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FUTURE OF CANADA CENTRE



Deloitte Sovereignty Series No 1

Maximum IP

Owning Canada's ideas in the pursuit of sovereignty

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Executive summary

In a world where technological leadership increasingly determines economic and geopolitical power, Canada is failing to capture the full value of its intellectual property (IP).

15th Canada's global rank for innovation **inputs**[1]

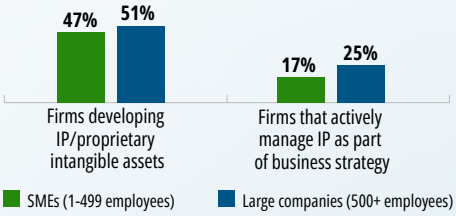
18th Canada's global rank for innovation **outputs**[1]

56% of Canadian-invented patents are transferred to foreign entities[2]

USD 8.97 bn **more** paid for foreign IP than earned from Canadian IP in 2024[3]

To understand where value is being lost, we start inside Canada's businesses, where **60%** of Canada's R&D activity is conducted and where **52%** of Canada's R&D investment comes from.[4] Drawing on a proprietary national survey of **650 Canadian firms**, complemented by **14 follow-up interviews**, we identified **three key points of value leakage**.

1. Value unrecognized



In companies that consider IP relevant or significant to their business model, two factors explain most of the visible gap.

The first is **attention**.

< 30% of SMEs and large companies treat capturing value from IP as a **high priority**[5]

The second is **capability**.

4 in 10 SMEs cited funding constraints and the cost and complexity of IP protection as **significant barriers**[5]

2. Value unrealized

Innovation produces an **asset**. It does not produce a **buyer**.

16% **of SMEs** reported clear pathways for turning innovation into a business asset[5]

28% **of large companies** reported clear pathways for turning innovation into a business asset[5]

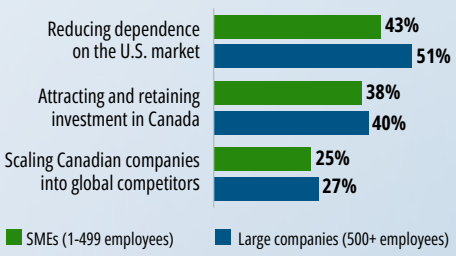
Clearing the commercialization threshold

- Does the asset solve a problem that matters?
- Is the asset genuinely different?
- Do the economics justify the next dollar of investment?

3. Value ceded

Scaling in Canada remains a challenge

Where business leaders see the biggest gaps between ambition and execution



Activity stays, value migrates

Canadian firms face critical pressures that push them to scale abroad.

Canada keeps the jobs, the labs, the day-to-day work → Others capture the value

The loss at this stage is easy to miss precisely because so much appears to stay in place.

Canada has a lot of ground to recover and must do so now. We propose a dual-track action plan, combining a Business Playbook for Canadian IP and a Sovereignty Compact for Canadian IP to align firm-level action with the ecosystem conditions needed to commercialize, scale, and retain innovation-driven value in Canada.

The business playbook for Canadian IP

Make IP a strategic leadership choice
Businesses should treat IP literacy as an essential requirement for decision-makers, on par with financial literacy.

Configure the business to deliver its IP strategy
Managing IP needs to become an ordinary business function, with clear ownership, board oversight, and a strong connection to strategy.

Make intellectual assets visible in financing decisions
Businesses should estimate the economic cost of non-monetary conditions attached to growth capital.

Use shared IP to strengthen firms as they scale
Participate in collective arrangements where the assets required to compete effectively extend beyond what any one firm can reasonably develop or acquire.

56% of SMEs

42% of large companies

report little or no licensing, royalty, or sales income

> **"We must equip Canadian innovative ventures with the tools to effectively identify and strategically manage valuable IP. It will require a cultural change and a cultural shift that comes with not only increasing IP literacy, but IP literacy as it relates to business strategy."**
>
> ***Elizabeth Dipchand, Lawyer & IP Strategist, Dipchand LLP***

The sovereignty compact for Canadian IP

Bring Canada's IP regime up to global standards

Several IP tools and protections available in leading innovative economies are either unavailable or less developed in Canada.

- Modernize patent rules by introducing continuation-style mechanisms that provide innovators greater flexibility in managing and commercializing IP.
- Legislate trade secret protections through clearer statutory definitions, protections, and remedies for valuable confidential assets.

Generate more commercial value from Canadian ingenuity

Canada can replicate and enhance well-worn paths to build the networks that permit capital and talent to flow to where they are needed.

- Build knowledge-to-market infrastructure to strengthen commercialization capacity and connect research, talent, and capital more effectively.
- Create pathways to first customers through innovation procurement and demand-side measures that help Canadian innovators scale.

Keeping Canadian IP in Canadian hands

Securing long-term outcomes also requires retaining control of strategically relevant assets.

- Embed IP retention and domestic-benefit requirements into public funding and procurement.
- Establish a Canadian-controlled intellectual property (CCIP) designation and national capacity to steward strategic IP assets.

> **"Canada has established a stronger policy framework to establish a more rigorous IP and standards culture. However, there is so much more to do to make it internationally competitive."**
>
> ***John Knubley, Principal, InnovAction***

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2. Senate of Canada, "Senators' statements – Canada's intellectual property," 6 October 2022.
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4. Statistics Canada, "Industrial research and development, 2022 (actual), 2023 (preliminary) and 2024 (intentions)," *The Daily*, 5 September 2024; Innovation, Science and Economic Development Canada (ISED Canada), "Indicators and targets: Growing business investment in research and development," last modified 14 February 2019.
5. All survey data from FCC's 2026 IP and Innovation Survey.

Introduction

Taking control of a nation's ideas, owning them, commercializing them, and earning returns from them, is a critical component of modern sovereignty. Yet, Canada has struggled with its intellectual property (IP) value chain for decades. Today, intangible assets such as software, patents, and data account for more than 90% of the value of S&P 500 companies.[1] In a world where technological leadership increasingly determines economic and geopolitical power, Canada continues to run a persistent IP trade deficit.[2] We are not simply failing to capture the economic benefits of IP, we are also relinquishing elements of our sovereignty.

Canada has a lot of ground to recover and must now do so in a deteriorating global environment. The next ten years present an opportunity to change the country's trajectory by building capabilities whose benefits will compound well beyond that horizon. This report therefore asks: What prevents Canadian firms from creating, capturing, and retaining more value from innovation? What must change inside businesses and across the wider ecosystem to improve Canada's outcomes?



How we got here

The rupture in the world order has led Canada to reassess factors that underlie its global standing. Intangibles now occupy space at the commanding heights of any modern economy. Canada has historically organized its economy around natural resources afforded to it by favourable geology and geography. The realignment of trade relations has created a strategic opportunity to cash in on this endowment further.

These strengths, however, should not be mistaken for the entirety of Canada's potential. Canadians are also accomplished explorers and developers of innovative ideas. Canadian researchers pioneered the foundational science behind artificial intelligence and described the first stem cell. They gave the world insulin, canola, and the telephone. A Canadian invented the first artificial cells in his dorm room.

As technology increasingly defines the wealth, security, and influence of nations, the ability to create, control, and capture value from IP has become central to sovereignty. Canada has the advantages to succeed in this environment: high educational attainment, diverse talent pools, world-class research institutions, and globally recognized strengths in fields such as theoretical physics, nanotechnology, artificial intelligence, and quantum computing. The challenge in a post-rupture world is to convert that knowledge base into a powerful intellectual property engine that generates patents, licensing revenues, globally competitive firms, and domestically owned vital assets—a strategic and economic one-two punch with our resources.

Power flows out of the barrel of a patent

Mao Zedong famously said, "Power flows out of the barrel of a gun."[3] Power now flows just as much out of ingenuity, invention, and innovation—all crystallized as intellectual property. Countries that have situated themselves in the centre of knowledge networks, made themselves critical to supply chains, or built the capabilities to convert know-how into high-demand products and services are negotiating in the new world order from a position of strength. Their presence at the frontiers of science and technology and their ability to convert ideas into property enhances their sovereign standing among nations.

Examples abound. Taiwan's centrality in the semiconductor supply chain guarantees it relevance to the international community and ensures that others have a stake in its sovereignty.[4] Ukraine developed a formidable drone-industrial capability out of necessity, and this capability now serves as a valuable asset that it can trade for resources and advanced weaponry to defend its sovereignty.[5] South Korea invested over decades to become a major exporter of technologies critical to advanced manufacturing and consumer electronics.[6] Countries threatened by bellicose neighbours with larger economies and militaries have a playbook to follow.

Starting ahead, falling behind

Unfortunately, Canada is failing to maximize its intellectual property potential. Canadian policymakers have long been familiar with the unfortunate national habit of developing valuable IP only to sell it long before its worth approaches its mature potential. Senator Colin Deacon noted in 2022 that the share of Canadian-invented patents transferred to foreign firms had more than tripled from 18% to 56% in twenty years.[7]

The 2026 Global Innovation Index produced by the World Intellectual Property Organization illustrates the ground we lose when moving from innovation *inputs* to innovation *outputs* (Figure 1). Canada ranks 15th on inputs but only 18th on outputs, leaving what we define as an IP output rank gap of three places.[8]

This is the highest gap for any G7 country. For most, the gap is negative, meaning their output rank is higher than their input rank. The most striking case is Italy, which is 21 ranks behind Canada on the input side but still outperforms it on the output side by two ranks.

Canada and Italy are also the only G7 countries running a deficit in IP licensing trade. In 2024, Canada paid to license USD 17.07 billion of IP from the rest of the world, while generating USD 8.1 billion in licensing revenue of its own.[9]

Figure 1. G7 countries' rankings in the Global Innovation Index 2026

Innovation input ranks		Innovation output ranks	
5	United States	2	United States
10	United Kingdom	4	United Kingdom
11	Japan	8	Germany
14	Germany	12	France
15	Canada	13	Japan
18	France	16	Italy
36	Italy	18	Canada

Source: World Intellectual Property Organization, Global Innovation Index 2026.

Value(s) at risk

The drag from being underweight in intangibles is real and accumulates over time. Statistics Canada estimates that, between 2000 and 2019, intangible capital contributed less than one-third as much to labour productivity growth in Canada as in the United States, even as tangible capital contributed about the same on both sides of the border.[10] This gap suggests that Canada is not fully realizing the productivity benefits of investment in knowledge-based assets.

This alone would be cause for concern in ordinary times, and these are not ordinary times. With technology emerging as a domain in which sovereignty is asserted and contested, the consequences of loss of technological control go from concerning to alarming. For example, the U.S. CLOUD Act allows the United States to compel U.S.-owned firms to disclose data, regardless of where that data is physically stored.[11] Countries dependent on external capabilities such as data storage or processing lack meaningful control over critical technological infrastructure. That dependency constrains their abilities to exercise the sovereignty they have on paper.

Reclaiming sovereignty in this environment requires nations to acquire intangible assets of their own. If Canada keeps to its present trajectory, it will continue to lose the ability to generate economic value and protect Canadian interests. A better future requires Canada to stem these losses.

Where the rubber leaves the road

That better future starts inside Canada's businesses. What to develop, own, protect, commercialize, scale, and retain are business decisions, made for reasons specific to the business. Collectively, they represent a major force in Canada's intangible economy. Businesses conduct nearly 60% of Canada's R&D activity and account for 52% of its R&D investment.[12]

The choices that businesses make are not made in isolation. This report also addresses the wider system that shapes their options and makes recommendations that better align the policy environment in which businesses operate to what businesses can deliver to Canada.

Our analysis draws on a survey of 650 Canadian firms, including SMEs and major household names, as well as detailed follow-up interviews with 14 of them. We also engaged 18 policy experts in conversations about producing, organizing, and deriving advantage from IP. Together, this evidence revealed a triad of ways in which Canadian firms, and Canada, lose the opportunity to turn innovation into enduring advantage:

1. **Value unrecognized.** Knowledge, data, processes, designs, and technology are generated in the normal course of business but never managed as strategic assets. Canadian business regularly loses visibility into its IP potential.
2. **Value unrealized.** IP is identified and owned but is never converted into saleable form or placed on a credible route to market. Ownership alone does not create sovereign capabilities.
3. **Value ceded.** IP is commercialized, then sold to foreign acquirers or relocated offshore, capping the value realized in Canada. Thus, Canada loses the opportunity to deepen the capabilities that underpin long-term prosperity and strategic choice.



The three points of leakage: Where Canadian capabilities are lost, stalled, or transferred

The three points of leakage: Where Canadian capabilities are lost, stalled, or transferred

1. Value unrecognized—What we don't capture, we can't control

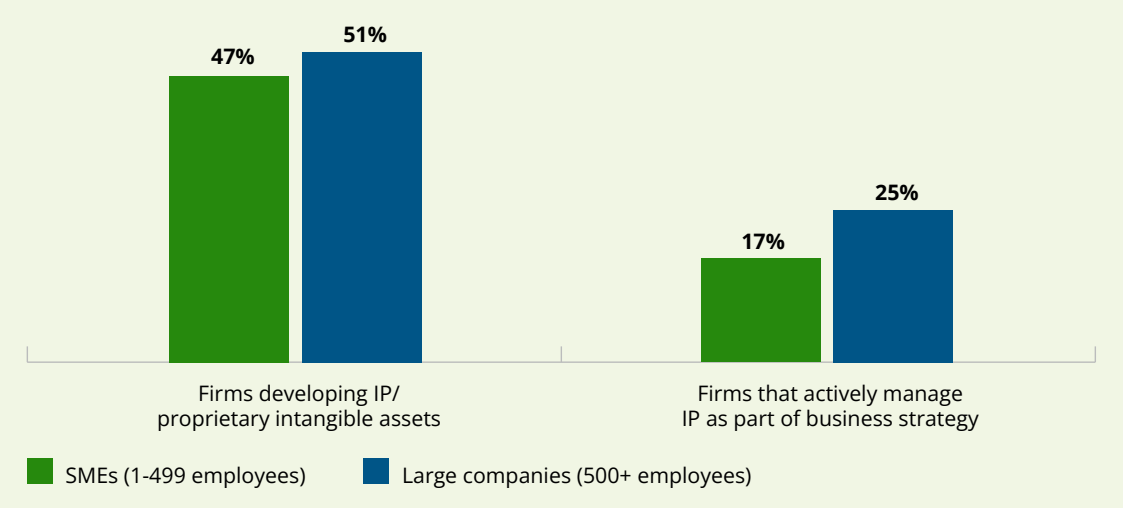
The first leakage is a visibility problem. Valuable assets—proprietary technologies, data, processes, brands, and know-how—that could lift productivity, industrial capacity, and competitiveness are created inside firms and then sit unseen. Before a firm can protect, commercialize, or scale an asset, it has to recognize what it has created and grasp its potential to create value. Our research suggests many never do. What goes unrecognized cannot be governed, priced, or defended.

Creation outruns management

Survey data exposes the gap plainly (Figure 2). Among the SMEs we surveyed, 25% develop proprietary processes or know-how; 21% develop brands, designs, or content; 20% develop new products or technologies; and 18% develop software, data, or digital tools. All told, 47% create at least one type of IP-backed asset. Yet only 17% actively develop, protect, and manage IP as part of business strategy. Among companies with 500 or more employees, the figure climbs only to 25%.

> IP creation is common. IP management is rare.
> The distance between the two is where the problem lies.

Figure 2. Businesses that create IP and intangible assets vs. businesses that actively manage IP as part of business strategy



Source: FCC IP and Innovation Survey 2026. Based on a sample of 439 SMEs and 145 large companies.

Everyone's job, no one's responsibility

Two factors explain most of the gap:

i. **Attention:** Among the firms we surveyed that consider IP relevant or significant to their business, only 30% of SMEs and 28% of large companies treat capturing value from IP as a high priority. Immediate operational and customer demands crowd out questions about the longer-term potential of what the business is building.

ii. **Capability:** Among SMEs that consider IP relevant or significant to their business, 75% say they grasp IP's strategic and economic value, but only 50% have access to the expertise needed to make informed decisions about it. Cost compounds the gap: 41% cite insufficient funding for legal, advisory, registration, enforcement, or commercialization work, while 40% point to the cost and complexity of IP protection as a constraint.

This lack of attention and capability often shows up as **fragmented responsibility.** An employee spots a problem, a technical team builds the fix, legal weighs in on ownership, and commercial teams manage customers and partners. Each acts sensibly within its lane, but no one takes responsibility for the asset's full potential or for how today's decisions will shape its future.

As a result, consequential IP decisions often occur before anyone calls the asset IP. The first step is simply to recognize and document what the business has created. Without that visibility, an asset can be constrained or lost before a patent or other formal protection ever enters the conversation.

Value hidden in plain sight

Intangible assets often emerge from the routine work of solving business problems.

One firm we interviewed—a mid-sized wholesaler, distributor, and manufacturer of spa equipment such as circulation pumps and filtration systems—went looking for an off-the-shelf barcode scanner and found no option hit the mark. An IT employee volunteered to build one instead and later added AI capabilities to sharpen its code-reading and data analysis. What began as an operational workaround became a distinctive capability that saved time and outperformed the commercial tools on the market. It emerged, the owner noted, from a culture that is clear about IP and rewards staff for bringing ideas forward.

Intangible assets can also be created to preserve knowledge the business already holds.

For example, a medium-sized water-treatment manufacturer we interviewed competes in a specialized corner of a market dominated by e-commerce and big-box retailers. It differentiates on the expertise of its people—an advantage that walks out the door each time a veteran employee retires. To preserve and transfer that know-how, the firm built an AI-enabled tool that could capture the knowledge and share it across the business.

Both cases illustrate how new intangible assets can emerge from the ordinary work of solving business problems and protecting existing advantages.

Weak management narrows future options

Practitioners describe a recurring pattern of ownership leakage, in which seemingly routine decisions narrow or surrender future rights: an invention is disclosed at a conference or in a white paper, compromising the opportunity to patent it; third-party or open-source software is incorporated into a product without fully understanding the licence; or a customer or government contract assigns ownership to the buyer. Each decision may appear procedural at the time. Each can be difficult or impossible to reverse.

For example, the spa-equipment firm encountered this problem when it considered selling its AI-enhanced scanner. The tool performed well enough that the company saw commercial potential in it. Only then did it discover that the scanner had been built on open-source software under a copyleft licence. Distributing it would have required the firm to disclose its codebase, undermining its ability to retain control of the advantage it had created. The scanner remained useful internally, but the firm's failure to consider commercialization and licensing restrictions earlier had closed off its most straightforward path to market.

The water-treatment firm faced the opposite risk. Its valuable asset was the know-how held by veteran employees, and the danger was not that the firm would give it away but that it would simply walk out the door when they retired. By recognizing that knowledge as an asset and building a tool to capture and transfer it, the company preserved an existing advantage while creating a new one.

Together, the two examples show what early recognition preserves. For the spa-equipment firm, earlier attention to licensing could have kept open the option of turning an internal tool into a product. For the water-treatment manufacturer, recognizing employee know-how as an asset allowed the firm to retain and share knowledge that might otherwise have been lost. In one case, weak management narrowed the asset's future; in the other, deliberate management extended it.

Not every asset will justify protection, commercialization, or further investment. But that should be a choice a firm makes deliberately.

Those firm-level choices aggregate. When strategically important assets go unrecognized and ungoverned, the economy produces fewer of the products, partnerships, and companies that turn Canadian knowledge into returns.

2. Value unrealized—Ownership isn't influence

The second leakage of value is Canada's signature failure: firms create and protect valuable assets, then fail to turn them into anything. This is where the gap between what Canadian firms create and what they capture opens widest.

Few firms have a clear pathway to value

Most firms we surveyed lacked a clear path from asset to market. Only 16% of SMEs and 28% of large companies reported clear pathways for turning innovation into revenue, productivity gains, cost savings, or other business value.

In fact, among firms that consider IP relevant or significant to their business, turning IP into a market asset is ranked as the first or second greatest IP challenge by 49% of SMEs and 51% of large companies. The outcomes bear this out: among these firms, some 40% of SMEs and 26% of large companies report little or no revenue from their IP-backed assets. Direct monetization is weaker still, with more than half of these SMEs (56%) and 42% of these large firms reporting little or no licensing, royalty, or sale income. A further 21% of these SMEs and 18% of these large firms do not actively commercialize or monetize their IP at all.

But the data also warns against reading commercialization too narrowly. Some 17% of these SMEs and 28% of these large firms report strong efficiency gains from proprietary processes, data, software, and know-how—value captured *inside* the business, rather than sold across a licensing table, and therefore unrecorded.

The test is not whether an asset earns royalties or not. It is whether the firm can connect what it creates to where value actually shows up: in revenue, productivity, customer relationships, or advantage.

Making it and selling it are different skills

Innovation produces an asset. It does not produce a buyer. Bridging that gap forces a firm to answer a series of deceptively simple questions: Does the asset solve a problem that matters? Is it genuinely different? Do the economics justify the next dollar of investment? Answering those questions consistently requires three capabilities:

i. **Route-to-value judgment:** the ability to assess an asset's potential, identify where and how it could create value, and decide whether it is worth pursuing. Good judgment separates a one-off use within one division from a repeatable opportunity with wider applications. It also means knowing which route to pursue and when to walk away.

ii. **Commercial ownership:** someone accountable for championing an asset along its route to a business result. When innovation sits with a technical team, protection with outside counsel, customer insight with sales, and investment with finance, each function can perform well while the asset stalls in the lucrative space between them.

iii. **Financing strategy:** securing the capital to reach the market without signing away the upside to get there. Financing shapes not only whether commercialization happens, but who owns the resulting assets and captures their future value.

Where good ideas meet hard choices

Value capture turns less on what a firm invents than on the commercial calls it makes next.

Route-to-value judgment. *Two firms faced this from opposite ends. A large Canadian construction company had solved the hard engineering problem—a high-volume system for modular buildings, connection systems, and factory-built interiors—but hadn't solved who needed it. Although the firm had done well on institutional buildings and hotels, the true breakthrough came when a developer-collaborator noticed the government was changing zoning rules to permit multiplexes, fourplexes, and townhomes in the suburbs. The developer recognized the market opportunity and brought it to the owners: deploy their system to build this medium-density "missing middle" housing, a segment starved of supply just as demand was surging. The core product remained largely intact; what changed was its route to value.*

A process-automation SaaS firm, whose software handles document capture, data extraction, and invoice processing, had the opposite problem: too many possible features and too little capacity to build them. So, the firm proposes each potential feature to customers directly, asking whether it is a "need to have" or a "nice to have."

One firm had to find its market; the other had to find its product focus.

Commercial ownership. *A large IT and digital-transformation consultancy showed what it looks like when someone actually owns the IP process. A department director spotted an internal need for an AI-driven change-management tool. He secured a development fund from senior leadership and championed it across every function where it might otherwise have stalled—from prototype through internal piloting to a finished product. It's now leased to the Canadian government and organizations abroad.*

Financing strategy. *A biotech non-profit that helps bring Canadian medical discoveries to market put the IP trade-off in stark terms: the capital available to fund commercialization rests largely outside Canada. Taking it means risking the very IP the organization exists to keep at home. To keep that IP in Canada, the non-profit competes for these discoveries against larger, better-funded American firms courting the same researchers and companies—countering with non-dilutive capital designed to be attractive without forcing founders to surrender ownership. The non-profit has the commercial acumen and industrial strategy to make that work; most small Canadian pharmaceutical companies do not.*

What these four organizations share is commercial acumen—knowing which route to take, who owns the outcome, and how to fund the route without signing away the destination.

Weak commercialization compounds

When a firm cannot build the route, innovation stops short of value. Prototypes stay prototypes, pilots never become products, and adjacent markets go unexplored. The first cost falls on the firm: development spending earns weaker returns, capital stays tied to projects with no clear decision points, and promising ideas die early while weaker ones limp on because no one can tell them apart.

Left alone, weak commercialization begets more weakness. Thin returns make the next investment harder to justify, leaving the firm dependent on a lone champion, a one-off partnership, or a handful of customers rather than a repeatable engine for moving assets to market.

For Canada, the loss is far larger than a few missed licensing deals. The country keeps getting stuck in the same loop: generating first-rate research, ideas, and startups while capturing too little of the value that follows.

3. Value ceded—Scaling shouldn't mean surrendering

The third leakage is a problem of success, and it falls hardest on the country, not the firm. Canada's strongest ventures clear commercialization only to find that the capital and markets they need to scale lie elsewhere. Growing from abroad can be the rational choice for any venture—and a cumulative loss for Canada, which retains the value of the early activity but loses the ownership, mandates, and future returns.

Reaching global markets is both desirable and necessary, especially with continental markets so uncertain. The problem is too many Canadian firms can only reach international markets by scaling from somewhere other than home.

Success raises the stakes

Among the firms we surveyed that consider IP relevant or significant to their business, those reporting strong revenue from IP-backed assets are about three times as likely as those generating little IP revenue to name scaling as their top challenge—23% compared with 7%. Clear the commercialization threshold, and the next one rises in front of you.

Crossing this threshold demands more than a good product, and our survey suggests we don't do enough to make the crossing easier. A quarter of SMEs (25%) and 27% of large companies say Canada struggles to scale its firms into global competitors; 38% of SMEs and 40% of large firms point to the difficulty of attracting and retaining investment here. Among firms that consider IP relevant or significant to their business, 30% of SMEs and 16% of large companies report that access to customers, partners, investors, and procurement is a constraint on their ability to capture value from IP.

Firms do not arrive at this threshold equally equipped, either. Those that take a more strategic approach to IP are far likelier to protect it across borders: 66% of firms that actively manage IP as core to business strategy protect their IP in Canada and abroad, against 29% of companies that manage IP informally.

The fuel for growth isn't here

Winning companies sell globally. The problem is the capital, anchor customers, and partners a firm needs to *support* that global growth are too often unavailable at home.

That is how a firm's ambition can become a national loss. The pressures emerge in sequence, in three ways:

i. **Operational capacity.** Scaling demands more than capital. A firm must be able to manufacture and distribute at greater volume, recruit experienced management, and integrate its technology into customers' operations. The bottleneck often sits beyond the firm itself. Prospective customers may lack the systems, equipment, or expertise needed to adopt a new technology; production facilities may require costly modifications before they can deploy it; and suppliers may be unable to produce specialized components at the volume, quality, or speed that growth requires. A firm can be ready to scale while the surrounding infrastructure is not.

ii. **External dependence.** When Canada cannot supply the investors, anchor customers, patient capital, manufacturing partners, and distribution channels that growth demands, firms turn to markets that can. With too few domestic alternatives, a company negotiates from weakness. Foreign partners may provide the fastest route to growth, but their capital, customers, and operating requirements can also pull the firm's centre of gravity abroad—not because it set out to leave, but because staying offered no viable way to scale.

iii. **Strategic anchoring.** Value rarely leaves in a single dramatic sale. More often, it migrates as the relationships needed for growth accumulate elsewhere. Capital and customers move first; commercial activity, senior management, and decision-making follow. While ownership remains Canadian on paper, the capabilities that allow value to compound are built elsewhere.

These pressures are not inevitable, nor are firms powerless before them. But the choices available to any company depend heavily on the ecosystem around it. Keeping more value anchored in Canada requires both strategic decisions by firms and credible domestic alternatives when they seek capital, customers, partners, and productive capacity.

The pull, and the answer to it

The pressures noted above show up first as risk.

For example, a biotech non-profit that funds Canadian cancer-treatment research and builds domestic manufacturing capacity described the trap: when the capital to move a discovery from lab to clinic isn't available at home, Canadian firms take it from large American companies. As a result, the firm loses control of its IP and much of its long-term value in the process. The non-profit's model is a response to that pull. It builds Canadian partnerships precisely to keep homegrown IP from being sold off in exchange for foreign funding.

Other firms show the pull can be resisted, and that global reach and a Canadian home can coexist.

A Canadian manufacturer of specialized tank trucks partnered with a U.S. AI company to turn its tanker platform into connected vehicles that track their own condition, lifecycle, and delivery times. The partnership helped the company reach new markets while keeping manufacturing, jobs, and development in Canada.

A biotech SaaS company similarly treated Canada as a cost-effective base with deep technical talent, even as most of its customers and funding came from the U.S. and Europe. It anchored its headquarters, ownership, and research here while selling into markets abroad.

A manufacturer of high-performance agricultural equipment tested new machinery with Canadian farmers before expanding to customers in the United States and, for certain models, Australia. Where the strongest demand lay elsewhere, it has partnered with and acquired firms in Europe to reach markets there, in Africa, and South America, prioritizing foreign patenting and partnerships for products whose natural markets are outside Canada. That tailored strategy has helped it take Canadian-developed innovations abroad while ensuring they remain compatible with foreign-made equipment.

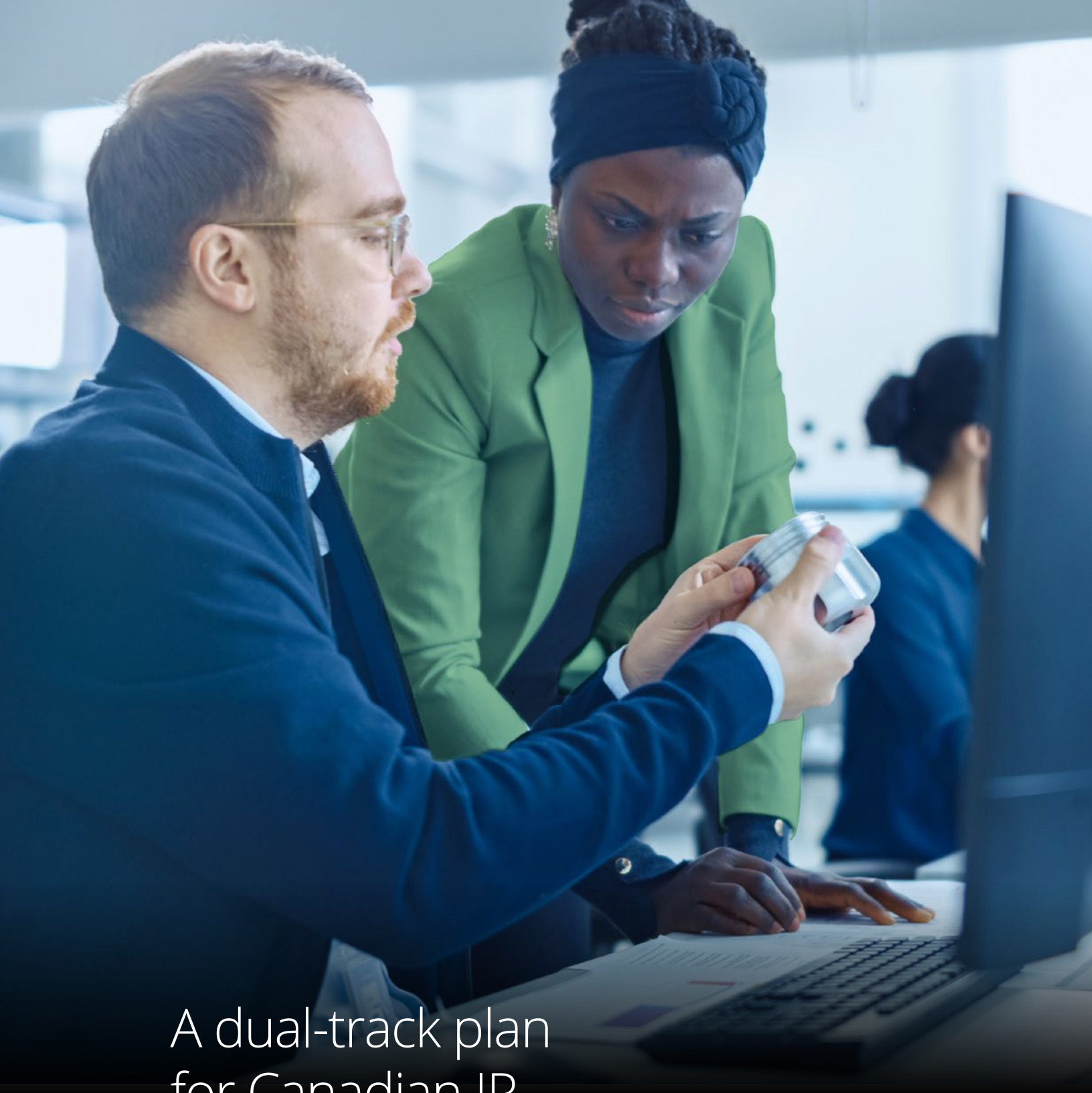
The tank-truck maker, the software company, and the agricultural-equipment maker each found a different way to grow outward from Canada. The biotech non-profit exists because, too often, the firms it supports cannot.

Activity stays, value migrates

A Canadian operation may retain its scientists, engineers, and R&D while product direction, key customers, and capital allocation move elsewhere. The loss for Canada at this stage is easy to miss precisely because, even after an acquisition, so much appears to stay in place.

What migrates is the ability to compound. A firm that keeps its strategic capabilities at home reallocates the returns from one success into the next, such as new research, deeper customer relationships, greater management depth, and the next generation of assets. With more repetitions, the firm becomes better at this process. The same is true across the wider ecosystem: firms rise and fall, but strong ecosystems retain and recycle their talent, knowledge, and capital into new ventures rather than allowing those capabilities to leave the country.

The goal is not to keep Canadian firms home. It is to make Canada the base for their global growth, where they hold the rights, relationships, and authority to keep building, cycle after cycle, as the owners of what they create rather than the source of someone else's advantage.



A dual-track plan for Canadian IP

A dual-track plan for Canadian IP

We identified three points of value leakage in an innovation's journey from concept to maturity. Our proposed solutions draw on two workshops we convened with more than 15 intellectual property experts from industry, policy, and academia, complemented by consultations with Deloitte specialists working at the intersection of innovation, strategy, investment, and public policy.

These conversations reinforced that narrowing the gap between Canada's innovation capacity and its intellectual property outcomes will require coordinated action within businesses and across the wider ecosystem. It will also require trust: businesses must demonstrate that they can translate investment in innovation into durable value, while governments and institutions must provide stable, credible conditions for firms to invest, commercialize, and scale in Canada.

We therefore propose a dual-track action plan reflecting the different choices and capabilities required at each stage of the innovation journey.

Track I: *The Business Playbook for Canadian IP sets out actions that businesses can take without waiting for policy prerequisites to click into place. It follows a strategic choice cascade: leaders determine where and how the firm intends to compete; configure the governance, processes, and capabilities needed to support those choices; secure capital on terms consistent with the firm's long-term objectives; and use collective mechanisms where acting alone is insufficient.*

Track II: *The Sovereignty Compact for Canadian IP recognizes that business decisions are shaped by the ecosystem in which firms operate. It proposes a renewed social contract around intellectual property in Canada, drawing on principles of open innovation and collaborative IP governance to bring governments, academia, and businesses into a shared architecture of incentives, expectations, and institutions that better aligns private success with the national interest.*[13]

The two tracks work in concert. Over time, they create a virtuous cycle. As market participants gain familiarity and confidence in the mechanics, capital compounds and more resources become available for reinvestment in a supportive ecosystem that stimulates research and commercialization.*

We believe this dual-track approach can deliver by 2035 a Canada with a deeper and more defensible IP sector that contributes to economic growth and furthers the national interest.

Track I: The business playbook for Canadian IP

1. Make IP a strategic leadership choice

Although most companies recognize IP's importance, few prioritize capturing its value or have the expertise to do so. Closing this gap starts with boards and executives understanding how IP supports the firm's broader strategy.

IP should not be treated as a legal output generated after strategic decisions have been made. It is one of the choices available to a firm as it determines where to compete and how to win. Leaders must understand how creating, owning, protecting, sharing, licensing, or acquiring intellectual assets can strengthen differentiation, improve productivity, open markets, generate revenue, or increase negotiating leverage.

* These tracks sit alongside a host of other impactful solutions, not revisited here, that have been proposed by other organizations, think tanks, or task forces. These include domestic IP retention riders to SR&ED funding, innovation-linked tax shelters (sometimes known as "patent boxes" or "IP boxes") that reward domestic retention and commercialization, and regulatory navigators.

Businesses should therefore treat IP literacy as an essential requirement for decision-makers, on par with financial literacy. Leaders need enough practical understanding to ask consequential questions about which assets matter, how they support the firm's competitive position, what should be protected or shared, and how value will ultimately be captured. This creates the foundation for effective IP governance, accountability, and investment.

Canadian businesses can begin with resources already available through ElevateIP, the Innovation Asset Collective, and CIPO's IP Advisors. Complementary programs such as the Council of Canadian Innovators' Innovation Governance Program can also help directors and executives build the governance capabilities needed to oversee intellectual property and other innovation assets.[14]

Formal learning, however, is only a starting point. IP literacy should become an applied decision-making capability, reinforced through regular strategic discussions, asset reviews, and major investment and market-entry decisions.

What we heard in FCC's consultations

"We must equip Canadian innovative ventures with the tools to effectively identify and strategically manage valuable IP. It will require a cultural change and a cultural shift that comes with not only increasing IP literacy, but IP literacy as it relates to business strategy."

— Elizabeth Dipchand, Lawyer & IP strategist at Dipchand LLP

2. Configure the business to deliver its IP strategy

Strategic intent must be supported by the way the business is organized. Our diagnostic revealed that fragmented responsibility prevents firms from recognizing intellectual assets, making deliberate choices about them, and carrying the most promising opportunities through to commercialization. To close this gap, managing IP needs to become an ordinary business function, with clear ownership, board oversight, and a strong connection to strategy.

Businesses should establish a repeatable process for identifying what is generated across the organization and assessing how those assets could support the firm's chosen way to compete. That assessment should consider their potential to improve productivity, solve customer problems, differentiate products, open markets, generate revenue, or strengthen the firm's negotiating position. A portfolio view can then help compare opportunities against market demand, routes to value, protection options, and the resources required to pursue them.

The appropriate configuration will differ by firm. Some businesses may begin with clear executive accountability, ongoing asset capture, and twice-yearly portfolio reviews. Others may require dedicated innovation teams, cross-functional governance, specialized expertise, and idea-capture, innovation-portfolio, or IP-management platforms. The objective is not to create process for its own sake. It is to build the governance, management practices, and systems needed to turn the firm's strategic choices into commercial results.

What we heard

"The approach has to be driven through a leadership lens, which means business leaders need to internalize what IP means for their organization and understand how to use it strategically."

— Karima Bawa, Board Chair at Intellectual Property Ontario

"Once that strategy is there, the identification flows from it quite easily. The strategy creates a framework for decision-making around what to capture and what type of rights to use."

— Mike McLean, CEO at Innovation Asset Collective

3. Make intellectual assets visible in financing decisions

Businesses may assess financing offers from abroad without fully accounting for the long-term value of the rights and strategic options they are giving up.

Businesses should estimate the economic cost of non-monetary conditions attached to growth capital, including present and future intellectual property assignment, relocation requirements, loss of operational control, and exit provisions. Documenting and valuing intangible assets before financing events can help prevent avoidable losses and reduce the risk that the enterprise is mispriced.

But valuation alone will not secure patient capital. Businesses must also earn the confidence of boards, investors, and capital markets by showing how innovation spending connects to strategy, how IP supports a credible route to value, and how management will measure progress and redirect resources when assumptions do not hold. A clear account of where the firm intends to compete, how its intellectual assets create advantage, what capabilities and funding are required, and when results should become visible can help distinguish disciplined growth investment from innovation spending without a commercial path.

Businesses can begin by documenting their intellectual assets and using the Government of Canada's free IP valuation guidance to better understand their position.[15] They should pair that work with a credible commercialization and capital plan that makes both the expected returns and the strategic trade-offs visible to decision-makers.

4. Use shared IP to strengthen firms as they scale

Businesses should consider participating in collective arrangements where the assets required to compete effectively extend beyond what any one firm can reasonably develop or acquire. Shared portfolios and other collective mechanisms can give participating firms access to complementary rights, improve their ability to navigate infringement risks, and strengthen their position in negotiations with partners, competitors, and foreign IP owners.

In Canada, the Innovation Asset Collective administers the federal Patent Collective Program, through which members can access a shared patent portfolio. Where that portfolio provides relevant coverage, participation may give firms capabilities and defensive options that would be difficult or costly to assemble independently.[16]

What we heard

"There's an even stronger rationale for patent collectives or patent pools today as Canada looks to build more sovereign supply chains and value chains. Our ability to do that successfully is going to depend on access to intellectual property and freedom to operate. If firms don't have that freedom to operate, they're going to face pressure from foreign IP owners, unless we create mechanisms that allow them to build stronger collective positions."

— Mike McLean, CEO at Innovation Asset Collective

"Some of the policy opportunities I'm really excited about for Canada when it comes to supporting our companies scaling and growing here have to do with buying and pooling strategic patents, and the possibility of scaling up some of the initial experiments we've had with that in Canada."

— Vass Bednar, Managing Director at Canadian Shield Institute

Track II: The sovereignty compact for Canadian IP

A renewed social contract among Canadian businesses, governments, and researchers can create a more supportive environment for innovators and greater congruence with national interests. A contract places expectations on both sides: the public side makes firm commitments to private operators and those private operators accepting public support in one form or another provide verifiable and enforceable undertakings in the national interest.

The following recommendations focus on key issues identified throughout this report. They prioritize reforms to modernize Canada's IP regime, unlock commercialization, expand access to capital, and keep more intellectual property in Canadian hands.

1. Bring Canada's IP regime up to global standards

Experts noted that several IP tools and protections available in leading innovative economies, particularly the United States and Europe, are either unavailable or less developed in Canada. These differences can influence how firms manage intellectual assets, commercialize innovations, and decide where to anchor their IP portfolios.

Canada's current framework provides fewer options for pursuing additional or differently scoped claims from an earlier disclosure.[17] Provisions such as continuation or a made-in-Canada alternative that balances flexibility for innovators with certainty for competitors would bring Canada in line with best practice. Karima Bawa, Board Chair at Intellectual Property Ontario, told us: *"I look at the ability to file only a divisional in Canada versus a continuation, and that becomes a problem when I can't do something that I can do in the U.S. It limits my options, so I have to think, do I really want my patents in Canada?"*

Canadian patent law has no provision for "continuation," or the ability to file a new application based on an earlier pending application to pursue additional claims on the same invention. The continuation option grants inventors strategic flexibility.[18]

Trade secret protection also presents an opportunity for reform. Many businesses derive competitive advantage from proprietary processes, data, model weights,† algorithms, and know-how that are not, or cannot be, patented.[19] Trade secrets are protected by statute in both the U.S. and the EU. While Canadian firms can rely on common-law and contractual remedies, protections remain fragmented.[20] Clearer statutory definitions, protections, and remedies could provide greater certainty for businesses whose most valuable assets are confidential rather than patented. This matters across a range of sectors, from advanced manufacturing to software and life sciences. The emergence of generative AI has further increased the strategic importance of trade secrets, particularly where value resides in proprietary datasets and model weights.[21]

Amending patent law and legislating trade secret protection are structural reforms that will likely take years. They should advance as part of a refreshed national IP strategy that centres sovereignty and strategic autonomy.‡ These reforms should be accompanied by near-term measures that need no legislation and could move within a year, such as shared back-office support for technology transfer offices (2a), an open stream within Innovative Solutions Canada (2b), and IP-retention terms in new funding agreements (3a).

† Model weights are the learned numerical parameters of an AI model that encode patterns from training data and largely determine how the model processes information and generates outputs. See Stanford University Human-Centered Artificial Intelligence, "What are Weights?," accessed 1 October 2026.

‡ Canada's existing IP strategy, launched in 2018, focused on IP literacy, shared-IP tools such as the patent collective, and legislative changes to curb bad-faith behaviour. It did not address the tools that shape where firms anchor their portfolios, or whether Canadian IP stays in Canadian hands.

What we heard

> "There are small things we can do, including taking IP generation and management best practices from the IP-rich Europeans to get Canadian IP back to being globally relevant. And deploying IP strategy playbooks that have been mastered by the Americans, so there's nothing that needs to be reinvented. It's about taking IP strategies that have worked elsewhere, adapting them to our competitive position, and making IP work for Canada."
>
> **— Jim Hinton, Founder at Own Innovation**

2. Generate more commercial value from Canadian ingenuity

a) Build knowledge-to-market infrastructure

Knowledge-transfer initiatives connect applied research to industry, bringing state-of-the-art technology to market and infusing research with a commercial mindset. In Canada, this has conventionally been the province of technology transfer offices (TTOs) attached to individual universities and research institutions. Each office manages its own portfolio and budget, with no economies of scale, and competes for a thin national pool of IP talent. The talent needed goes beyond legal expertise to the administrative and process knowledge that licensing depends on, and to the commercial instincts of people who have started and run businesses. Where licensing revenue returns to the institution under predetermined formulas rather than to the TTO itself, offices have little means to reinvest in the capacity they lack. More funding for the same structure would largely reproduce the same constraints.

The question, then, is not whether Canada is ready for a new model, but whether the current one can break out of its capacity trap. Quebec offers one answer. Axelys, a government-funded nonprofit created in 2021 to consolidate the province's earlier commercialization corporations, gives public research institutions access to pooled expertise, IP management, and proof-of-concept funding.[22] Institutions choose whether to use it. This semi-centralized design adds scale without displacing existing offices.

Elsewhere in Canada, a practical first step is to share back-office functions such as IP strategy, portfolio management, and licensing administration across TTOs that now operate in silos. Some of the infrastructure already exists: collective arrangements such as the Innovation Asset Collective *(see Track I)* could serve TTOs as well as firms, if program incentives rewarded offices for pooling capacity rather than duplicating it. The recent agreement among fourteen IP-support organizations to coordinate on IP education signals appetite for this kind of collaboration.[23]

The most ambitious model is Germany's Fraunhofer Society, a network of applied research institutes working closely with industry. It receives base grants from federal and state governments, but its institutes must earn two-thirds of their revenue from government projects or industry contracts, imposing market discipline.[24]

A Canadian equivalent would demand substantial institutional design and sustained financing. A starting point could be to host a Fraunhofer Institute in Canada, with federal and provincial governments as base grantors, as Fraunhofer USA has operated since 1994.[25]

These are not competing options but successive stages. Shared back-office functions build the talent base and habits of collaboration that consolidated capacity requires, and consolidated capacity creates the scale at which a Fraunhofer-style network becomes viable.

b) Create pathways to first customers

Businesses require access to cash throughout the growth journey, whether as investment capital or earned revenue. Innovative businesses face the additional challenges of building and testing prototypes before market entry and finding first customers for novel or niche products.

Innovative Solutions Canada (ISC) uses federal procurement to address both challenges. Its Challenge Stream funds small businesses to develop proofs of concept and prototypes in response to problems posed by federal departments.[26] Its Testing Stream buys late-stage prototypes so that departments can test them in operational settings. Successfully tested innovations may then qualify for inclusion on a source list from which departments can purchase directly for up to three years.[27] In July 2026, the federal government paired ISC with a new Small Business Procurement Program intended to simplify federal contracting.[28]

Two gaps remain. First, ISC has no standing entry point for early-stage technologies that no department has yet requested; Challenge Stream funding follows departmental problems, and the Testing Stream accepts only innovations ready for operational testing and does so through periodic calls. Second, experts we consulted report that firms completing ISC contracts often struggle to win the larger or repeat contracts that should follow, in part because follow-on purchasing is at departments' discretion and must generally be funded from their own budgets.

i. **Expand and strengthen the innovation procurement pathway**

An open ISC stream that accepted early-stage proposals without a specific solicitation would help close the first gap. It would also let ISC act as a two-way liaison, communicating departmental needs to industry while showing departments what is emerging in fast-moving fields before they define their challenges.

A stronger pathway would also address procurement practices that inadvertently exclude early-stage firms, including evaluation criteria that favour proven technologies and procurement cycles that are too long for lean firms to sustain. The new Small Business Procurement Program is a natural vehicle for this work. A review of ISC follow-on outcomes, conducted with ISC and the firms it has supported, could show where the handoff from testing to procurement breaks down and what changes would make departments more likely to become repeat customers.

The goal should be a continuous procurement pathway that provides firms with practical handholds across their growth trajectory, from an initial prototype and operational test to a first contract and repeat business.

ii. **Aggregate procurement demand to support scale**

Once an innovative business has a market-ready offering, it needs sufficient and sustained demand to continue operating and scale. Canada's governments, Crown corporations, and other anchor institutions collectively represent a substantial procurement envelope that could be aligned with national economic priorities. The federal government's 5% Indigenous procurement target has demonstrated how a clear demand commitment can influence public purchasing and inspire similar targets across industry.[29]

Building on this precedent, governments could establish procurement targets or other demand commitments for Canadian innovators. Properly designed, these measures could help firms secure first customers and early adopters, translate successful testing into larger and repeat contracts, and accelerate commercialization.

3. Keep Canadian IP in Canadian hands

Securing long-term outcomes also requires retaining control of strategically relevant assets. That means designing public programs so that IP created with public support stays anchored in Canada, giving governments a consistent way to identify Canadian-controlled IP, and building an institution capable of stewarding strategically important assets over the long term.

a) Build IP outcomes into program design

Federal policy increasingly recognizes intellectual property as a strategic asset, but program design has not kept pace. Funding criteria, procurement practices, and program requirements are not consistently aligned with the objectives of commercialization, domestic value creation, and economic sovereignty.

The Defence Industrial Strategy, for example, repeatedly identifies IP as a priority and directs substantial funding toward defence and dual-use technologies, yet the IP terms attached to that funding remain largely unchanged.[30] Dedicated federal IP programs, meanwhile, focus mainly on early-stage firms, education, and patent filing. They are not systematically connected to the larger funding and procurement envelopes where decisions about IP ownership and control can have the greatest economic consequences.

IP outcomes should therefore be defined when programs are designed, rather than added through contractual clauses after their central terms have been set. The principle that public investment should generate benefits for Canada is already established. Under the Industrial and Technological Benefits Policy, companies awarded defence procurement contracts are required to undertake business activity in Canada equal to the value of their contracts.[31]

Canada should build similarly clear and enforceable IP retention and domestic-benefit expectations into federal R&D funding and major procurement in priority sectors such as defence, critical minerals, and artificial intelligence. The appropriate terms will vary by program and should extend beyond patent ownership to address licensing, commercialization rights, decision-making authority, and the location of resulting economic activity. Programs should also connect recipients with dedicated IP supports rather than operate alongside them, drawing on growing coordination among IP-support organizations to help firms understand, protect, and commercialize the assets public investment helps create.

What we heard

> "Canada has made significant progress in recognizing intellectual property and commercialization as strategic priorities. The opportunity now is to embed these priorities more consistently across public innovation programs. Clear policy direction, combined with the expertise of provincial innovation agencies and IP-support organizations to execute, can translate these priorities into practical action and stronger economic outcomes at scale."
>
> **— Peter Cowan, CEO at Innovate BC**

b) Define Canadian-controlled intellectual property

One tool that could make such program design easier to administer is a designation for Canadian-controlled intellectual property (CCIP). Much as the Canadian-controlled private corporation designation anchors preferential taxation and emergency supports, a CCIP designation would give governments a consistent basis for attaching supports, financing, and procurement opportunities to IP owned and controlled by Canadians. Its design would need to resolve hard questions: what constitutes meaningful control, how shared ownership and licensing are treated, whether eligibility depends on where decisions and economic activity occur, and what happens when a firm or asset moves abroad. Resolved well, CCIP could serve as a common eligibility test across several measures in this compact, from an open innovation stream to the program conditions described above.

What we heard

"What really caught my attention was the idea that Canadian inventions and intellectual property should remain in Canadian hands."

— Marc Crandall, Partner at Gowling WLG

c) Build national capacity to steward strategic intellectual assets

Intellectual assets, not unlike financial or real assets, can unlock value by being assembled as part of a coherent portfolio. A national capability to identify, acquire, and manage such assets dispersed across organizations can enable commercialization, improve freedom to operate, and preserve strategic options in critical technologies.

The Innovation Asset Collective has demonstrated the value of collective IP management and pooled expertise in the area of cleantech, while proposals such as the Canadian Shield Institute's call for an Innovation Asset Bank describe a potential model for stewardship in detail.[32] Canada has already demonstrated a willingness to manage tangible assets as a portfolio through a sovereign instrument, in the form of the Canada Strong Fund.[33] It should extend that philosophy to intangibles, building capacity to identify critical assets, aggregate complementary assets, support defensive use and enforcement, and preserve domestic control where national interests are at stake.

The capability is most urgent in sectors where economic and sovereignty concerns are most acute, including artificial intelligence, digital infrastructure, life sciences, critical minerals, clean and conventional energy, and defence and dual-use technologies.

What we heard

"We don't have an IP institution that offers protection in that ecosystem. A public institution that not only deals with IP, but standards and data and freedom to operate ... that identifies the value, the strategic value of an idea fairly early and helps and supports the development of that value capture throughout the life cycle."

— Ann Fitz-Gerald, Director at Balsillie School of International Affairs



Conclusion

Canada's challenge in converting its world-class starting position into economic and strategic outcomes can be summed up as a problem of loss prevention at every vulnerable stage of the intellectual property lifecycle.

To construct a healthier ecosystem for innovation requires a whole-of-nation effort that coordinates the respective strengths of Canadian governments, academia, institutional finance, and anchor firms. Such an effort would match the scope and complexity of the problem, while shifting outcomes over a generational scale.

In the interim, corporate governance and processes need to be reorganized to recognize how intellectual assets can drive prosperity and competitive capability in an advanced economy. Consequently, businesses will be able to accelerate growth in their own lane without waiting for grand ecosystem reforms to click into place.

Acting in parallel, this dual-speed, dual-track strategy can return Canada to the growth trajectory it deserves given its deep capabilities in research and education. This strategy will build on our country's resilience and strategic freedom to operate—essential strengths for securing practical sovereignty in a rapidly degrading global environment.

Appendix: Methodology

Our research looks across firms to identify the common decisions and capabilities that determine whether value is created, captured, and retained. The analysis draws on four complementary sources: a national business survey, interviews with business leaders, expert workshops, and the experience of Deloitte practitioners who advise businesses on innovation, intellectual property, financing, commercialization, and growth. Together, these inputs were used to identify where value capture breaks down, why those breakpoints arise, and how firms' choices are shaped by the markets and institutions around them.

i. **National business survey**

The Future of Canada Centre, in collaboration with Modus Research, conducted a national survey of 650 business leaders. Responses were analyzed across a range of characteristics, including firm size, revenue, innovation maturity, R&D investment, and approaches to developing, protecting, managing, and commercializing IP and other proprietary intangible assets.

The survey was designed to expose patterns that aggregate statistics cannot: whether firms recognize the intangible assets they create; how they decide what to own, protect, disclose, or share; whether they have established routes from innovation to business value; what impedes commercialization; and how their challenges change as they move toward larger and international markets.

ii. **Interviews with business leaders**

Modus Research also conducted 14 semi-structured follow-up interviews with survey respondents representing a range of industries, firm sizes, and innovation profiles. The interviews provided deeper insight into the motivations, capabilities, and market conditions underlying the survey results. They explored how firms approach commercialization, financing, customer validation, partnerships, licensing, ownership, international expansion, and the retention of value as they grow.

iii. **Solution workshops**

To validate the diagnosis and develop practical responses, we convened two workshops bringing together business leaders, entrepreneurs, practitioners, and policy and ecosystem experts. Recruitment drew in part on executives associated with Deloitte's Best Managed Companies who have direct experience investing in innovation, building IP-backed businesses, entering new markets, and confronting the demands of growth.

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