



**THE INTELLECTUAL PROPERTY INSTITUTE**  
**(A company limited by guarantee)**

**REPORT AND ACCOUNTS**

**31 March 2006**



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**The Intellectual Property Institute  
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**Status**

The organisation is a charitable company limited by guarantee, incorporated on 22 April 1981 and registered as a charity on 30 September 1981.

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. Under those Articles, one third of the governors (those longest in office since their last election or appointment) retire from office - and are eligible for re-election - at each AGM.

**Governors**

Mr Ian Harvey, Chairman  
Mr Henry Carr QC  
Mr Christopher Morcom  
Mr Simon Olswang  
Mr David Roberts  
Dr Stephen Smith  
Professor David Vaver

**Secretary**

Dr Paul Leonard

**Registered office**

1st Floor, 36 Great Russell Street  
London WC1B 3QB

**Reporting accountants**

Richard Hewson & Co  
Chartered Accountants  
21 Corner Green  
Blackheath  
London SE3 9JJ

**Solicitors**

Denton Wilde Sapte  
5 Chancery Lane  
Cliffords Inn  
London EC4A 1BU

**Charity Registration Number**

283150

The governors present their report and the financial statements for the year ended 31 March 2006.

## CHAIRMAN'S STATEMENT

This year has been one of consolidation, reflection and change. Several years ago we decided that we needed to rebuild the research activity of the Institute by using our own resources to initiate and, in some cases, fund new lines of research guided by the Director's new Research Landscapes. Once these research projects began to produce high quality research papers we decided that we could then reach out to broaden our membership – but that we would need to reduce our associate membership fees accordingly from £15,000 pa to £4,000 pa. Our major associate members were generous enough to continue paying at the old rate to cover the transition period, which ended last year.

So this last year has been one of increasing research output and a continued drive for new members. We have nearly doubled the number of associate members. This year has, we hope, been the financial low point of the IPI with new members continuing to join. Attracting new members and resources through the quality and relevance of our work remains a top priority.

In parallel with the Director's research review, the Board, with input from Council and other members, has reviewed the governance of the IPI. We have concluded that the role of the Board should primarily be in discussing, agreeing, advising and monitoring the IPI's strategy plan and its implementation. To make this process more effective we also concluded that the Council of experts should be chaired by the Director who will now be the primary link between Council and the Board. In line with current good governance standards we concluded that Board members should be appointed for not more than two three year terms and would be expected to attend most Board meetings. These changes took effect from the AGM held on 18 October 2006.

Stepping down at that AGM was Christopher Morcom and Michael Flint, David Roberts and his alternate David Rosenberg. Simon Olswang stepped down earlier this year. I would like to thank each of them for the support and wisdom they have provided to the Institute over the years.

I believe that the Institute is now very well placed to make a major contribution to its members and to policy makers through the programmes set in place by the Director. Without his energy and commitment we would not be at the takeoff point that I believe we have now reached.

Ian Harvey

## Objects and principal activity of the charity

The charity's object and its principal activity continue to be to promote a greater understanding of education in and research into all legal, social, economic and other matters relating to or connected with the creation, protection, use and exploitation of intellectual property rights throughout the world. The Intellectual Property Institute does this by liaising with its membership and externally to generate a timely and authoritative package of objective research, the results of which are published usually through our own publications. Research findings are also used to inform decision-making bodies in the UK, the EU and overseas. The IP Institute has strong links with related research establishments.

## Results

The statement of financial activities shows a deficit for the year of £2,304. Income was up by £42,291 on the previous year due to a large donation, a 2005 subscription being paid extremely late, an increase in publication sales and seminars and income generated by the research projects. Expenditure was up by £32,323 due mainly to spending on the research projects, increased expenditure on the publications and seminars and the costs of producing DVDs of our seminars for the first time.

## DIRECTOR'S REVIEW

### Report on activities for the year ended 31 March 2006

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

### Research

Throughout the year, Dr Robert Pitkethly of the Said Business School has been working on behalf of the Institute on a project for the UK Patent Office gauging levels of **IP Awareness** among SMEs. The work emerged from recommendations emanating from the Government Innovation Review.

Also commissioned by the Patent Office was work carried out by the Institute on **artists' resale rights**, examining the economic consequences of introducing a droit de suite in the UK. Prof. Stefan Szymanski and Dr Kathryn Graddy (of the Tanaka Business School and Oxford University, respectively) delivered an excellent analysis which we plan to take further in the year ahead.

We published work by two young researchers at Queen Mary, London (Aditya Nagarsheth and Rajesh Sagar) on **employee inventions**. The work scopes current provisions for protecting employee inventions across a number of jurisdictions, with specific recommendations for policy in India.

The Institute responded to concerns from the pharmaceutical industry over moves in India potentially **limiting the patentability of pharmaceutical inventions and micro-organisms**. The Institute carried out an analysis (by Dr Shamnad Basheer) of the TRIPs compatibility of providing for such limitations, and submitted the findings to the Indian government. Dr Basheer has also carried out an analysis of provisions for the **protection of regulatory data** under Article 39.3 of TRIPs.

The Institute has developed its relationship with the Trade Marks, Patents and Designs Federation (TMPDF), responding to their concerns over **address for service** provisions throughout the EU. The Institute published an analysis of the current situation carried out by Daniel Burkitt, Oxford University.

Following the Institute's analysis of UK law and practice concerning patents for genetic sequences, we have published an analysis of the **experimental use exception** for patents, work carried out by Trevor Cook of Bird & Bird. Trevor's paper is the most authoritative and detailed study of its kind currently available on this important topic.

Following the Gowers Review of intellectual property, the Institute has instigated work examining the current effect of **supplementary protection certificates** for pharmaceutical inventions. This work was undertaken by Dr Duncan Curley of McDermott, Will & Emery.

Finally, our China Programme Manager, Dr Victoria Wang, has spurred a range of research projects examining the situation regarding IP protection and enforcement in this increasingly important economy. The Institute plans to provide insight into which countries and sectors are most active in IP-dependent business in China, which technology areas are most significant, how successful companies are at protecting their IP through the courts, and other metrics which will serve to enlighten companies and policy makers about the true situation regarding **IP protection in China**.

The Chairman published an article in the Financial Times on the misconceptions about IP in China. This was expanded into a more extensive briefing note and has been the basis of many presentations to business and policy-makers. The Institute is now organising a UK conference on IP in China and will be running IP training seminars in China for senior Chinese executives. To fund these seminars the Institute has received a grant of £100,000 from the Global Opportunities Fund of the UK Foreign Office, matched by funding from the Development Research Centre of the State Council of the Peoples' Republic of China and member companies including BP, AstraZeneca and GSK.

## Events

In March we held an outstanding **IP Forum event**, held at the Said Business School, Oxford, in association with the Oxford IP Research Centre. A very high calibre set of speakers addressed a number of important contemporary issues of **IP and competition law**.

In April, the Institute was proud to be associated with what has become a major event in the IP calendar: the **Annual International IP Mooting Competition**, held at St Peter's College, Oxford. As ever, David Vaver and his team of organisers pulled off a wonderful event, with the University of Birmingham seeing off the University of Sheffield to win the final.

June saw the annual **BLACA / IPI** joint seminar event, tackling the issue; "**Oakley vs. Animal: has the train of European legislation been derailed?**" Bird & Bird kindly hosted an excellent event.

In September we held a seminar on **IP Valuation** Hosted by McDermott Will & Emery, looking at the specific case concerning the Eden Project. The event gave great insight on successful valuation techniques in complex legal disputes.

Also in September, we held a seminar entitled "**Intellectual Property - the Commercial Reality for SMEs**" at the Institute for Child Health in London. The event was the first to be made available on a high quality DVD recording from the Institute for those unable to attend on the day.

In November, William Rooklidge, President of the AIPLA, delivered the **2005 Stephen Stewart Memorial Lecture**: "Reform of the Patent Laws: the US Experience in Forging Legislation from Disparate Interests". Hosted, as ever, by Slaughter and May, and chaired by our Vice-President, Sir Hugh Laddie, the lecture was extremely well received.

In January 2006 the Patent Office hosted an IPI seminar addressing "**The Measurement and Valuation of Intangible Assets in the Service Sector**". Chaired by Liz Coleman of the Patent Office, with speakers Christine Greenhalgh and Mark Rogers of the Oxford Intellectual Property Research Centre.

Finally, in March 2006 we held a seminar hosted by Addleshaw Goddard on the "**Database Right: Implications of the ECJ and Court of Appeal Judgments in British Horseracing Board v William Hill Case**" Hamish Porter was our speaker and the event superbly chaired by Catriona Smith of Allen & Overy.

The Institute's programme of events goes from strength to strength thanks to the efforts of Richard Howe, our Associate Director and, of course, our Administrator, Anne Goldstein. We are indebted to our member firms for providing us with venues and facilities at little or no cost to the Institute. Without this goodwill, we would not be able to sustain such a high quality programme.

### **People and new members**

This year we were very lucky to be able to appoint **Dr Victoria Wang** our Programme Manager for China. Working closely with Ian Harvey, our Chairman, Victoria has developed an outstanding programme of work in China and the UK, developing extensive and effective links with Chinese businesses, universities and government departments. Thus she has also arranged a series of meetings with key players in China for one of our major associate members.

We are, as ever, indebted to **Dr Margaret Llewelyn** of Sheffield University who continues to edit the IP Quarterly with such finesse.

The first IP Institute research scholar, **Tanja Suessenbach**, completed her research project on legal, technical and business solutions to problems facing copyright dependent businesses in the digital age. We wish Tanja every success for the future.

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

*BAT*

*Haseltine Lake*

*IBM*

*Marks & Clerk*

*Nestec*

*Rouse Legal (Willoughby & Partners)*

We will look forward to welcoming more new members in the coming year as we seek to expand our membership and widen our pool of expertise in all areas of IP.

### **Director's Assessment of Performance for the Year**

I believe that this year we have carried out an outstanding body of work on behalf of our members, covering a wide range of research activities and continuing to build on our events programme. We have managed to increase our overall financial resources this year, and to reduce our net loss.

This year we undertook a major internal strategy review to address the Institute's role and way of working with particular reference to each of its stakeholding communities. The review was prompted by an increasingly urgent need to address the funding situation for the Institute, over the short and longer terms. The review has provided focus and clarity for the way ahead and I look forward to reporting on new, positive developments in next year's Annual Report as we reap the harvest from the seeds sown this year.

Apart from funding, the major issues addressed under the review were how to improve communications between the Institute and its members/stakeholders, and to address the governance of the Institute, which has not been examined for some time. On the former, we plan to upgrade both the website and the quality of communications. The latter is covered in the Chairman's Statement.

The UK government is also in the process of reviewing a range of IP-related issues under the initiative spearheaded by Andrew Gowers. The Institute has contributed to the Gowers Review stressing the need for the kind of independent research into the social and economic effects of IP law and regulation that we are set up to deliver. I sincerely hope that this new focus from government will provide an avenue for the Institute to make a more direct input into the high quality independent research and data gathering which should underpin policy-making in this area. The IPI is a unique and independent bridge between law, economics and business.



The Institute continues to achieve much on very scarce resources. Our strength lies in the goodwill of our members, their expertise and willingness to give time and energy to our efforts. I am grateful to all those who have helped make this year so successful, especially our Chairman, President, Board and Council members and, of course, the Institute's staff who continue to work tirelessly and with great humour on the Institute's behalf.



Dr P A Leonard  
Director

### **Reserves Policy**

The Institute does not have a formal reserves policy which has been discussed and agreed by the governors. However, the management of the Institute recognises the need to maintain an appropriate level of reserve financial resource, with a minimum level equivalent to 3 months' operations (currently £35,000, excluding funded research). At the year end, 31 March 2006, the Institute's free reserves were £39,305 (not including fixed assets). For the coming year, we intend that future research costs will continue to be fully funded.

### **Governors and Trustees**

The governors, who are also trustees of the charity, are members of the Executive Committee and all work on a voluntary basis.

The names of the governors are listed on page 1.

### **Governors' Responsibilities**

Company law requires the governors to prepare financial statements for each financial year which give a true and fair view of the state of the charitable company's affairs at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements the governors should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue on that basis; and
- state whether the financial Reporting Standard for Smaller Entities has been followed, subject to any material departures disclosed and explained in the financial statements.

The governors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

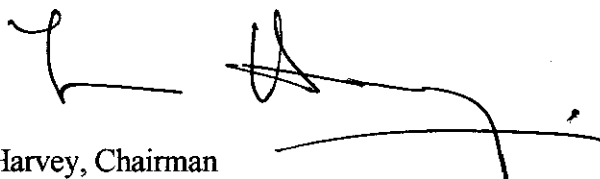
### **Reporting Accountants**

Richard Hewson & Co., Chartered Accountants, have indicated that they are willing to be reappointed at the forthcoming annual general meeting.

### **Exemption Statement**

For the financial year ended 31 March 2006, the company was entitled to exemption from audit under Section 249A(2) of the Companies Act 1985. Under Section 249B(2) each member of the company may give notice requiring the financial statements to be audited. The notice should be in writing and should be given at the Registered Office at least one month before the end of the financial year in question.

By Order of the Board,



Mr Ian Harvey, Chairman  
7 November 2006

**Accountants' report to the members  
on the unaudited financial statements of  
The Intellectual Property Institute**

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We report on the financial statements for the year ended 31 March 2006 set out on pages 10 to 16.

**Respective responsibilities of governors and reporting accountants**

As described on page 8 the company's governors are responsible for the preparation of the financial statements, and they consider that the company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

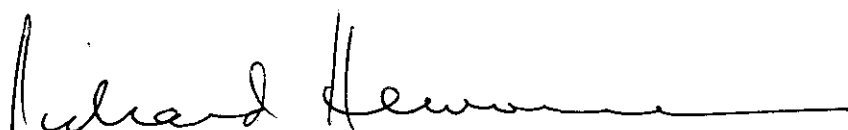
**Basis of opinion**

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the financial statements with the accounting records kept by the company, and making such limited enquiries of the officers of the company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

**Opinion**

In our opinion:

- (a) the financial statements are in agreement with the accounting records kept by the company under Section 221 of the Companies Act 1985;
- (b) having regard only to, and on the basis of, the information contained in those accounting records:
  - (i) the financial statements have been drawn up in a manner consistent with the accounting requirements specified in Section 249C(6) of the Act; and
  - (ii) the company satisfied the conditions for exemption from an audit of the financial statements for the year as specified in Section 249A(4) of the Act and did not, at any time within that year, fall within any of the categories of companies not entitled to the exemption specified in Section 249B(1).



**Richard Hewson & Co.**  
Chartered Accountants  
Reporting Accountants

21 Corner Green  
Blackheath  
London SE3 9JJ

7 November 2006

**The Intellectual Property Institute**  
**Statement of financial activities (including Income and Expenditure Account)**  
**for the year ended 31 March 2006**

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	Notes	Unrestricted Funds 2006 £	2005 £
<b>Incoming resources</b>			
Voluntary income - donations and subscriptions		128,153	108,721
Incoming resources from charitable activities	2	63,426	40,511
Investment income – bank interest		361	812
Other incoming resources		<u>395</u>	<u>-</u>
<b>Total incoming resources</b>		<u>192,335</u>	<u>150,044</u>
<b>Resources expended</b>			
Charitable activities	3	176,566	145,484
Governance costs	3	<u>18,073</u>	<u>16,832</u>
<b>Total resources expended</b>		<u>(194,639)</u>	<u>(162,316)</u>
<b>Net (resources expended)</b> <b>- net (deficit) for the year</b>	4	(2,304)	(12,272)
<b>Total funds at 1 April 2005</b>		<u>44,835</u>	<u>57,107</u>
<b>Total funds at 31 March 2006</b>		<u>£42,531</u>	<u>£44,835</u>

*The notes on pages 12 to 16 form part of these financial statements*

**The Intellectual Property Institute**  
**Balance Sheet**  
**31 March 2006**



	Notes		Unrestricted funds		
		£	2006 £	£	2005 £
<b>Fixed assets</b>					
Tangible fixed assets	7		3,226		4,300
<b>Current assets</b>					
Debtors	8	41,053		24,296	
Cash at bank and in hand		<u>22,963</u>		<u>33,257</u>	
Total current assets		64,016		57,553	
<b>Creditors</b>					
Amounts falling due within one year	9	<u>(24,711)</u>		<u>(17,018)</u>	
<b>Net current assets</b>			<u>39,305</u>		<u>40,535</u>
<b>Net assets</b>			<u>£42,531</u>		<u>£44,835</u>
Unrestricted funds			<u>42,531</u>		<u>44,835</u>
<b>Total funds</b>			<u>£42,531</u>		<u>£44,835</u>

The governors have taken advantage of the exemption conferred by Section 249A(2) not to have these financial statements audited and confirm that no notice has been deposited under Section 249B(2) of the Companies Act 1985.

The governors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 March 2006 and of its result for the year then ended in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

The financial statements were approved by the Board of Governors on 7 November 2006 and signed on its behalf:

Mr Ian Harvey, Chairman

*The notes on pages 12 to 16 form part of these financial statements*

**1 Accounting policies**

- (a) The financial statements have been prepared under the historical cost convention, in accordance with the Financial Reporting Standard for Smaller Entities and the Companies Act 1985 and “Accounting and Reporting by Charities : Statement of Recommended Practice (SORP 2005)”.
- (b) Voluntary income is received by way of donations and subscriptions and is included in full in the Statement of Financial Activities when receivable. The value of services provided by volunteers has not been included.
- (c) Incoming resources from charitable activities and in respect of bank interest are included when receivable.
- (d) Resources expended are recognised in the period in which they are incurred and include attributable VAT which cannot be recovered.  
Salary costs have been attributed as follows:  
Charitable activities – 90%  
Governance costs (see also note 3) – 10%
- (e) Rentals payable under operating leases are charged on a time basis over the lease term.
- (f) Depreciation is calculated to write off the cost of each tangible fixed asset at 25% per annum by the reducing balance method.
- (g) Liabilities are recognised as soon as there is a legal or constructive obligation to pay our resources.
- (h) Unrestricted funds are donations, subscriptions and other income resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

**2 Incoming resources from charitable activities (all unrestricted)**

	2006	2005
	£	£
Research and study projects	47,600	30,375
Conference and seminars	3,095	1,380
DVD sales	72	-
Publications and sales	12,659	8,756
	£63,426	£40,511

**3 Total resources expended**

	Charitable activities £	Governance costs £	2006 Total £	2005 Total £
Conferences and seminars	8,276	-	8,276	2,177
Research and study costs	35,265	-	35,265	14,193
Publication expenses	6,334	-	6,334	5,212
DVD costs	1,750	-	1,750	-
Staff costs (note 5)	92,555	10,284	102,839	100,874
Rent and rates	19,730	-	19,730	19,737
Insurance	508	-	508	505
Repairs and maintenance	346	-	346	342
Other premises expenses	521	-	521	457
Telephone, fax and internet	2,288	-	2,288	2,185
Postage, printing and stationery	2,859	-	2,859	4,073
Sundry expenses	300	-	300	332
Travel and subsistence	2,836	-	2,836	3,706
Legal and professional	-	15	15	15
Reporting accountants' fees	-	800	800	800
Bookkeeping	-	6,529	6,529	5,770
Office equipment depreciation	1,074	-	1,074	1,434
Bank charges	-	195	195	159
Subscriptions	374	-	374	345
Sponsorship	250	-	250	-
Scholarship	1,000	-	1,000	-
CPD points course	300	-	300	-
Marketing	-	250	250	-
	<u>£176,566</u>	<u>£18,073</u>	<u>£194,639</u>	<u>£162,316</u>

**The Intellectual Property Institute**  
**Notes to the financial statements**  
**31 March 2006**

	2006	2005
	£	£
<b>4 Net (resources expended) for the year</b>		
This is stated after charging/(crediting):		
Bank deposit interest	(361)	(812)
Reporting accountants' fees	800	800
Depreciation of fixed assets	<u>1,074</u>	<u>1,434</u>

**5 Staff costs**

Staff costs during the year were as follows:

Wages and salaries	92,260	90,503
Social security costs	<u>10,579</u>	<u>10,371</u>
	<u>£102,839</u>	<u>£100,874</u>

One employee received emoluments in the range of £70,001 - £80,000 during the year (2005 - 1 in the range of £70,001 - £80,000).

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

	2006	2005
	No.	No.
In charitable activities	1	1
In governance	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

**6 Taxation**

The company is exempt from corporation tax on its charitable activities.



<b>7</b>	<b>Tangible fixed assets</b>	Office equipment £	
	<b>Cost</b>		
	At 1 April 2005	31,291	
	Additions	<u>-</u>	
	At 31 March 2006	<u>31,291</u>	
	<b>Depreciation</b>		
	At 1 April 2005	26,991	
	Charge for year	<u>1,074</u>	
	At 31 March 2006	<u>28,065</u>	
	<b>Net book values</b>		
	At 31 March 2006	<u>£3,226</u>	
	At 31 March 2005	<u>£4,300</u>	
		<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
<b>8</b>	<b>Debtors</b>		
	Trade debtors	37,976	23,268
	Other debtors and prepayments	<u>3,077</u>	<u>1,028</u>
		<u>£41,053</u>	<u>£24,296</u>
<b>9</b>	<b>Creditors: amounts falling due within one year</b>		
	Trade creditors	20,903	11,882
	Other creditors and accruals	<u>3,808</u>	<u>5,136</u>
		<u>£24,711</u>	<u>£17,018</u>

**10 Commitment under operating lease**

The company is committed to make rental payments of £19,000 next year under an operating lease on its premises which expires after more than five years.

**11 Transactions with governors**

The company received a donation of £10,000 from Mr Ian Harvey during the year to enable the company to start the China project. There were no other transactions with or for governors during the year.

**12 Liability of members**

As the company is limited by guarantee (having no share capital) every member is liable to contribute a sum not exceeding £1 in the event of the company being wound up, in accordance with the Memorandum and Articles of Association. At 31 March 2006 there were 8 members (2005 - 10).