

# **Commercialization in Bulgaria and Germany**

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# IP Commercialization – Improve Legal Framework?

- Today: University/BAS own IP, but professors commercialize privately. Each University has own rules
- Proposal: uniform national regulations for ownership of academic IP.
- Objective: fair royalty split, formality, transparency  
>>>>> increase in commercialization
- Model: US 1980 Bayh-Dole Act, now concept adapted for EU countries.

# Application of Framework

- If university fails to file for patent in prescribed time limit (e.g., 1 year), regulations must ensure clear title is in inventor to freely exploit value of IP.
- **Minimum** royalty should be set to protect inventors
- Royalty allocation must be sufficient to discourage professors sidestepping TTOs.
- Encourage universities to include patenting, licensing and commercialization in promotion and tenure decisions.

# How to Encourage Collaboration in Commercialization

- Matching Grants for collaborative research – grant to Academia? or Industry? or Consortia?
- e.g., Israeli MAGNET supports consortia and information flow – a story of mutual discovery!
- Fiscal incentives (e.g., tax deduction) to industry for collaboration with academics
- Improved legal framework outlined, collaboration follows from certainty/transparency in business-academia transactions

# High-Growth SMEs in Germany: An Interview-Based Exploratory Study

- Dr. Nizar Abdelkafi, Dr. Itzhak Goldberg, Prof. Dr. Thorsten Posselt
- OECD (2007) defines “high-growth firms (HGFs) as those which exhibited an average annualized growth greater than twenty percent per annum, over a three-year period, and with ten or more employees at the beginning of the observation period.

# German Official on Failure in US v Germany

“Then also, you have a different culture in the United States... You have a very good reputation, when you are self-employed. Also ... when you fail with your company ..., you made a good experience. In Germany, you are considered as a lost person. And when you are bankrupt here and you have a lot of bank loans, it is very hard to get loans again. Rather... in the United States, banks are more liberal and say: ok, this person maybe has very good ideas and he made an important experience. We give them money again. In Germany it wouldn't happen.”

# Family-based corporate governance

- Determinant of company growth - corporate governance, which in turn depends, inter alia, on the ownership and capital structure.
- The interviews: Mittelstand companies with concentrated ownership and family-based corporate governance do not perceive rapid growth as a key objective and are reluctant to use external funds, such as Venture Capital or private equity, for funding their growth

# HGFs vs. Mittelstands

- Germany needs HGFs to withstand shocks in the long run.
- Mittelstand's technology could be imitated by potential rivals because mostly their competitiveness is frequently not based on radical or disruptive innovation.
- innovative HGFs provide an alternative if the Chinese succeeds in equaling the quality of the Mittelstand's technology.



# Recommendations for company high growth in Germany

- Encourage a sub-set of existing hi-technology Mittelstand companies to grow faster by investing in a few new risky projects.
- Subset of existing companies could, in addition to startups, be subject to the policy measures recommended below.
- Expanding VC in a way acceptable to the owners if the Mittelstand companies who are reluctant to dilute their ownership with traditional VC; an example could be more private-public VC which might a lesser threat to Mittelstand owners.