

Editor's Welcome

Intellectual Asset Protection and Financing in the Age of Information

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Intellectual Property (IP) is a powerful agent of economic growth, job creation, and human technological and cultural progress. Harvey Firestone, founder of one of the first global makers of automobile tires, Firestone Tire and Rubber Company, believed that: "Capital isn't so important in business. Experience isn't so important. You can get both these things. What is important is ideas. If you have ideas, you have the main asset you need, and there isn't any limit to what you can do with your business and your life." Firestone started his company, making rubber tires for carriages, in 1890, just a few years after the importance of intellectual property rights was first recognized in the 1883 Paris Convention for the Protection of Industrial Property.

In today's competitive and data-driven business environment, the importance of IP is higher than ever. While IP databases and existing patents can provide information about current technological advancements to avoid wasteful investment in R&D, IP rights serve as barriers to entry for competitors, help to establish the reputation of a business, and enhance company value through IP asset valuation, thereby increasing access to additional sources of financing and enabling further innovation.

Although the benefits of IP rights are lucrative, companies face the challenge of balancing the value of IP protection against the costs and resources that are required for the application process itself. However, many companies are not aware that there are numerous similarities between the filing process for IP and the submission processes for the Scientific Research and Experimental Development (SR&ED) program and the National Research Council Industrial Research Assistance Program (NRC-IRAP), and these overlaps can be leveraged to lower the costs of continuous innovation.

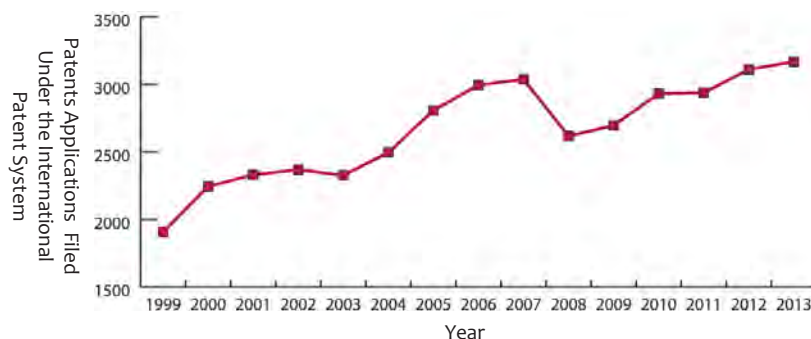
NorthBridge Consultants has partnered with a prominent IP firm in order to help you obtain intellectual property (IP) protection in conjunction with submitting your SR&ED/IRAP claims. This will allow us to help you optimize your returns across all funding programs, centralize compliance for R&D and IP protection, secure IP before it becomes public domain, and reduce R&D costs such as labour and fees, while significantly decreasing application costs and processing time.

IP/Patent Statistics

Canada

- Canada has the 12th highest rate of patents granted in the world.
- Canada is responsible for 1.1% of patents filed in Europe, Japan, and the United States, and around 4% of the world's scientific journal articles.
- Canadian industry patents are cited in other patents about 20% more than the world average.

Patents Filed by Canadian Inventors



Protecting Assets and Increasing Company Value

In order to compete in the age of information, globalization, and trade liberalization, even companies competing exclusively in domestic markets must become internationally competitive. This requires businesses to make significant investments in R&D and innovation, new technology and machinery, improved practises, and marketing of their product or services in order to increase efficiency, cut costs, and enhance their reputations in the long term.

Attaining Intellectual Property (IP) rights meaningfully reduces the risk of innovation by effectively protecting valuable investments which your company has made to remain competitive.

What is a Patent?

A Patent is a set of exclusive IP rights granted by a sovereign state to an inventor or assignee for a limited period of time in exchange for detailed public disclosure of an invention.

An invention refers to any product or process that provides a new way of doing something, or that offers a new technical solution to a problem. This includes a process or method, a machine (and technology to be used on machines), a manufactured article, a new composition, or an improvement to any of these. In fact, most patents are acquired for incremental improvements in known technology.



Why Should I Obtain a Patent?

IP is a critical intangible asset in today's knowledge-based economy that can be harvested in a variety of ways to financially strengthen businesses of all sizes and in many industries on an ongoing basis.

For smaller businesses, securing a patent can increase company valuation, which you can then leverage to attain further sources of funding from financial institutions, private investors and government agencies. As such, patent ownership is of particular value to startups as it provides a strong indication of future success for VC investors. Research has repeatedly shown that patent ownership increases the probability of success for a startup, prior to and following venture capital investments, especially in the software and biotechnology sectors. Acquiring a patent allows startups to obtain exclusive rights over their invention, strengthen their market position, receive higher returns on their investments, increase their negotiating power, and create a positive image for their enterprise, in addition to providing an opportunity to license or sell the investment.

Likewise, new and improved products and services that are developed by larger companies can be patented and commercialized, patented and sold or licensed, or the inventive process can be kept secret while the product is commercialized. All of these forms of IP protection and management can substantially increase your bottom line.

Key manufacturing processes and methods that are necessary to make a product or to reduce its cost can provide competitive business advantages even when the product itself is not patentable. In addition, business-method patents can protect unique or novel ways of conducting business as exemplified by the build-to-order business model developed by Dell, which dramatically reduced the cost of delivery to customers. Furthermore, patents can also provide increased revenues from license fees, which require little overhead while contributing significantly to a company's bottom line.

For businesses of all sizes, IP protection facilitates continued investments in innovation by providing an innovation-based advantage and new market territory that is free of competition, for the length of the patent.

Reducing the Cost of Innovation

The main reasons that large and small companies in various industries cite for not investing in IP protection are the high costs and complexity of the patent system.

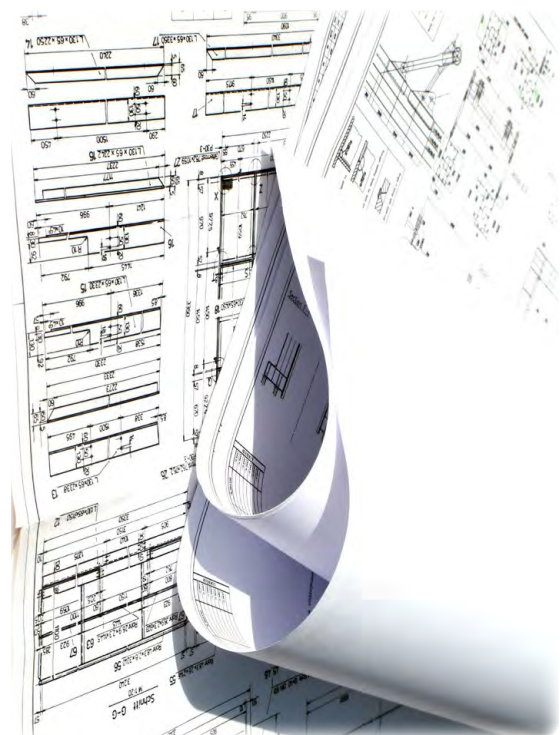
However, contrary to common belief, IP protection does not have to be prohibitively expensive. Many companies are not aware of the numerous similarities that exist between the SR&ED tax credit, IRAP, and IP patent application filing processes.

IP and SR&ED

SR&ED-eligible projects must be focused on overcoming a technological uncertainty in a viable field of study and they thus meet the novelty criteria that is required for patents since this uncertainty means that there must be a question without an established answer. Similarly, SR&ED-eligible systematic investigation performed by companies also meets patentability requirements for inventiveness since the investigation is performed to confirm or reject a specific hypothesis. Lastly, the SR&ED program requirement that the experimentation performed advances the technological base such that it can be applied in future experimentation parallels patentability requirements for utility of the invention with industrial applications.

Redrafting your SR&ED narrative to file a low-cost provisional patent application can provide you with one year of protection, meaning that your invention cannot be commercially made, used, distributed, or sold without your consent. You can decide at any time during this one year period to pursue a full patent.

By exploiting these synergies between IP and SR&ED, companies can save significant time and resources and maximize the commercial value of their invention.



"Patent Box"

A "patent box" incentivises the commercialization of innovation by significantly lowering the taxation rate of income related to intellectual property (IP) compared to rates for regular business income. Such preferential treatment is meant to provide companies with a strong motivation to commercialize innovations in their local jurisdiction. Currently, Belgium, China, France, Hungary, Liechtenstein, Luxembourg, the Netherlands, Spain, Switzerland, and the United Kingdom have implemented forms of patent box regimes. In Canada, the provinces of Québec and British Columbia currently offer special tax treatment for patent income.

Debate and discussion is currently ongoing about a federal implementation of this tax policy instrument, but nothing has been implemented to date. Implementation of a Canadian patent box would signal that Canada is an attractive location for commercializing R&D. The tax incentives available for the proposed tax box regime, were it to be implemented federally, would significantly accentuate the importance of intellectual property protection.

Please note that SR&ED and Patent Box are 2 different concepts, which address 2 different stages of the innovation cycle. SR&ED addresses early-stage research and experimental development, whereas a Patent Box incentivises the later-stage commercialization of the research and development activities. To increase Canadian innovation, both stages of the innovation cycle should be invested in.



Enhancing Company Reputation



In addition to protecting valuable company investments, IP rights also provide companies with the brand notoriety needed to establish a strong and loyal consumer base, with enduring innovations attaining the stature of household brand names.

Intellectual property rights can therefore drastically help companies access, maintain and grow their market share through brand loyalty by ensuring product authenticity and the level of quality that consumers expect and markets rely on.

Strong and enforced IP rights inform and protect consumers by helping them make educated choices about the safety, reliability, and effectiveness of their purchases. When competitors are blocked by IP rights, it means they cannot copy your product and flood the market with copy-cat knock-offs or products that are almost identical to, but may not provide the same quality or value as, the original product.

This also means that competitors must figure out new and creative ways to compete in the market, spurring further innovation and enriching the global collective body of technical knowledge, thus promoting further creativity and innovation. Patents, therefore, provide not only protection for their owners and consumers, but also contribute valuable information for future researchers and inventors, which is important to businesses and consumers alike. In fact, a global poll conducted by TIME magazine found that 90% of consumers worldwide believe that patents are necessary to promote invention. This belief is rooted in the recognition that a patent represents a rule-of-law promise that for a limited time, the inventor has ownership of the invention that they have worked hard to create.

These inventions can improve our lives in many ways by making tasks easier, providing us entertainment, improving our understanding of the world, or saving lives. By providing inventors the security to share their invention with the rest of the world, IP rights drive technological development, thus benefiting businesses and consumers and pushing mankind forward.



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