

## CLIENT &amp; DEFENCE INDUSTRY ADVISORY MEMORANDUM

# Implications of Canada's *Defence Industrial Strategy* for Intellectual Property Governance and Protection

FROM: STRATFORD INTELLECTUAL PROPERTY

DATE: FEBRUARY 17, 2026



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## Executive Summary

Under the newly released *Security, Sovereignty and Prosperity: Canada's Defence Industrial Strategy*, the Government of Canada is introducing a structural shift in how intellectual property (IP) is treated within defence procurement, industrial policy, and sovereign capability development.

For those operating in the defence sector (or supply technology, components, software, or dual-use innovation to defence or allied markets, this will directly impact your IP strategy. For the first time, Canadian IP ownership, protection, and sovereign access are explicitly positioned as strategic national priorities.

Under the new BUILD–PARTNER–BUY framework and forthcoming ITB reforms, IP governance will directly affect:

- Procurement eligibility
- Strategic partner designation
- ITB scoring and multipliers
- Export readiness
- Sustainment autonomy
- Cross-border collaboration structures

This memo outlines what the shift means in practical terms and what clients and defence-sector firms must do now to align with the new policy environment.

➔ Read the full strategic update: [\*Security, Sovereignty and Prosperity: Canada's Defence Industrial Strategy\*](#)

## INTELLECTUAL PROPERTY IS NOW A SOVEREIGNTY ISSUE

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The Strategy makes clear that Canada intends to:

- Prioritize Canadian IP ownership and control
- Protect sovereign access to schematics, software, and sustainment data
- Integrate IP considerations into procurement frameworks
- Ensure domestic capability for long-term operation, maintenance, and repair

In practical terms, the government is signalling that access to technology, not just physical equipment, is a matter of national security and strategic autonomy.

**Implication:** IP is no longer merely a legal safeguard. It is a procurement differentiator and a strategic asset tied to national security. Companies that are unable to demonstrate clear, defensible IP ownership and control may face disadvantages in upcoming defence programs.

## BUILD–PARTNER–BUY: STRUCTURAL IMPACT ON IP

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Canada's Strategy outlines three pathways for acquiring and developing defence capability. Each carries different expectations for IP ownership, access, and control.

### **BUILD (Domestic Preference)**

Where Canada prioritizes domestic production, advantage will favour firms that can demonstrate:

- Canadian-controlled patents
- Protected firmware and software stacks
- Secure trade secret governance
- Clear employee and contractor IP assignments

Directed procurement under national security exceptions may further elevate IP-secure domestic firms.

**Implication:** Clear documentation, clean ownership chains, and disciplined internal IP governance strengthen competitive positioning.

### **PARTNER (Allied Co-Development)**

Where Canada collaborates with allies, IP clarity becomes critical. Companies must be prepared to manage:

- Foreground vs. background IP rights
- Technology transfer boundaries
- Sustainment and modification rights
- Licensing frameworks that preserve Canadian sovereignty

Improper structuring could jeopardize eligibility or undermine sovereign objectives.

**Implication:** Well-structured collaboration agreements protect long-term eligibility and strategic control.

## BUY (Foreign Acquisitions)

The Strategy identifies risks in foreign systems where Canada lacks access to:

- Source code
- Schematics
- Software updates
- Sustainment data

This signals heightened scrutiny of IP access provisions in major acquisitions. Canadian integrators and domestic sustainment partners will be required to ensure sovereign operational control.

**Implication:** Access to critical technology and long-term operational autonomy are expected components of acquisition strategy.

## ITB MODERNIZATION WILL ELEVATE IP VALUE

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Reforms to the Industrial and Technological Benefits (ITB) policy will:

- Align procurement incentives with sovereign capability categories
- Introduce enhanced multipliers
- Encourage strategic R&D investment
- Reward direct Canadian innovation

Organizations with well-structured IP portfolios can strengthen Value Proposition scoring and multiplier eligibility.

**Implication:** IP-backed R&D investments and clearly documented innovation may carry greater weight in future procurements.

## EXPORT GROWTH INCREASES IP RISK EXPOSURE

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The Strategy targets a 50% increase in defence exports and expanded allied integration. Export growth introduces:

- Cross-border IP exposure
- Increased foreign due diligence
- Joint venture complexity
- Licensing risks
- Foreign investment scrutiny

Organizations expanding internationally must ensure that IP governance frameworks account for export controls, ownership clarity, and cross-border risk

**Implication:** Export growth requires export-aware IP governance and disciplined cross-border structuring.

## IMMEDIATE ACTION ITEMS FOR DEFENCE FIRMS

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In light of this policy shift, Stratford Intellectual Property recommends the following priority actions:

### **Conduct a Sovereign IP Audit**

- Inventory patents, trademarks, copyrights, and trade secrets
- Confirm assignment and ownership clarity
- Identify IP held by foreign affiliates or investors
- Map IP to sovereign capability categories

### **Strengthen Internal IP Governance**

- Update employment agreements
- Review contractor IP clauses
- Implement trade secret protection protocols
- Document software and firmware ownership

### **Prepare for Procurement Scrutiny**

- Develop IP ownership briefs
- Prepare sovereign access narratives
- Structure defensible licensing models

### **Align IP Strategy with ITB Optimization**

- Identify R&D eligible for multiplier treatment
- Structure patent filings around sovereign categories
- Document innovation impact

### **Review Cross-Border Agreements**

- Audit licensing arrangements
- Evaluate co-development contracts
- Ensure Canadian control over critical technology

**Implication:** Proactive governance reduces risk and strengthens competitiveness under the new policy framework.

## RISKS OF INACTION

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Failure to address IP governance in light of the new Strategy may result in:

- Reduced competitiveness in procurement
- Lower ITB scoring outcomes
- Exposure to foreign acquisition or control
- Weakened negotiation leverage with primes
- Compliance vulnerabilities in export markets

## Conclusion

Canada's *Defence Industrial Strategy* signals a policy environment where IP is central to:

- Sovereign capability
- Procurement decisions
- Industrial scaling
- Export growth
- Long-term sustainment autonomy

For defence contractors, sector partners, dual-use innovators, advanced manufacturers, and investors in the sector, IP governance now plays a visible role in competitive positioning.

If you're concerned about how these updates may affect your organization, we can help you think through next steps, including a Defence IP Readiness Assessment.

**We're here when you need us, and always happy to help.**

*Paul*

## Change Your Organization for the Better.

At Stratford Intellectual Property, we help defence and dual-use organizations think strategically about their IP. Whether you are preparing for procurement scrutiny, structuring an allied partnership, scaling innovation, or assessing cross-border exposure, our team brings practical, real-world experience to your IP governance and strategy.

We also support organizations in building practical, forward-looking IP strategies that safeguard innovation, clarify ownership and control, and position their technology for growth, investment, and commercialization.

We work with defence SMEs, primes and integrators, advanced manufacturers, and innovation-driven technology companies navigating growth in Canada and allied markets.

For more information or to book a detailed consultation, please contact:



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