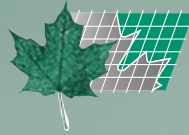




OPIC
OFFICE DE LA PROPRIÉTÉ
INTELLECTUELLE DU CANADA



CIPO
CANADIAN INTELLECTUAL
PROPERTY OFFICE

Putting Client Service into Action:

Measuring our Success

Annual Report 1996-97



Improving, Measuring and Accounting for Service

A Message from the CEO

It was an honour for me to be appointed as the Commissioner of Patents, the Registrar of Trade-marks and the Chief Executive Officer of the Canadian Intellectual Property Office on September 1, 1996.

The responsibilities which I assume as Commissioner of Patents and Registrar of Trade-marks of the Canadian Intellectual Property Office (CIPO) have existed for over a century and reflect the long-standing importance of intellectual property in the economic growth of Canada. In contrast, my responsibilities as the Chief Executive Officer of CIPO are relatively new, having been created only four years ago when CIPO was established by the Treasury Board of Canada as a Special Operating Agency (SOA) within Industry Canada.

In the first six months of my tenure, I have been impressed with the energetic client-focus found at all levels of CIPO. From front-line service staff through the management ranks, employees and managers—individually and collectively—have taken to heart their new accountabilities as an SOA. They use the freedoms granted to CIPO from certain central agency rules and procedures to provide measurable improvements in service to our clients.

This year's Annual Report is a testament to several years of hard, dedicated work by the employees and managers of CIPO. As a result of their constant focus, initiative, and innovation, it is now possible to show the measurable improvements which they have brought about in providing more efficient service to CIPO's clients.

This report also highlights the continuing emphasis of the organization in pursuing new initiatives to support further service improvements. Past and present, when combined, show an organization that believes with focus, drive, commitment and a wise use of the flexibilities granted to CIPO as an SOA, that even better service to our clients is possible.

I am privileged to lead an organization which has been contributing to the economic growth of Canada for over a century. Perhaps the greatest privilege of all is to lead an organization that understands and responds to the challenge of operating as a modern, forward-looking institution of governance. CIPO puts our clients, and responding to their needs, at the heart of everything that it does. I look forward to the years ahead when, as a team, the employees and managers of CIPO will be able to point to even more achievements in providing better intellectual property services to Canadians.



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

The Business of Intellectual Property

Our Mandate and Mission

Intellectual property rights—and the wealth of information that they generate—are powerful tools in today's competitive global marketplace. Acquiring these 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, the first core function of the Canadian Intellectual Property Office (CIPO) is to confer ownership or recognition of intellectual property rights in exchange for public disclosure of the ideas and processes behind that property.

CIPO's second core function is to ensure that the information about these innovations reaches firms and individuals who can benefit from it. CIPO's data banks constitute a valuable resource for Canadian businesses. Properly accessed and used, the information can stimulate innovation.

In the case of patents, a search of CIPO's databases might reveal that a competitor has already protected an invention which a firm had planned to develop; or that an existing patent has expired and is now freely available for commercial use. Thus, firms can avoid costly duplication of research and development efforts, solve technical problems, identify potential licensing partners, or gain important insight about specific industry sectors.

CIPO's trade-mark, copyright and industrial design data banks also provide information on new goods and services being developed. This knowledge provides a solid basis for all players in a given sector to plan new initiatives, and allows them to take advantage of the latest developments in their field. Thus, CIPO has a vital role to play in creating jobs and economic growth.

These two core functions are at the heart of the strategic objectives outlined in the second of CIPO's three-year business plans (1996-97 to 1998-99): to foster an intellectual property culture in Canada, and to continuously improve the provision of products and services that serve Canadian needs.

Central to all of CIPO's activities is a strong focus on client service. It is this focus that has given impetus to the great strides we have made in all of our operations.

CIPO's Mission Statement

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
- trust
- efficiency
- respect
- fairness
- continuous improvement



CIPO's Product Lines

CIPO administers the framework laws governing the following forms of intellectual property:

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 or musical works (including computer programs), and sound recordings.

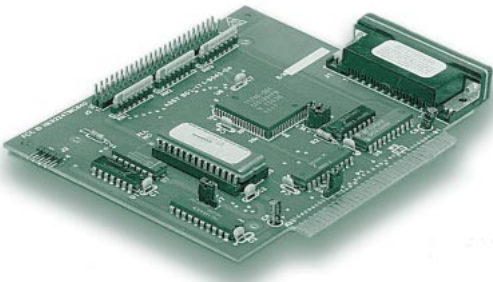
Industrial designs are for strictly visual features of shape, pattern, ornamentation or configuration, or any combination of these, applied to a manufactured article.

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



Industrial design—The Concorde Chair (Registered Industrial Design #80645) is part of a line of state-of-the-art office equipment produced by Global Upholstery Co., Inc., of Downsview, Ontario.

“Protecting the unique design of our products with the Canadian Intellectual Property Office is a key element of our marketing strategy,” says Global’s Marketing Manager, Steve Gibson.



Integrated circuit topography—Recognizing the growing impact of integrated circuit technology in virtually all fields of industry, and the need to protect Canadian innovations in this technology, both nationally and internationally, Canada has introduced protection for integrated circuit topographies.

CIPO Within Industry Canada

The Chief Executive Officer of the Canadian Intellectual Property Office reports to the Deputy Minister and Minister of Industry through the Assistant Deputy Minister, Operations Sector of Industry Canada. The Operations Sector 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.

In order to provide the best possible service to its clients, CIPO is structured and reports as a self-financing Special Operating Agency (SOA). In return for the achievement of specific levels of performance in the timeliness of its delivery of intellectual property services, CIPO enjoys certain flexibilities in management and administration. Program delivery is financed by a revolving fund based entirely on client fees, which assures close attention to the bottom line. Consequently CIPO's focus on continuous improvements in client service echoes successful private sector organizations.

Participation in Industry Canada Activities

CIPO is an active player on the Industry Canada team which supports technological innovation and encourages small- and medium-size enterprises (SMEs). Assistance and information are available through four CIPO Regional Advisors and the national network of Canada Business Service Centres. CIPO works in close partnership with several members of the Industry Portfolio and contributes to many technology and business support initiatives delivered by Industry Canada.



CIPO's booth was a popular destination for a large percentage of the 52,000 attendees at the Industry Canada-sponsored SME 2000 Info-fairs held in 26 locations across the country this past year.

A Commitment to Client Service

Proof Positive...

To focus on client service is one thing—but to actively make improvement, and prove it—is quite another.

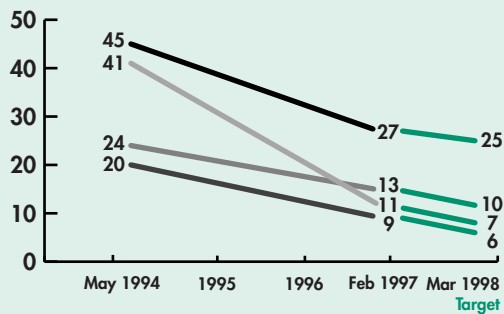
CIPOO has proved that it is possible—and with dramatic results. In just three years, turnaround times in almost all processes have been cut in half.

The Strategy... the Highlights

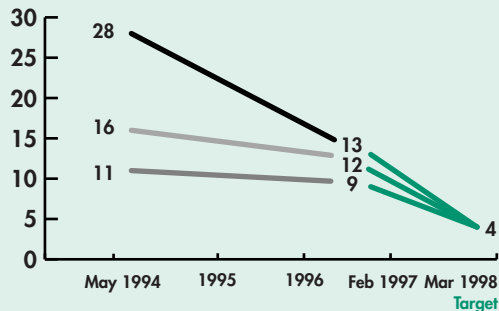
CIPOO has achieved impressive results through a comprehensive exercise of defining its client service objectives, identifying what had to be done, and then putting the strategy into action. In summary, the organization:

- adopted an organizational structure and culture which facilitate continuous improvement;
- listens to our clients to ensure we are responding to their needs;
- integrates service standards into day-to-day operations;
- began a benchmarking process that will ensure that CIPOO's performance is on a par with the best in the world;
- simplifies procedures for clients, thereby raising their satisfaction level;
- establishes targets for turnaround times and monitors and reports against them regularly;
- uses leading-edge technologies to effectively disseminate information to our clients;
- streamlines work processes and reduces turnaround times through automation;
- acknowledges that CIPOO's employees are a key resource and recognizes their contribution to our success;
- continues to play a key role in the international intellectual property community.

**Turnaround Time Reductions
in Parts of the Trade-marks Process (work days)**

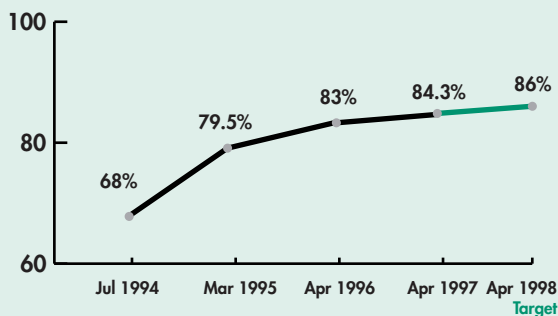


**Turnaround Time Reductions
in Parts of the Patent Process (calendar weeks)**



Projected reductions in turnaround times are directly attributable to investment in automation (i.e. TechSource).

**Client Satisfaction Increases
in the Trade-marks Process**



A Focus on Clients

To provide their clients with the best possible service, leading edge companies establish internal management disciplines that nurture a client service culture.

As an SOA funded by client fees, CIPO has an inherent interest in delivering the highest level of service. Our clients demand it and SOA status gives CIPO the ability to provide it. Most importantly, CIPO has the financial flexibility to invest in areas needed to improve client service, whether by developing automated systems or hiring personnel with the right skill sets.

Listening to Our Clients

The client service initiatives have by and large been a joint endeavour between CIPO and its clients. Various methods of consultation are used, including surveys and focus groups, to determine key areas for improvement. The objective of continuous improvement necessitates that we assess—with both staff and clients—how well new service initiatives have met designated criteria.

What our clients tell us...

It's plain and simple—our clients appreciate our efforts. The Trade-marks Branch client satisfaction survey completed in the fourth quarter of 1996-97 continued to show improvement over previous years—the overall average level of client satisfaction was 84.3%, up from 83% in April of 1996 and 79.5% in March of 1995.

A Copyright and Industrial Design Branch survey of copyright clients was conducted in the fall of 1996 and found a general satisfaction level of 85.4%. Staff courtesy and competence, and an adequate response to enquiries were the components of copyright service that were the most appreciated.

An important client focus group was organized in June 1996 to examine issues related to improving the Industrial Design application filing process. This was in addition to ongoing discussions with individual agents and the Patent and Trademark Institute of Canada.

A client satisfaction survey was conducted for the first time by the Patent Branch late in 1996-97.

Organization-wide Service Initiatives

CIPO has implemented standards that put client service at the top of each and every employee's agenda. In addition, all parts of the organization have established and are constantly refining standards against which actual performance can be measured.



CIPO's commitment to improved client service is reflected in the various client service standards that have been formulated by the individual product line branches.

In January 1996, CIPO launched an organization wide client service campaign about the same time that the Government of Canada, through the Federal Quality Service Initiative, directed all departments to include measurable service performance targets and report against them. The Trade-marks Branch had begun their performance measurement program in 1994—CIPO was well ahead in the process.

Generic client service standards are set for all of CIPO. These cover such activities as telephone, face-to-face interaction with clients and mail turnaround times. These agency-wide standards, with clear, prescribed commitments, are posted in all public areas. Beyond these generic standards, each product line has established specific client service standards related to its own activities.

Trade-marks—Best Practices

The National Performance Review (NPR) cited the following best practices in its site report on CIPO's Trade-marks Branch:

- Client is the first priority.
- Key measures are easily understood by clients and employees.
- Performance measures are linked to mission statement.
- Communication is regular and meaningful.
- Importance of performance measures is internalized and understood by employees.
- Leadership is strong and committed.
- Continuous improvement is part of the culture.

The implementation of client service standards for individual branches continued this year, with the Information Branch releasing its set of standards at the end of April 1996. Patent Branch published its Client Service Commitment on August 1, 1996, specifying levels of service delivery in each of its main processes. These two branches join Trade-marks in setting clearly articulated goals against which performance can be measured. The Copyright and Industrial Design Branch expects to publish a comparable commitment in the next fiscal year.

Both client satisfaction and improved turnaround times relate to management by fact—and along with it, the disciplines of measuring and benchmarking. CIPO has been able to establish trend lines: an important element of the continuous improvement process.

Over the past year, the Trade-marks Branch began to participate in an international benchmarking project with a number of countries, including Sweden, the United Kingdom, New Zealand and Australia. This will ensure that the Branch's performance is on a par with the best. Apart from benchmarking specific processes with the United Kingdom Patent Office, Trade-marks Branch voluntarily took part in a study of "best practices" by the Washington-based National Performance Review (NPR). After an onsite visit coordinated by Treasury Board, the NPR recognized the Trade-marks Branch for seven best practices.

Delivering the Goods

Patent Branch reports on turnaround times are published in the *Patent and Trademark Institute of Canada Bulletin*. These performance levels are used as a comparison to measure future performance.

Some key patent processes showed notable improvements in the past year: the time required for substantive examination upon receipt of a request for examination dropped from 34.8 months, as of the end of 1995-96, to 26.2 months in the final quarter of this year. By year end, filing



acknowledgments were being mailed within six days of receipt of an application—well ahead of the ten-day target. The issuing of filing certificates was reduced to eight weeks, against a target of 12 weeks.

The Trade-marks Branch publishes its client service standards in the *Trade-marks Journal*, and reports on its performance each quarter. The continuation of a Client Service Program over several years makes it possible to chart cumulative performance improvements. Since the inception of the Program in 1994, the time taken for renewals has fallen from 20 days to 9. The time taken to issue a trade-mark registration after receipt of the registration fee has decreased from 41 to 11 days.

Processing time for the registration of copyrights continues to decrease. It now stands at four weeks, down from five weeks a year ago, and six to eight weeks just two years ago.

Making it Easier

Procedures have been simplified for clients of all intellectual property product lines. Resulting savings in time and money have raised client satisfaction levels.

For patent clients, some of these procedural changes are reflected in the *new Patent Act* and *Rules* which came into force on October 1, 1996, and in the revised *Manual of Patent Office Practice* (MOPOP). Since the MOPOP provides CIPO's professional clients with detailed information on patent office procedures and process, it is considered an important tool. A plain language explanation of the changes was posted along with an electronic version of the manual on CIPO's Web site.

The Copyright and Industrial Design Branch completed an analysis of its procedures in response to industrial design client needs in an evolving design culture. As a result, clients will benefit from major changes in application requirements, such as having more options in the preparation of descriptions and drawings. In addition, applicants will be able to obtain a filing date without a completed description of their design and will have three months to complete the application.

It should be noted that most of these improvements have been accomplished by CIPO prior to the introduction of automation in the workplace, which promises even better results.

Tools of Success

In 1996, CIPO's Trade-marks Branch was cited by Canada's Auditor General as an example of public sector accountability and openness. It has led the way in setting clear performance targets and reporting against them—whether they have been achieved or not.

"...The progress [the Trade-marks Branch has] made can provide valuable lessons for other federal departments."

"The Trade-marks Branch...illustrates that service standards can be implemented with good leadership and management."

*from the Auditor General of Canada's Report,
(Chapter 14, Service Quality),
September 1996*

The successes of the Trade-marks Branch could not have been achieved without careful analysis of current processes and available tools. Below is a summary of the steps taken to fine-tune the support tools used by staff and clients:

1. Implementation of a new *Trade-marks Examination Manual* which specifies quality standards for examination.
2. Introduction of a *Trade-marks Examination Wares and Services Manual* that provides clear and acceptable terms to staff and agents.
3. Access to the *Trade-marks Act* and *Rules* online.
4. Use of automated language translation software for preparing the *Trade-marks Journal*.
5. Access to an improved set of online reference and research material accessible for examiners.
6. Provision of Internet access to additional sources of current reference data for examiners.

Automating for Greater Efficiency

Automation is an important component of service level improvements in key product lines. Automation offers several advantages to both our staff and clients—increased processing speed, greater accuracy and eventually, easier access to client files.

Focus on Client Service

Aiming for One-stop Service

Patent Branch has widened the training base of its operations staff so as to provide a broader range of services to clients. Over the past year, a pilot team received comprehensive peer training which enables employees to deal with several steps of the patent process rather than specializing in one. To ensure quality is maintained, the project is being measured with the help of two firms from the patent profession.

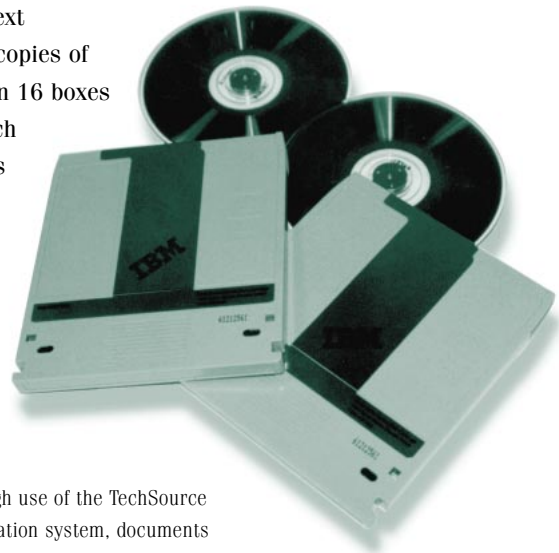
Accuracy Counts!

When implementing new automated systems, quality cannot be sacrificed for the sake of speed. Meeting our client service objectives requires exacting standards for those involved in the electronic processing of information.

Of the 1.3 million patents loaded onto TechSource, an index accuracy of better than 99.99% has been achieved. After image scanning in batches of 100 patents, the Abstract and Claims pages were scanned by Optical Character Recognition (OCR) and then edited on a word processor. Based upon Military Standard 105D, an appropriate sample of the batch was then inspected for page and word errors. If more than 5.9 words per 1000 were found to be in error, the entire batch of 100 patents was rejected and returned for complete reprocessing. The batch of 100 patents was then inspected until the required quality level (a minimum of 99.5% accuracy) was achieved.

With the launch of INTREPID II in November 1996, the Trade-marks Branch upgraded the automated trade-mark system which had been in use for more than a decade. The new integrated computer system permits staff to access data directly from their work stations, rather than handling great piles of paper documents. It has automated all clerical functions, including those within the Trade-marks Opposition Board. The Branch can now easily locate an application in process and can continuously improve workflow through workload monitoring. As a result, most client inquiries can now be answered immediately.

Meanwhile, the Patent Branch has been gearing up for full deployment of the TechSource patent automation system in June 1997. TechSource replaces a 130-year-old paper file system with virtually paperless electronic processing of patent applications. By the fall of 1996, 1.3 million patent documents had been converted. The documents can be searched by bibliographic data and viewed fully by image. About 400,000 of the documents are full-text searchable. Backup copies of these files are held in 16 boxes of optical disks, which can be stored on less than five meters of shelf space!



Through use of the TechSource automation system, documents occupying more than 11 kilometers of shelf space at CIPO and the National Archives of Canada are now electronically retrievable.



Remote access to TechSource was piloted this year at several sites across Canada. When fully deployed, the system will provide accurate processing and shorter turnaround times for applications, faster response to enquiries, and automatic production of notices throughout the lifespan of patents.

In the Copyright and Industrial Design Branch, the current automated copyright register is being modernized and will be able to accommodate the registration of new rights proposed through changes to the copyright legislation. The imaging of industrial designs is a high priority which will allow online search capabilities. This initiative will enhance the searching process in examination and will eventually provide clients with remote access to the industrial design register. Over the past year, the branch has been assessing available technology.

Upgrades Bring Faster Searches

Better service levels can also result from technical adjustments or upgrading existing systems. In October 1996, Patent Branch and the staff of the Patent Search Room identified the need to provide faster and more effective searches to its clients. The Public Search Room now has state-of-the-art equipment and processes. These changes have resulted in a significant drop in the average search time and a reduction of 60% in printing output. As a consequence, CIPO clients enjoy substantial savings in both time and money.

Putting Knowledge into the Right Hands

CIPO also forged ahead in delivering on its mandate to disseminate the information in our data banks. Such information provides important assistance to Canada's growing sector of innovation-based firms.

This year saw the Internet launch of the Canadian Patent Database, which provides bibliographic information on all patent applications since October, 1989—over 250,000 documents. The database can be accessed by anyone with an Internet connection at CIPO's Web site (<http://cipo.gc.ca>) or Industry Canada's Strategis (<http://strategis.ic.gc.ca>). The Canadian Patent Database has been averaging 1200 hits and 3000 searches each week and was rated as one of the ten most popular sites on Strategis. CIPO's own Web site continues to be a valuable communication tool for providing—and obtaining—timely and accurate intellectual property information to—and from—a wide audience. It includes general information, access to the intellectual property Acts, various manuals, information circulars and guides, and provides links to related sites around the world. The CIPO Web site was the first Government of Canada site to be used for public consultation on regulatory changes.

Creating an "Excellent Organization"

In a service delivery organization, management infrastructure must support client service initiatives. To further facilitate improved client service, CIPO was the first organization to take part when Industry Canada's Operations Sector initiated a "Campaign for Excellence" in the fall of 1995. The Executive Committee began with an assessment of strengths and weaknesses against established criteria. This revealed that SOA status made managers more accountable for results, and that product line service levels now surpass those of pre-SOA status.

Despite the gains to service quality and delivery, the results also showed there was still work to be done. It was recognized that both management and staff of CIPO needed to work more closely together to achieve the corporate mission and strategic objectives.

As a result, a number of initiatives were implemented. For example, in the fall of 1996, CIPO executives took the step of creating a unified Informatics Services Branch to replace the individual technology services that were in place in each product line. This coordinated and centralized approach is essential at a time when major new automated systems are under development.



Both the Patent and Trade-marks Branches had regular contact with representatives of their clients through respective Joint Liaison Committees (JLCs). The Patent JLC is comprised of agent representatives of the Patent and Trademark Institute of Canada (PTIC) and senior Patent Branch staff and representatives of other branches with an interest in the subject matter. The Trade-mark JLC (some members pictured here) brings together the branch management with up to 25 trade-mark agents from a range of firms. Both these branches consult with their JLCs on various topics including discussion about operational policies and procedures, revisions to manuals, the establishment of client service standards, etc.

CIPO Employees Make it Work

CIPO boasts a highly professional, multi-disciplinary workforce. This, combined with a deeply rooted enthusiasm, is the key to CIPO's success in serving clients well.

Management has put a number of initiatives into place that enhance motivation and commitment to service. These programs allow employees to be part of the solution, to take responsibility for their actions—and to enjoy their successes.

Working and Learning Together

During this past year, staff training continued to focus on improved customer service with courses such as "Managing for Excellence", "Management and Planning Tools" and "Continuous Improvement Tools". A unified approach to client service was enhanced by the Continuous Improvement Council, a voluntary group with representatives from each branch who received training on continuous improvement methods and tools. The Council performed a peer coaching function and works to complement the continuous improvement training courses offered to CIPO employees.

To ensure our teams are working at an optimum level, staff relations courses were offered to all supervisory personnel.

Introduction of our new automated systems has necessitated the development of specific training modules to familiarize employees with new procedures, since in some cases, the nature of work is vastly changed.



Trade-marks staff underwent specialized training on the INTREPID II system in the period leading up to its deployment last November.

Patent Operations staff completed formal TechSource and procedure training at the end of March 1997.

Increasing automation in the CIPO workplace raised new issues regarding the long-term health and safety of employees. Workshops were held to teach employees how to use their work stations properly. Management considered this knowledge to be an important investment in automation and the well-being of employees.

Early in 1997, "Managing Change" workshops were started so as to help employees understand and cope with the personal impact of change in the workplace.

Staffing for the Future

To meet long-term objectives of shorter turnaround times, additional staff were hired in the Patent Branch. With the complete training of an examiner taking two years, departing staff cannot quickly be replaced. This year, it was necessary to hire examiners/classifiers to prepare for anticipated changes in employee demographics, and in light of ambitious targets for reducing examination time.

A People-friendly Workplace

The motivation level of CIPO's employees comes largely from their own sense of professionalism and pride in their work. Various workplace programs build upon this motivation and help to maximize the job satisfaction of a diverse workforce—many employees juggle demanding family and professional agendas.

More than a third of employees make use of alternative work arrangements, the most popular of which are compressed work schedules and telework, made possible by TechSource and INTREPID II.

CIPO staff members drive several organization-wide initiatives, such as the employee-run Annual Meeting. The Continuous Improvement Council volunteers spearheaded a staff survey which led to the creation of a "Vision and Values" statement which articulates, in words chosen by employees, core values that complement CIPO's mission statement (see page 2).

Using our Resources Wisely

In efforts to reduce the cost of day-to-day operations, and thereby provide the most service at the lowest cost to our clients, CIPO has made a number of innovations during the last year:

- annual savings of almost \$35,000 were made through streamlining purchasing processes;
- significant reductions in paper use have resulted from use of e-mail, electronic forms and double-sided photocopiers and laser printers;
- savings of \$40,000 have been realized by giving staff who receive the mail the authority to deal with problems immediately rather than later in the process;
- storage of Patent Branch archives in optical format, rather than in paper files, results in an annual saving of \$600,000 in accommodations.

CIPO employees and managers continue to identify innovative ways to keep costs low while not reducing the level of service we offer to our clients.

Issues of Concern to Canadians and CIPO Employees

In keeping with the Government of Canada's commitment to 'greening' government operations, CIPO has undertaken a number of initiatives to reduce the environmental impact of its day-to-day operations:

- approximately 300,000 pounds (236 metric tonnes) of office paper was recycled during the year through the PaperSave program;
- significant energy savings were made by acquiring Energy Star certified computers and power saving photocopiers;
- 'greener' building materials were specified for renovations, and construction and demolition waste was recycled;
- environmental testing of renovated workspace ensured that health and safety standards were met prior to employees moving in.

1996 Awards and Recognitions

Performance at an unusually high level over an extended period of time:

8 individual awards 1 group award

Successful completion of a project or special assignment in a manner beyond expectations:

2 individual awards 1 group award

Performance of duties under abnormal circumstances in a manner which constitutes a contribution of unusual merit to the public service:

2 individual awards

Throughout the year, "Instant Awards" were received by 14 individuals and 19 groups.

Two employees received Suggestion Awards.

Six employees received recognition for 25 years of service.

Five employees received recognition for 35 years of service.

CIPO's Awards and Recognition Program is also employee-driven. A peer review committee made up of representatives from all branches evaluates nominations, made by employees and supported by the nominee's director, against established criteria. The committee then makes its recommendations to the CIPO Executive Committee. Formal recognition is extended for outstanding work which improves client service or realizes cost savings in CIPO, the Department and the Public Service as a whole. Instant Awards are given on the spot by managers for excellent work to individuals and groups.

Serving Our Clients Through International Efforts

To ensure that Canadian companies are able to compete in the global economy, Canada is party to international and regional trade agreements which have implications for our intellectual property regime.

Over the past several years, a series of legislative amendments to the Patent, Trade-mark, Copyright and Industrial Design Acts have been made in order to meet Canada's obligations under both the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

Obligations of the TRIPS agreement include the introduction of a system to provide reciprocal international protection for "geographical indications".

On May 26, 1996, Canada upgraded its membership in the Paris Convention for the Protection of Industrial Property by acceding to the substantive provisions of the latest version of the Convention, the 1967 Stockholm Text. The main provisions of the Convention ensure national treatment of industrial property applicants and owners, provide priority rights to applications from member states, and set out a series of common rules for members to follow.

Canada's accession to the Budapest Treaty for International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure came into force September 21, 1996. Where an invention involves a microorganism, the description can be supplemented by a deposit of a sample of the microorganism with a specialized institution.

CIPO's international efforts this year included active participation in the intellectual property working group of the Free Trade Area of the Americas (FTAA). CIPO also took part in discussions on harmonization of intellectual property practices and liberalized trade in the Asia-Pacific region under the auspices of Asia-Pacific Economic Cooperation (APEC).

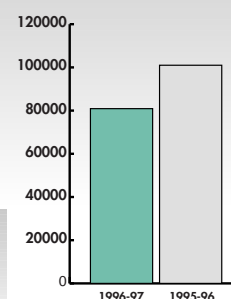
Within the World Intellectual Property Organization (WIPO), CIPO's Chief Executive Officer was chosen to chair "Group B", an informal group of industrialized market economies who seek common ground on WIPO issues.

Product Outputs

An Overview

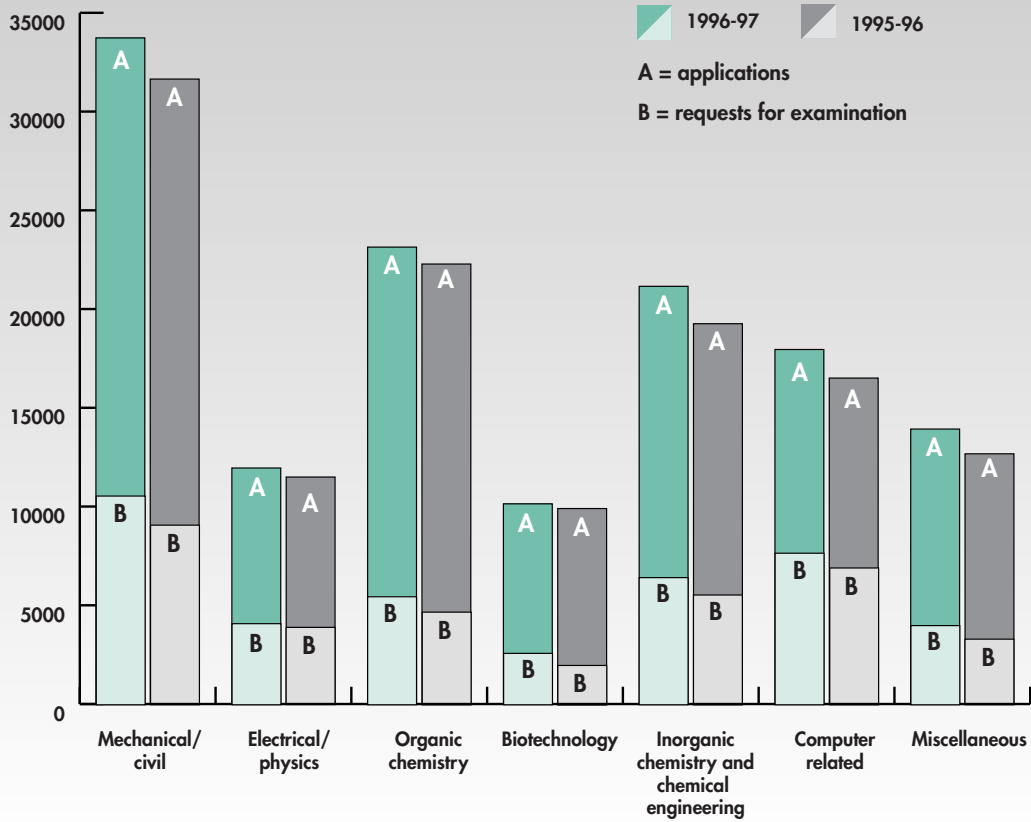
	1996-97	1995-96
Applications filed		
Patents	27,646	26,629
<i>National</i>	13,831	14,616
<i>Patent Cooperation Treaty</i>	13,815	12,013
Trade-marks	32,593	29,528
Industrial designs	3,013	2,859
Copyrights	8,977	9,251
Integrated circuit topographies	13	5
Assignments recorded		
Patents	37,970	39,192
Trade-marks	24,339	26,797
Industrial designs	536	751
Copyrights	2,035	1,525
Inquiries processed		
Patents	28,931	39,324
Trade-marks	22,391	23,368
Industrial designs	5,049	7,111
Copyrights	24,216	32,285
Integrated circuit topographies	317	596
Technological information searches processed		
Patents	754	840
Grants/registrations		
Patents	7,322	8,242
Trade-marks	17,876	14,817
Industrial designs	2,153	2,109
Copyrights	9,357	9,237
Integrated circuit topographies	9	6
Renewals		
Patent maintenance fees processed	156,839	146,373
Trade-marks	6,158	7,804
Industrial designs	1,076	1,191

Total inquiries processed

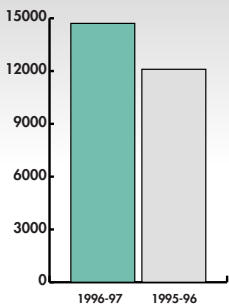


Patents

Patent caseload and workload, by discipline, on applications filed between October 1, 1989 and March 31, 1997.



Total requests for examination received



Abandonments

	1996-97	1995-96
Regular	1,903	1,495
Non-payment of maintenance fees	18,306	29,560
Applications abandoned (new Act)	12,330	10,149
Applications dead (new Act)	9,046	7,465

Trade-marks

	1996-97	1995-96
Registrations expunged	10,357	7,528
Amendments entered on the register	38,629	45,718

NOTE: Additional product line statistics are available from the Canadian Intellectual Property Office (CIPO), Publications Centre, 3rd Floor, Place du Portage I, 50 Victoria Street, Hull, Quebec, K1A 0C9, telephone (819) 953-5054 or facsimile (819) 953-8998.

Financial Report



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. 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, 1997 and the results of operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

The Canadian Intellectual Property Office 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.

As CIPO's 1996-97 Annual Report indicates, since becoming a Special Operating Agency within Industry Canada, CIPO has taken seriously its accountability for providing better and more efficient service to its clients. Investments in the development of CIPO employees and in the automated infrastructure needed to support them have been made possible by the revolving fund. Measurable changes in the timeliness of service delivery are now apparent in all product lines. Concurrently, client satisfaction is increasing. CIPO is proud of its accomplishments to date and will continue to push forward in its accountability to its clients and to the government.

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

Brenda Snarr
Director, Finance & Administration

July 7, 1997



KPMG
Chartered Accountants

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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, 1997 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, 1997 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, 1997



**Canadian Intellectual Property Office Revolving Fund
Balance Sheet
As at March 31**

(in thousands of dollars)

	1997	1996
Assets		
Current		
Petty cash	\$ 2	\$ 2
Receivables		
Government of Canada	921	2,040
Outside party	1,118	740
Unbilled revenue	5,827	4,748
Prepaid expenses	<u>20</u>	<u>21</u>
	7,888	7,551
Capital assets (note 4)	101,447	85,545
Unbilled revenue	<u>810</u>	<u>1,271</u>
	<u>\$110,145</u>	<u>\$94,367</u>
Liabilities		
Current		
Deposit accounts	\$ 390	\$ 202
Payables		
Government of Canada	2,323	1,568
Outside party	7,641	5,382
Deferred revenue	<u>16,743</u>	<u>11,748</u>
	<u>27,097</u>	<u>18,900</u>
Employee termination benefits and vacation pay	1,057	713
Deferred revenue	<u>7,390</u>	<u>8,180</u>
	<u>8,447</u>	<u>8,893</u>
Equity of Canada (note 3)	<u>74,601</u>	<u>66,574</u>
	<u>\$110,145</u>	<u>\$94,367</u>
Contingencies (note 9)		

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

(in thousands of dollars)

	1997	1996
Revenue	<u>\$51,117</u>	<u>\$49,585</u>
Salaries and employee benefits	29,730	27,191
Professional services	4,400	3,373
Accommodation	2,626	2,605
Amortization	1,409	1,247
Materials and supplies	1,190	828
Information	819	1,051
Communications	593	489
Repairs and maintenance	519	399
Travel	410	340
Training	341	233
Freight and postage	312	244
Rentals	<u>185</u>	<u>192</u>
	<u>42,534</u>	<u>38,192</u>
Net profit	<u>\$ 8,583</u>	<u>\$11,393</u>

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

(in thousands of dollars)

	1997	1996
Balance, beginning of year (note 3)	\$15,470	\$ 4,077
Net profit for the year	<u>8,583</u>	<u>11,393</u>
Balance, end of year	<u>\$24,053</u>	<u>\$15,470</u>

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

(in thousands of dollars)

	1997	1996
Operating activities		
Net profit	\$ 8,583	\$11,393
Add: amortization	<u>1,409</u>	<u>1,247</u>
	<u>9,992</u>	<u>12,640</u>
Changes in current assets and liabilities (note 6)	<u>7,860</u>	<u>(4,978)</u>
Changes in other assets and liabilities		
Unbilled revenue	461	(1,034)
Employee termination benefits and vacation pay	344	475
Deferred revenue	<u>(790)</u>	<u>786</u>
	<u>15</u>	<u>227</u>
Net financial resources provided by operating activities	<u>17,867</u>	<u>7,889</u>
Investing activities		
Capital assets		
Acquired	(17,311)	(13,583)
Contributed	<u>-</u>	<u>(3,915)</u>
Net financial resources used by investing activities	<u>(17,311)</u>	<u>(17,498)</u>
Financing activities		
Contributed capital	<u>-</u>	<u>3,915</u>
Net financial resources provided (used) and change in the accumulated net charge against the Fund's authority account, during the year	556	(5,694)
Accumulated net charge against the Fund's authority account, beginning of year	<u>12,744</u>	<u>18,438</u>
Accumulated net charge against the Fund's authority account, end of year (note 3)	<u>\$13,300</u>	<u>\$12,744</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.

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, beginning in 1995-96
Systems, under development	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, 1997, the Treasury Board liability for CIPO employees is \$5.2 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. Equity of Canada *(in thousands of dollars)*

Equity of Canada is comprised of the following:

	1997	1996
Accumulated net charge against the Fund's authority	\$(13,300)	\$(12,744)
Contributed capital	63,848	63,848
Accumulated surplus	<u>24,053</u>	<u>15,470</u>
	<u>\$ 74,601</u>	<u>\$ 66,574</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.

Contributed capital

The Crown's accumulated contribution to the development of the TechSource automation project as at March 31, 1997 is \$63,848 which is comprised of the following:

At April 1, 1994	\$32,442
1995	27,491
1996	<u>3,915</u>
	<u>\$63,848</u>

These costs have been recorded as a capital asset (note 4) and contributed capital. It is the intention of CIPO to amortize contributed capital to accumulated surplus/(deficits) once the TechSource systems are in use.

Accumulated surplus

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

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

	Cost March 31, 1996	Acquisitions	Cost March 31, 1997	Accumulated Amortization	Net Carrying Value
Leasehold improvements	\$ 4,171	\$ 674	\$ 4,845	\$1,188	\$ 3,657
Software	283	53	336	154	182
Hardware	2,987	968	3,955	1,280	2,675
Equipment	55	18	73	19	54
Furniture	1,462	6	1,468	122	1,346
Systems					
INTREPID	2,834	641	3,475	144	3,331
Systems under development					
TechSource	74,990	14,641	89,631		89,631
Other	<u>261</u>	<u>310</u>	<u>571</u>		<u>571</u>
Total	<u>\$87,043</u>	<u>\$17,311</u>	<u>\$104,354</u>	<u>\$2,907</u>	<u>\$101,447</u>

Of the systems under development balance, \$63,848 relates to departmental appropriated funds for the TechSource patent automation project. These are accounted for as contributed capital. The accumulated amortization and net carrying value for 1996 were \$1,498 and \$85,545 respectively.

5. Contractual obligations *(in thousands of dollars)*

TechSource

CIPO has contracted IBM Canada to produce a turn-key patent automation system by 1997-98, the final year of the contract. Amounts committed in 1997-98 comprise:

Prime contract	\$2,628
Ongoing facilities maintenance	369
	<u>\$2,997</u>

Leases

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

1998	\$3,026
1999	2,833
2000	2,754

6. Changes in working capital *(in thousands of dollars)*

Components of the change in working capital include:

	1997	1996
Accounts receivable	\$ 741	\$ (32)
Unbilled revenue	(1,079)	987
Prepaid expenses	1	(21)
Deposit accounts	188	116
Accounts payable	3,014	(5,878)
Deferred revenue	<u>4,995</u>	<u>(150)</u>
	<u>\$ 7,860</u>	<u>\$ (4,978)</u>

7. 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.

8. Insurance

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

9. Contingencies

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.

10. Income taxes

CIPO is not subject to income taxes.

11. Segmented information *(in thousands of dollars)*

	Patents		Trade-marks		Unallocated		Total	
	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96
Revenues	36,740	34,243	13,292	14,172	1,085	1,170	51,117	49,585
Operating expenses	<u>17,374</u>	<u>15,189</u>	<u>6,216</u>	<u>5,859</u>	<u>1,136</u>	<u>1,056</u>	<u>24,726</u>	<u>22,104</u>
Operating profit (loss)	19,366	19,054	7,076	8,313	(51)	114	26,391	27,481
Corporate expenses	10,396	8,915	6,952	6,778	460	395	17,808	16,088
Interest expenses	-	-	-	-	-	-	-	-
	<u>10,396</u>	<u>8,915</u>	<u>6,952</u>	<u>6,778</u>	<u>460</u>	<u>395</u>	<u>17,808</u>	<u>16,088</u>
Net profit (loss)	<u>8,970</u>	<u>10,139</u>	<u>124</u>	<u>1,535</u>	<u>(511)</u>	<u>(281)</u>	<u>8,583</u>	<u>11,393</u>
Identifiable assets								
Financial assets	1,945	2,697	6,712	6,060	41	65	8,698	8,822
Capital assets	97,295	81,261	6,645	5,514	414	268	104,354	87,043
Accumulated amortization	(1,934)	(1,048)	(890)	(404)	(83)	(46)	(2,907)	(1,498)