

INNOVATION IP (2017) PROGRAMME: MID-TERM REVIEW

Date: September 2018

EXECUTIVE REVIEW

Review Findings

- a) The Innovation IP programme is highly valued by the businesses that take part – the value is often only truly appreciated through engagement with the programme provider.
- b) The programme is generally reaching its target audience – early and late start-ups undertaking innovative R&D – but some sectors and regions are under represented in recruitment numbers.
- c) Despite being one of the more popular programmes the number of companies taking part has dropped since the launch of the core programme compared to the throughput of the pilot programme. This change is attributed to the reduction of the co-funding ratio to 40%, the concomitant reduction in the maximum amount that can be reimbursed plus the added complexity of having a separate provider panel for each stage.
- d) The existence of separate provider panels for each of Stage 1 and Stage 2 is viewed unfavourably by all stakeholders from participants to providers with Stage 2 panel providers particularly negative.
- e) Most providers expected more business to accrue from their involvement in the programme and the commitment of those who have had little or no opportunity to deliver the programme has dropped away.
- f) Innovation IP programme marketing needs a sharper focus with limited clarity of messaging about programme scope and value.
- g) Feedback processes with business participants and the providers themselves are not functioning efficiently and this is required to monitor short and long term impacts of the programme.
- h) The provision of the programme to pre-incubation and incubation start-ups associated with the technology incubators is seen as very positive in helping incubators in their due diligence and incubation activities. It is seen as a small cost to enhance the much greater value of the pre-incubation grants and repayable loans provided by Callaghan Innovation to these incubators.

Recommendations

- 1) **Retain the core Innovation IP** programme at least until the termination of current provider engagement MoUs on **30 January 2020**.
- 2) **Return to a single provider** delivered Innovation IP programme format through amalgamation of the two existing provider panels as far as possible. This process would require close consultation with provider panel members as well as procurement specialist and legal counsel support to ensure a fair and defensible process was adopted.
- 3) **Improve programme promotional material** with improved clarity of messaging about programme scope and value.
- 4) **Consult with Sector teams to re-energise Innovation IP** programme offering including planned changes and ensure messaging is **customised to specific Sector requirements**.
- 5) **Facilitate contact between Primary Relationship Managers and providers** so PRMs are **better able to advise their customers about the programme itself and provider suitability**.
- 6) Update Intervention Logic in view of Review findings.
- 7) **Improve feedback loops** with programme participants and share relevant programme updates with wider stakeholder audience including providers.
- 8) **Continue making Innovation IP programme available to technology incubators** on a preferential co-funding arrangement and formalise arrangement in a Memorandum of Understanding.

REVIEW

1) Background

The Innovation IP programme was developed by Callaghan Innovation in 2014/2015 following an initiative commenced by New Zealand Trade and Enterprise (NZTE) in 2010 named Better by IP. The Innovation IP programme was piloted in the period March 2015 to July 2016 and finally launched as a core programme in March 2017 following a full procurement process undertaken in the final quarter of 2016.

The intervention logic for the Innovation IP programme reflected previous findings that many New Zealand businesses lacked a basic understanding of intellectual property (IP) and the strategic role it plays in a successful, innovation-lead business. Many local businesses were reluctant to acknowledge the need to identify and actively manage their IP believing that it was a complex, technical and costly activity that wasn't a priority. The lack of IP awareness resulted in the potential for IP risk factors not being identified or addressed.

The Innovation IP programme was developed to help innovative businesses to improve their IP awareness and develop and implement their own business focussed IP strategy. During the pilot phase three providers offered three significantly different deliveries of the programme that all targeted improved awareness of IP and intellectual assets by the business participant and the facilitated development of a business specific IP strategy and action plan. A follow up implementation phase was co-funded to encourage the business to commence implementing its IP strategy once it was in place.

During the pilot programme features were adjusted in line with our own observations as well as feedback from both the businesses and the programme providers themselves. Changes made during the course of the pilot included:

- level of co-funding of Stage 1 (Awareness and Strategy) reduced from initial 100% to 50% while Stage 2 (Implementation) cofunding stayed constant at 50%;
- maximum amount available for reimbursement under a co-funding agreement over the course of the pilot dropped from \$25,000 to \$20,000 to \$15,000 in line with uptake by the companies;
- length of the initial group workshop was quickly reduced from 2 days to 1 day to enable easier access to the programme for many interested businesses;
- programme adopted a more customised approach to each business's needs as the pilot progressed rather than following a fully prescribed format and
- programme was made available to a wider audience than originally planned including pre-commercial technology incubator companies and Māori economy trusts and incorporations with commercial ambitions reflecting these entities long term objective to commercialise IP.

By the conclusion of the pilot a preferred programme delivery format was identified that was sufficiently flexible and fitted with the needs of all parties – business participant, programme provider and Callaghan Innovation as co-funder and sponsor of the programme.

The pilot demonstrated that there are a number of advantages in having a group of businesses undertake the initial Innovation IP Awareness workshop together including the sharing of experiences and mutual support for those less confident in engaging in what is initially seen as a technical and difficult subject. Anticipated concerns that participating businesses may be reluctant to discuss their own IP challenges without a non-disclosure agreement in place did not eventuate. Such business specific discussions were carefully moderated by the provider to avoid risks of premature disclosure.

However, the logistics of organising group workshops in specific locations proved too difficult and lead to lengthy delays in businesses being able to commence the programme while workshop attendee rosters were organised. Innovation IP workshops are now held one on one with each business able to commence on a date that enables them to have all their selected attendees present and contributing to IP identification and development of a business specific IP strategy. Generally, this approach also allows the provider to present the programme on site and gain a deeper understanding of possible sources of valuable IP attributable to that business.

A soft transition for the Innovation IP programme from pilot to core status was planned for mid-2016. Unfortunately, problems with the procurement process (April to June 2016) resulted in challenges from unsuccessful respondents. As a consequence, Callaghan Innovation ceased offering the Innovation IP programme pending an external review of the pilot and also the undertaking of a competitive tender process. The Deloitte external review of the pilot Innovation IP programme confirmed its overall value to our business customers and supported its continuation. Some programme changes were recommended e.g. use of two provider panels, standardizing co-funding level at 40% for both stages and where possible these were implemented in a renewed procurement process supported by an in-house procurement specialist.

Following formal evaluation of the responses to the issued Request for Proposal, two panels of programme providers were appointed in line with the Deloitte recommendation (see below). The core Innovation IP programme commenced to be offered from March 2017.

2) Intervention Logic - Outputs, Outcomes & Impacts

The current intervention logic for the Innovation IP programme is now over 2 years old and needs to be updated following this current review (refer Attachment 2 – Innovation IP Intervention Logic).

Outputs

The Innovation IP Programme Manager oversees a number of outputs associated with the Innovation IP Programme and listed in the Intervention Logic. These include:

- provision of provider panels for Stage 1 and Stage 2 composed of qualified, experienced and committed IP service professionals (often patent attorneys) able to engage productively with Callaghan Innovation business customers;
- suitably executed co-funding agreements covering the participation of each business who undertakes the Innovation IP programme and

- business satisfaction levels measured by Net Promoter Score average greater than 50% (target was originally greater than 30%).

Outcomes & Impacts

Anticipated outcomes for those businesses who have taken part in the Innovation IP programme will be time dependent roughly split into short term, medium term and long term benefits. Long term outcomes are more properly considered as impacts since this is the timeframe within which economic impact is expected whether at the business, local or national level.

Short term outcomes (0-6 months)

Business participants finish the programme having a good working understanding of registered and unregistered IP rights, their inter-relationships and how they can be managed strategically for growth.

An expanding awareness of the need for an IP strategy that is supportive of their overall business plans and objectives.

IP awareness is more broadly based within each business on completion of the programme.

Medium term outcomes (6 months – 2 years)

Strategic management of IP is considered “business as usual” and linked strongly to overall business planning.

Business can unaided recognise its own valuable IP.

Business looks for more diverse ways to realise the value of their IP.

Business has started to manage IP risks in all its markets both domestic and international.

Business can engage appropriate IP professionals such as patent attorneys, to assist in their decision-making.

Long term impacts (2+ years)

Accelerated business growth through strategic and active IP management.

IP strategy is linked to both Research & Development and Commercialisation strategies, in order to maximise opportunities for valuable IP to be developed and deployed.

Businesses are collaborating domestically and internationally to share their IP in mutually beneficial ways.

3) How does the core Innovation IP programme currently work?

Since March 2017 the core Innovation IP programme has operated using two provider panels with members of each panel only delivering either Stage 1 (Awareness & Strategy) or Stage 2 (Implementation) but not both. The members of each panel are listed here, and providers have not been permitted to swap between panels at any time.

Stage 1 Providers:

A J Park
Catalyst IP
Ellis Terry
Everedge Global
Hudson Gavin Martin
Innovation Liberation Front
Potter IP

Stage 2 Providers:

Baldwins
IP Solved
James & Wells
Origin IP/In-Legal

Memorandums of Understanding (MoU) were signed with each of the Stage 1 and Stage 2 panel members following the full, open tender procurement process undertaken late 2016. The underlying Request for Proposal document identified the criteria for acceptance and no limitation was placed on the size of either of the two panels. The main features of the MoUs were:

a) Stage 1 Panel MoU

- Decision on choice of programme provider for Stage 1 is at sole discretion of eligible business customer.
- Scope of agreed delivery and topics to be covered in Stage 1.
- One or more fixed price programme options to be offered by each provider.

b) Stage 2 Panel MoU.

- Decision on choice of IP service provider for Stage 2 is at sole discretion of eligible business customer.
- Cost of Stage 2 services will be agreed between service provider and the business customer who will be responsible for paying the provider's invoice for services rendered.
- Scope of Stage 2 services that will be co-funded by Callaghan Innovation.

c) Both Stage 1 and Stage 2 MoUs

- Callaghan Innovation does not guarantee that provider's services will be employed at any time during the term of the MoU.
- Callaghan Innovation retains the right to appoint additional service providers to the Panel.
- Callaghan Innovation may, acting reasonably, remove a provider from the Panel for cause, or without cause following consultation. Otherwise MoU terminates on 31 January 2020.

The core Innovation IP programme proceeds through the following steps:

- a) Callaghan Innovation's Business Innovation Advisors and Customer Managers or our Regional Business Partner agents ("relationship managers") identify potential candidates for the programme and introduce a business to the programme and its features.

The Intervention Logic for Innovation IP identifies the target audience as early stage, technology intense companies in all sectors who are developing and commercialising valuable IP in all its forms. This includes companies being supported by technology incubators. The programme is of most benefit to companies looking to operate in overseas

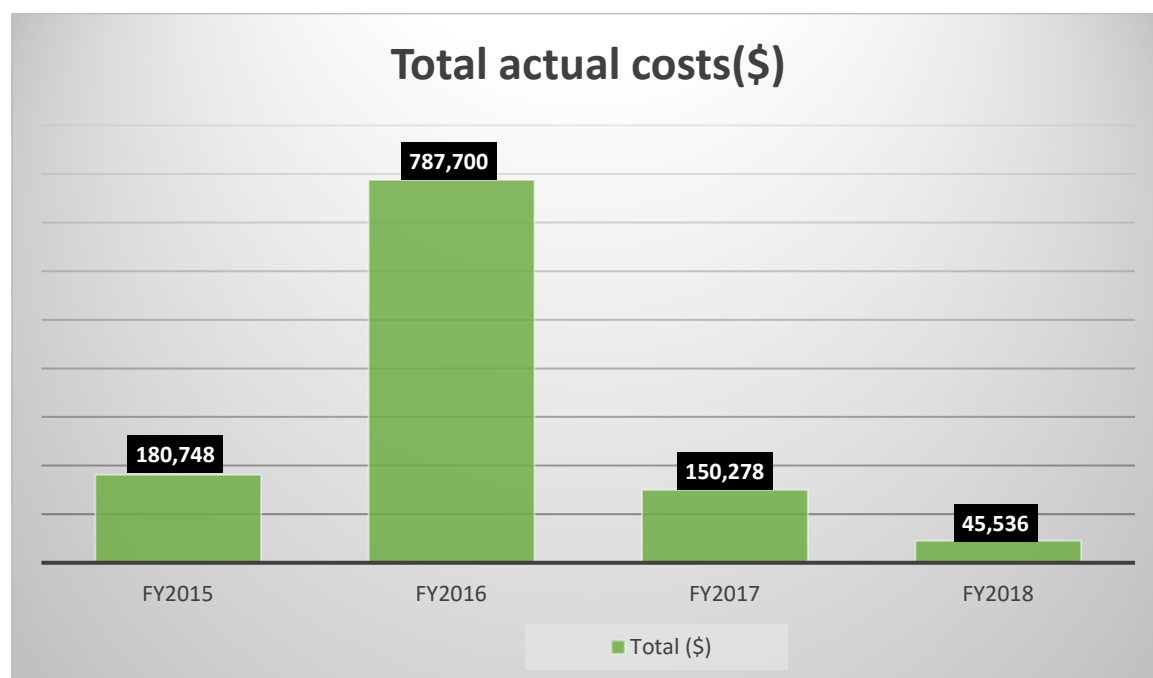
markets. Exceptions to this target audience are only made on a case by case basis following agreement with the Programmes Group Manager.

In 2018 we have adopted a policy of requiring participants in Innovation IP to be managed customers of Callaghan Innovation.

- b) The business is directed to Callaghan Innovation's webpage where more details are available about the operation of the programme including a directory of programme providers for Stage 1 and Stage 2.
- c) The business is advised to make contact with their own shortlist of providers of interest to further inform themselves about each provider's technical expertise and mode of programme delivery. This assists the business to make an informed choice of provider for their particular business needs including budget.
- d) When the business confirms its decision to undertake Innovation IP with their relationship manager they are given a co-funding agreement to sign which formalises the terms and conditions covering their participation. These include the requirement for senior management involvement, their agreement to allow direct participation by their relationship manager, reporting obligations and co-funding rate up to a maximum amount reimbursed. Appendices make clear what expenses are eligible for reimbursement and exclude costs associated with the registration of IP rights.
- e) Once the co-funding agreement is signed the business is free to engage the provider of their choice and make arrangements for the delivery of their Innovation IP programme. They should keep their relationship manager informed of their progress including reporting outcomes of Stage 1 once completed. Unless agreed otherwise and at the request of the relationship manager, the provider will make available a written summary of the findings and IP Strategy that the business will adopt.
- f) Stage 1 of the programme is compulsory while uptake of Stage 2 co-funding is at the discretion of the business itself. (Note: some start-up and early stage businesses do not have the resources to commit to Stage 2 immediately or there may not be any immediate implementation actions to progress after the first Stage.)
- g) The business will be invoiced the agreed fee by their provider and is responsible for payment as they would be upon engagement of any service provider.
- h) The business may invoice Callaghan Innovation for 40% of allowable expenses up to the maximum provided for in their co-funding agreement which is \$5,000 ex GST each for both Stage 1 and Stage 2 to a total of \$10,000.

4) How much does it cost?

The following table includes development costs (incurred during FY2015 only), payments to programme providers and reimbursements to business (co-funding).



Source: Callaghan Innovation Dynamics NAV Finance System

To a close approximation the combined FY2015 and FY 2016 totals were for development and delivery of the pilot Innovation IP programme including payments to providers. The combined FY2017 and FY2018 costs arose solely from delivery of the core Innovation IP programme launched in March 2017 and comprise co-funding support to business participants only.

The very large jump in programme costs for FY2016 reflect:

a) a decision to fully fund (100/0) Stage 1 of the pilot programme for the first 5 months which resulted in a large bubble of companies recruited into the programme;

b) a co-funding ratio at 50/50 available over the balance of the pilot;

c) decisions to fully fund various options tested during the pilot stage e.g. targeted workshops for Maori Economy entities, support for C-Prize finalists and a special arrangement with technology incubators to increase chances of start-up success and recovery of Callaghan Innovation's repayable loan.

Conversely, the significant reduction in programme costs for FY2017 and FY2018 coincide with the commencement of the core Innovation IP programme featuring:

- d) a reduction in the co-funding ratio to 40/60 when the programme moved to core status together with a lower maximum reimbursement limit of \$10,000 and
- e) a much lower uptake of Stage 2 co-funding because of the requirement that a different provider be used for Stage 2 and the disruption this caused to programme delivery from a customer perspective.

The average amount of co-funding claimed by participants since the commencement of the core Innovation IP programme in March 2017 is \$3,674 ex GST and when technology incubator start-ups (see below) are excluded this amount reduces to \$2,842.

5) Delivery of Innovation IP to targeted groups

Technology Incubator Start-ups

A fundamental aim of the Innovation IP programme is to reach target customers generating innovative and potentially commercial IP before they risk compromising the value of their IP through inadequate IP management. These potential programme candidates are not always able to be reached via our own customer facing staff in the Sectors group.

During the pilot phase of the programme it was agreed that we would make the programme available to early stage start-ups entering Callaghan Innovation supported technology incubators including WNT Ventures and Astrolab. Callaghan Innovation has been supporting the technology incubators by allowing these start-up companies to undertake our Innovation IP programme under a special arrangement including 100% reimbursement of Stage 1 programme costs up to \$7000 ex GST. Some start-up companies undertaking this programme are nominated by a technology incubator in possession of a pre-incubation grant to establish whether the start-up's idea is commercially viable or not. Alternatively, the start-up may have already been accepted into the incubator with a repayable loan before commencing Innovation IP.

Currently, provision of the programme to technology incubator start-ups is subject to a co-funding agreement between Callaghan Innovation and the start-up company. Innovation IP is then delivered to the start-up by any approved provider but to date the incubators have mostly used Potter IP.

Rather than contracting directly with the start-up it was originally envisaged that in time there would be a contractual arrangement with each technology incubator. This agreement would cover delivery of Innovation IP to start-ups with the possibility that programme funding would be out of pre-incubation grants or repayable loans where the start-up had already been accepted into the incubator. This proposal has not yet been advanced but is one of several potential changes to the technology Incubator special case that is now being considered.

Fifteen of these start-ups have taken advantage of the Innovation IP programme since inception and informal feedback is that fully assisted entry into Stage 1 of the programme has proven of great value to the start-up itself as well as the sponsoring technology incubator. The second stage currently consists of limited 40% co-funding up to \$3,000 ex GST to allow the start-up to employ an IP services professional to undertake specific tasks in support of their IP strategy. It should be noted that there has been very little up take of the second stage co-funding to date.

The two technology incubators, WNT Ventures and Astrolab, who have actively employed the Innovation IP programme, particularly as part of their due diligence of incubator candidates, have been surveyed concerning their current appreciation of the programme. Both incubators see Stage 1 of the programme as adding a lot of value to both their pre-incubation and incubation processes as well as ensuring the companies in incubation proper have a robust IP strategy behind their commercial development. Despite the poor use of Stage 2 to date both were also supportive of its continuation subject to the addressing of several weaknesses that they perceived viz. financial support too low so not worth the effort of engaging and Stage 2 providers too limited in number and suitability. An increase in overall Stage 2 reimbursement up to \$7,500 from the current \$3,000 was proposed by one incubator in tandem with increasing the co-funding rate to 75% in line with the level of support provided under the repayable loan scheme. Budgetary constraints mean increases in financial support are not envisaged at this time but current support could be used more flexibly across both stages of Innovation IP.

To make engagement processes more agile there was support from one incubator to make the incubator itself a party to the co-funding agreement so it is made clear that the incubator can be included in the Innovation IP programme directly and thus make better informed investment decisions. Another suggestion was just to include a tick box acknowledgement in each agreement to confirm that the start-up company was engaged formally with a technology incubator. It is certainly helpful to make clear in our co-funding agreement that Callaghan Innovation's financial support is for the benefit of both the start-up company and the incubator itself.

A suggestion to limit the eligible companies to those in pre-incubation only was not well received. There was a strong feeling that the incubator should be left to determine when the Innovation IP programme could add most value and that they were best placed to make this judgement call subject to the IP being associated with a pre-incubation or incubation proper company.

Overall, both technology incubators were opposed to any suggestion of funding Innovation IP out of existing pre-incubation and repayable loan grants without a corresponding increase in those grants to compensate. It was also considered that technology incubator support should be scaled up with increased funding being made available by Callaghan Innovation.

It was to be expected that on balance the incubators would adopt a more for less approach to the benefits they and their clients receive from involvement in Innovation IP. It has been observed that they are unlikely to be familiar with the budgetary constraints that apply to any of Callaghan Innovation's discretionary investments in business innovation skills. Hence, in the absence of a specified maximum number of incubator start-ups that can be accommodated by the Innovation IP programme in a financial year, it should be made clear to the incubators that programme funding support is always be subject to budgetary constraints.

In light of experience to date and feedback from the technology incubators themselves the following changes are proposed in support of the technology incubator's preferential access to the Innovation IP programme:

- make the incubator a party to the co-funding agreement (mechanism to be discussed further with stakeholders affected);
- retain the current maximum level of financial support per start-up at \$10,000 but allow the incubator to employ it across the whole programme on a 75% co-funding basis for both Stage 1 and Stage 2. This increases flexibility and transfers some of the Stage 1 support to

Stage 2 to the extent determined by the incubator and start-up themselves according to need;

- enter into a formal MoU with each incubator to establish a finite term for this support e.g. January 2020 to coincide with the termination of the MoU in place for Innovation IP programme providers.

Unchanged would be:

- access to the programme for both pre-incubation and repayable loan start-ups engaged by the incubator provided that each company is pre-approved for engagement by the technology incubator;
- the option for Callaghan Innovation to withhold or delay financial support according to its available budget (this can be formalised in the proposed MoU).

Maori Economy

The Maori Economy team had the objective of raising IP awareness amongst some of its trust and incorporation customers. Several educational workshops were delivered by programme provider Mainly Consulting with IKB Consulting under the umbrella of pilot Innovation IP. 10 participants were subsequently approved to receive 1 on 1 support to develop and implement their IP strategies.

C-Prize Event

During FY2016, the inaugural C-Prize was organised and promoted by the National Technology Network group seeking to highlight innovations in the field of Unguided Aerial Vehicles (UAVs). Finalists were supported by the Innovation IP programme to improve their awareness and knowledge around IP in their field and top prize winners were able to take part in the full programme.

Other Routes

Other routes were also tentatively trialled such as referral from NZTE and offering complimentary Innovation IP participation as part of an overall winner package as in the case of Melon Health's Healthtech Best Start-up Opportunity prize in 2015.

Note: Of the options tested above only the programme support for the technology incubators has carried on post the pilot phase of Innovation IP and, as noted, changes to this arrangement are now proposed.

6) Programme Awareness & Marketing

The following Innovation IP marketing collateral was prepared for the pilot programme and refreshed for the subsequent core programme:

- Programme flyer (in conjunction with Comms Team)
- Service Provider Directory (including background and contact details for each approved programme provider)
- Guidance pamphlet on How to Choose your Service Provider

During the pilot phase periodic update emails were issued to BIAs and Customer Managers to keep these up to date on developments and changes to programme offerings. Over time this mode of communication became less effective.

Intermittently, opportunities for front line Callaghan Innovation managers to hear from and question

Innovation IP programme providers have been provided. When the core programme was launched in 2017 a webinar organised by the Programme Manager was another opportunity to take questions about Innovation IP and brief front line managers.

In 2017, a Skills Conference was held with Callaghan Innovation customer facing staff as well as our RBP agents in the regions. This was an opportunity to update everyone on the current format of the Innovation IP programme and questions flowed afterwards.

In the first half of 2018 an initiative with the Agritech sector team and RBPs gave rise to Innovation IP workshops that give businesses in a region the chance to hear about strategic IP management and the Innovation IP programme from both a provider and the programme manager and sector team representative. So far workshops have been held in Tauranga and Palmerston North.

The major feed back from frontline managers is that the programme is unnecessarily complicated to explain to customers now that it has two panels of providers. The need to use a second provider in order to get full value from the programme is not obvious to most despite it being a recommendation of the Deloitte review of the pilot programme.

The expanded Stage 1 panel also requires more effort from the business to choose their provider and it is noted that this can lead to delays following the signing of the co-funding agreement before the programme is actually commenced.

7) Outcome & Impact Measures

The measurement of outcomes and impacts of the programme is still a work in progress.

Anecdotally, we have feedback from business participants that they are highly appreciative of the opportunity to undertake the Innovation IP programme and believe that they have improved their awareness and understanding of intellectual property in the context of their own business.

A representative sampling of feedback:

Inhibit Coatings Limited

“We found the innovation IP programme very useful and well put together.”

ARANZ Geo Limited

“Overall I would say a very good and useful project that confirmed some things we already knew and gave us a starting off point for things we didn’t know but it is very much the beginning of a process. “

Unattributed

“Great programme overall and worth doing. Had a really good time with HGM (*a provider*) and would highly recommend.”

Zespri feedback via BIA Nicky Molloy

“I caught up with the Innovation team this week from Zespri, including Carol Ward. It was great to hear the positive comments flooding in from the team with regard to this engagement they have had with you and the value that it is delivering.”

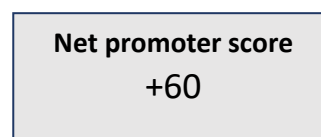
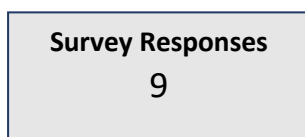
This positive appreciation of the core Innovation IP programme is consistent with that received from businesses who undertook the earlier pilot programme.

SURVEYS

A limited amount of surveying of participant businesses has been carried out with the support of the Impact and Evaluation team but firm conclusions are difficult to draw based on the low numbers of responses received. **Survey results reported upon in May 2018 are the most up to date but are based on only 9 responses out of a total of 30 surveys sent out. This represents a response rate of only around 30%.**

Within this limitation the survey responses are summarised in the following charts and customer comments:

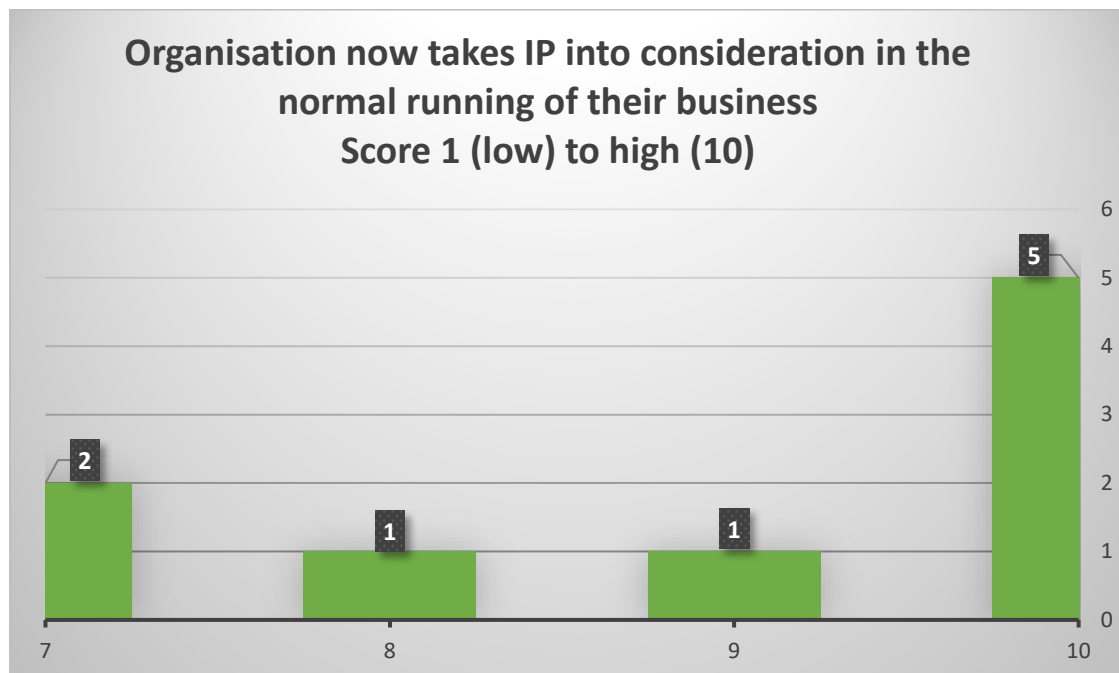
(Source: Innovation IP surveys from Impact and Evaluation May 2018)

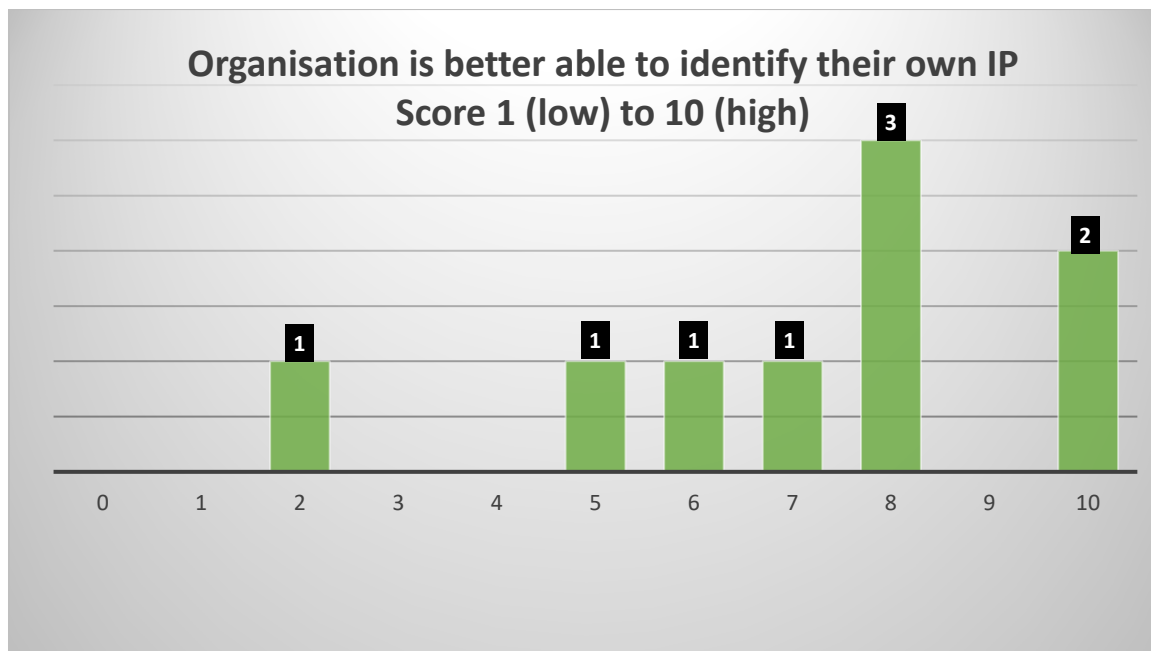


The average Net Promoter Score of +60% has exceeded the current target of +50% (originally +30% in the Intervention Logic) and suggests that the target NPS score is able to be raised by at least 10%.

"We're really happy with the way Alan Potter ran things and have learnt a lot."

- Chronoptics Ltd.





Within the limitations of the data available, the above charts give a positive indication that most participating businesses are taking IP into consideration as part of business as usual. There is also an indication that the capability of a business to identify its own valuable IP - a prerequisite to strategic IP management – has also improved. Both these aspects are identified as desired short to medium outcomes in the programme’s intervention logic.

There is no hard information available to date that can be linked to the targeted long-term impacts despite the belief that achievement of the programme’s short to medium term outcomes will yield the desired long-term impacts. Anecdotal evidence from one customer was that Innovation IP prepared them well for a subsequent IP challenge including the way they were able to engage with their IP services provider leading to a successful outcome. To track longer term impacts of the programme longitudinal studies will probably be required.

Over the course of both the pilot and the core programme there have been only two instances where the programme was not seen as being valuable both of which related to the approach of one of the pilot providers. The negative feedback received was that the provider followed a cookie cutter approach and did not take into account prior knowledge of the participants with the programme being pitched at too low a level for the participants. This feedback was followed up with the provider concerned.

“Callaghan Innovation help to facilitate activities around IP that we couldn’t afford otherwise.”

A number of recommendations for improvements received from programme participants addressed the need to change providers when moving from Stage 1 to Stage 2:

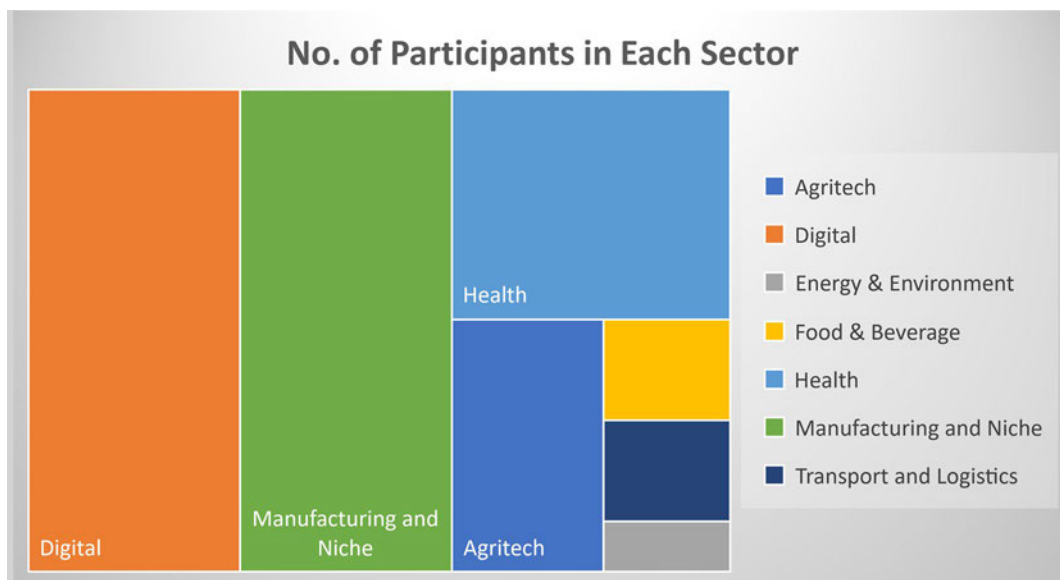
“I would like to undertake part 2 of the Innovation programme with the same firm (provider) due to their in-depth knowledge of our IP. It would save a lot in costs (incurred) in bringing a new IP firm up to speed.”

“Having stage 1 organisations (providers) able to deliver stage 2 programmes would help lower costs incurred in the process by limiting the amount of re-education around the IP held by the business.”

8) Core Innovation IP programme statistics ex CRM database

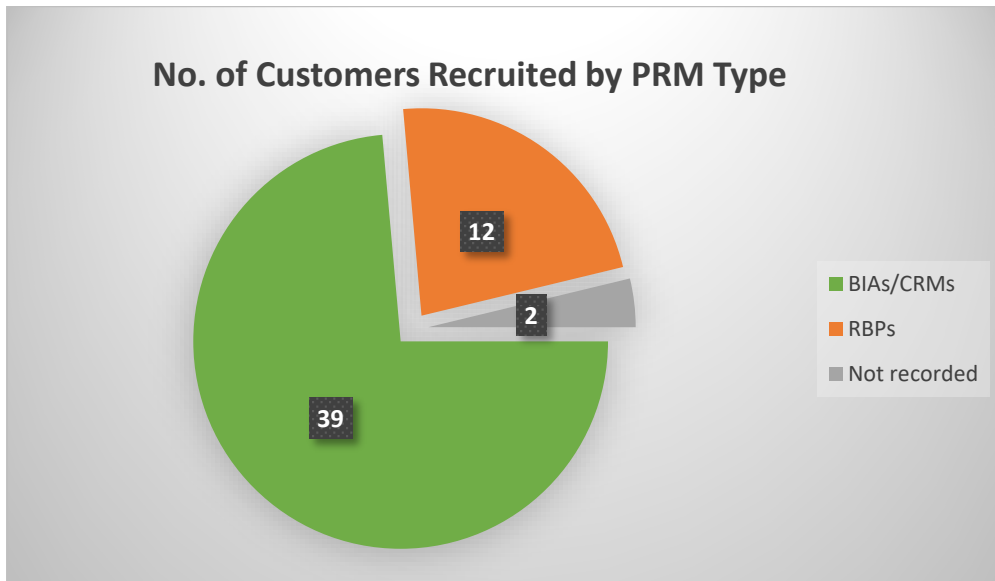
In order to understand how the programme is being implemented and to inform future decision-making, several variables from the CRM database have been analysed for the period under review (March 2017 to June 2018).

i) By Sector



Three sectors have provided the bulk of the programme participants over the 15-month time period to June 2018. Digital, Manufacturing and Niche and Health have contributed 42 of the total of 53 participants. It seems there is potential for the primary industry aligned sectors to make more use of the Innovation IP programme and the sector team has responded with the AgriTech workshops referred to above.

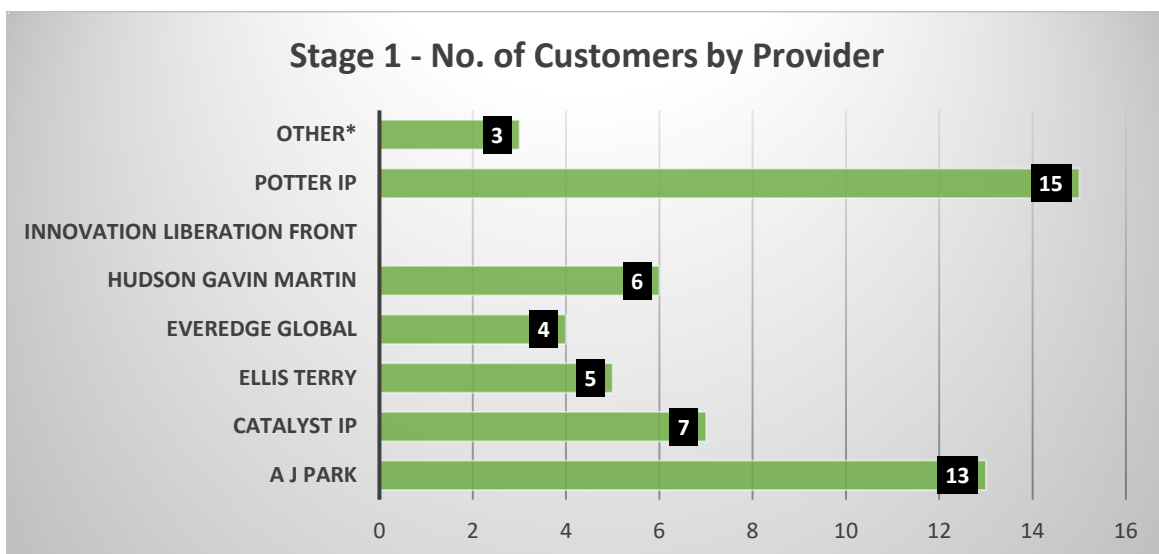
ii) By Primary Relationship Manager type



Callaghan Innovation PRMs recruit around 3 times the number of businesses to Innovation IP compared to Regional Business Partners. Except for a small group of experienced RBP managers – including an ex-Callaghan Innovation employee – most of the RBP managers have not recruited any of their customers into the programme. The ongoing challenge is to make sure the RPB managers have a good understanding of the format of the programme and its benefits so that they can pass its value onto their customers.

iii) Core Innovation IP Stage 1 v Stage 2 uptake

Stage 1:



53 companies have undertaken the obligatory Stage 1 of Innovation IP.

Stage 2:

Of the 4 providers on the Stage 2 panel both James and Wells and In-Legal have had a single customer requesting Stage 2 services (outside of the special case C-prize finalists). The other 2 providers – Baldwins and IP Solved – have had no approaches from Stage 1 participants. Effectively the Stage 2 provider panel for the core programme is offering no value to the programme or its participants since its services are not being utilised by programme participants.

As noted above, feedback from programme participants is that the need to transition from Stage 1 provider to Stage 2 provider is disliked because of the requirement to bring a completely new provider up to speed with Stage 1 activities and strategic decisions made. This is seen as adding to time and costs expended on the programme.

During the pilot phase of the programme 25-30% of programme participants made use of the Stage 2 co-funding support with the majority having chosen EverEdge IP as their Stage 1 programme provider. Thus, it seems provider encouragement may be an important factor in participants moving onto Stage 2. However, with two separate provider panels there is no explicit instruction or reason that requires Stage 1 providers to furnish that encouragement to participants to utilise Stage 2 support.

Another contributing factor that can inhibit interest in Stage 2 of the programme is timing. Upon completion of Stage 1 of the programme the business may not be ready or need to seek support from an IP services professional e.g. R&D progress may not be sufficiently advanced to require active IP registration activity or further searching during the balance of the programme's 12-month term.

iv) Provider choice

A principle guiding management of the Innovation IP programme is that the business customer needs a choice of providers and that the decision as to which provider they will use is theirs alone. Participants are encouraged to contact authorised providers prior to deciding.

The chart in iii) above indicates the extent to which different Stage 1 providers are chosen by business customers. Potter IP and A J Park are clearly preferred providers of the programme – Potter IP possibly because of its compatibility with the objectives of the programme and stated intention to focus on IP strategy rather than IP registration services. Potter IP has also had a longer connection with the programme having been involved with the pilot programme previously.

With a high profile as a leading provider of IP services in New Zealand, A J Park are easily recognisable amongst the list of Stage 1 providers with their own high brand awareness. They have put some significant resource into developing their own programme content and collateral and offer several versions of the programme according to business maturity and current needs. They have slotted in Innovation IP alongside their other IP strategy service offerings.

In the next tier of providers is Auckland based Hudson Gavin Martin who have a developing reputation in IP commercialisation with specialisation in digital and telecommunications. Also present is Catalyst IP in Wellington who have strong technical resources in chemistry, biotechnology and engineering. Catalyst IP is the only non-Auckland based provider in the top four.

Of the remaining providers Ellis Terry and EverEdge Global have had some customer contact while Innovation Liberation Front (ILF) have not delivered the programme to any business customers to date. ILF's quirky website and branding <http://www.innovationliberationfront.com> may be off putting to parties initially interested in their programme.

v) Provider feedback

All Stage 1 providers were surveyed during July 2018 using Google Forms with only Hudson Gavin Martin not responding. Three questions were asked, and the responses collated as below.

(1) Are you satisfied with your involvement in the Innovation IP programme overall? If not, why not?

Potter IP, A J Park and Catalyst IP were reasonably/moderately/generally happy but would like higher uptake. There was also a desire to have transparency around what each provider was doing as they do not know whether they are missing out on business at the expense of their "panel competitors". Potter IP point to an ongoing need for many more businesses to be doing a programme such as Innovation IP yet are not willing to do so.

According to some providers perceived programme complexity and the large number of providers are disengaging factors that should be addressed through a clear, simple and effective outline of process, costs and benefits. Companies who do the programme only fully appreciate the value once they have been through it. Potter IP believe that Callaghan Innovation survey data including NPS scores should be fed back to providers to enable them to improve delivery. This data would also be used to reduce the size of the Stage 1 panel from 7 to just 3 or 4 providers.

The other providers who responded (EverEdge, Ellis Terry and Innovation Liberation Front) were not at all happy owing to the perceived low amount of business generated by Callaghan Innovation on their behalf. EverEdge believe there are too many providers providing divergent programmes of dubious quality and independence. They suggest if multiple providers are necessary, then they should be appointed on a franchise style basis by region. They have referred clients to our 0800 number and heard nothing back as to whether they engaged with Innovation IP or not.

(2) What works well for you regarding your involvement in Innovation IP? What doesn't work well for you?

Works well:

Processing of new participants is seamless and enthusiasm of companies signing on is appreciated.

Being largely left to get on and deliver the programme.

The programme works well once the company has chosen their provider and commenced the programme.

Callaghan Innovation funnelling companies into the programme.

Co-funding of IP strategy work which might otherwise not be done.

Doesn't work well:

Getting business commitment to programme and selection of provider.

Name "Innovation IP" does not help understanding of programme benefits.

Inability of provider to sign up business directly.

No incentive to refer a customer back to Callaghan Innovation for consideration.

Reduced co-funding (40%) makes it less attractive to clients.

Idea of 2 stage provision is fundamentally flawed.

Insufficient enquiries from potential participants.

(3) What changes, if any, would you like to be made to the Innovation IP programme?

Improve transparency of recruitment process so they have more opportunities to "pitch" to front line staff and potential participants.

Transparency around process by which "providers are allocated clients".

Require project grant applicants to complete Innovation IP rather than ticking the box on a general FTO.

All providers to be NZ owned and based.

Return to 3 or less providers.

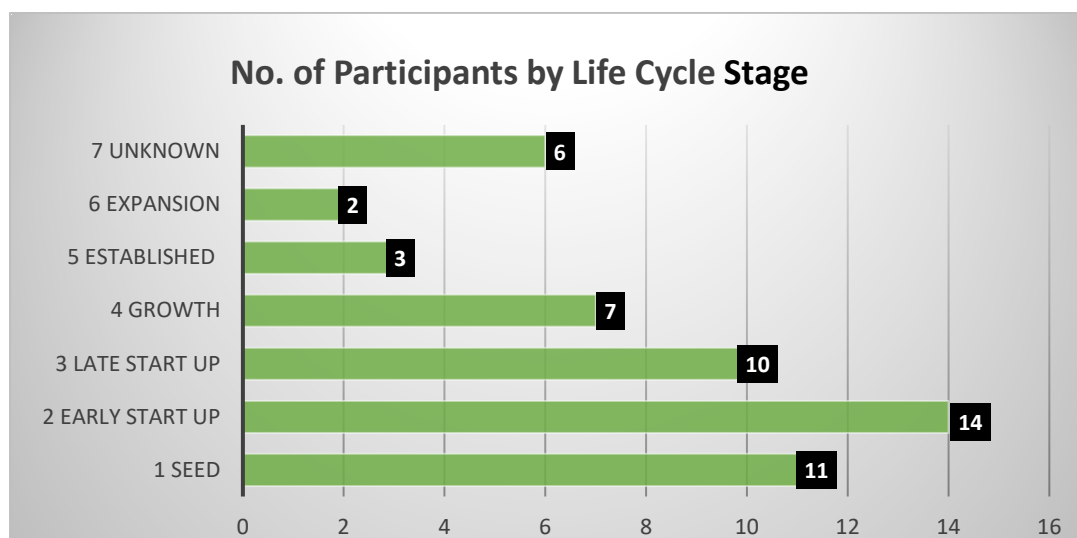
Eliminate providers who file for registered IP rights because there is a conflict of interest.

Return co-funding to previous level.

Enable providers to bring clients to Callaghan Innovation to sign up.

Same provider delivers the whole programme.

(9) Lifecycle profile of core Innovation IP participants



The original Intervention Logic identified the following target audience

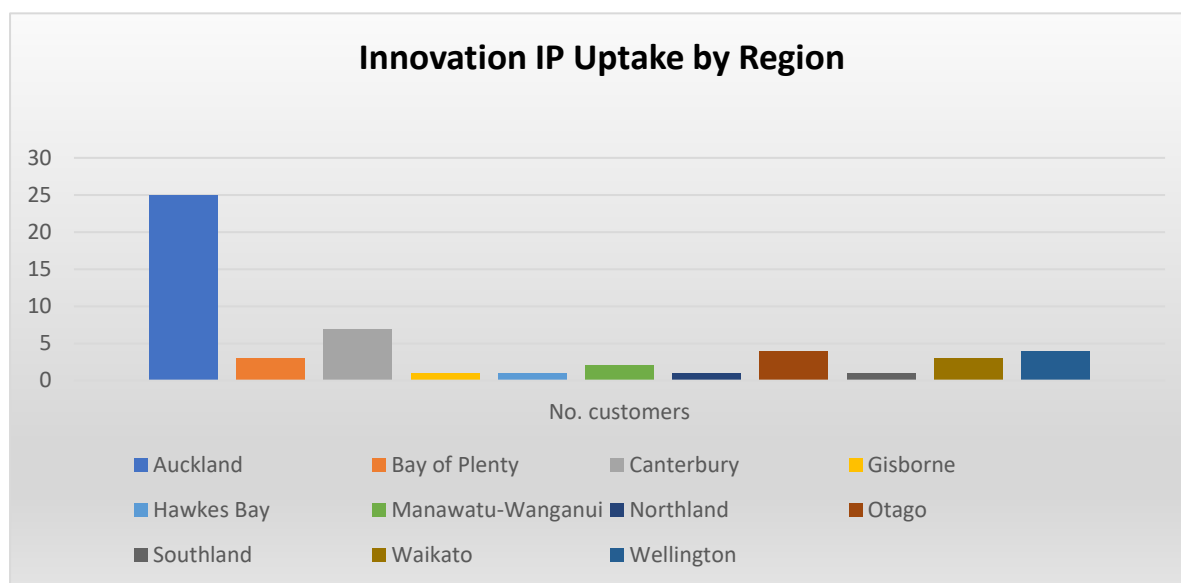
“Early stage, technology intense companies developing and commercialising valuable intellectual property in all its forms including companies being supported in incubators.”

As can be seen most companies doing the Innovation IP programme are in the Seed and Start Up stages of their life cycle which is consistent with the original Intervention Logic.

However, it has also become clear that there is value from programme participation by some companies classified in the more mature life cycle stages. In the Growth stage, new scale up challenges require a fresh look at IP strategy or make clear the need to have one e.g. [Section 9\(2\)\(b\)\(ii\)](#) Or in the Established phase changes in the business environment lead to a requirement to pivot and establish IP strategy from the ground up once again. While it might be expected that these more mature companies have good IP awareness and institutional knowledge this is not always the case particularly when key personnel leave the company.

So it would be useful to reconsider the Innovation IP target audience as part of the Intervention Logic refresh.

(10) Regional uptake of core Innovation IP programme



Half of Innovation IP participants were Auckland based followed by 13% Canterbury and 8% in both Wellington and Otago. There has been uptake of the programme in most regions with only the West Coast, Marlborough/Nelson/Tasman and Taranaki not being represented. This pattern of uptake is consistent with the understanding that Innovation IP is a programme that has value across all sectors and so there should not be a strong regional bias other than that reflected by population density.

DISCUSSION

Feedback from various sources including providers, Callaghan Innovation front line staff as well as the businesses themselves is that the programme has real value which is only fully appreciated once the programme – Stage 1 in particular – is completed. This comes about through the programme's focus on all types of valuable intellectual assets not just the registered IP rights with which many are already familiar with albeit superficially.

The analysis of data relating to business participants in the core Innovation IP programme suggests that a refresh of the Intervention Logic document dated 24 February 2016 is required but not a complete rewrite. The Problem/Opportunity statements are still current, but the Target Audience should be updated in view of the business lifecycle profile illustrated in (9) above. Other sections no longer current and which need updating are Inputs and Measures and, in particular, the new target Net Promoter Score which should be raised to 60%.

Marketing & Recruitment

The original support collateral for Innovation IP was modelled closely on that originally prepared for the Better by Lean programme. It is recognised that the wordy, functional approach employed may disguise the overall value proposition of the Innovation IP programme which should be the central message to any customers who might benefit from programme participation. Consequently, there is a pressing need to develop simpler, value focussed promotional aids for use with customers. A shorter, more reader friendly co-funding agreement - as implemented for the Build for Speed programme - would also enhance customer understanding of how the programme operates and the obligations of participants.

Alongside customer needs it is recognised that a current strap line and elevator pitch would be helpful to front line Callaghan Innovation and RBP staff in understanding and communicating the programme benefits with greater clarity. A clearer communication of the value proposition should improve needy customer uptake. A point strongly made by the providers and PRMs is that some businesses that would clearly benefit from the programme are resistant to commit and sign on.

Based on the data presented above there is a case to apply more effort to publicising the programme outside the large urban areas with the upper South Island and Taranaki still to recruit a single company into the programme even after 3 plus years of the pilot and core programme being available. Initial efforts have begun with sector teams and the RBP Manager to improve regional understanding and uptake of the programme. Early moves to undertake Agritech sector focussed Innovation IP promotional workshops away from the main centres have not proven to be very effective to date. It seems that success will be very dependent on the energy and commitment of the local RBP manager and ways to achieve this need further work.

Provider Panels

One of the major issues arising from this review is the dissatisfaction expressed by many of the programme providers when surveyed. For the obligatory Stage 1 Awareness & Strategy provider panel there is a degree of satisfaction with their involvement expressed by about half the seven

members together with a desire for a higher uptake by Callaghan Innovation customers. The balance of the panel who have had few or no customers choosing their programme are somewhat disillusioned and tend to attribute this to more providers than required for the scale of the programme. They also do not support the Callaghan Innovation customer recruitment process that discourages providers from doing their “own thing” and signing up businesses to their programme directly or “pushing” their potential customers to Callaghan Innovation to process.

There is an element of competitiveness between Stage 1 panel members and some desire for more transparency as to the “success” or otherwise of other panel members. In contradiction, however, there is a nervousness about being seen as a non-performer with little uptake by our customers which could be interpreted by the wider marketplace as a negative reflection on the quality of their services. We should seek feedback from the provider panels as to how far they would wish to go in having Callaghan Innovation give regular feedback regarding relative provider performance including NPS scores and other forms of customer feedback.

One suggestion was that transparency could be improved by organising more opportunities for providers to meet up and “pitch” their Innovation IP service to Callaghan Innovation front line staff. This is supported but it needs to be made clear that Callaghan Innovation is not a sales agent for panel members as our role is to inform our customers about the programme provider panels and support them objectively to choose the provider who will be the best fit for their needs. This avoids accusations of bias and is consistent with the customer paying the higher percentage of the provider’s fee. Notwithstanding there will be value in providing further explanation to all providers concerning the processes used by Callaghan Innovation to recruit customers to Innovation IP and reassuring them that we are acting without undue favour to specific providers.

Callaghan Innovation has an obligation to its customers to provide quality programmes that enhance their capability to innovate and commercialise innovations successfully. We also want successful providers who are committed to our programmes, but we have no obligation to provide new business to our programme providers and this is made clear in the MoU we have signed with them. Both customers, providers and Callaghan Innovation are best served by having a provider panel that is suitably sized to give customers adequate choice and rewards committed, quality providers with sufficient new business.

As indicated above the Stage 2 (Implementation) panel has been unsuccessful with only a small handful of companies (outside of C-prize finalists) taking up the opportunity to receive co-funding to implement strategic IP management activities. This low uptake is attributed to the need to transition to a new IP services provider when moving from Stage 1 to Stage 2 of the programme. Whether explicitly or implicitly both providers and programme participants have indicated that the concept of 2 provider panels working sequentially for the same programme is flawed. Many are in favour of a return to a single provider panel which could be achieved in several ways:

(i) *Amalgamate both panels into a single panel*

Given that the 2016 RfP that sought to appoint Innovation IP programme providers adopted quite different criteria for entry into each of the two panels, it is clear that existing members of each panel would need to be assessed and qualified before entry into a combined panel. Following Government Rules of Sourcing an assessment panel

would need to be put together to undertake this exercise.

The Stage 1 criteria covered technical merit including a fit for purpose programme design that would meet the objectives of Stage 1 as well as requiring the respondent to demonstrate capability and capacity to deliver. Stage 2 providers wanting to join the combined panel would be subject to a more intensive assessment process since Stage 2 entry only required demonstration of professional IP service qualifications e.g. patent attorney, as well as experience in a commercial environment. Conversely, it would be relatively easy for Stage 1 providers to demonstrate that they meet Stage 2 criteria.

(ii) *Undertake a new RfP for a single provider panel only*

This is a resource intensive exercise that would be disruptive to ongoing delivery of the programme in the short term. This would give the option of limiting the combined panel size if that was deemed desirable. There would be a risk that existing providers could be lost through an unwillingness to provide the time and resource required to respond to an RfP.

(iii) *Allow Stage 1 providers only to deliver the complete programme following assessment*

This option would make the Stage 2 panel redundant and could be justified on the basis that these providers have not been an active part of the programme to date for whatever reason. Clearly Stage 2 panel members could object and may wish to dispute the decision. However, their Provision of Services MoU allows Callaghan Innovation acting reasonably to remove them from the panel without cause following consultation.

(iv) *Do away with Stage 2*

As well as the issues raised in (iii) above arise equally with this option. The major argument for not supporting this option is that the potential value of Stage 2 has been masked by the requirement to have a new provider as discussed above. The fundamental barrier to participants seeking value from Stage 2 should be addressed first.

Before making a decision, consultation should take place with all providers regarding Callaghan Innovation's preferred course of action. However, on the basis of this review our preference would be to move from two independent panels to a single provider panel that provides all Innovation IP services and consists solely of current members of the Stage 1 and Stage 2 panels who have been assessed against whole of programme criteria from the original RfP.

Programme Impact Measurement

This review has been undertaken on the basis of relatively limited surveying of customers and providers supported by anecdotal evidence. In line with recent discussions within the Programmes team and with the Market, Engagement and Experience group changes to surveying methodology are likely which will enhance our understanding of programme impact.

As well as anonymised surveying it will be helpful to have more personalised feedback facilitated by the Primary Relationship Manager who is better placed to get a more granular, considered response highlighting programme strengths and weaknesses. This will also allow continuous and responsive improvement in programme delivery to be achieved.

Other Feedback

Various other proposals have been made during the course of seeking feedback for this review.

- (a) Change the programme name – this should prove unnecessary once current marketing initiatives are implemented. A strong strapline alongside the Innovation IP programme name should highlight the purpose and value of the programme more effectively than a simple name change.
- (b) Increase the level of co-funding – the 40% level of co-funding was adopted as a policy across all core programmes but does reduce flexibility. There may be a case to reconsider this policy but that does not fall within the scope of this review and should be followed up independently.
- (c) Innovation IP as a prequalification for Project Grants – such a blanket requirement would be an overkill as only a proportion of Grants customers would benefit from participation in the programme. However, given the requirement for prospective Grant applicants to demonstrate FTO there may be value in making the Innovation IP programme available as an option to strengthen the commercial outcome of the R&D project. This proposal can be raised with Callaghan Innovation’s Grants team for consideration

RECOMMENDATIONS

- 1) Retain the core Innovation IP programme at least until the termination of current provider engagement MoUs on 30 January 2020.
- 2) Return to a single provider delivered Innovation IP programme format through amalgamation of the two existing provider panels as far as possible. This process would require close consultation with provider panel members as well as procurement specialist and legal counsel support to ensure a fair and defensible process was adopted.
- 3) Improve programme promotional material with improved clarity of messaging about programme scope and value.
- 4) Consult with Sector teams to re-energise Innovation IP programme offering including planned changes and ensure messaging is customised to specific Sector requirements.
- 5) Facilitate contact between Primary Relationship Managers and providers so PRMs are better able to advise their customers about the programme itself and provider suitability.
- 6) Update Intervention Logic in view of Review findings.

- 7) Improve feedback loops with programme participants and share relevant programme updates with wider stakeholder audience including providers.
- 8) Continue making Innovation IP programme available to technology incubators on a preferential co-funding arrangement and formalise arrangement in a Memorandum of Understanding.

ATTACHMENT 1

Programme content and services that together comprise the scope of the core Innovation IP programme.

STAGE 1

A workshop, series of workshops or one on one engagements, covering the following areas:

- a. Fundamental elements of Intellectual Property (IP) and intangible assets.
- b. How to identify valuable IP that a business has developed and owns.
- c. The IP landscape the Business operates in.
- d. What is "freedom to operate" and how to manage IP risk. What is a freedom to operate (FTO) search.
- e. How to legally protect a businesses' IP.
- f. Frameworks for developing a business specific IP strategy and implementation plan.
- g. How you can leverage off a business's IP and IP assets, in order to be more innovative and achieve accelerated business growth.
- h. How to engage confidently and work with IP specialists in a cost-effective manner. Why you need to seek professional advice.
- i. One on one working with the business to develop a business specific IP Strategy and IP Implementation Plan.

STAGE 2

- a. Undertake prior art or intellectual property ((P) landscape searches and provide analyses of results regarding novelty and/or options to register IP rights.
- b. Undertake Freedom to Operate (FTO) searches and provide professional opinions with respect to IP infringement risk.
- c. Provide invalidity analyses and professional opinions with respect to registered IP rights.
- d. Provide advice regarding IP risk mitigation.
- e. Provide advice on IP ownership including chain of title verification and IP assignment services.
- f. Provide advice on and drafting services for IP clauses, including matters of confidentiality, both in binding and non-binding agreements.
- g. Facilitate the provision of an IP valuation by a valuer with professionally recognised qualifications in the valuation field.
- h. Facilitate the cost-effective provision of services a. to g. above from local or overseas agents and the passing on of associated costs when the Stage Two Supplier cannot provide the services themselves.
- i. Assist a business to undertake the construction of an IP asset register.