of its products and services, including provincial research councils, universities, other federal government agencies such as the National Research Council, and the Canada Business Service Centres.

Under this umbrella, CIPO manages Canada's Intellectual Property (IP) system. It contributes to Canada's economic growth in two ways. First, it registers ownership rights for five different kinds of IP—patents, trade-marks, copyrights, industrial designs and integrated circuit topographies. Second, it makes accessible to the public the details of new innovations registered in Canada, thereby encouraging evermore economic activity.

CIPO serves three distinct client groups, aside from the general public:

- inventors and innovators themselves, who create products of the mind;
- agents, experts in the complex procedures used to obtain, protect and renew IP rights; and
- business people, who seek and exploit new forms of IP.

By examining what is already protected, firms gain insights into specific industry sectors, identify potential licensing partners, solve technical problems and avoid duplicating existing research.

The organization ensures that the manner and the means by which it approves or rejects an application are familiar and fair, and that its decisions are dependable.

The Office works closely with bilateral, regional and international groups—especially the World Intellectual Property Organization (WIPO) in Geneva—to harmonize the many ways used to protect IP around the world.

In discharging its responsibilities, CIPO acquires huge amounts of information. It keeps on file all the texts and drawings contained in all applications for IP rights. Most of these records are now captured in databases that can be accessed through the Internet and state-of-the-art data management systems that were created by CIPO for its clients' and its own needs. As well, CIPO is developing electronic commerce and filing capabilities for both domestic and international clients.

CIPO is a major contributor to Industry Canada's key strategic objectives:

- building a fair, efficient and competitive marketplace;
- making Canada the most connected nation in the world; and
- supporting the transition to a knowledge-based economy.

Highlights of the 1998-99 Fiscal Year

Demand for IP Services

- The total demand for IP rights continued to grow in 1998-99. The number of applications for all product lines totalled 80 794, up from 75 729 in the previous fiscal year.
- The largest growth occurred in trade-marks where 37 336 applications were received, up from 33 562 the previous year.

Client Service Improvements

- Improvements were recorded in the turnaround times for key operations in both patents and trade-marks. In patents, virtually all turnaround times were reduced. The time for registration of an assignment document at the time of filing fell from 16 to 4 weeks; and the time required for an examiner to take his or her first action fell from 26.6 months in 1997-98 to 22.9 months in 1998-99. Also, the Patent Branch began to chart the flow of all significant examination and operational processes. This allows managers to set performance indicators, measure workloads and continually improve the processes.

Connectedness

- CIPO's Canadian Patent Database was launched in November 1998. The new Web site gives business people, inventors and researchers—from any sector and any location—on-line access to a wealth of information previously contained only in paper files. The database became one of the most popular sites on Industry Canada's *Strategis* Web site. There were nearly 400 000 hits on the database, with more than 10 000 images downloaded each week. Industry Minister John Manley observed: "This is an excellent example of how Canadian connectedness can help promote a more innovative and competitive economy."
- The Trade-marks Branch conducted an electronic commerce pilot project with a group of trade-mark agents. This was one of many initiatives that have taken place over the past few years to bring about the automation of CIPO's business operations, including the application for IP rights and the collection of fees.

- The Information Branch began working on a better system to deliver information to clients by using CD-ROMs instead of paper. They include laid-open and granted patents. When these disks come online they will replace existing microfiche technology.

International Leadership

- CIPO led Canada's delegation to the World Intellectual Property Office General Assembly in September 1998 and participated in several key debates.
- Kamil Idris, Director General of the World Intellectual Property Organization (WIPO), addressed CIPO employees while he was in Ottawa for the OECD Ministerial Conference on electronic commerce in October 1998. Dr. Idris thanked CIPO for its contributions and praised Canada's technological expertise in the IP field. CIPO coordinated the Director General's first visit to Canada.

Human Resources

- CIPO completed competency profiles for several categories of employees during the year, including all executives and the CEO.
- All executives took part in feedback exercises, in which they were rated by both their employees and their superiors.
- CIPO formalized its Managers' Forum, now a quarterly event at which some 100 decision-makers meet to hear expert presentations and to discuss management and policy matters.

Regulations

- During the year, work continued on regulations to address a number of administrative issues, including electronic commerce.

Product Outputs

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Applications filed						
Patents	25 357	27 883	26 629	27 646	30 866	33 021
National	16 275	16 783	14 616	13 831	14 292	15 269
Patent Cooperation Treaty	9 082	11 100	12 013	13 815	16 574	17 752
Trade-marks	25 194	28 567	29 528	32 593	33 562	37 336
Copyrights	9 949	9 735	9 251	8 977	* 8 091	* 7 235
(* includes accelerated action)						
Industrial designs	2 395	2 661	2 859	3 013	3 206	3 199
Integrated circuit topographies	10	6	5	13	4	3
Assignments recorded						
Patents	32 634	37 701	39 192	37 970	29 650	57 633
Trade-marks	16 126	23 582	26 797	24 339	32 818	32 718
Copyrights	323	1 064	1 525	2 035	951	940
Industrial designs	369	614	789	536	544	897
Enquiries processed						
Patents	39 803	48 093	39 324	28 931	27 911	23 931
Trade-marks	23 254	22 265	23 368	22 391	26 036	25 437
Copyrights	17 587	29 704	32 285	16 054	17 448	22 468
Industrial designs	6 192	7 318	7 111	3 399	3 601	4 168
Integrated circuit topographies	67	54	11	6	14	60
Technological information searches processed						
Patents	991	1 069	840	754	448	284
Grants/Registrations						
Patents	14 283	11 070	8 256	7 374	5 936	11 110
Trade-marks	15 878	15 961	14 817	17 876	18 486	18 434
Copyrights	9 246	10 070	9 237	9 357	7 772	8 120
Industrial designs	1 876	1 959	2 109	2 153	3 359	2 903
Integrated circuit topographies	9	4	6	9	3	5
Maintenance Fees/Renewals						
Patents	101 713	121 120	146 373	156 839	174 949	195 365
Trade-marks	3 798	5 665	7 804	6 158	6 185	7 756
Industrial designs	922	1 157	1 191	1 076	1 015	1 001

Five Years as a Special Operating Agency

March 31, 1999, was a milestone for the Canadian Intellectual Property Office (CIPO). It was the end of both the 1998-99 fiscal year and CIPO's first five-year planning cycle as a Special Operating Agency (SOA). It was a logical time for the organization to look back, to assess its performance over the previous half-decade and to set out a new business plan that would take it through to the fiscal year 2003-04.

An Office Transformed

CIPO's first five-year period as an SOA was one of profound and rapid change. The Agency continued to administer Canada's IP system, just as it had since the early 19th century. As before, it continued to receive applications and to grant patents and register trade-marks, copyrights and industrial designs. The only product change came in May 1993 when CIPO began to register integrated circuit topographies, the newest form of IP in Canada.

CIPO transformed itself from a typical federal government office within Industry Canada into a more resourceful and independent organization. It is widely recognized as one of the most technologically advanced IP offices in the world.

As an SOA, CIPO no longer relies upon taxpayer dollars but pays its way from a revolving fund that is replenished with the fees it charges for IP rights. This unique financial arrangement has made managers more accountable and efficient.

Becoming an SOA, and launching the revolving fund, created a new culture at CIPO—a new set of attitudes and shared work habits. Among these was a commitment to systematically and continuously improve the services CIPO renders to its clients.

From Paper to Bytes

Another major change in CIPO's operations was generated by automation. When it became an SOA five years ago, CIPO was a paper-based operation. Applications for IP rights were filed manually on shelves at CIPO's offices in the National Capital Region.

Today, CIPO maintains two very large databases for patents and trade-marks. Employees accomplish much of their day-to-day work on sophisticated data management systems that were tailored for CIPO's needs. Clients who once had to travel to the agency's offices in Hull, Quebec, can now browse through the electronic files from anywhere in Canada or around the world.

Intrepid II, the trade-marks system, went into full operation in November 1996, replaced several older systems and brought full automation to the Trade-marks Branch. The Branch registered Canada's 500 000th trade-mark in September 1998, and created Intrepid's 1 000 000th file in January 1999.

TechSource, the electronic patent system, went online in June 1997. This system holds the scanned text and images of more than 1.4 million patent documents, dating back to 1920, along with the fully searchable text version of all documents filed since 1978. Both databases can be accessed on *Strategis*, Industry Canada's Web site.

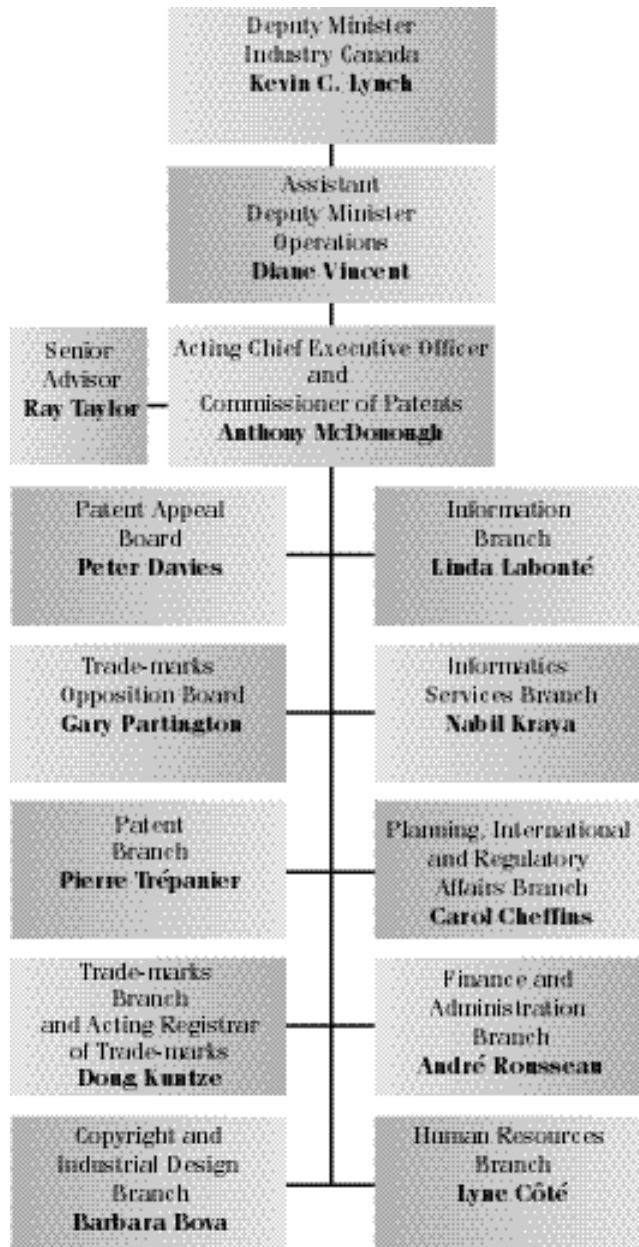
A Sharp Focus on Client Service

Shortly after becoming an SOA, CIPO began to put clients at the centre of all business planning and operations. First, all managers reviewed their then-current level of client service. The entire organization set new service standards and developed step-by-step programs to achieve them. Managers and employees alike attended courses to equip them with the skills and knowledge they needed to improve service continuously.



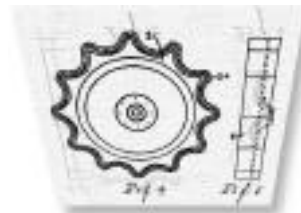
The single most visible improvement in client service is a sharp and continuing reduction in most turnaround times. The time taken to issue a patent filing certificate, for example, fell from 16 weeks in 1993-94 to 5 weeks in 1998-99, and further reductions are expected. For trade-marks, the time required to issue a registration certificate was also cut by more than one half—from 20 to 8 days. Similar improvements have been achieved in other product lines.

Organization Chart



(as of March 31, 1999)

Products and Outputs



Products and Outputs

Patents



The Patent Office receives, processes, classifies and examines applications for patents. It also registers assignments or changes of ownership, processes allowances, collects fees and publishes information on patents. The Office is the largest operation at CIPO, accounting for more than 72 percent of revenues, expenses and staff.

Activities in 1998-99

The new Canadian Patent Database was introduced in November and made information on almost 80 years of patented inventions available on the Internet. It allows access to almost everything there is to know about Canadian patent holdings. These date back to discoveries such as insulin through to the latest developments in telecommunications and can be found in the form of text and drawings which are fully downloadable at no cost.

Industry Minister John Manley, in announcing the availability of the new database on the Internet, said: "This new site will make leading-edge technology developments readily accessible to all Canadians and help them perform more effectively in the domestic and international marketplace. It allows us to promote Canadian innovation to

prospective investors from around the world who can now access information that demonstrates our growth potential."

The Office maintains and continually updates TechSource, its world-class electronic document imaging and workflow system that was launched in 1997. TechSource now contains more than 1.4 million patent documents dating back to 1920. This year, Office personnel were involved in refining the TechSource system to more efficiently process patent documents as they come into CIPO.

Applications

The Office received 33 021 applications for patents during the fiscal year, up from 30 866 in 1997-98. There has been a more-or-less steady increase in the number of filings for many years (see chart). A total of 32 499 applications were disposed of during the year, up sharply from 24 731 the previous year.

Turnaround Times

Turnaround times in all key processing activities were reduced this fiscal year. Among others, the time required to issue a receipt of an assignment document fell from 16 weeks at the beginning of the year to 4 weeks at the end.

What is a Patent?

Patents protect inventors against those who would illegally reproduce, use or sell their ideas. But the broader purpose of the patent system is to create a marketplace for inventions that is fair, dependable and orderly and also to quicken the pace of innovation in Canada.

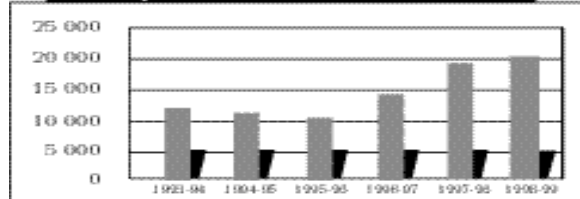
The system is based on an agreement: inventors agree to reveal the details of their inventions so that they can be published and stimulate further innovation. In return, the innovators receive an exclusive legal right to make, use or sell their inventions in Canada.

The Patent Office keeps a complete record of all Canadian patents. The files go back more than 140 years to the days before Confederation. By searching these records, inventors in Canada and around the world—or more usually their patent agents—can make a preliminary decision on whether their idea is actually novel.

The Office also puts applications through a rigorous examination to make sure that patents, if granted, are well-founded. Most patent applications today are for improvements, rather than for first-in-the-world inventions. That being so, it is never easy to decide whether an inventor's idea is patent-worthy. Is it really new? Is it genuinely useful? Is it not something that is obvious and taken for granted by experts in the field? In view of the requirements of the Patent Act and Patent Rules, the Patent Office must be satisfied on all these points before approving an application.



Total requests for examination received



Product Outputs

<i>Operations (Old Act/New Act)</i>	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Applications	25 357	27 883	26 629	27 646	30 866	33 021
Examinations	11 837	11 617	10 957	14 710	19 151	20 444
Assignments	32 634	37 701	39 192	37 970	29 650	57 633
Maintenance fees processed	101 713	121 120	146 373	156 839	174 949	195 365
Grants	14 283	11 070	8 256	7 374	5 936	11 110

Applications (New Act)

<i>Category</i>	<i>Caseload *</i>	<i>Workload **</i>
Mechanical-Civil	37 135	12 610
Electrical-Physics	13 234	4 639
Computer-related	21 156	8 422
Organic Chemistry	25 798	8 163
Biotechnology	14 020	4 390
Inorganic Chemistry	24 195	8 580
Miscellaneous	15 844	5 004
Total	151 383	51 808

* *Caseload* means applications that are pending as of March 31, 1999, with or without requests for examination.

** *Workload* means applications that are pending as of March 31, 1999, with requests for examination.

Abandonments

<i>Patents</i>	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Regular	4 379	2 683	1 495	1 903	4 152	7 668
Non-payment of maintenance fees	20 410	31 500	29 560	18 306	17 362	17 690
Applications abandoned (New Act)	7 176	10 807	10 149	12 330	14 000	17 951

Products and Outputs

Trade-marks



The Trade-marks Office determines whether an owner is entitled to the exclusive use of a trade-mark for a specific set of goods or services. Under the direction of the Registrar of Trade-marks,

the Office keeps the trade-marks register, which is a record of all trade-marks registered in Canada. The Office also discloses information on trade-marks to increase public awareness.

Trade-mark applications are examined to make sure they meet all the requirements of the *Trade-marks Act*. The process of examination, with a number of rigorous checks for conflicting trade-marks, determines whether a mark can be registered. If it can, it is published in the weekly *Trade-marks Journal*. If unopposed, the trade-mark is allowed and a registration certificate is issued upon filing of a declaration of use and payment of a registration fee.

The approval process includes an element of subjectivity because the Office deals with very small elements of difference. Decisions can be appealed to the Trade-marks Opposition Board, and subsequently to the Federal Court.

Automation

On November 4, 1996, CIPO introduced Intrepid II (Integrated Trade-mark Electronic Processing of Information and Design), which fully automated the multi-step process whereby a trade-mark is formalized, examined, advertised, opposed, allowed and registered. Intrepid II not only integrates all of the information on more than 125 000 trade-mark designs, but also allows the Office to know instantly, and subsequently advise clients, where an individual application is located in the process.

Largely as the result of automation, the average file to first action turnaround time fell from six months in 1997-98 to five months in 1998-99.

What is a Trade-mark?

A trade-mark is a word, a symbol, a design, or a combination of these, that distinguishes the products or services of one company or person from those of others. Trade-marks represent not only wares and services, but the reputation of the owner. They are thus considered to be valuable intellectual property, which can be protected against misuse and imitation in the courts.

Registering a trade-mark is evidence of ownership across Canada, which helps to ward off potential infringement. To be registered, the trade-mark must meet certain criteria. Above all, it must not be too similar to one that is already registered or awaiting registration.

A new trade-mark remains on the register for 15 years and can be renewed for additional 15-year periods, indefinitely. The Office maintains a Search Room for the public to inspect the register and search the indexes of pending and registered marks.

There are three different kinds of trade-marks. "Ordinary" marks are words and symbols that distinguish the goods or services of a firm. "Certification" marks identify goods or services that meet a standard set by a governing organization. "Distinguishing guise" marks identify the unique shape of a product or its package.

A registered trade-mark has been approved and entered on the Trade-marks Register. Registration is proof of ownership. An unregistered trade-mark may also be recognized as the property of an owner, depending on the circumstances.

Applications

The major trend in trade-marks is a rapid, large increase in applications. From just over 28 500 applications in 1994-95, the number increased to 37 336 in 1998-99. Of these, 20 043, or nearly 53 per cent, were from Canadian applicants.



Product Outputs

Trade-marks	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Applications	25 194	28 567	29 528	32 593	33 562	37 336
Assignments	16 126	23 582	26 797	24 339	32 818	32 718
Renewals	3 798	5 665	7 804	6 158	6 185	7 756
Abandonments	7 490	9 525	9 462	10 541	11 458	12 696
Registrations	15 878	15 961	14 817	17 876	18 486	18 434

Products and Outputs

Copyrights



Under the *Copyright Act*, CIPO is responsible for registering copyrights in Canada. Registration is an acknowledgement by the federal government of a claim. It signifies that the Copyright Office has recorded the details of the copyright and has issued a certificate for it.

The Copyright Office also maintains a Registry of Copyright Assignment and Licences. That is, an owner of a copyright can register his or her ownership interest in a copyright that has been acquired by a contract. An assignment can transfer any part of the rights or all of the rights to a work. An owner who registers an assignment or licence will receive an official recognition of the transfer. Assignments that are registered receive a statutory presumption of validity as against unregistered assignments.

What is a Copyright?

A copyright protects a work from unauthorized activities such as copying and communicating a work to the public.

Copyright applies to all original literary, dramatic, musical and artistic works, including compilations of works and neighbouring rights: performers' performances, communication signals and sound recordings. Generally, copyright lasts for the life of the author, the remainder of the calendar year in which the author dies, and for 50 years following the end of that calendar year. Most of the time, the owner of the copyright—very often the creator of the work—is allowed to produce or reproduce a work or a substantial part of it and to permit anyone else to do so.

While a certificate of copyright does not automatically legitimize a claim (only the courts can verify claims made under the Copyright Act), it is nevertheless a valuable document to have, especially when a copyright is infringed. The certificate of registration is evidence that the copyright subsists and that the person registered is its owner.

Digital Technology, the Internet and Copyright A Look Ahead

Advances in digital technology can compromise the integrity of copyright protection everywhere. Any two-dimensional work—such as a poem, novel, video, image, or audio tape—can easily be translated into a digital code. One person, with a few keystrokes on a computer, can deliver perfect copies of a digitized artistic work.

Meanwhile, the spread of high-capacity electronic information systems is changing how people and businesses deal in information and entertainment products. One individual can send copies to scores of people at the same instant. Or the person can post the copy on an electronic bulletin board where it can be downloaded by thousands.

These two phenomena are changing how works are created, reproduced, distributed, adapted, displayed, performed, owned, licensed, managed, presented, organized, sold, accessed, used and stored.

Canada is working with other countries and with the World Intellectual Property Organization to provide the needed level of protection nationally and internationally, and to span the differences that exist between the various systems for granting protection for IP.

Under the authority of the Commissioner of Patents and the Registrar of Copyrights, the Copyright Office maintains the Register of Copyrights, which is open to the public to search for information regarding specific copyrights. The Office makes this information freely available to the public.

Certificates of Registration

By far, the greatest number of copyright certificates (5 431) were issued for literary works. Canadians accounted for more than 85 percent (or 6 845) of all copyright certificates issued.

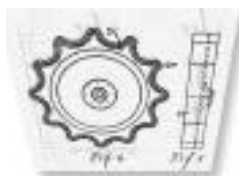


Product Outputs

Copyrights	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Applications	9 949	9 735	9 251	8 977	8 091	7 235
Registrations	9 246	10 070	9 237	9 357	7 772	8 120
Abandonments	187	737	465	77	472	356
Assignments	323	1 064	1 525	2 035	951	940

Products and Outputs

Industrial Designs



The Industrial Design Office receives and examines applications for industrial designs from manufacturers ranging in size from single individuals to large corporations).

It determines whether to grant exclusive rights to a design in Canada. Unlike trade-marks and copyrights—which allow holders to claim ownership even without registration—no legal claim of ownership can be made for an industrial design, nor is there any legal protection from imitation, unless it is registered. The owner of a registered industrial design has protection for 10 years, provided maintenance fees are paid.

Once registered, industrial designs are publicly disclosed. They become part of a register maintained by the Office, comprising all industrial designs registered in Canada. These records are consulted by CIPO clients in preparation for filing new applications and for assessing infringement cases. The register is an invaluable reference tool, providing an



historical snapshot of innovations in design since before Confederation, and may provide the impetus to improve existing designs.

Applications

There has been a modest but constant increase in the number of industrial design applications over the past few years. During the 1998-99 fiscal year, the Office received more than 3 000 new applications and disposed of nearly 3 500 previously filed ones.

By far, most of the new applications filed during the year came from companies located in the United States. There have also been some noticeable trends in incoming applications for certain classes of goods, in particular, a significant volume of footwear designs.

What is an Industrial Design?

Industrial design refers to the visual features of an article of manufacture—its look. Specifically, it is the shape, pattern, ornamentation or configuration (or a combination of these features) applied to the product to give it visual appeal. Examples include the shape and configuration of the head of a golf club, the pattern on wallpaper and the engraved ornamentation in the handle of a fork. To be eligible for registration, a design must be original; it must not already be in existence in or outside of Canada. Each applied-for design is classified and a thorough search is conducted in prior art to determine if it already exists in the public domain. If an industrial design is determined to be original, and the application meets all other requirements of the Industrial Design Act, it will be registered.

Activities in 1998-99

In a continuing effort to provide improved client service, the Office produced, developed and implemented the following programs and procedures during the year, including:

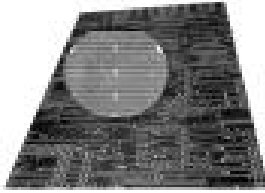
- an automated program that allows examiners to significantly reduce the time it takes to produce deficiency reports;
- a revised *Canadian Industrial Design Procedures Manual* that is used internally and is now made available to clients on the Internet or in paper copy.

Product Outputs

Industrial Designs	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Applications	2 395	2 661	2 859	3 013	3 206	3 199
Registrations	1 876	1 959	2 109	2 153	3 359	2 903
Abandonments	315	448	129	259	312	464
Assignments	369	614	789	536	544	897
Renewals	922	1 157	1 191	1 076	1 015	1 001

Products and Outputs

Integrated Circuit Topographies



Integrated circuit topographies (ICTs) are the world's most recently recognized form of IP. Located within microchips, ICTs are vital to the operation of our information, communications and entertainment industries.

They are widely used in such fields as medicine and aerospace and are now found in an increasing number of household appliances and in consumer electronics.

The *Integrated Circuit Topography Act* came into force in 1993. Owners of ICTs can protect their topographies against infringement in Canada by registering them with the Registrar of Topographies. So far, 38 topographies have been registered with CIPO, half registered by Canadians, five of them during the year under review.

What is an Integrated Circuit Topography?

ICTs are three-dimensional configurations of semi-conductors, metals and dielectrics, among other materials, which are designed to perform electronic functions. Two examples are Random Access Memory (RAM) and Read Only Memory (ROM), which store some of the instructions that make computers work.

Under the Integrated Circuit Topography Act, the creator of an ICT, or the successor in title, may claim exclusive rights to reproduce, manufacture, import or commercially exploit his or her topography. The Act provides legal remedies to deter infringement and incentives to encourage research and teaching activities. The Act protects ICTs for up to 10 years from the filing date, or from the date of first commercial exploitation.

Once an application has been assigned an application number, the topography can then be made available for public inspection. Without the written consent of the applicant or the owner of a registered topography, no one can reproduce or provide a copy of the material filed in the Registrar's Office. Since ICT laws are national, owners must file separate applications in all those countries where protection is required.

Activities in 1998-99

Aside from processing applications, officials from the Office of the Registrar of Topographies, along with the Intellectual Property Policy Directorate (IPPD) of Industry Canada, carried out consultations in order to obtain stakeholders' views on the provisions and operation of the Act. On the basis of these consultations, the Minister was expected to table a report in the House of Commons early in the new fiscal year.

Among other activities during 1998-99, the Office:

- participated with IPPD in the preparation of the report to Parliament on the *Integrated Circuit Topography Act*.



Product Outputs

<i>Integrated Circuit Topographies</i>	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Applications	10	6	5	13	4	3
Registrations	9	4	6	9	3	5

Information

In line with CIPO's support of Industry Canada's "connectedness" agenda, the Information Branch (IB) acts on CIPO's mandate to foster the use of IP systems and the exploitation of IP information in Canada. This includes strategic business and technical information that can be extracted from the IP databases created and maintained by CIPO's product lines. This information also includes knowledge and expertise regarding Canadian and foreign IP systems, how they can be used, and how they can benefit the marketplace.

The Branch coordinates the activities of CIPO's four Regional Advisors who provide IP educational, promotional and advisory services to clients of intermediary and partner organizations, to IC regional office clients and to other SME, industry, research and academic client groups.

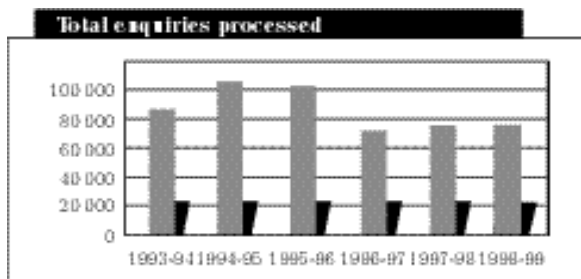
CIPO has a legislated obligation to maintain and disseminate its IP information holdings. The Branch is responsible for managing the public search rooms, enquiries activities and archival requirements. Through IB, CIPO meets its data exchange obligations from international treaties and agreements with other IP offices.

Responsibility for CIPO's Web site was transferred to IB at the beginning of 1999. The use of the Internet as a dissemination and communication tool has increased and is expected to continue.

Activities in 1998-99

The Branch is responsible for the Canadian Patent Database, which was launched in October 1998. The usage and feedback were carefully monitored in order to ensure this product was meeting the users' requirements. A first round of enhancements was released at the end of this fiscal year and work was underway to prepare for the next improved version.

The Branch also continued to monitor and enhance the Canadian Trade-marks Database on the Internet. An Intranet version, which became the official trade-marks register, was released in the Trade-marks Search Room.



This allowed CIPO to prepare for the discontinuance of the paper version of the official register. This will represent significant savings for the organization.

Responsibility for the production of the *Patent Office Record* was transferred to the Branch last year and work began to redesign this weekly publication in order to include more pertinent information, conform to international standards and enable publication on the Internet.



The Branch continued the development of systems to export documents and data on electronic media (e.g. CD-ROMs) or by means of wide-area networks, in accordance with international standards. CD-ROMs are less expensive to produce than microfilm and provide for the exchange of documents in electronic format according to World Intellectual Property Organization (WIPO) standards.

The Branch began planning for a Client Service Centre which will provide the public with a one-stop facility with electronic access to accurate, up-to-date, on-line information. This new Client Service Centre is scheduled to be completed by March 2000.

International Interests

Canadians need a strong, dependable regime to protect their IP at home. It is equally important to have an international system that is consistent, familiar and fair. The more harmonious the IP arrangements between nations, the easier it is for Canadian innovators to protect and export IP.

The international system is based on a number of multilateral and bilateral agreements that go back to the 1883 Paris Convention for the Protection of Industrial Property. Canada signed that Convention in 1925. We have since acceded to 10 other treaties and agreements. In 1998, Canada's Ambassador to Geneva deposited Canada's "instrument of accession" to the 1971 revision of the 1886 Berne Convention for the Protection of Literary and Artistic

Works. On hand to witness the deposition was Anthony McDonough, then Director of the Patent Branch.

The lead agency in harmonizing IP laws and regulations is the World Intellectual Property Organization (WIPO), based in Geneva. Canada is a Member state of WIPO, regularly taking part in its meetings and working groups, and contributing to many of its programs. One initiative conducted in close collaboration with WIPO is a project to train officials from developing countries in the management of trade-marks operations and information services. CIPO officials and Canadian trade-mark agents delivered this course, the second of a three-year pilot, to nine officials from the Asia-Pacific region during the fiscal year. WIPO's General Assembly sets the organization's program and budget every two years. Among the issues under discussion this year were:

- the impact of electronic commerce on the management of IP rights, nationally and worldwide;
- how to protect traditional knowledge, particularly that held by indigenous peoples; and
- how to improve communications between WIPO and its Member states.



Officials at WIPO are working towards setting up a new international computer network, called WIPONET, that will link all Member states. Once online, WIPONET will greatly influence the way IP authorities communicate with each other. For example, it will allow patent offices to share data instantly, and make it easier for innovators and their agents to apply for international IP rights. CIPO is taking a lead role in these discussions as a result of its expertise in setting up large databanks and designing the computer systems to manage them.

In October 1998, CIPO hosted Dr. Kamil Idris, Director General of WIPO, during his inaugural visit to Canada. Dr. Idris took part in the OECD Ministerial Conference on Electronic Commerce held in Ottawa. He emphasized the importance of including IP in an international electronic commerce strategy. Dr. Idris was briefed on TechSource and commended CIPO managers and staff for their IP contributions and support of WIPO.

Activities in 1998-99

Among its activities, CIPO continued to:

- participate in WIPO committees on patents as well as on trade-marks, which aimed:
 - in the area of patents, at developing a Patent Law Treaty with a view to harmonizing administrative formalities across the globe; and
 - in the area of trade-marks, at developing an instrument to clarify international obligations regarding well-known marks.
- review domestic regulations in the area of patents to ensure conformity with Patent Cooperation Treaty requirements;
- brief officials from other countries on the management techniques and strategies that were used to develop CIPO's databases and data management systems; and
- provide search and examination of patent applications filed with the African Regional Industrial Property Office (ARIPO), as well as state-of-the-art technology searches for developing countries, mainly from Latin America, upon request from WIPO.

Canada's IP Treaties

1. Paris Convention for the Protection of Industrial Property (1883): Canada acceded in 1925.
2. Berne Convention for the Protection of Literary and Artistic Works (1886): Canada acceded in 1928, and to the 1971 revision in 1998.
3. Universal Copyright Convention (1952): Canada acceded in 1962.
4. International Union for the Protection of New Varieties of Plants (1961): Canada acceded in 1991.
5. International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations: the Rome Convention (1961): Canada acceded in 1998.
6. World Intellectual Property Organization Agreement (1967): Canada acceded in 1970.
7. Patent Cooperation Treaty (1970): Canada acceded in 1990.
8. Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (1977): Canada acceded in 1996.
9. North American Free Trade Agreement - Chap. 17: Protection of Intellectual Property Rights (1992): Canada acceded in 1992.
10. World Trade Organization - Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs Agreement) (1994): Canada acceded in 1994.
11. Strasbourg Agreement concerning International Patent Classification (1975): Canada acceded in 1996.

Keeping CIPO Efficient

Human Resources

In 1998-99, the Human Resources Branch (HRB) became one of the busiest beehives of activity in the organization. HRB was responsible for the whole range of day-to-day activities involving staff relations, pay and training and development. The past year imposed substantial strains on HRB as it scrambled to meet increasing demands for skilled people to deal with mounting workloads. It also responded commendably to unexpected departures of senior personnel, many due to retirement. As well, gaping holes in Finance and Administration Branch were not easy to fill overnight.



The Branch continued to provide leadership, professional and specialized advice plus guidance to managers in the pursuit of CIPO's strategic directions. HRB has played a pivotal role in the organization of three forums for managers. They allow managers to meet, express their concerns and gain an understanding of the larger issues that affect the organization.

In keeping with our People Management Plan and La Relève, the renewal of the Public Service, competency profiles were developed for most positions, including a database prototype that will eventually be introduced to all CIPO employees. A competency profile provides a vital link between the behaviours, skills and attributes shown by individuals and the necessary tasks required to do the job. It is the harmonization of skills and tasks that leads to enhanced corporate performance.

As well, work continued on pay equity, contract negotiations, union consultations and the rewriting of work descriptions for the Universal Classification System (UCS) exercise.

Planning, International and Regulatory Affairs

The Planning, International and Regulatory Affairs Branch (PIRA) provides strategic advice to the CEO, as well as to other branches, with respect to corporate issues regarding CIPO's overall mandate, its relationship with the Minister and Deputy Minister, the Department's Operations Sector and other sectors within Industry Canada—as well as other government departments and agencies. These include the Privy Council Office and the Department of Foreign Affairs and International Trade, the World Intellectual Property Organization, and non-government organizations such as the Patent and Trademark Institute of Canada plus the media and the general public.



The International and Regulatory Affairs Division develops and reviews CIPO's international policy and strategy plans and positions, as well as domestic strategies and legislative requirements with respect to IP issues. It also develops and reviews CIPO's legislative and regulatory agenda in the context of international and domestic developments and coordinates its legislative and regulatory proposals with Industry Canada's Industry and Science Policy Sector and the Privy Council Office.

The Corporate Affairs Division provides a full range of corporate communications services and strategic advice to senior management and staff. As well, it is responsible for the production of a wide variety of communications products and also handles media relations. In addition, Corporate Affairs coordinates the installation and operation of its booth at up to 25 Info-fairs, sponsored by the Industry Minister in communities across Canada. These events help raise awareness of the value of IP in assisting small and medium-sized businesses become more efficient at home and more competitive internationally.

Informatics

The Informatics Services Branch's (ISB) ongoing purpose is to fully automate all of CIPO's product lines and operations. The major achievement of the year was the launch, in November 1998, of the Canadian Patent Database Web site on *Strategis*.

The Branch also successfully tested all of CIPO's technological applications in a Y2K environment in accordance with Industry Canada's Y2K compliance guidelines and participated in the preparation of a contingency plan. This was a major undertaking which involved meticulous planning, consultation and testing to ensure that there is blanket compliance by all CIPO's systems at the end of 1999.



Much of this preparedness exercise was based on the valuable knowledge gained during the recovery period after the January 1998 Ice Storm. This experience will permit CIPO to prepare itself for the unforeseen developments that could affect its ability to conduct business as usual on the first legal working day of the year 2000.

CIPO works closely with Industry Canada on the evolution of the Department's information technology (IT) infrastructure. The Agency has to be in lockstep with Industry Canada in implementing standards, and in upgrading office suites and e-mail products.

This means that ISB must constantly refine and improve technology—sometimes from week to week. Branch officials meet frequently with their counterparts at Industry Canada in a continuing and determined effort to make Canada the most connected country in the world.

In pursuit of this goal, CIPO has forged partnerships with IBM Canada and a number of other IT vendors to draw in various resources as they are required. This permits CIPO to constantly upgrade its systems, rather than having to engage in major restructuring on a regular basis.

Finance and Administration

Since becoming an SOA within Industry Canada, CIPO has had its own Finance and Administration Branch. The Branch plans and directs a full range of services, including computerized financial and administrative systems, financial planning and reporting, analysis and accounting, material management, accommodation and security.

The establishment of the Branch has moved the accounting structure to a full-cost and product-line-specific accrual basis since the introduction of the revolving fund. The Branch maintains internal controls designed to indicate accountability and provide assurance that assets are safeguarded and that reliable financial reports are kept. The Branch develops and disseminates financial management and accounting policies and issues specific directives necessary to maintain standards of accounting and financial management.

The past fiscal year was a difficult one for Finance and Administration with the departure of a number of key staff. Nonetheless, essential services were still delivered to the organization with minimal resources. The year ended with progress having been made to restore fundamental functionality and depth of personnel within the Branch. In addition, a number of significant financial management processes and controls were reviewed, in particular in the area of IT capitalization and operating budget management. In this regard, the integration of business, financial and long-term capital planning and processes was strengthened in order to enhance fact-based and transparent decision making, and support the development of improved performance reporting.



Financial Reports



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AUDITORS' REPORT TO THE DEPUTY MINISTER INDUSTRY CANADA

We have audited the balance sheet of the Canadian Intellectual Property Office as at March 31, 1999 and the statements of operations and accumulated surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Canadian Intellectual Property Office. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Intellectual Property Office as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Ottawa, Canada

May 28, 1999



KPMG LLP is a Canadian corporation established and organized under the laws of Ontario, is a member firm of KPMG network, a Swiss entity.



Canadian Intellectual Property Office Revolving Fund

Management Report

The accompanying financial statements of the Canadian Intellectual Property Office (CIPO) Revolving Fund have been prepared by CIPO in accordance with Treasury Board policies and the reporting requirements and standards of the Receiver General for Canada. Financial information contained in the ministerial statements and elsewhere in the *Public Accounts of Canada* is consistent with that in these financial statements. These financial statements were prepared in accordance with generally accepted accounting principles. Significant accounting policies are set out in Note 2. Some of the information included in these financial statements is based on management's best estimates and judgements and gives due consideration to materiality.

CIPO maintains internal controls designed to indicate accountability and provide assurance that assets are safeguarded and that reliable financial records are kept. Financial management and internal controls are augmented by the maintenance of internal audit programs. Management also seeks to assure the objectivity and integrity of data in its financial statements. This is accomplished by a careful selection, training and development of qualified staff, organizational arrangements that provide appropriate divisions of responsibility and communication programs aimed at ensuring that its regulations, policies, standards and managerial authorities are understood throughout the organization. The functional responsibility for integrity and objectivity of these financial statements rests with CIPO, which develops and disseminates financial management and accounting policies and issues specific directives necessary to maintain standards of accounting and financial management.

At the request of CIPO, these financial statements have been examined by external auditors. Their role is to express an opinion as to whether the financial statements present fairly the financial position as at March 31, 1999, and the results of operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles. This external audit was conducted to assure objectivity and freedom from bias in the accompanying financial statements.

A handwritten signature in cursive script, appearing to read "Maurice Doyon".

A/Chief Executive Officer

A handwritten signature in cursive script, appearing to read "André Rousseau".

André Rousseau, CGA
A/Director, Finance and Administration

July 27, 1999



Financial Statements

Canadian Intellectual Property Office Revolving Fund Balance Sheet as at March 31

<i>(in thousands of dollars)</i>	1999	1998
Assets		
Current	\$ 2	\$ 2
Petty cash		
Accounts Receivable		
Government of Canada	817	582
Outside parties	754	1 568
Unbilled revenue	5 781	6 043
Prepaid expenses	<u>70</u>	<u>23</u>
	7 424	8 218
Capital assets (Note 3)	94 633	101 785
Unbilled revenue	<u>323</u>	<u>696</u>
	<u>\$ 102 380</u>	<u>\$ 110 699</u>
Liabilities		
Current		
Deposit accounts	\$ 381	\$ 485
Accounts Payable		
Government of Canada	1 697	7 772
Outside parties	5 868	6 484
Deferred revenue	<u>13 334</u>	<u>15 463</u>
	<u>21 280</u>	<u>30 204</u>
Employee termination benefits and vacation pay	2 050	1 538
Deferred revenue	<u>13 917</u>	<u>11 077</u>
	<u>15 967</u>	<u>12 615</u>
Deferred Capital Assistance (Note 4)	52 675	59 059
Equity of Canada (Note 5)	<u>12 458</u>	<u>8 821</u>
	<u>\$ 102 380</u>	<u>\$ 110 699</u>
Contractual obligations (Note 6)		
Contingencies (Note 10)		



**Canadian Intellectual Property Office Revolving Fund
Statement of Operations
for the year ended March 31**

<i>(in thousands of dollars)</i>	1999	1998
Revenue	<u>\$ 65 328</u>	<u>\$ 58 115</u>
Salaries and employee benefits	38 537	33 687
Amortization of capital assets	13 339	9 646
Professional services	14 756	9 061
Accommodation	3 448	3 958
Materials and supplies	1 058	1 069
Information	596	714
Communications	599	600
Travel	377	513
Freight and postage	250	425
Repairs and maintenance	235	372
Training	140	323
Rentals	<u>161</u>	<u>210</u>
	<u>73 496</u>	<u>60 578</u>
Loss before amortization of deferred capital assistance	(8 168)	(2 463)
Amortization of deferred capital assistance	<u>6 385</u>	<u>4 789</u>
Net profit (loss)	<u>\$ (1 783)</u>	<u>\$ 2 326</u>

**Canadian Intellectual Property Office Revolving Fund
Statement of Accumulated Surplus
for the year ended March 31**

<i>(in thousands of dollars)</i>	1999	1998
Balance, beginning of year	\$ 26 379	\$ 24 053
Net profit (loss) for the year	<u>(1 783)</u>	<u>2 326</u>
Balance, end of year (Note 5)	<u>\$ 24 596</u>	<u>\$ 26 379</u>



**Canadian Intellectual Property Office Revolving Fund
Statement of Changes in Financial Position
for the year ended March 31**

<i>(in thousands of dollars)</i>	1999	1998
Operating activities		
Net profit (loss)	\$ (1 783)	\$ 2 326
Add: amortization of capital assets	13 339	9 646
Less: amortization of deferred capital assistance	<u>6 385</u>	<u>4 789</u>
	5 171	7 183
 Changes in current assets and liabilities (Note 7)	 (8 130)	 2 777
 Changes in other assets and liabilities		
Unbilled revenue	373	114
Employee termination benefits and vacation pay	512	481
Deferred revenue	<u>2 840</u>	<u>3 687</u>
	<u>3 725</u>	<u>4 282</u>
 Net financial resources provided by operating activities	 766	 14 242
 Investing activities		
Capital assets acquired (net)	<u>(6 186)</u>	<u>(9 984)</u>
 Net financial resources provided (used) and change in the accumulated net charge against the Fund's authority account, during the year	 (5 420)	 4 258
 Accumulated net charge against the Fund's authority account, beginning of year	 <u>17 558</u>	 <u>13 300</u>
 Accumulated net charge against the Fund's authority account, end of year (Note 5)	 <u>\$ 12 138</u>	 <u>\$ 17 558</u>



Notes to Financial Statements

1. Purpose and authority

The Canadian Intellectual Property Office (CIPO) grants or registers exclusive ownership of intellectual property in Canada. In exchange, CIPO acquires intellectual property information and state-of-the-art technology, which it disseminates to Canadian firms, industries and individuals to improve economic performance, competitiveness and to stimulate further invention and innovation.

CIPO's Revolving Fund was established on April 1, 1994. The authority to make expenditures out of the Consolidated Revenue Fund was granted on February 22, 1994, and has an authorized limit of \$15 000 000. CIPO has continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits. CIPO may retain surpluses within the Revolving Fund to continue to automate operations.

2. Significant accounting policies

Revenue recognition

Revenue derived from processing patent, trade-mark and industrial design applications is recognized using the percentage of completion method as work progresses. Other revenue is recognized upon receipt. Fees are prescribed by various Orders in Council.

Capital assets and amortization

Capital assets transferred to the Revolving Fund on its establishment are recorded at the Crown's costs less accumulated amortization. Capital assets acquired subsequent to implementation of the Revolving Fund are recorded at cost. Capital assets are amortized on a straight-line basis over their estimated useful lives, beginning in the month after acquisition, as follows:

Software	3 years
Hardware	5 years
Furniture	15 years
Equipment	10 years
Leasehold Improvements	term of the lease plus option period
Systems	estimated useful life, beginning in year of deployment

Employee termination benefits and vacation pay

Employees of CIPO are entitled to specified termination benefits, calculated based on salary levels in effect at the time of termination as provided for under collective agreements and conditions of employment. Employee termination benefits earned prior to an employee joining the Revolving Fund are a liability of the Treasury Board and accordingly have not been recorded in the accounts. As at March 31, 1999, the Treasury Board liability for CIPO employees is \$5 million. The liability for benefits earned after an employee joins the Revolving Fund is recorded in the accounts as the benefits accrue to employees.

Vacation pay of \$1.1 million owing to employees at April 1, 1994, was funded by Treasury Board. Subsequent to April 1, 1994, vacation pay owing at the time an employee joins the Revolving Fund is payable to the Revolving Fund by the Department from which the employee came. The liability for benefits earned after an employee joins the Revolving Fund is recorded in the accounts as the benefits accrue to employees.

Pension plan

Employees of CIPO are covered by the Public Service Superannuation Plan administered by the Government of Canada. Under present legislation, contributions made by CIPO to the Plan are limited to an amount equal to the employee's contributions on account of current service. These contributions represent the total pension obligations of CIPO and are charged to operations on a current basis. CIPO is not required under present legislation to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account and/or with respect to charges to the Consolidated Revenue Fund for the indexation of payments under the *Supplementary Retirement Benefits Act*.



Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. Capital assets and accumulated amortization (in thousands of dollars)

	Cost March 31/98	Net (a) Additions	Cost March 31/99	Accumulated Amortization	Net Carrying Value
Leasehold improvements	\$ 7 750	\$ 2 741	\$ 10 491	\$ 2 961	\$ 7 530
Software	502	348	850	440	410
Hardware	6 059	1 164	7 223	3 156	4 067
Equipment	129	14	143	50	93
Furniture	1 472	237	1 709	318	1 391
Systems					
Intrepid	3 735	0	3 735	1 038	2 697
TechSource (b)	92 924	0	92 924	17 882	75 042
Other	391	0	391	46	345
Systems under development	<u>1 376</u>	<u>1 682</u>	<u>3 058</u>	<u>0</u>	<u>3 058</u>
Total	<u>\$ 114 338</u>	<u>\$ 6 186</u>	<u>\$ 120 524</u>	<u>\$ 25 891</u>	<u>\$ 94 633</u>

(a) Net additions include a write off of \$508 relating to Trade-marks Electronic Data Management System.

(b) Of the systems' cost, \$63 848 relates to departmental appropriated funds for the TechSource patent automation project, which are accounted for as deferred capital assistance.

4. Deferred capital assistance (in thousands of dollars)

CIPO received \$63 848 from the Crown for the development of the TechSource automation project, which was implemented in 1997-1998.

Deferred capital assistance contribution	\$ 63 848
Accumulated amortization	<u>11 173</u>
Net book value	<u>\$ 52 675</u>

This amount was recorded as a capital asset (Note 3) and deferred capital assistance in the period received. The deferred capital assistance is amortized on a straight-line basis over the estimated useful life of the TechSource system.

5. Equity of Canada (in thousands of dollars)

Equity of Canada is comprised of the following:

	1999	1998
Accumulated net charge against the Fund's authority	\$ (12 138)	\$ (17 558)
Accumulated surplus	<u>24 596</u>	<u>26 379</u>
	<u>\$ 12 458</u>	<u>\$ 8 821</u>

Accumulated net charge against the Fund's authority

Accumulated net charge against the Fund's authority is the cash position of the Revolving Fund, held by the Government on behalf of the Revolving Fund.



Accumulated surplus

The accumulated surplus is an accumulation of each year's surpluses, including the absorption of the opening deficit of \$9 448 upon establishment of the Revolving Fund.

6. Contractual obligations (in thousands of dollars)

TechSource

CIPO has contracted IBM Canada (previously ISM Canada) to provide maintenance services for the TechSource system. Amounts committed are:

2000	\$ 3 166
2001	3 177
2002	<u>3 180</u>
	<u>\$ 9 523</u>

Leases

The Canadian Intellectual Property Office leases its premises under operating leases. Future lease payments are as follows:

2000	\$ 4 208
2001	627
2002	627
2003	<u>627</u>
	<u>\$ 6 089</u>

7. Changes in current assets and liabilities (in thousands of dollars)

Components of the change in current assets and liabilities include:

	1999	1998
Accounts receivable	\$ 579	\$ (111)
Unbilled revenue	262	(216)
Prepaid expenses	(47)	(3)
Deposit accounts	(104)	95
Accounts payable	(6 691)	4 292
Deferred revenue	<u>(2 129)</u>	<u>(1 280)</u>
	<u>\$ (8 130)</u>	<u>\$ 2 777</u>

8. Related party transactions

Through common ownership, CIPO related to all Government of Canada created departments, agencies and Crown corporations. Payments for accommodation and legal services are made to related parties in the normal course of business.

9. Insurance

CIPO does not carry insurance on its property. This is in accordance with the Government of Canada policy of self-insurance.



10. Contingencies

a) Sick Leave

Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and can be used only in the event of illness. The amount of accumulated sick leave entitlements which will become payable in future years cannot reasonably be determined and accordingly have not been recorded in the accompanying financial statements. Payments of sick leave benefits are included in current operations as incurred.

b) Pay Equity Agreement

The Public Service Alliance of Canada has filed a claim for clerical and secretarial groups pursuant to the *Pay Equity Act*. Management is of the opinion that a reasonable estimate of the outcome of this claim is not determinable at this time.

c) Uncertainty due to the Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Canadian Intellectual Property Office, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. Income taxes

CIPO is not subject to income taxes.

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

13. Segmented information (in thousands of dollars)

	Patents		Trade-marks		Unallocated		Total	
	1998-99	1997-98	1998-99	1997-98	1998-99	1997-98	1998-99	1997-98
Revenue	\$ 49 690	\$ 42 431	\$ 13 453	\$ 13 574	\$ 2 185	\$ 2 110	\$ 65 328	\$ 58 115
Operating expenses	<u>34 974</u>	<u>28 130</u>	<u>8 249</u>	<u>6 949</u>	<u>2 249</u>	<u>2 143</u>	<u>45 472</u>	<u>37 222</u>
Operating profit (loss)	<u>14 716</u>	<u>14 301</u>	<u>5 204</u>	<u>6 625</u>	<u>(64)</u>	<u>(33)</u>	<u>19 856</u>	<u>20 893</u>
Corporate expenses	20 424	16 877	6 948	5 889	652	590	28 024	23 356
Amort. def. cap. assist.	<u>(6 385)</u>	<u>(4 789)</u>	-	-	-	-	<u>(6 385)</u>	<u>(4 789)</u>
	<u>14 039</u>	<u>12 088</u>	<u>6 948</u>	<u>5 889</u>	<u>652</u>	<u>590</u>	<u>21 639</u>	<u>18 567</u>
Net profit (loss)	<u>677</u>	<u>2 213</u>	<u>(1 744)</u>	<u>736</u>	<u>(716)</u>	<u>(623)</u>	<u>(1 783)</u>	<u>2 326</u>
Identifiable assets								
Financial assets	1 612	2 150	6 088	6 678	47	86	7 747	8 914
Capital assets	108 209	103 422	11 462	10 160	853	756	120 524	114 338
Accumulated amortization	(21 785)	(9 906)	(3 794)	(2 443)	(312)	(204)	(25 891)	(12 553)