The biotech industry differs from many others because the return on investment that can be expected from a successful development may be huge. That is perhaps one of the reasons why an impressive number of startup companies operate in Israel in the field. The manpower for small and midsize biotech enterprises is supplied by the many academic institutes, which in Israel are strongly oriented towards life science, and the result is that renowned experts of international stature lead the R&D efforts of small, lean and thus efficient enterprises.

Because of the substantial costs involved in developing and maintaining R&D projects in the field, Israeli biotech companies are constantly on the lookout for funding, which in turn provides the basis for cooperation agreements with major foreign corporations.

Opportunities
Multinational corporations discovered quite some time ago that valuable products can be developed on the basis of Israeli research, and the drug discovery process initiated in Israeli universities has yielded successful drugs. Therefore, with the growing tendency, notably but not solely in the US, of outsourcing various stages of the drug discovery process, the interest of foreign companies in the entrepreneurial Israeli biotech field is constantly growing. It is also worth mentioning that while developments oriented towards the pharmaceutical markets may be more frequent, Israel also has substantial activity in the agro-bio field.

Getting to know the environment
When initiating a relationship in respect of an R&D project with an Israeli company it is important to appreciate the landscape and to deal with potential issues at the outset. One issue to be taken into account, which is of importance in many projects, is the question of actual ownership of the relevant IP. Because of their very nature, many biotech projects originate from the academy and, as a result, some basic questions should be clarified to avoid problems down the line.

The identity of the inventors
Successful biotech projects, by their very nature, are expected to yield important inventions. The identity of the inventors is of critical importance for a variety of reasons, including the determination of the rights of the parties involved. Furthermore, in order to maintain the validity of a US patent, care must be taken to name only the real and actual inventors. This need clashes with the habit of many researchers in the academy, to include in the list of authors of scientific papers the names of every ‘contributor’, even though his contribution may have little or nothing to do with the scientific work done. For instance, someone who provided an important piece of equipment or materials may be listed as a token of gratitude alongside the scientists who did the actual research work. As explained above, this is unacceptable for a patent application that must list only the actual inventors.

The parties involved
Biotech inventions often require the collaboration of scientists with very specific expertise, as well as the use of expensive and highly specialised equipment that may only be available in certain facilities. As a result, inventions are often made by a team of scientists working each in a different place. Since the scientists would normally be employees of the institute where they carry out their research work, the resulting inventions would be ‘service inventions’, i.e., inventions that belong to the institute and not to the scientists. Furthermore, if a piece of equipment owned by a third party is used to generate data, questions may arise as to who owns the data, unless appropriate contractual arrangements are made beforehand. The scientist is remunerated for his inventions in the way that is provided by the bylaws of the institute where he works. However, an entity that outsourced discovery work to an Israeli company may find that it has unwittingly acquired an inconvenient partner, in the shape of one, or possibly more than one institute, with which ‘arrangements’ have been made by the developing company. This situation requires that clear agreement be reached, before any actual work is initiated, as to the role of each institute, the way in which the money will be used to perform the R&D activities, etc.

Since, obviously, the smaller the number of players the better for the project, emphasis should be put on preventing the nomination of contributors who are not inventors, in patent applications relating to the project. However, to avoid future arguments, it is important to determine at the outset whether any such non-inventor contributors are entitled to a remuneration for their contribution, and to reach an agreement in that respect.

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Third parties’ rights
Even when clear agreement exists between the company that carries out the research work and the one that commissioned it, it is important to ascertain that no third party rights are generated by the very nature of the work. Much of the research that is done in the academy is funded by money coming from various sources, such as research grants, government money, or funds, equipment and manpower that are employed in a different project. Experience shows that university professors are not always aware of the fact that the use they make of money and equipment may give rise to third-party rights. Those very same professors may be working in a startup company and using university equipment and materials with the full blessing of the university. Nevertheless, demands may be put forward at a later stage by an entity that was not aware of the project before it attained some degree of success, because the fact that the resources were used with permission, in itself does not have the power to take away conditions that were attached to a grant or other subsidy that was exploited in the course of the work. Such potential issues should therefore be taken into consideration when entering into an R&D agreement, and appropriate assurances should be obtained from the Israeli company.

Conclusions
The IP factor is of critical importance in every R&D project, and perhaps particularly so in the biotech discovery process. The biotech landscape in the vibrant Israeli R&D arena presents many attractive opportunities for large corporations, which can obtain quicker and less expensive results by outsourcing portions of the initial stages of R&D to small and midsize Israeli companies. The brief overview given above points out some of the most common pitfalls that can be avoided simply by exercising awareness. A thorough knowledge of local issues is of great importance in avoiding problems and in shaping successful and fruitful joint ventures and cooperations between foreign and local biotech companies.

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Chambers Editorial
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