

MAKING INNOVATION WORK FOR BRITISH COLUMBIA

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On May 11, 2020, the British Columbia Innovation Commissioner (the “**Commissioner**”) published a report entitled “[Putting Innovation to Work for British Columbia: Growing B.C. Companies](#)” (the “**Report**”). The Report considers the barriers to innovation faced by B.C. companies and outlines certain recommendations that are focused on supporting innovation across all sectors of B.C.’s economy. Understanding these recommendations and how your business may be able to take advantage of them can be critical to the sustainability and success of your business.

In this update, we have provided a high-level summary of the Report and propose some ways in which your business can position itself to take advantage of any and all initiatives which are implemented as a result of the Report.

Background

In the Report, the Commissioner states that innovation is generally recognized as a key driver of economies and, despite a decade of decline in research and development (“**R&D**”) expenditures in B.C., the B.C. economy has outperformed other provinces thanks in large part to high commodity prices, a strong construction sector, a hot housing market and tourism revenues. However, B.C.’s economic growth is slowing and the best path to reversing that trend is through the development of a highly innovative economy. To that end, the Commissioner outlines five recommendations to help B.C. companies grow and thrive, and to propel the province’s economy into the future.

Recommendations

Innovation Precincts

The Commissioner recommends the establishment of innovation precincts – a group of business and technology innovators in close proximity to one another within an economic ecosystem – where people and business can collaborate and test their ideas to foster company growth, cross-sectoral innovation and organic talent development. In particular, the Commissioner suggests that the development of a major innovation precinct around the new St. Paul’s hospital campus planned for Vancouver’s False Creek area, focused on health R&D, would enable investment in and growth of B.C. companies in health, life science and supporting

areas including IT, augmented/virtual reality, medical devices and digital health. He also recommends governmental support for the development of regional innovation precincts in Kamloops and Surrey/Fraser Valley, similar to those already in existence in Victoria (Fort Tectoria) and Kelowna (Innovation Centre), as well as smaller community innovation precincts around colleges. These regional and community precincts would be able to focus on development tailored to the region or community and diversify employment opportunities outside of Metro Vancouver.

Emerging Technology Clusters

According to the Report, technology clusters support tech-enabled firms generally and can further help support companies as they scale up since clusters are typically concentrated in one field or on a specific technology. However, clusters developing made-in-B.C. technology solutions are currently lacking. Nevertheless, the Commissioner notes that B.C. is uniquely positioned to develop an emerging technology cluster around quantum computing especially in light of the provincial government's recent announcement of the creation of a new Fraser Valley innovation corridor built around the establishment of a Quantum Algorithms Institute at Simon Fraser University's Surrey campus. Similar opportunities exist for B.C. in the areas of AI, genomics, augmented/virtual reality and fusion energy.

Furthermore, through the development of the B.C.-led Digital Supercluster, B.C. has taken steps towards merging the necessary talent and knowledge to allow for material business investment, innovation and growth in the health, natural resources and advanced manufacturing areas.

The Commissioner recommends that the provincial government work with the federal government to develop key provincial cluster priority areas, which would leverage funding from several sources such as the federal Strategic Investment Fund.

Leverage B.C.'s Clean, Green Reputation

The Report notes that currently there is no funding to encourage B.C. innovators to develop the new technologies, products or services necessary to supply systemic change across various industries. The Commissioner recommends that the province leverage the [CleanBC](#) plan introduced in 2018 to incentivize companies to implement made-in-B.C. solutions to meet the plan's climate targets and regulations rather than importing them, in turn, benefitting the domestic supply chain and local innovation. In addition, the Commissioner suggests that the provincial government focus on increasing the value of sustainable natural resources in ways that are aligned with the CleanBC brand, such as the bioeconomy.

Building Intangible Assets

The Commissioner states that protecting intellectual or intangible assets, such as data, software, branding and

emerging technologies, is an integral component for companies looking to grow, preserve their competitive advantage and maintain their value. B.C. scores poorly compared to most OECD countries^[1] with respect to the number of patent registrations, commercialization of IP, and medium-term growth of emerging companies due to issues with IP leakage, inadequate incentives, the prohibitive costs of securing patents, and low levels of business investment in R&D.

The Commissioner recommends that the government provide matched funding to B.C.-based small and medium enterprises (“**SMEs**”) to assist inventors and start-ups in overcoming the expenses related to protecting their IP through patents or other means. The Commissioner further recommends the implementation of a provincial tax incentive for income related to the sale of patented products to encourage companies to concentrate IP activity, and the related jobs, in B.C.

Developing Leadership Talent

The Commissioner notes that B.C. has a highly skilled and talented workforce but lacks the same skill and experience among the business leaders who can guide those companies as they grow. This lack of experience puts B.C. companies at higher risk of acquisition by larger foreign companies. Innovation and performance will be materially improved by correcting this leadership gap.

The Victoria Innovation, Advanced Technology and Entrepreneurship Council and Accelerate Okanagan have tried to address the executive training needs by delivering the RevUp program, a six-month program connecting established companies and leaders with experienced mentors or Executives-in-Residence. In addition, welcoming multinational anchor companies to B.C. will allow the province to attract new talent and training opportunities which will further benefit local businesses when the senior employees of such anchor companies change roles and bring their skills to local SMEs who will benefit from their insight and experience.

The Commissioner recommends that the provincial government build on the success of programs like RevUp to develop mentorship and leadership skills across the province.

Takeaways for your Business

The Report identified the absence of a sufficiently robust innovation environment as a significant challenge and barrier to growth faced by SMEs in B.C. The Report’s recommendations regarding the creation of innovation precincts and emerging technology clusters seek to address this shortcoming. Structuring your business in a way that maximizes the benefits and opportunities offered by the government and related parties supporting the B.C. technology and innovation sector can be a complicated and challenging task. Ensuring your business has the flexibility to pivot as and when necessary to benefit from any changes resulting from the Report’s recommendations requires preparation, vision and strategic guidance to ensure your

business is organized, managed and capitalized effectively for rapid realignment.

The Commissioner's recommendation regarding implementing made-in-B.C. solutions, rather than imported ones, to satisfy requirements under the CleanBC plan can be a daunting task for many SMEs especially if your business is not strategically prepared to leverage any local synergies and relationships. To maximize the returns from this or any related process, SMEs will need to strategically identify and team up with partners and suppliers who can help them respond to market demands quickly and effectively as well as foster relationships with customers who will benefit from such plans like CleanBC.

As noted by the Commissioner, protection of IP is an important initial step often ignored by SMEs because of the high costs and administrative challenges inherent in navigating the current system. However, creating a strong innovation economy built on local technology which will, in turn, create sustainable and long-term prospects within the province requires an understanding of the options available to SMEs both under the current system and as any changes are introduced. Taking advantage of any funding assistance provided by the government while recognizing the value in your IP when properly protected and commercialized will give an SME a significantly better platform to grow the business locally, nationally and internationally.

Finally, attracting and retaining talented and experienced personnel at all levels has long been a significant challenge for B.C. companies. Issues such as immigration, compensation, taxation, and housing costs, among others, can result in major barriers to success if not carefully managed from the outset. Participation in the mentoring or executive-training programs suggested by the Commissioner or identifying strategic hires can help B.C. companies develop or acquire the right talent for their organization to propel their development and success.

B.C. businesses that want to position themselves to take advantage of the B.C. government's desire to make B.C. a hub in technology and innovation should begin considering what steps they can and should be taking to achieve the best returns possible from any changes to practices arising from the Commissioner's recommendations or otherwise. Some of the steps will require strategic planning with an eye on the legal and commercial consequences of any changes which an SME is considering to introduce.

By Robert C. Piasentin and Joshua Sved

[1] Conference Board of Canada, How Canada Performs, 2017.

a cautionary note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

The logo for mcmillan, featuring the word in a lowercase, sans-serif font. The 'm' and 'c' are in a dark red color, while the 'm', 'i', 'l', 'l', 'a', and 'n' are in a light blue color. The logo is positioned in the upper left corner of a banner image.

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