

High-Tech Companies Gain from Israeli R&D

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A new study by the **Samuel Neaman Institute** and the National Council for Research and Development, part of the Israeli Science and Technology Ministry, reveals that innovation provides the country's high-tech industry with much of its competitive edge, propelling local companies to the forefront of technology, while also attracting investment and partnership from global firms.

The study tracked which companies register the largest number of patents - businesses or research institutes - and who registers more patents in Israel: Israeli companies or local R&D centers established by multinational firms. The results show that the best local creative minds are concentrated at more than 200 research and development centers in Israel belonging to the world's leading technology companies.

The US company IBM led the study in patent registration with 463 between 2006 and 2010 (Israel's Teva Pharmaceuticals ranked second overall with 430 patents. Among foreign high-tech companies, US-based SanDisk was granted 394 during the same period, followed by Intel with 321 applications. These three US companies accounted for 1,178 patent applications, representing 39% of all those by foreign R&D centers in Israel.

The study emphasizes the role of development centers as a focal point for innovation in Israel's high-tech industry. The presence of multinationals through these centers is a growing phenomenon, and the Israeli engineers employed at the centers participate in developing breakthrough innovations. These R&D centers have effectively turned into incubators for the next generation of entrepreneurs, with employees leaving to found start-ups.

Daphne Getz, who authored the study together with **Eran Leck** and **Amir Hefetz**, explains that because they are small, start-ups were hard hit by the global economic crisis, and have also been hurt by a decline in venture capital funding. They can't afford the expense of going through the patent registration process. On the other hand, large high-tech companies, suffering less from financial distress, are registering patents at a faster pace, she says.

Getz points out a peculiar phenomenon in patent registration in Israel over recent years: Whereas private individuals were responsible for many of the patents in the past - 40% of the overall number in 2003 - this dropped to 26% to 30% from 2008 to 2011. The business sector took up the slack, accounting for 58% to 59%. Meanwhile, universities are responsible for 10% to 12% of inventions and the government and hospitals for the remaining 2% to 3%.

The study also ranked patent portfolios acquired by multinationals through mergers and acquisitions with Israeli companies. HP's acquisition of Indigo Digital Press brought with it 134 patents, giving it the top spot. Next was the 70 patents acquired in the US \$160 million 2010 purchase of Medingo by Hoffman-Roche, which subsequently shut down the Israeli company's local operations.
