

## **Cash Engineering - Selling IP - it's all about fear and greed**

You don't have to understand the technology to appreciate the achievements of this cutting-edge company

The desk in Tony Kitchener's office is cluttered with technical drawings, completed prototypes of air compressor parts and the general flotsam and jetsam of any working desk.

Smack in the middle of it all is a porcelain cup and saucer set detailed with a delicate filigree of china blue on an almost translucent white. The set is an antique and yet it holds its own amongst items reflecting world beating technology.

Both represent Cash Engineering Research Pty Ltd, a company with a long history and revenue gained solely from the sale of air compression technology to massive multinationals based in the US and Europe.

Cash Engineering deals in the intangible: intellectual property - patents and know-how. Located in a back alley in Richmond, one of Melbourne's older suburbs, Cash Engineering was established in 1938 by Tony Kitchener's maternal grandfather, one of his sons and one of his brothers.

The men had moved from the country to the city following the catastrophic effects of the Depression. Somehow they found themselves manufacturing machine tools. Business was good and then came the war - World War II.

In 1945, the government of the day dictated that the company would manufacture air compressors. As the heir to the steam engine, air compressors create a clean, safe energy source replacing electricity and hydraulics, for instance.

At the Richmond factory there are examples of early air compressors which sound and look like ancient industrial life forms. Right next to these dinosaurs is the absolute latest in air compressors, with their sleek look and modern innovations.

This continuity from museum piece to current technology highlights Cash Engineering's progression. By the late 1970s, after 30 years of experience and with a dozen or more patents already granted, it's safe to say that they knew air compressors inside and out. But the penny dropped in 1981 when Tony convinced a significant European manufacturer to license Cash Engineering technology while he was attending a trade fair in Hannover, Germany.

By 1985, the company was making its 'living' from licensing its intellectual property. According to Tony, the progression was a natural one, but making a living from IP is both wonderful and awful.

"Licensing intellectual property is basically about getting the fear and greed levels balanced between both parties," says Tony.

"The licensor fears they won't be able to off-load their technology. The licensee fears that if they don't buy the technology their competitor will buy it - and blow them out of the water. The licensor wants as much as possible for their intellectual property, and the licensee wants to give as little as possible."

"Once you get this all sorted out - with lots of hair pulling and tears - you've got yourself a license agreement."

"Every innovator is enormously optimistic, eccentric and a bit mad, but they are also paranoid. I used to worry that everyone was about to steal my technology until I went about trying to sell it. Then I couldn't give it away," says Tony.

Of course, Cash Engineering technology is tremendously valuable. In fact, two foreign take-overs have occurred out of the mistaken belief that the subsumed companies were the originators of the air compression technology, when in fact, it had been licensed from Cash.

Though license agreements can be lucrative, many Australian businesses view the expense of intellectual property protection, such as patents, registered designs and trade marks, as unjustified. According to Tony, they don't realise that it is crucial to being in the game. "We hold around 50 patents. They represent a significant financial investment, but this is the commodity we deal in."

"Anyone can have an idea, but no one has ever made a cent from 'an idea'. They have made money from being able to establish their idea as a reality. IP protection - a patent, for instance - is bricks and mortar," says Tony.