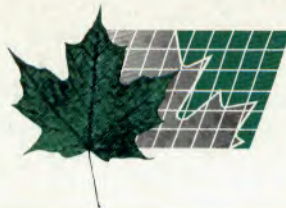


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INDUSTRIE DU CANADA

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CIPO

CANADIAN INTELLECTUAL PROPERTY OFFICE

# ANNUAL 1994-95 REPORT

PATENTS • TRADE-MARKS • COPYRIGHTS • INDUSTRIAL DESIGNS • INTEGRATED CIRCUIT TOPOGRAPHIES

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IC 1551 (9/95)



**Canadian Intellectual  
Property Office**

**Annual Report**  
*1994-95*



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© Minister of Supply and Services Canada 1995

ISBN 0-662-61884-X

Cat. No. RG 41-1995

Industry Canada No. 00452 95-11

Aussi publié en français sous le titre de :  
Rapport annuel 1994-1995

Editing and Design:  
Nicholson Consultants



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## ***The Year in Review***

The last several years at CIPO have been marked by profound change. 1994-95 stands out as the year in which we began in earnest to transform our plans for the future into action.

It was the year, for example, when we began operating with a revolving fund. As a client-funded, self-financing agency, we now function more like a private enterprise. A major advantage is that we are more accountable for our decisions and, therefore, we can be more innovative in our planning and spending. Already we are seeing benefits: smart timing in spending allowed us to invest savings into service development.

In 1994-95 we made a profit of \$13.5 million. Part of this profit offsets our opening deficit of \$9.5 million. The balance will be used towards 1995-96 funding of TECHSOURCE patient automation and INTREPID trade-mark automation projects.

On the informatics front, we maintained our record of steady progress, keeping on schedule and within budget. This in itself is an accomplishment, one that is crucial to our future as a supplier of intellectual property services.

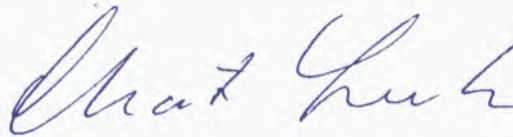
Our electronic progress was complemented by our continued efforts to improve service to clients. As a result of user feedback, we made a number of important improvements. We managed to significantly reduce processing times for trade-mark applications while enhancing quality control procedures. We also maintained our service levels for patents and improved the quality of service despite the added pressures of testing and bringing on-line our patent automation system, TECHSOURCE.

All of these accomplishments have been possible because of the remarkable contributions of our staff, both individually and as members of the CIPO

team. The changes that have swept through CIPO have demanded significant adjustments in people's roles and attitudes. They have achieved this, with everyone bringing value-added to their tasks.

This past year has reinforced how efficiencies can be achieved and quality, maintained. But as a public agency, we have a further responsibility to Canadians. Our technology, expertise and partnerships can help Canadians to be more competitive in global markets and make Canada a better place to live.

With dedicated staff, state-of-the-art technology and an institutional structure that supports innovation, we are prepared for, and excited about, our contribution to the world of information and ideas as we approach the twenty-first century.

A handwritten signature in dark ink, appearing to read "Mart Leesti". The signature is fluid and cursive, with the first name "Mart" being more prominent than the last name "Leesti".

Mart Leesti  
Chief Executive Officer and  
Commissioner of Patents and  
Registrar of Trade-marks



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## ***CIPO's Mission***

CIPO's mission is 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





# I ntellectual Property

*A look at the world of intellectual property and CIPO's roles and responsibilities.*

## **Off the Drawing Board**

What do a new braking system, a table ornament, a more efficient circuit design, a label proclaiming that "this is no ordinary" teddy bear and a carpet cleaner have in common? All of these can be owned as intellectual property.

Intellectual property affects the everyday lives of people in very real ways. For the consumer, a trade-mark communicates an implicit promise of quality and service. For the 'creator' — the artist or inventor — establishing ownership is one way of acknowledging the time required to develop a marketable idea. For the 'user' — individuals, firms, industries or the research community — knowing what is available in the market or coming to it can help pinpoint opportunities for investment, development and further research.

## **And Into the Market**

CIPO, a Special Operating Agency (SOA) within Industry Canada, is charged with administering Canada's intellectual property system. Its responsibilities stem from:

- ★ federal legislation creating rights through patents, trade-marks, copyrights, industrial designs and integrated circuit topographies; and

- ★ multilateral treaties and agreements.

CIPO's core function is to confer or recognize exclusive ownership of intellectual property in exchange for making it publicly accessible. In Canada, this entails:

- 🍁 granting patents and industrial designs, and registering trade-marks, copyrights and integrated circuit topographies; and
- 🍁 disseminating information acquired and developed by CIPO.

Many applicants for Canadian intellectual property rights reside abroad. Canada has agreements that offer Canadians reciprocal rights in over 120 countries, that is to say all industrialized nations and much of the developing world. Through CIPO, Canada "exports" an intellectual property service that is fully funded by its users. In return, CIPO acquires direct access to foreign technology and product information for Canadians.

#### ■ Applications filed





2

# Gaining a Competitive Edge

*Operating in an environment of change and challenge, CIPO is well positioned to help Canada stay at the forefront of the global marketplace, and to contribute to Canadian economic development and prosperity.*

## Today's Environment

The economic environment of intellectual property is in the midst of rapid and profound change. Corporations and institutions are becoming increasingly global, and trading nations are clustering into regional blocs. So important is intellectual property for trade among nations that governments throughout the world are seeking to harmonize their intellectual property laws and administrative requirements.

Competitiveness is the watchword and information itself is now a commodity of significance. Future economic growth will depend on "knowledge-based" industries — that is to say those that exploit technological capacity and expertise.

In response, the Canadian government is seeking to create conditions that promote investment, trade and innovation. During 1994-95, the federal government conducted a "Program Review," demanding a rigorous rationalization of all government programs and a re-examination of institutional mandates and responsibilities. Substantial changes have resulted throughout the government and within CIPO's host department, Industry Canada.

Industry Canada's new mandate comprises three mutually reinforcing business lines: micro-economic policy development, the implementation and management of marketplace rules, and industry sector development. Its agenda, called "Building a More Innovative Economy," underscores the importance of supporting the efficient flow of ideas: "Given the structure of the Canadian economy and rapid and complex technological change, it is clear





*The key to Canada's future economic growth lies in its technological capacity and expertise.*

that effective technology diffusion will continue to be critical to industrial competitiveness. Rapid dissemination of technical knowledge to industries that are ready to adopt or adapt technology is essential.”

### ***Tomorrow's Promise***

CIPO is well positioned to contribute to Industry Canada's mandate. CIPO's Business Plan for the 1993-94 to 1995-96 period, sets out three key directions for the future:

- 🍁 improving efficiency and effectiveness in both product line operations and information dissemination services;
- 🍁 taking advantage of global harmonization trends in intellectual property to expand the services and information base available to Canadians;
- 🍁 breaking even financially over the five-year period ending 1998-99, both as an overall operation and by product line.

During 1994-95, CIPO made considerable progress towards achieving these goals. CIPO's systematic development of its state-of-the-art technology, its internal expertise and resources, and its external partnerships led in large measure to client-service improvements.

Product and service advances also provided CIPO with access to an inventory of the leading technological, scientific, marketing and artistic efforts of the day — key tools for creating jobs and economic growth. In recognition, CIPO has added three priorities to its Business Plan for next year:

🍁 *accelerating technology transfer to Canadians through a modern information management strategy.* This means disseminating the intellectual property data that CIPO acquires and maintains, as well as its own search and analytical capabilities and those of Industry Canada, and automated systems in the private sector, and combining these with the skills and knowledge of professionals within and outside of government.

🍁 *delivering additional value to Canadians through an expanded mandate.* This means developing new intellectual property products and services without significant additional cost to Canadians.

🍁 *expanding service improvements while maintaining a high presumption of intellectual property validity.* This means ensuring that products and services fulfill market and statutory requirements.

Given its new priorities, CIPO will be looking at how it can enhance opportunities for those who want to participate in the marketplace of the future.

3

# Opportunity Knocks

*CIPO is making institutional changes that will enhance its ability to capitalize on opportunities and encourage innovation. CIPO's more "businesslike" approach allows it to put clients' needs first.*

## **Building the Business**

CIPO is a government agency like few others. Established as an SOA in 1992, it has many of the attributes of a business. For example, it has been delegated more responsibility for operational matters than is traditional within the public service.

CIPO is also responsible for its own financing through a revolving fund, and is required to break even over five-year periods. As a result, CIPO must account for its assets, liabilities and cash balances in much the same way as any private sector company. 1994-95 was the first year CIPO worked under this arrangement. One advantage of the revolving fund is that it allows for "smart spending." Monies can be spent as and when needed, rather than being dictated by the fiscal year.

The institutional features of the SOA support innovative approaches to management. Progress on international benchmarks for service standards, quality and effectiveness, expanding relationships with a wide range of public and private interests, and new ways of working internally are all products of CIPO's creative environment.

## **Serving Our Clients**

CIPO's more "businesslike" approach supports an increasingly client-centred focus. For example, the Patent Branch dedicated considerable resources to testing and introducing TECHSOURCE (the automated patent system) during the year, while maintaining its service levels and improving the quality of its products.





The Patent and Trade-mark Branches explored ways of providing better service through their Client Service Programs. For the Trade-marks Branch, this involved consultations with more than 200 clients, and with all Branch members. The Branch also sponsored a workshop for trade-mark agents and examiners to explore the question: what constitutes quality examination from the trade-mark agent's perspective?

Client-service initiatives yielded positive results. By the year's end, the Patent Branch was reporting a reduction of 29% in non-examination processing time. As for the Trade-marks Branch, it achieved an 80% client satisfaction rating and a 19% reduction in overall processing times, even though there was a rise in the number of new applications. These gains will be sustained without compromising service quality.

Having achieved service levels that clients fully accept, the Copyrights, Industrial Designs and Integrated Circuit Topographies Branch was able to concentrate its resources on policy issues and the quality of its work.

CIPO also expanded its partnerships. The Office's network of intermediaries now includes 82 innovation centres, provincial research organizations, industrial associations, universities and federal and provincial agencies. These intermediaries assist researchers and small- and medium-sized businesses by organizing lectures and information sessions, and coordinating with CIPO to carry out technical information searches.

CIPO continued its public education efforts through participation in science fairs and publication of materials designed to raise the profile of intellectual property issues.

Two new Branches — the Information Branch and the Marketing Branch — were created in February 1995 to support CIPO's efforts to serve a broader client base. The Information Branch is responsible for disseminating all the information acquired and developed by CIPO. This includes exploiting CIPO's intellectual property (IP) databases, commercializing strategic products developed by CIPO and sensitizing Canadians to IP systems. The Branch processes enquiries from headquarters and the regional offices; it is also responsible for the search rooms, the library and the development of an "electronic intellectual property repository." The Information Branch also manages CIPO's internal communications function, and develops awareness programs, including training and education initiatives, aimed at CIPO's advisors, intermediaries, partners and clients.

The Marketing Branch provides CIPO with "market intelligence" about existing and potential clients. Its work includes assessing potential market opportunities, identifying new business partners and developing and assessing products and services. The Marketing Branch is also responsible for CIPO's external communications, such as advertising and promotion, and assists managers in developing partnerships, contracts and licensing agreements in new product areas.







# ***K**eping a Step Ahead*

*Automation of CIPO's operations is placing the Agency at the leading edge of technological development.*

## **Informatics Development**

In today's markets, gaining an edge on the competition means managing information faster and more accurately. When its product lines are fully automated, CIPO will serve Canadian and global clients in innovative ways, and it will set new international benchmarks for service.

## **Patents**

The automation of the patents process with TECHSOURCE represents the leading edge of computerized document imaging which provide access to patent documents without resort to paper files. Slated for completion in 1996, the project is progressing smoothly, and within assigned budgets.

CIPO's recent efforts focused on the Operational Acceptance Test of TECHSOURCE. Over the seven-month period ending in October of 1994, the entire system was tested and conditionally accepted.

As part of this process, areas for improvement were identified, among them, the need for additional capacity to allow TECHSOURCE to provide a beginning-to-end patent processing service. Plans for adding this increased capacity and remedying the shortcomings of Release 4 were approved. Release 5 is scheduled for completion by mid-1996.

In 1994-95, the conversion of backfiles into data for TECHSOURCE continued in high gear, at a rate of some 4 000 records per day. By March of 1995, almost

two-thirds of all Canadian patents, reaching back to the year 1920, had been captured. When the project is completed in late 1995, 1.2 million patent documents will have been converted.

In addition, TECHSOURCE became operational in 1994-95, with the first steps of deployment taking place within the Patent Branch. Each week, as patents were issued, the patent documents were converted into electronic data for TECHSOURCE. CIPO clients are also being required to file high-quality documents for ongoing scanning by the Office.

## Trade-marks

The trade-marks process with the Integrated Trade-mark Electronic Processing of Information and Design (better known as INTREPID) has been under way for the better part of the last decade. The next generation of INTREPID, called INTREPID II, was substantially developed in 1994-95. When it goes into full use in 1995, it will replace three earlier computer systems, performing the full range of data processing tasks involved in the administration of trade-marks.

INTREPID II will allow designs and textual information to be accessed from users' work stations. All design images will be stored under the main server's control. The development of the current version included a pilot study of the Examination Production Management System (EPMS), which will help to control the work flow of trade-marks applications.

CIPO also conducted feasibility studies of two significant enhancements brought to INTREPID. The Electronic Document Management System (EDMS) will replace paper files by storing incoming information as scanned images and by maintaining outgoing correspondence in a machine-readable form. The second enhancement, Electronic Data Interchange (EDI), will streamline correspondence between the Trade-marks Branch and its clients by reducing turnaround times and increasing data accuracy. It will also bring day-to-day savings in postage, couriers and cheque-processing costs. Prototypes for both systems will be run in 1995-96.

During the year, CIPO also undertook a feasibility study on the automated translation of the *Trade-marks Journal*, with encouraging results. This is scheduled for pilot testing in early 1995-96.

## Copyrights

CIPO's automated copyrights registration system, which became operational in October 1991, continued to function smoothly. The system produces copyright registration certificates, assignment certificates, correction certificates and address labels. It also tracks changes in ownership. Users can access





the system using a file number, a registration or assignment number, the title of a work, the author's name or the owner's name. The Branch houses two terminals that can be accessed by the public.

### Industrial Designs

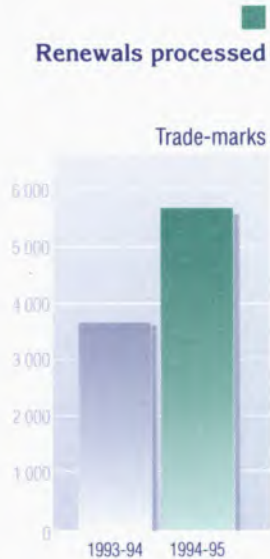
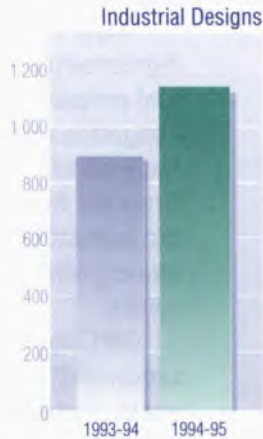
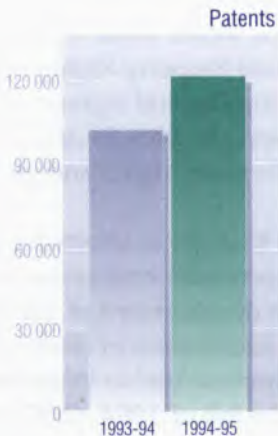
In 1994-95, CIPO made further advances in the assessment of imaging technology for industrial designs. This work will lead to the development of a bank of registered designs, which, in turn, will facilitate searching and the electronic processing of applications.

### Finance

The challenges of revolving fund accounting were met with the implementation of an automated financial system.

### Within CIPO

A Local Area Network (LAN) was set up to provide E-mail for management and improve electronic links with Industry Canada. During its set-up, various pilot projects were run, using DOMUS software for documents and correspondence, as well as Microsoft Mail, Remote Access and other systems designed to support staff involved in teleworking or travelling on business.





## 5

## Working with Global Partners

*CIPO is working internationally to ensure that Canadians can meet the global challenges in intellectual property.*

In 1994-95, the future of managing intellectual property information became a reality at CIPO. Fewer documents arrived from other countries on microfiche or on paper; more came on CD-ROM in small packages. This trend is expected to continue as more and more foreign offices switch from publishing their intellectual property information on paper and microfilm to electronic formats such as CD-ROM.

Royal Assent was given in January of 1995 to the *World Trade Organization Agreement Implementation Act* containing amendments to Canada's intellectual property statutes. The Act includes provisions that implement Canada's obligations under the World Trade Organization Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). This Agreement arose from the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). When the legislation comes into force in January 1996, it will provide protection for, among others, performers' rights and geographical indications for wines and spirits.

CIPO continued to support efforts by the World Intellectual Property Organization (WIPO) to harmonize intellectual property laws and practices around the world, including the development of standards on the capture and exchange of industrial property information in electronic form.

One of WIPO's harmonization initiatives, the Trade-mark Law Treaty (TLT), was completed in the fall of 1994. CIPO participated in the development of the Treaty, which reflects a global trend towards more client-centred systems

through standardization and simplification of filing and other procedural requirements among countries. So far, more than 40 countries have signed the TLT, which will come into effect once the required number of countries have joined.

The International Patent Classification (IPC) is used extensively by patent offices worldwide, with more than 70 countries recording the IPC on their patent documents. WIPO administers the Classification under the Strasbourg Agreement, which Canada joined in January of 1995. Canadian membership allows CIPO to participate in the ongoing revision process that results in a new version of the Classification every five years.

CIPO contributed to the technical assistance WIPO provides to developing countries in support of efforts to modernize their economies. CIPO staff provided advice and training, both in-house and abroad, to intellectual property officials from developing countries.

Canada also concluded agreements with the European Union and five member states of the European Free Trade Area to provide reciprocal protection for integrated circuit topographies. This expands the group of nations, including the United States of America, Australia, Switzerland and Japan, with which Canada has similar reciprocal arrangements.

*CIPO supports international agreements to streamline and harmonize international property practices.*





6

## *B*ehind the Scenes

*CIPO recognizes the value of its employees and actively supports and encourages their participation and development.*

### **A Team Approach ... for Team Results**

CIPO's ability to contribute to the Canadian economy depends on its people. It is CIPO's employees and management, individually and collectively, who are helping it meet the challenges of change.

CIPO recognizes the importance of nurturing and sustaining a team culture — one in which employees have opportunities to participate in corporate development, to create a positive work environment, and to acquire the skills they need to work effectively and to provide high levels of service.

Throughout the year, the newly organized Human Resources Branch and Information Branch worked closely with the product branches to sponsor initiatives and events supportive of CIPO's staff and its overall goals.

### **Opportunities for Exchange**

Keeping employees involved and committed to organizational goals means ensuring that they stay "in the know." It also means actively seeking out their views. Over the year, employees from all branches had the opportunity to sit down to lunch with members of the CIPO Executive for an open and informal exchange of ideas.

CIPO INFO, the monthly internal newsletter, continued to report on agency achievements, upcoming changes and events, and to answer employees' questions. The newsletter will shortly be complemented by an electronic bulletin designed for use on CIPO's E-mail system. CIPO also took steps during the year to improve communications between headquarters and its intermediaries, through the introduction of a newsletter entitled INTER INFO.



As part of CIPO's ongoing Upward Feedback program, the Trade-marks Branch gave employees the opportunity to evaluate its management's performance.

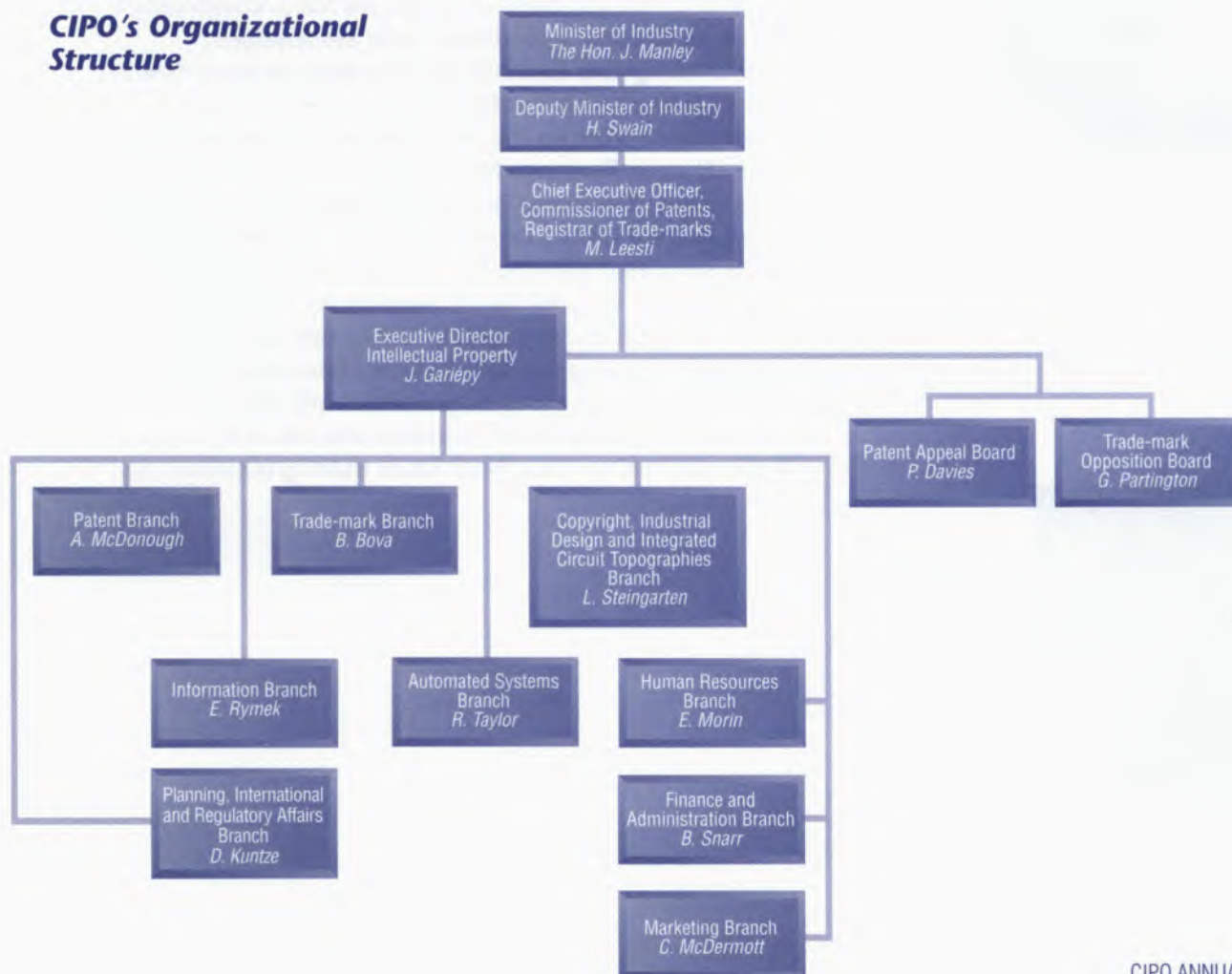
## Recognition and Celebration

CIPO's awards program recognizes individual and team accomplishments. What sets this program apart is that the employees themselves participate both in proposing and in reviewing the nominations for awards. The program offers three types of awards, all aimed at encouraging and crediting employees' outstanding contributions.

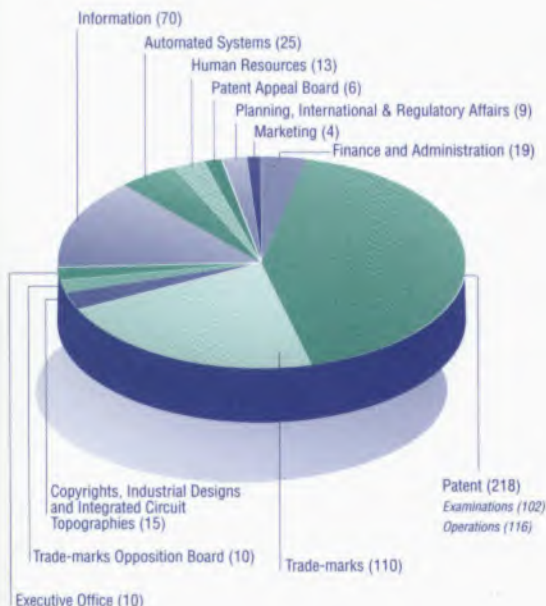
CIPO's first Annual Meeting — held in May of 1994 — was designed to raise awareness about CIPO's values and goals. The meeting provided an

*CIPO employees work together to meet the challenges of change.*

## CIPO's Organizational Structure



## Number of employees by branch:



opportunity for the CIPO team to reflect not only on its recent accomplishments but also on future challenges.

## Today ...

In 1994-95, CIPO's staff numbered 509.

## ... And Tomorrow

### Opportunities for Continuing Learning

As part of its efforts to keep pace with technological and institutional change, CIPO places a high priority on continuing learning. Every year, staff members are encouraged to pursue formal and informal opportunities for professional development and training. Many of these initiatives are run in collaboration with other organizations, departments and associations.

CIPO recognizes that individual employees have diverse abilities, aptitudes and preferences. In 1994-95, Industry Canada began work on the development of "PeopleSoft" for HRMIS (Human Resource Management Information System). CIPO's Human Resources Branch participated in the "fit" analysis and is inputting CIPO's data to maximize the use of the system in ways such as improving the "fit" between an organization's employees and the jobs that it needs to have carried out.

Complementing this project is CIPO's new succession planning program. It is a program called Interim Succession Information System (ISIS) which assesses available staff skills in relation to the qualifications needed for positions that become vacant. ISIS will also aid CIPO to identify its future training requirements.





# Product Outputs

## An Overview

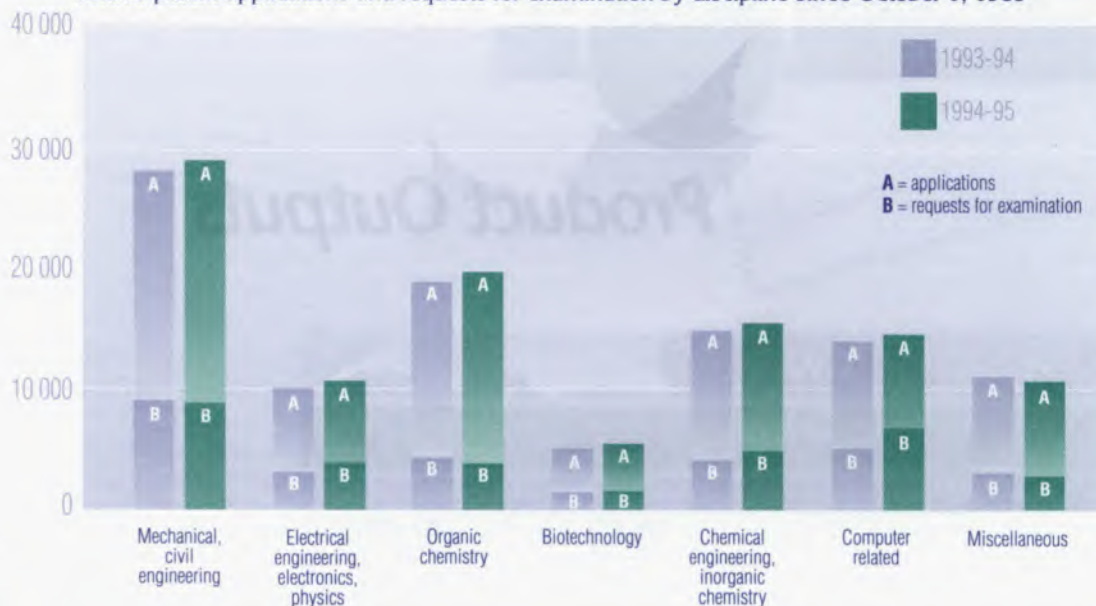
	1993-94	1994-95
<b>Applications filed</b>		
Patents	25 357	27 883
National	16 275	16 783
Patent Cooperation Treaty	9 082	11 100
Trade-marks	25 194	28 567
Industrial designs	2 395	2 661
Copyrights	9 949	9 735
Integrated circuit topographies	10	6
<b>Assignments recorded</b>		
Patents	32 634	37 701
Trade-marks	16 126	23 582
Industrial designs	587	566
Copyrights	822	1 064
<b>Inquiries processed</b>		
Patents	39 803	48 093
Trade-marks	23 254	22 265
Industrial designs	6 192	7 318
Copyrights	17 587	29 704
Integrated circuit topographies	67	54
<b>Grants/registrations</b>		
Patents	14 283	11 074
Trade-marks	15 878	15 961
Industrial designs	1 876	1 959
Copyrights	9 246	10 070
Integrated circuit topographies	9	4
<b>Renewals</b>		
Patent maintenance fees processed	101 713	121 120
Trade-marks	3 798	5 665
Industrial designs	922	1 157



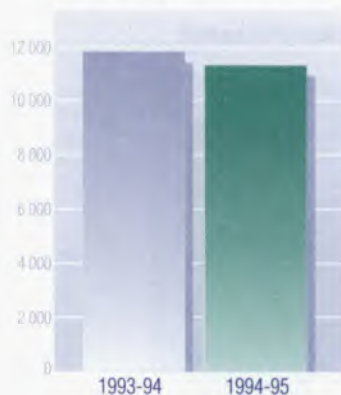


## Patents

Active patent applications and requests for examination by discipline since October 1, 1989



### Requests for examination



### Abandonments

	1993-94	1994-95
Regular	4 379	2 683
Non payment of maintenance fees	20 410	31 500
Applications abandoned (new act)	7 176	10 807
Patents about to lapse (old act)	4 905	7 596
Applications dead (new act)	4 646	7 466
Patents lapsed (old act)	3 683	5 631

## Trade-marks

	1993-94	1994-95
Registrations expunged	7 279	5 847
Amendments entered on the register	38 140	40 009

NOTE: Additional product line statistics are available from the Canadian Intellectual Property Office (CIPO), Industry Canada, Place du Portage, Phase I, 50 Victoria Street, 3rd Floor, Hull, Quebec K1A 0C9, (819) 953-5054, or by fax at (819) 953-7620.



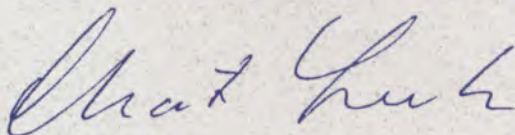
## Management Report

The accompanying financial statements of the Canadian Intellectual Property Office (CIPO) Revolving Fund have been prepared by the Canadian Intellectual Property Office 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 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 the Canadian Intellectual Property Office, 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, 1995 and the results of operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

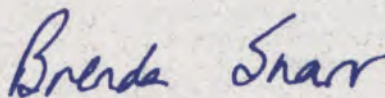
The Canadian Intellectual Property Office maintains internal controls designed to indicate accountability, provide assurance that assets are safeguarded and that reliable financial records are kept. Financial management and internal controls are augmented by the maintenance of internal audit programs. The functional responsibility for integrity and objectivity of these financial statements rests with the Canadian Intellectual Property Office 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.

A profit of \$13.5 million was made in this first year of operation of the CIPO Revolving Fund. Part of this profit, \$9.5 million, offsets the opening deficit consisting of liabilities in excess of assets, at inception of the Revolving Fund on April 1, 1994. The current year and any future year surpluses will be reinvested in accordance with the Business Plan to continue the automation of operations. In 1995-96, CIPO will be funding \$11 million for the TECHSOURCE patent automation project and \$1 million for the INTREPID trade-marks automation project.

Special Operating Agency status and the Revolving Fund have permitted CIPO to better manage operations, for example to plan on a longer-term basis and improve service to clients. Automation efforts will continue and over the next several years will result in the provision of easier access to intellectual property information in all parts of Canada.



Mart Leesti  
Commissioner of Patents and  
Registrar of Trade-marks



Brenda Snarr  
Director, Finance & Administration

August 25, 1995



## **Auditor's Report to the Deputy Minister Industry Canada**

We have audited the balance sheet of the Canadian Intellectual Property Office as at March 31, 1995 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.

Since this is our initial engagement as auditors of the Canadian Intellectual Property Office, we were not present at the physical inventory taking of patent and trade-marks work-in-process at the beginning of the fiscal year and we have not been able to satisfy ourselves as to the percentage of completion of work-in-process at that date by other auditing procedures. Accordingly, we were unable to determine whether adjustments to revenue for the year and opening deficit might be necessary.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to observe the physical inventory taking at the beginning of the fiscal year, as described in the preceding paragraph, the statements of operations and accumulated surplus and changes in financial position of the Canadian Intellectual Property Office for the year then ended in accordance with the accounting principles of the Government of Canada as described in Note 2. Further, in our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Canadian Intellectual Property Office as at March 31, 1995 in accordance with the accounting principles of the Government of Canada as described in Note 2.

*KPMG Peat Marwick Thorne*

KPMG Peat Marwick Thorne  
Chartered Accountants  
Ottawa, Canada

May 24, 1995



# **Canadian Intellectual Property Office Revolving Fund Balance Sheet**

As at March 31, 1995

(thousands of dollars)

## **Assets**

### **Current**

Petty cash	\$ 2
Accounts receivable	2,748
Unbilled revenue	<u>5,735</u>
	8,485

Capital assets (note 4) 69,294

Unbilled revenue 237

\$ 78,016

## **Liabilities**

### **Current**

Deposit accounts	\$ 86
Government of Canada payables	9,141
Outside party payables	3,687
Deferred revenue	<u>11,898</u>
	<u>24,812</u>

Employee termination accrual 238

Deferred revenue 7,394

7,632

Equity of Canada (note 3) 45,572

\$ 78,016

Contingencies (note 9)

The accompanying notes form an integral part of these financial statements.  
Comparative figures are not presented in the first year of operating the Revolving Fund.



**Canadian Intellectual Property Office  
Revolving Fund  
Statement of Operations**

For the year ended March 31, 1995

	(thousands of dollars)
Revenue	<u>\$ 44,769</u>
Salaries & benefits	23,565
Professional services	2,692
Accommodation	2,159
Materials & supplies	666
Information	575
Communications	506
Amortization	251
Freight & postage	232
Travel	213
Training	167
Repairs & maintenance	116
Rentals	<u>102</u>
	<u>31,244</u>
Net profit	<u>\$ 13,525</u>

**Canadian Intellectual Property Office  
Revolving Fund  
Statement of Accumulated Surplus**

For the year ended March 31, 1995

	(thousands of dollars)
Balance, April 1, 1994 Inception of Revolving Fund (note 3)	\$ (9,448)
Net profit for the year	<u>13,525</u>
Balance, end of year	<u>\$ 4,077</u>

The accompanying notes form an integral part of these financial statements.  
Comparative figures are not presented in the first year of operating the Revolving Fund.



**Canadian Intellectual Property Office  
Revolving Fund  
Statement of Changes in Financial Position**

For the year ended March 31, 1995

(thousands of dollars)

Operating activities	
Net income	\$ 13,525
Add: Amortization	<u>251</u>
	<u>13,776</u>
Changes in current assets and liabilities (note 6)	<u>12,406</u>
Changes in other assets and liabilities	
Unbilled revenue	(25)
Employee termination	238
Deferred revenue	<u>(107)</u>
	<u>106</u>
Net financial resources provided by operating activities	<u>26,288</u>
Investing activities	
Capital assets	
Acquired	(7,850)
Contributed	<u>(27,491)</u>
Net financial resources (used) by investing activities	<u>(35,341)</u>
Financing activities	
Contributed capital	<u>27,491</u>
Net financial resources provided and change in the accumulated net charge against the Fund's authority account, during the year	18,438
Accumulated net charge against the Fund's authority account, beginning of year	<u>0</u>
Accumulated net charge against the Fund's authority account, end of year (note 3)	<u>\$ 18,438</u>

The accompanying notes form an integral part of these financial statements.  
Comparative figures are not presented in the first year of operating the Revolving Fund.



## **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 with an authorized limit of \$25,000,000. 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 and 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, beginning in 1995-96
Systems, under development	estimated useful life, beginning in 1996-97



### **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, 1995, the Treasury Board liability for CIPO employees is \$5.4 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 will be funded by Treasury Board. This amount is included in accounts receivable and vacation pay accrual. 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 (\$000s)**

Equity of Canada is comprised of the following:

Accumulated net charge against the Fund's authority	\$ (18,438)
Contributed capital	59,933
Accumulated surplus	<u>4,077</u>
	\$ 45,572

### **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 costs of development of the TECHSOURCE automation project was contributed to the Fund on April 1, 1994 and has been recorded as a capital asset (note 4) and contributed capital. Funds spent in 1994-95 are recorded similarly. It is the intention of CIPO to amortize contributed capital to accumulated surplus/(deficits) once the project is in use.

### Accumulated surplus

Balance, April 1, 1994 Inception of Revolving Fund	\$ (9,448)
Net profit for the year	<u>13,525</u>
Balance, end of year	<u>\$ 4,077</u>

On April 1, 1994 the Crown established the Fund by transferring the following assets and deferred revenue to the Fund at their carrying value at that time:

Capital assets	\$ 823
Systems under development	939
Unbilled revenue	6,888
Deferred revenue	<u>(18,098)</u>
Balance, inception of the Fund	<u>\$ (9,448)</u>

## 4. Capital Assets and Accumulated Amortization (\$000s)

	Cost* 1/4/94	Acquisitions	Cost 31/3/95	Amortization	Net Carrying Value
Leasehold improvements		3,654	3,654		3,654
Software	56	107	163	20	143
Hardware	728	547	1,275	228	1,047
Equipment	33	8	41	2	39
Furniture	6	94	100	1	99
Systems under development					
TECHSOURCE	32,442	29,834	62,276		62,276
INTREPID	<u>939</u>	<u>1,097</u>	<u>2,036</u>		<u>2,036</u>
Total	<u>34,204</u>	<u>35,341</u>	<u>69,545</u>	<u>251</u>	<u>69,294</u>

\* Net carrying (book) value of assets at time of acquisition from Government



Of the systems under development balance, \$59,933,000 relates to departmental appropriated funds for the TECHSOURCE patent automation project. These are accounted for as contributed capital.

## **5. Contractual Obligations**

CIPO has contracted IBM Canada to produce a turn-key patent automation system by 1995-96, the final year of the contract. Amounts (\$000s) committed in 1995-96 comprise:

Prime contract	\$ 6,933
On-going facilities maintenance	2,777
Additional backfile conversion	<u>385</u>
	<u>\$10,095</u>

## **6. Changes in Working Capital (\$000s)**

Components of the change in working capital include:

Petty cash	\$ (2)
Accounts receivable	(2,748)
Unbilled revenue	941
Deposit accounts	86
Accounts payable	12,828
Deferred revenue	<u>1,301</u>
	<u>\$12,406</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.