

## Strategic Investing

Dr. Eitan Yudilevich, Executive Director  
Israel-U.S. Bi-national Industrial Research and Development Foundation (BIRD)



*Dr. Eitan Yudilevich became Executive Director of the BIRD Foundation in 2006 after a varied career in Israel and the U.S. Before joining BIRD he served as Vice President of Marketing and Business Development for Rafael. He also managed Rafael's operations in the U.S., and was in charge of the company's largest division. Dr. Yudilevich has served as a chairman or member on numerous boards of international joint ventures.*

### What is the BIRD Foundation and how does it work?

BIRD is a key catalyst and matchmaker for joint R&D efforts between American and Israeli companies. BIRD brings together promising Israeli companies with medium-to-large U.S. counterparts focusing on emerging industries and novel technologies. Any pair of companies, one Israeli and one American, may jointly apply for BIRD support as long as they have the combined capability and infrastructure to define, develop, manufacture, market, sell and support an innovative product based on industrial R&D. Typically, the Israeli company is involved in the development of cutting-edge technologies, while the American company offers large-scale product development and commercialization. The BIRD Foundation offers "conditional grants" for joint development projects on a risk-sharing basis. Cumulative sales of products developed through BIRD projects are more than \$4 billion. Since its inception 30 years ago, BIRD has approved more than 770 projects.

### What kind of financial assistance is available? Do the companies have to repay the grants in any way?

The foundation funds up to 50 percent of each company's R&D expenses associated with the joint project. Repayments are due only if commercial revenues are generated as a direct result of the project. If a project fails, BIRD claims no repayments. BIRD requires no equity in the companies it supports and no intellectual property rights to their products. Nor does BIRD interfere in formulating or managing the relationship between the partnering companies.

### What kinds of U.S. companies get involved with BIRD partnerships?

All kinds of U.S. companies have been BIRD grantees. The list is very long and it includes large, medium and small companies. Among the large U.S. corporations are GE, Johnson & Johnson, IBM, Texas Instruments, Kodak, Bayer and ADM. They all understand that innovation is essential for growth and that Israel is a center for great ideas and entrepreneurship.

### Are the Israeli companies start-ups?

Most Israeli companies involved in BIRD projects are relatively young. However, the typical Israeli company is somewhat more mature than a brand new start-up since the objective of a BIRD project is to reach commercialization jointly with the U.S. company. Interestingly, today one can find larger Israeli companies teamed with smaller U.S. companies in a BIRD project, a model that was not possible 30 years ago, when BIRD was established.

### How do U.S. companies benefit from working with Israeli companies, and vice versa?

U.S. companies get access to great innovations, technology and, perhaps most importantly, to the human talent found in Israel. These are essential elements to success in today's global competitive

environment. Israeli companies get access to well-established partners with the understanding of and access to huge markets. The U.S. company often provides a testbed opportunity for the technology. Both sides benefit from BIRD by lowering the risk in their joint endeavor.

### What are the hot industries for collaboration and why? Have you noticed any trends?

One clear trend is in the life sciences where there are a lot of good ideas. However, pursuing them involves higher risk than in other industries. We also see many new initiatives in the clean technology sector and in homeland security. Another rising area is new media and entertainment. Of all these, it seems that clean technology is the hottest area.

### What are the challenges that Israeli and U.S. partners face when working together?

Although today the hurdles are better understood and handled, companies still find it hard to cooperate across borders. Companies need to overcome national and corporate cultural differences, strategic disparities, human factors, distance, etc. At BIRD we did a ten-year retrospective analysis of non-revenue-generating projects and found that in about 50 percent of the projects that did not reach the sales stage, factors related to the companies themselves or to the partnership were key. The other factors were the technology or the market itself.

### Can you give us some examples of successful BIRD partnerships?

Bausch & Lomb and Pharmos formulated Loteprednol Etabonate which led to Lotemax, the most dispensed ophthalmic steroid brand in America, and Alrex, which is the treatment of choice among many eye-care professionals in the U.S. for severe seasonal allergic conjunctivitis.

In the medical device field, ACMI and Cbyond created a flexible endoscope with an integrated miniature video camera and LED light source. ACMI acquired CByond, and the new company is called Gyrus ACMI.

Other successful partnerships were Kollsman and Opgal, which developed the Aircraft Enhanced Vision System that allows for visual landing in reduced visibility conditions such as fog, haze, dust and smog. Two other companies, Tesco and Cognitens, built a flexible 3D measurement system for the automotive industry that is designed for process control and quality assurance on the production floor.

### What are some of the exciting projects currently underway?

In the area of homeland security, GE Security and MITAM are developing an ID kiosk enhanced with advanced document checking capabilities. In life sciences, Schering Plough Animal Health and Mileutis are seeking to formulate a natural compound to treat mastitis, an inflammation of the mammary gland. This is a major problem in livestock breeding which has tremendous economic implications. Gelesis and Exotech Biosolutions are collaborating on a non-invasive device for the treatment of obesity, and ISIS Pharmaceuticals and Rosetta Genomics are involved in drug development for liver cancer.

### How can U.S. companies apply to be BIRD partners?

Companies can contact Michal Miasnik in BIRD's U.S. office in Santa Clara at 408-767-6777 or Michalm@birdf.com. There are also other BIRD representatives throughout the U.S. A complete list is available at <http://www.birdf.com>.