



Canadian
Intellectual Property
Office

An Agency of
Industry Canada

Office de la propriété
intellectuelle
du Canada

Un organisme
d'Industrie Canada

**Annual Report
1997-98**

. Positioned for the Future .



Canada

CIPO  OPIC

Canadian Intellectual Property Office

*Annual Report 1997-98
Positioned for the Future*

This publication is available electronically on CIPO's Web site at:
<http://cipo.gc.ca>

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Table of Contents

A Message from the CEO	1
I. Protecting a Wealth of Creativity	2
CIPO's Mandate	2
CIPO's Product Lines	3
II. Helping Canada Compete	4
Contributing to Jobs and Growth	4
A Special Operating Agency within Industry Canada	5
III. All Systems Go	6
CIPO Automation Comes of Age	6
From Deployment to Operation	7
Using Automation to Support and Encourage	
Innovation and Consumer Confidence	8
Making Global Connections	8
And into the Future ...	9
IV. Client Service	10
A Recipe for Success	10
Results We Can Measure	10
Easier Access, Smoother Operations	11
V. The Human Factor	12
VI. Promoting Canadian Interests on the World Stage	13
Product Outputs	15
Financial Reports	17
Financial Statements	19





Our Client Service Commitment

Telephone

We answer your call with courtesy and efficiency, and if necessary, refer you to the appropriate officer to deal with your enquiry in the official language of your choice.

We record all voice mail greetings clearly and bilingually. We provide an alternative number for immediate contact.

We listen to voice messages at least once a day and return your call by the end of the next business day.

In person

We greet you within three minutes in the official language of your choice, during normal business hours.

We direct you to a person competent to deal with your enquiry within the next five minutes.

We ensure that you meet with a specialist within twenty minutes of your arrival.

General mail

We correspond with you in the official language of your choice.

We reply to your mail within four weeks of receipt or explain the reason for the delay.

Suggestions

We invite you to comment on our services and to offer suggestions for improvement.

If you wish to ask questions or have a complaint and cannot resolve the problem with the person you have been dealing with, you can ask to speak to the supervisor or director.

If you feel that the supervisor or director has not dealt with the issue to your satisfaction, you may call or write and we will respond within ten working days.

If you like the service you received let us know !

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A Message from the CEO

When future generations trace the history of the Canadian Intellectual Property Office (CIPO), there is no doubt that 1997 will be judged as an extremely significant year in the long and distinguished annals of intellectual property protection in Canada.

On June 5, 1997, the operations of the Patent Branch changed forever when CIPO became the first intellectual property office in the world to successfully implement a full end-to-end electronic patent processing system, on time and within budget. The demanding, daunting and complex work of the team of Patent and Informatics Services employees was completed in conjunction with IBM Canada Ltd. The successful delivery of this state-of-the-art electronic system was appropriately recognized by a Technology in Government gold medal at the prestigious Distinction '97 Awards. TechSource, as the system is known, is a first-class enabling technology that will assist CIPO in meeting its ambitious client service commitments.

CIPO's TechSource accomplishments have also brought Canada international recognition. As intellectual property organizations seek international technology link-ups to acquire added efficiency and greater validity in the granting of intellectual property rights, Canada plays a growing leadership role within the World Intellectual Property Organization (WIPO).

And CIPO's success with TechSource has also greatly assisted me in my role as Chair of the General Assembly of WIPO. As the first Canadian and the first woman ever elected to this position in WIPO, I am privileged to have the opportunity to serve the interests of the 171 Member States at a time when the organization is undergoing fundamental change and modernization under a new and dynamic Director General, Dr. Kamil Idris.

It is my hope that, when my term as Chair comes to an end in September 1999, Canadians will be able to point with pride to the positive role that we have played in making WIPO a progressive, transparent and responsive organization, better positioned to serve the interests of the intellectual property community well into the next millennium.

Sheila Batchelor
Chief Executive Officer,
Commissioner of Patents and
Registrar of Trade-marks

Canada

CIPO  OPIC

I. Protecting a Wealth of Creativity

CIPO's Mandate

CIPO

Vision

Serving Canadians with excellent intellectual property services.

Mission

To accelerate Canada's economic development by:

- 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);
- promoting Canada's international intellectual property interests.

Values

Integrity
Efficiency
Fairness
Trust
Respect
Continuous Improvement

In today's global marketplace, Canadian businesses need a competitive edge, a fair and equitable marketplace and the opportunity to promote their goods and services around the world. The Canadian Intellectual Property Office (CIPO) accelerates domestic economic development by encouraging invention, innovation and creativity while furthering Canada's international intellectual property interests.

Acquiring intellectual property rights can be an important first step for any firm marketing or licensing its goods or services. As the administrator of Canada's intellectual property laws, CIPO has a prime core function to confer ownership or recognition of intellectual property rights in exchange for public disclosure of the creativity and processes behind that property.

From this disclosure flows CIPO's second core function—ensuring that the wealth of data derived from these innovations reaches firms and individuals who can benefit from it. CIPO's data banks are a repository of decades of innovation. Properly accessed and used, the information can be an invaluable tool for Canadian businesses. By examining what is already protected, firms can gain important insights into specific industry sectors, identify potential licensing partners, avoid costly duplication of research and development efforts, or solve technical problems.

These two core functions are at the heart of the strategic objectives outlined in CIPO's second three-year business plan (1996-97 to 1998-99): to foster an intellectual property culture in Canada; and to continually improve the provision of products and services to Canadians. In 1997-98, our efforts to meet these objectives were enhanced significantly by the deployment of a major new automated system and our expanded use of Internet capabilities.

CIPO's Product Lines

CIPO is legally mandated to be responsible for making holdings of patent, trade-mark, copyright, industrial design and integrated circuit topography information accessible to the public—and for administering their framework laws.

Patents cover new inventions (process, machine, manufacture, composition of matter) or any new and useful improvement of an existing invention.

Trade-marks are words, symbols, designs, or a combination of these, used to distinguish the goods and services of one person or organization from those of others in the marketplace.

Copyrights provide protection for literary, artistic, dramatic and musical works (including computer programs), as well as performers' performances, communication signals and sound recordings.

Industrial designs are for features of shape, pattern, ornamentation or configuration, or any combination of these, applied to a manufactured article.

Integrated circuit topographies are the three-dimensional configurations of electronic circuits embodied in integrated circuit products or layout designs.



Extendable arm for power and impact tools (patent)



Baseball bat (industrial design)

II. Helping Canada Compete

Contributing to Jobs and Growth

Reaching Canadians Coast-to-Coast

As an active player on the Industry Canada team which supports technological innovation and encourages small- and medium-size enterprises (SMEs), CIPO must be easily accessible to Canadians. In addition to CIPO's Web site, assistance and information on intellectual property are available from CIPO headquarters or through the Regional Advisors located in Vancouver, Toronto, Montréal and Halifax. Publications and on-line search systems are available through the national network of Canada Business Service Centres. Over the past year, CIPO exhibited at 17 Industry Canada SME Conferences and Info Fairs and at 42 other events targeting SMEs across Canada.

Industry Canada remains on the front line of the federal government's ongoing efforts to create jobs and economic growth. As a Special Operating Agency (SOA) within Industry Canada, CIPO contributes to the Department's goals: increasing trade and investment, building an innovative knowledge-based economy, increasing Canada's "connectedness", and ensuring a fair, efficient and competitive marketplace.

In particular, CIPO advances the marketplace objective by administering intellectual property laws and regulations to maintain business and consumer confidence. The agency also operates on an international level to promote acceptance of Canadian intellectual property standards to help Canadian businesses compete globally. Both nationally and internationally, CIPO promotes steady improvement in the regulatory system to ensure fair and equitable treatment of all market players. This kind of transparency and equal opportunity for all aspirant entrepreneurs will lead to increased jobs and growth at home plus new and expanded markets abroad.

Through its ongoing achievements in automation, CIPO is well positioned to advance the Department's objective of connecting Canadians. On-line bibliographic patent and trade-mark databases are now accessible to anyone with an Internet connection.

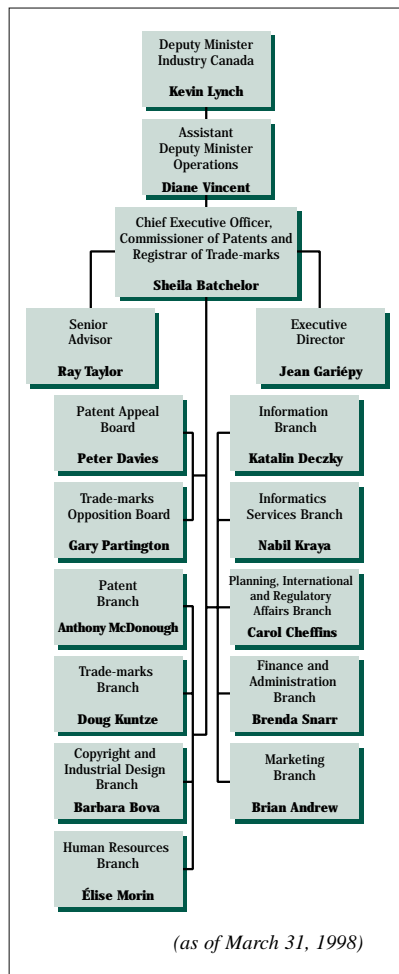
At the same time, CIPO is developing electronic commerce and electronic filing capabilities. Providing wide access to the wealth of data in CIPO's possession—and eventually to intellectual property files from around the world—increases the knowledge base of our economy and spurs innovation.



A Special Operating Agency within Industry Canada

As an SOA, CIPO enjoys a certain flexibility in management and administration in return for the achievement of specific levels of performance. For the past four years, CIPO's program delivery has been financed by a revolving fund based on client fees rather than tax revenues, which assures close attention to the bottom line. Consequently, CIPO's focus on constant improvements in client service echoes that of successful private sector organizations.

The Chief Executive Officer of CIPO reports to the Deputy Minister and Minister of Industry through the Assistant Deputy Minister of the Operations Sector. The Operations Sector of Industry Canada contributes to the Department's objective of assisting Canadian businesses to become more competitive in the rapidly evolving, knowledge-based global economy. To this end, the Operations Sector administers a wide range of marketplace services legislation—including laws related to intellectual property, bankruptcy, corporations, and legal metrology—and is responsible for Industry Canada's regional offices.



III. All Systems Go

CIPO Automation Comes of Age

The 1997-98 fiscal year was notably significant in the life of CIPO and its employees. Years of investment in information technology paid many dividends which benefited both clients and employees. The most far-reaching achievement was in the field of patents.

On June 5, 1997, the workplace of the Patent Branch was transformed dramatically. On that day, a \$76.6 million electronic system, TechSource, became operational. It is the first fully integrated patent processing system of its kind in the world and it has revolutionized the way of doing business at CIPO.

TechSource is a first-class enabling technology that will allow CIPO to meet the challenges of the 21st century. The 10-year project, which was carried out in conjunction with IBM Canada Ltd., was completed on time and within budget.

This major initiative resulted in the conversion of the entire patent information data holdings into electronic form. The original patent documentation occupied some 12 km of shelving. When converted into its electronic image equivalent, it occupied about three terabytes of computer storage space.

No longer would employees have to track down paper files, place them in carts and deliver them to colleagues located on other floors of the building. The assignment clerk, maintenance fee clerk and examiner could now all access the same file electronically and simultaneously. This technological breakthrough would allow CIPO to take a giant step forward in its commitment to provide clients with superior service.

This conversion represented a major challenge, required careful organization and advanced state-of-the-art imaging technology and database creation. With its automated systems, CIPO can now deal with an increasing number of applications without becoming inundated in a sea of paper.

The positive assessment of the system was independently confirmed when TechSource won a Technology in Government gold medal at the prestigious Distinction '97 Awards for "enabling staff through information, technology and training".

David Archer, Vice President, Deloitte and Touche Consulting, observed: "In my recollection of the past 20 years of my involvement with the federal government, TechSource is the only major Crown project in the information technology field that can truly be said to have met all its objectives. This is all the more remarkable in that this project, at its inception, represented the leading edge of commercially available technology—particularly with regard to database size. As a result, the project risk was characterized as above average. This was a learning experience for all concerned. The lessons learned and the expertise gained must not be lost. I hope they will be applied to other major government information technology projects."

From Deployment to Operation

As the TechSource project was being developed, there was a realization that the key to a successful migration from paper to an automated environment was the human dimension—the fibre that linked the product to the client. This phenomenon confirmed that the most vital resource in any organization is its employees.

In order to deal with the challenges associated with the leap from a labour-intensive paper environment to full automation, employees underwent extensive retraining, over 20,000 hours in CIPO as a whole, to enable them to acquire the skill and confidence necessary to navigate through a new digital environment. While their jobs were totally redefined by patent automation, the employees embraced the new system enthusiastically. They showed real flexibility in the face of major change and a willingness to interact with one another and their clients in a totally new way.

CIPO's decision to rely on best practices throughout the evolution of TechSource proved to be prescient. While the users developed the system in conjunction with systems' specialists, the entire structure was designed to incorporate user-friendly features once it was switched on. The availability of practice rooms, extensive training and familiarization time—as well as ongoing dialogue among all levels in the organization—comprised the underpinnings of the program's success.

But successful deployment only represented the beginning of the exercise. Once up and running, the next challenge for CIPO was to provide employees with the ongoing support required to drive the system to its potential. They picked up the gauntlet and have since made significant headway in accelerating the turnaround times for responding to client needs. Increasing numbers of examiners have come online as the number of electronic files has grown.

TechSource deployment was accompanied by attention to potential health and safety concerns among employees. These included upgrading standard offices to user-friendly ergonomic workstations and installing large colour monitors for those working extensively on the system.

By the close of the 1997-98 fiscal year, the success of TechSource was earning CIPO an international reputation as an organization that practised innovative excellence. The first visit to Canada by the head of the United States Patent and Trademark Office (USPTO) focused principally on a TechSource demonstration. Japanese and Chinese delegations also observed TechSource first hand. Several visitors from the World Intellectual Property Organization (WIPO), which is itself embarking on a major information technology initiative, benefited from CIPO's experiences and technology. These developments underlined Canada's leadership in end-to-end electronic patent processing.

Using Automation to Support and Encourage Innovation and Consumer Confidence

The Trade-marks Database—A Hit Online

One month after it went online, the Trade-marks Database became one of the ten most consulted products on the Industry Canada Web site. Strategis, averaging over 14,000 searches per week between January and the end of March 1998.

Here are just a few samples of the comments received on this new service:

"This was great. I live in a rural community and searching my own trade-mark would have required a special trip during business hours, and I would not have had such an up-to-date list at a library. I am very impressed. I searched my names in less than three minutes! Thanks."

"The database is just great for our uses; namely, to ascertain the existence of marks that may be confused with a mark of interest in Canada. Also, very useful to determine existence and status of possible problem marks [...] You have done a fine job putting this together. Thanks."

"I was very happy to find I could search a trade-mark online... I will be returning to it often."

"This database is terrific! A real gem!"

"I had the name of a trade-mark and wanted to know what goods and services related to it. I was pleasantly surprised to note that I could get on-screen all the information I needed and more. Thank you."

Parliament has charged CIPO (and its predecessors for over 150 years) with making our holdings of patent, trade-mark, copyright, industrial design and integrated circuit topographies information accessible to the public. Dramatic and far-reaching changes in technology mean that CIPO is now better positioned to fulfil this mandate than at any time in its history.

In 1997-98, CIPO's most important accomplishment in this area was the launch on the Internet of the entire Trade-marks Database. Some 650,000 trade-marks are now online, eliminating the need for on-site searches or the use of cumbersome microfiches. Electronic searches are possible using key words, and the marks can be displayed and printed. This free service has proven one of the most popular at CIPO. Now anyone, anywhere in Canada or in the world, can access the Trade-marks Database to obtain information which will foster competitiveness and consumer confidence.

Making Global Connections

In 1997-98, CIPO also played a leading role among sister intellectual property organizations by advocating and supporting major information technology initiatives within the World Intellectual Property Organization (WIPO).

WIPO articulated a vision of a secure information technology connection among all intellectual property offices and then applied itself to making this vision a reality. Canada is among a small group of countries taking the lead, through WIPO, in establishing the framework for the implementation of this electronic global network (WIPONET). This initiative will allow offices such as CIPO to access virtually all of the world's intellectual property knowledge base in electronic form. The efficiency and effectiveness possible within such a network promise more extensive and faster client services in the future.

CIPO clients will feel the beneficial effects of intellectual property organizations working together—faster and more rigorous searches and greater validity in patent rights granted. For patent examination staff, on-line access to the databases of other intellectual property organizations is becoming an effective tool in supplementing current search techniques and in increasing their job satisfaction and sense of professional excellence.

The WIPONET will enable on-line access to a new concept of databases: Intellectual Property Digital Libraries (IPDLs). CIPO has worked within WIPO to develop standards to allow access to intellectual property documents stored electronically at each intellectual property office. Initially, the focus will be on digitalized patent documents but later will be extended to all other forms of intellectual property.

And into the Future ...

Today, CIPO is poised to deliver client services in ways not originally foreseen during the planning stages of its automated systems. Rapid technological change—in particular, the spread and development of the Internet—means that CIPO's systems offer the potential for powerful new linkages that will, in practical terms, open a new world of intellectual property service and information to its clients.

A significant achievement in trade-marks was the launch of an electronic commerce pilot project. A volunteer group from among several firms of trade-mark professionals agreed to test the on-line submission of applications on behalf of their clients. As the year's end approached, the first phase of a four-phase development was well under way, with encouraging results to date.

And in the world of patents, TechSource will provide an opportunity for CIPO to go online with a full Canadian database. Throughout the development of TechSource, it was foreseen that CIPO would have an opportunity to bring its patent database ever closer to Canadians through several hundred remote access terminals across the country. But the mushrooming presence and utility of the Internet have rendered these plans obsolete.

Instead, CIPO is working on a major project which will provide, in the next fiscal year, Internet access to a fully down-loadable Canadian patent database which will contain information on some 80 years of patented inventions. CIPO expects that Canada will be the only country that will possess a platform to provide—regardless of location around the world—access to vital leading-edge technologies. This will help avoid duplication in research, resolve business problems through licensing arrangements and provide the foundation for Canada's own innovation initiatives.

Technological innovation appears virtually limitless. Working with interested clients, CIPO will be embarking on a voyage into the world of electronic commerce. At the end of the fiscal year, these plans were beginning to take shape. Turning them into a viable operation will be a challenge. But, as CIPO has already demonstrated, there is no reason to doubt its ability to successfully integrate electronic commerce into its day-to-day interactions with clients—for the benefit of all participants.

IV. Client Service

A Recipe for Success

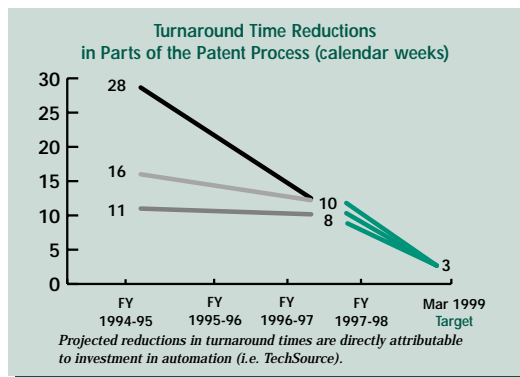
CIPO's investment in leading-edge automation technology makes a distinct difference in its service delivery capabilities. But state-of-the-art hardware and software are simply one strand of a complex and interrelated set of strategies for maximizing service to clients. Client service efforts are based on an ongoing improvement model that cuts across all branches and involves employees at all levels.

Over the past year, a number of administrative refinements, organizational adjustments and changes to internal processes resulted in improved client access and increased operational efficiency. To ensure that the workforce can keep pace with its changing environment, training and staffing initiatives focussed on promoting flexibility and ensuring staff members are well-equipped to take full advantage of the new capabilities of our automated systems. Finally, on a broader level, CIPO continued to promote Canadian interests abroad through its participation in various international fora.

CIPO's successes in the past year were due, as in the past, principally to the loyalty and dedication of every member of the CIPO organization. Throughout, employees moved the excellence yardstick further down field, pushing ever harder to serve Canadians with unparalleled quality of service.

Despite working during a period of organizational change, employees continued to persevere individually and to cooperate increasingly with colleagues. In the process, they showed remarkable adaptability in the face of major change and a more demanding and complex work environment.

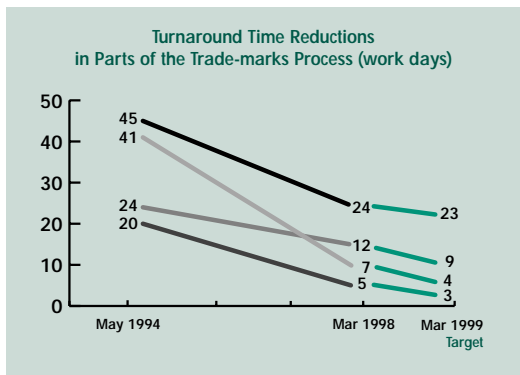
This flexibility and determination—to interact more effectively from within to deliver superior service to clients—are the hallmarks of a dynamic workforce with a promising future.



Results We Can Measure

Improvements in turnaround times continued for several processes over 1997-98. In the Patent Branch, two fewer months were required for substantive examinations. This process now averages some two years. The time required for the mailing of filing acknowledgments fell to a single day, down from six days at year end for 1996-97. In the case of the issuing of filing certificates, the average turnaround time actually rose slightly to ten weeks, up from eight weeks last year, as a result of the changeover to the TechSource system. With TechSource fully operational over the course of the coming year, this turnaround time is expected to fall to three weeks by the end of 1998-99.

In the case of trade-marks, there were marked reductions in processing times in all operational sections. For example, registrations took six days instead of six weeks, official acknowledgements of an application took seven instead of fifteen days and renewals only took two instead of five weeks.



Easier Access, Smoother Operations

Continuing improvement of our products and services is integral to CIPO's strategic objectives. Throughout the organization, numerous initiatives were invaluable in easing client access to information and use of the intellectual property system, as well as improving service delivery.

In Copyright and Industrial Design, a number of administrative refinements eased the application process. In Industrial Design examination, new practices were introduced to simplify and allow greater flexibility in the description and drawing requirements and promote greater harmonization with U.S. standards.

Following amendments to the *Copyright Act*, which came into place on September 1, 1997, new Copyright regulations came into force on October 1, 1997, after two series of consultation with clients. Among other changes, copyright applicants now have 60 days to provide any missing information in order to proceed to the registration of the work.

Informatics Services Branch is overseeing CIPO's aggressive Year 2000 compliance efforts. As of year's end, two of CIPO's three major systems were certified as Y2K compliant, with work progressing well on the third.

Statistics also confirmed the value of Internet access to our clients: During 1997-98, over 300,000 searches of our on-line databases were performed.

As well, the CIPO Web site was an important tool in consultations with the public. In October 1997, comments were invited on draft amendments to the *Trade-mark Regulations* to allow for applications to be made by fax or other electronic means. This represents an important first step in the development of electronic commerce.

In addition, the Trade-marks Opposition Board made use of the Internet to obtain feedback on a draft set of its proposed regulations. The Board is also reengineering its procedures while engaging in on-going consultations with private sector organizations.

V. The Human Factor

The working environment at CIPO is largely defined by ongoing change, with methods of work undergoing electronic metamorphosis. As repetitive clerical tasks are automated, front-line operations staff must become “knowledge workers” capable of a wide range of interactions between clients and systems. System-specific training has been key to facilitating these changes. CIPO’s Human Resources Branch also offered employees courses ranging from change management to client service to gender sensitivity.

During 1997-98, CIPO management took a new approach to the use of competency profiles as an employee career development tool. The roll-out of new profiles, work which will continue in 1998-99, is based upon employees’ own assessments of the components of their work. With the use of a new and powerful model, competency profiling allows description of skills, knowledge and underlying attributes that contribute to the successful performance of work associated with a given position or family of positions.

CIPO Employee Wins Award of Excellence

The efforts of individual employees are unquestionably key to the success of CIPO’s client service program. To reward outstanding employee contributions, CIPO’s Awards and Recognition Program comprises a number of different categories. In 1995, Francine Piecki won a Suggestion Award for a practical idea on the streamlining of the patent maintenance fees process. Following the successful implementation of Francine’s suggestion, she was honoured in June 1997 with a Treasury Board Award of Excellence—one of the highest awards in the public service. As noted by Deputy Minister Kevin Lynch during a congratulatory get-together at CIPO after the awards ceremony, “... her innovative proposal also created a more enjoyable workplace for her colleagues by empowering them and increasing their responsibility and accountability.”

Employees can use these profiles to assess their competencies against the needs of their own position or one which they see as a goal within their career plan. Once they have identified gaps in their competencies, employees may then work with a manager to determine what opportunities exist for closing these gaps and progressing towards their career goal.

Staffing initiatives are critical to meeting individual branch goals for client service. In the Patent Branch, recruitment and training of new examiners remain a priority. In 1997-98, 13 examiners entered active service after completing two years of in-house training, bringing the total number to 102 by the end of March 1998. Twenty examiners hired in 1996-97 continued their training, and an additional 11 recruits hired in 1997-98 will complete their training in 1999-2000.

CIPO employees are able to take advantage of a range of alternative work arrangements, including telework, part-time work and compressed work weeks. As of the end of March 1998, 238 employees were involved in some form of alternative work arrangement.

VI. Promoting Canadian Interests on the World Stage

Canada's prominence in international circles was greatly enhanced in September 1997 by the election of CIPO's Chief Executive Officer as the new Chair of the General Assembly of the Geneva-based World Intellectual Property Organization (WIPO). Sheila Batchelor is both the first Canadian and first woman ever elected to this prestigious position. Ms. Batchelor's appointment represents a fine opportunity for Canada to play a key role in WIPO as it enters an exciting era of change.

The Organization also elected a new Director General for the first time in 24 years—Dr. Kamil Idris of Sudan. As Chair of the WIPO General Assembly, Ms. Batchelor will play a major role in promoting the changes planned by the Director General.

Canada's strategic interest in international intellectual property activity was also reflected in the secondment of a CIPO staff member to join the Canadian Permanent Mission in Geneva.

CIPO is already seen as a leader on an issue gaining momentum within WIPO, the development of a network for global exchange in intellectual property data. In recognition of CIPO's landmark developments in automation—a prerequisite for global information exchange—a WIPO delegation visited CIPO to observe TechSource at work in the electronic processing of patent information.

CIPO's automated trade-mark system, Intrepid, is also of interest to overseas intellectual property offices. In the fall of 1997, a CIPO staff member assisted with training personnel at the Mexican Institute of Industrial Property in the use of Intrepid to support its trade-marks operations.

A representative from Taiwan's National Bureau of Standards visited CIPO and was briefed on both the TechSource and Intrepid systems.

Canada is an active participant in ongoing WIPO activities, particularly in the area of industrial property harmonization. In 1997-98, CIPO delegates took part in work towards the harmonization of patent law formalities (through the Patent Law Treaty Standing Committee) and participated in ongoing discussions on the revision and updating of both the *Patent Cooperation Treaty Regulations* and the *International Patent Classification* system.

As part of its ongoing contribution to the WIPO Technical Assistance to Developing Countries initiative, CIPO held its first specialized two-week training program on the management of trade-mark operations and information services in June 1997 for nine officials from the Latin American and Caribbean region. This specialized training course was funded jointly with WIPO.

Also in the context of the WIPO initiative, CIPO continued to provide the following activities:

- search and examination of patent applications filed with the African Regional Industrial Property Office;
- state-of-the-art technology searches and the provision of copies of specific Canadian patent documents for developing countries, upon request from WIPO; and
- annual, in-house, two-week training sessions with officials from developing countries in the administration of an industrial property office.

To promote the competitiveness of Canadian business, Canada is party to a number of international and regional trade agreements which have had positive implications for its intellectual property (IP) regime. Over the past year, CIPO delegates attended meetings of the Free Trade Area of the Americas Working Group on IP Rights and the Asia-Pacific Economic Cooperation IP Experts Group.

In February 1998, CIPO hosted the head of the United States Patent and Trademark Office (USPTO), Commissioner Bruce Lehmann. This first ever visit to Canadian offices by an American Commissioner underlines efforts made to forge a closer relationship between CIPO and its American counterpart. Both Canadian and American clients stand to benefit from data exchange initiatives being explored by the two countries.

Product Outputs

An Overview

	1997-98	1996-97
Applications filed		
Patents	30,866	27,646
National	14,292	13,831
Patent Cooperation Treaty	16,574	13,815
Trade-marks	33,562	32,593
Industrial designs	3,206	3,013
Copyrights (* includes accelerated action)	* 8,091	8,977
Integrated circuit topographies	4	13

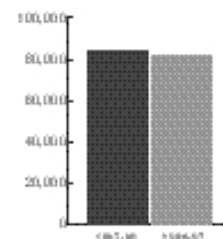
Assignments recorded

Patents	29,650	37,970
Trade-marks	32,818	24,339
Industrial designs	544	536
Copyright	951	2,035
Integrated circuit topographies	4	

Enquiries processed

Patents	27,911	28,931
Trade-marks	26,036	22,391
Industrial designs	4,615	5,049
Copyrights	25,352	24,216
Integrated circuit topographies	13	317

Total enquiries processed



Technological information searches processed

Patents	448	754
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Grants/registrations

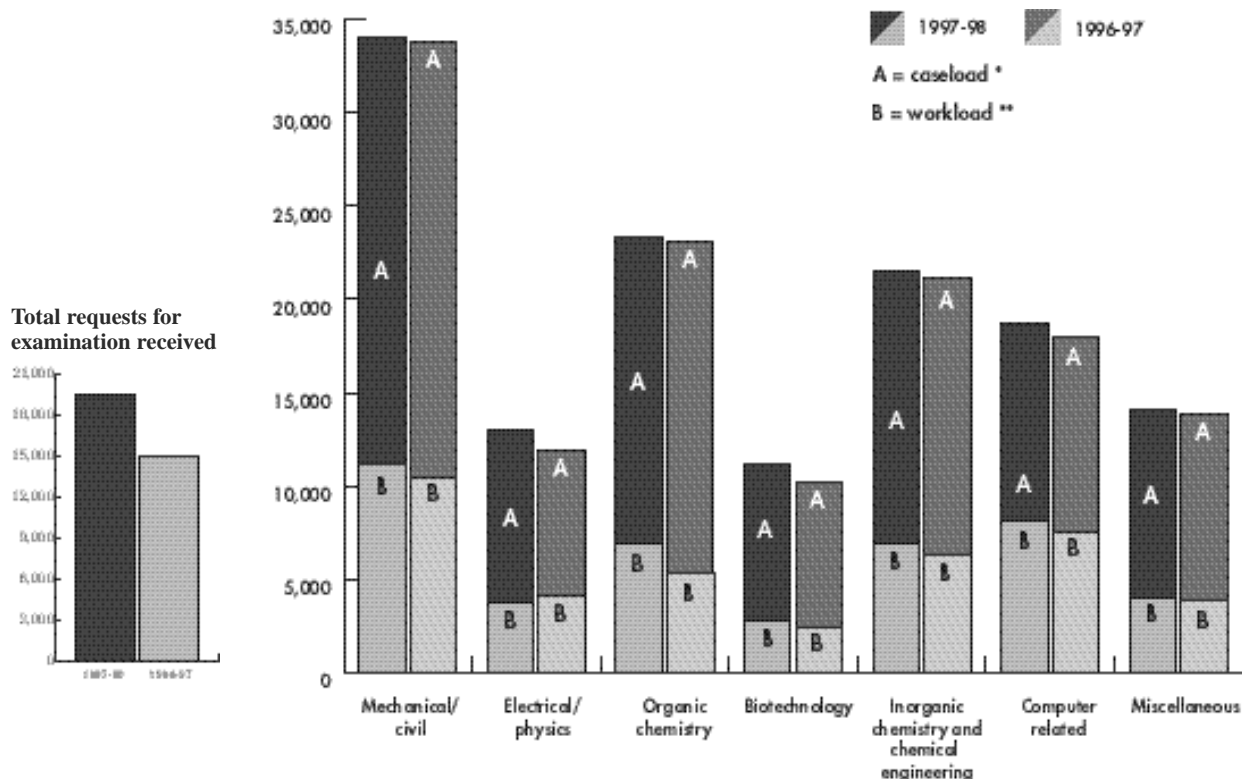
Patents	5,726	7,322
Trade-marks	18,486	17,876
Industrial designs	3,359	2,153
Copyrights	7,772	9,357
Integrated circuit topographies	3	9

Renewals

Patent maintenance fees processed	174,949	156,839
Trade-marks	6,185	6,158
Industrial designs	1,015	1,076

Patents

Patent caseload and workload, by discipline, on applications filed between October 1, 1989 and March 31, 1998.



	1997-98	1996-97
Abandonments		
Regular	4,152	1,903
Non-payment of maintenance fees	17,362	18,306
Applications abandoned (new Act)	2,556	12,330
Applications dead (new Act)	11,258	9,046

Trade-marks

	1997-98	1996-97
Registrations expunged	8,119	10,357
Amendments entered on the register	32,818	38,629

Financial Reports



Canadian
Intellectual Property
Office

An Agency of
Industry Canada

Office de la propriété
intellectuelle
du Canada

Un organisme
d'Industrie Canada

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 judgments and gives due consideration to materiality. At the request of CIPO, these financial statements have been examined by external auditors, their role being to express an opinion as to whether the financial statements present fairly the financial position as at March 31, 1998, and the results of operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

CIPO maintains internal controls designed to indicate accountability, 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. 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. The external audit was conducted to assure objectivity and freedom from bias in the accompanying financial statements.

This past year has been one of tremendous pride for CIPO as TechSource, a "world first" in fully integrated electronic patent processing capability, was launched. This system, a major Crown project costing \$76.6 million, was brought in on time and within budget. CIPO is proud that the Patent Branch team won a Technology in Government gold medal at the prestigious Distinction '97 Awards for "enabling staff through information, technology and training".

But most of all, we are proud of the staff of the Patent Branch. Overnight on June 4, they found themselves faced with work responsibilities which were changed forever;

totally new job content, ways of doing business, and interfaces with colleagues became their realities. Embracing TechSource and making it work for them, CIPO staff have already demonstrated the dramatic efficiencies which can occur in providing service to our clients in the new electronic environment.

When coupled with Intrepid, the trade-marks automated system, CIPO now has staff and managers in its major product lines who have a unique combination of business and information technology systems expertise to effectively serve our clients in an electronic environment and take our information technology development to the next generation of information dissemination and electronic commerce.

Sheila Batchelor
Chief Executive Officer,
Commissioner of Patents and
Registrar of Trade-marks

Susan Kilbank
A/Director, Finance &
Administration

June 26, 1998



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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, 1998 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, 1998 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.

May 29, 1998

Financial Statements

Canadian Intellectual Property Office Revolving Fund

Balance Sheet as at March 31

(in thousands of dollars)

	1998	1997
Assets		
Current		
Petty cash	\$ 2	\$ 2
Accounts Receivable		
Government of Canada	582	921
Outside parties	1,568	1,118
Unbilled revenue	6,043	5,827
Prepaid expenses	<u>23</u>	<u>20</u>
	8,218	7,888
Capital assets (note 3)	101,785	101,447
Unbilled revenue	<u>696</u>	<u>810</u>
	<u>\$ 110,699</u>	<u>\$ 110,145</u>
Liabilities		
Current		
Deposit accounts	\$ 485	\$ 390
Accounts Payable		
Government of Canada	7,772	2,323
Outside parties	6,484	7,641
Deferred revenue	<u>15,463</u>	<u>16,743</u>
	<u>30,204</u>	<u>27,097</u>
Employee termination benefits and vacation pay	1,538	1,057
Deferred revenue	<u>11,077</u>	<u>7,390</u>
	<u>12,615</u>	<u>8,447</u>
Deferred Capital Assistance (note 4)	59,059	63,848
Equity of Canada (note 5)	<u>8,821</u>	<u>10,753</u>
	<u>\$ 110,699</u>	<u>\$ 110,145</u>
Contractual obligations (note 6)		
Contingencies (note 10)		

The accompanying notes form an integral part of these financial statements.

Canadian Intellectual Property Office Revolving Fund

Statement of Operations for the year ended March 31

<i>(in thousands of dollars)</i>	1998	1997
Revenue	\$ <u>58,115</u>	\$ <u>51,117</u>
Salaries and employee benefits	33,687	29,730
Amortization of capital assets	9,646	1,409
Professional services	9,061	4,400
Accommodation	3,958	2,626
Materials and supplies	1,069	1,190
Information	714	819
Communications	600	593
Travel	513	410
Freight and postage	425	312
Repairs and maintenance	372	519
Training	323	341
Rentals	<u>210</u>	<u>185</u>
	<u>60,578</u>	<u>42,534</u>
Net profit (loss) before amortization of deferred capital assistance	(2,463)	8,583
Amortization of deferred capital assistance	<u>4,789</u>	<u>-</u>
Net profit	\$ <u>2,326</u>	\$ <u>8,583</u>

Statement of Accumulated Surplus for the year ended March 31

<i>(in thousands of dollars)</i>	1998	1997
Balance, beginning of year (note 5)	\$ 24,053	\$ 15,470
Net profit for the year	<u>2,326</u>	<u>8,583</u>
Balance, end of year	\$ <u>26,379</u>	\$ <u>24,053</u>

The accompanying notes form an integral part of these financial statements.

Canadian Intellectual Property Office Revolving Fund

Statement of Changes in Financial Position for the year ended March 31

<i>(in thousands of dollars)</i>	1998	1997
<hr/>		
Operating activities		
Net profit	\$ 2,326	\$ 8,583
Add amortization of capital assets	9,646	1,409
Less amortization of deferred capital assistance	<u>(4,789)</u>	<u>-</u>
	7,183	9,992
Changes in current assets and liabilities (note 7)	2,777	7,860
Changes in other assets and liabilities		
Unbilled revenue	114	461
Employee termination benefits and vacation pay	481	344
Deferred revenue	<u>3,687</u>	<u>(790)</u>
	<u>4,282</u>	<u>15</u>
Net financial resources provided by operating activities	14,242	17,867
Investing Activities		
Capital assets acquired (net)	<u>(9,984)</u>	<u>(17,311)</u>
Net financial resources provided (used) and change in the accumulated net charge against the Fund's authority account, during the year	4,258	556
Accumulated net charge against the Fund's authority account, beginning of year	<u>13,300</u>	<u>12,744</u>
Accumulated net charge against the Fund's authority account, end of year (note 5)	\$ <u>17,558</u>	\$ <u>13,300</u>

The accompanying notes form an integral part of these financial statements.

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.

The CIPO 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, 1998, 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*.

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

	Cost		Cost	Accumulated	Net Carrying
	March 31, 1997	Acquisitions	March 31, 1998	Amortization	Value
Leasehold improvements	4,845	2,905	7,750	1,772	5,978
Software	336	166	502	299	203
Hardware	3,955	2,104	6,059	2,092	3,967
Equipment	73	56	129	34	95
Furniture	1,468	4	1,472	220	1,252
Systems					
Intrepid	3,475	260	3,735	579	3,156
TechSource	89,631	3,293	92,924	7,557	85,367
Systems under development					
Other	<u>571</u>	<u>1,196</u>	<u>1,767</u>	<u>-</u>	<u>1,767</u>
Total	<u>104,354</u>	<u>9,984</u>	<u>114,338</u>	<u>12,553</u>	<u>101,785</u>

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. The accumulated amortization and net carrying value for 1997 were \$2,907 and \$101,447 respectively.

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 during the year.

Deferred Capital Assistance contribution	\$ 63,848
Amortization	<u>4,789</u>
Net Book Value	<u>\$ 59,059</u>

This amount were 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:

	1998	1997
Accumulated net charge against the Fund's authority	\$ (17,558)	\$ (13,300)
Accumulated surplus	<u>26,379</u>	<u>24,053</u>
	<u>\$ 8,821</u>	<u>\$ 10,753</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 ISM Canada to provide maintenance services for the TechSource system. Amounts committed are:

1999	\$ 2,677
2000	2,677
2001	2,677
2002	<u>2,677</u>
	<u>\$ 10,708</u>

Leases

CIPO leases its premises under operating leases. Future lease payments are as follows:

1999	\$ 3,918
2000	3,918
2001	627
2002	627
2003	<u>627</u>
	<u>\$ 9,717</u>

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

Components of the change in current assets and liabilities include:

	1998	1997
Accounts receivable	\$ (111)	\$ 741
Unbilled revenue	(216)	(1,079)
Prepaid expenses	(3)	1
Deposit account	95	188
Accounts payable	4,292	3,014
Deferred revenue	<u>(1,280)</u>	<u>4,995</u>
	<u>\$ 2,777</u>	<u>\$ 7,860</u>

8. Related party transactions

Through common ownership, CIPO is 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.

11. Income taxes

CIPO is not subject to income taxes.

12. 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	
	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97	1997-98	1996-97
Revenue	42,431	36,740	13,574	13,292	2,110	1,085	58,115	51,117
Operating expenses	<u>20,573</u>	<u>17,374</u>	<u>6,515</u>	<u>6,216</u>	<u>2,143</u>	<u>1,136</u>	<u>29,231</u>	<u>24,726</u>
Operating profit (loss)	<u>21,858</u>	<u>19,366</u>	<u>7,059</u>	<u>7,076</u>	<u>(33)</u>	<u>(51)</u>	<u>28,884</u>	<u>26,391</u>
Corporate expenses	24,434	10,396	6,323	6,952	590	460	31,347	17,808
Amort. def. cap. assist.	<u>(4,789)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,789)</u>	<u>-</u>
	<u>19,645</u>	<u>10,396</u>	<u>6,323</u>	<u>6,952</u>	<u>590</u>	<u>460</u>	<u>26,558</u>	<u>17,808</u>
Net profit (loss)	<u>2,213</u>	<u>8,970</u>	<u>736</u>	<u>124</u>	<u>(623)</u>	<u>(511)</u>	<u>2,326</u>	<u>8,583</u>
Identifiable assets								
Financial assets	2,150	1,945	6,678	6,712	86	41	8,914	8,698
Capital assets	103,422	97,295	10,160	6,645	756	414	114,338	104,354
Accum. amort.	(9,906)	(1,934)	(2,443)	(890)	(204)	(83)	(12,553)	(2,907)