

CONTAGIOUS INNOVATION

The Australian Government wants the business, investor and legal communities to grow “start-up ecosystems” and ride the high-tech boom to prosperity. Austrade is setting up five overseas Innovation Landing Pads to help Australian entrepreneurs with “market-ready start-ups” thrive. It launched the first Landing Pad in Tel Aviv, Israel, in mid-2016. Lawyer Micha Tollman is a partner with Yigal Arnon & Co. Law Firm, a leading firm in the city with a top-tier high-tech and venture capital practice. Tollman runs the Australia Desk.

JULIE MCCROSSIN spoke to Tollman about the Landing Pad, why Israel is so successful in innovation and the opportunities for young lawyers in the high-tech world he enjoys.

There are so many high-tech start-ups in Tel Aviv that it is known as “Silicon Wadi” – *wadi* being a term for valley in Hebrew and Arabic. The city is a magnet for tech entrepreneurs and investors, and Prime Minister Malcolm Turnbull is sending Australians to an Innovation Landing Pad there to learn how to be more innovative, creative and daring.

Austrade set up the Landing Pad, which is the first of five it plans to launch. The others will be in San Francisco, Berlin, Shanghai and Singapore. Austrade describes a Landing Pad as “a collaborative workspace to pursue international opportunities by getting immersed in the local start-up culture”. Australian entrepreneurs can apply for grants to attend for up to 90 days. They are offered training, coaching and the opportunity to participate in tailored networking events.

The Australian Government chose Tel Aviv for its first Landing Pad quite simply because the numbers stack up. Israel has more companies listed on the Nasdaq, the second-largest stock exchange in the world, than any other country besides the US and China. Israel also attracts more venture capital per person than any other country. In 2015, the Israeli Venture Capital Association reported that venture capital funds in Israel raised US\$4.43 billion in 708 deals. The same year, the Global Start Up Ecosystem Ranking placed Tel Aviv fifth, after Silicon Valley, New York City, Los Angeles and Boston. The first Australian city on the list was Sydney at 16.

Our trade figures with Israel tell a similar story, showing that the current value of bilateral trade between Israel and Australia is \$1.1 billion – in favour of Israel. Australia exports \$300 million in goods and services to Israel

annually, while it receives \$800 million in exports from Israel. Fifty per cent of these imports are high-tech products and services. It is not surprising that the then innovation minister Christopher Pyne told a room of CEOs in Tel Aviv in December 2015 that Australia had decided to set up its first Landing Pad on their patch. Pyne told the crowd that Israel’s transition to “a knowledge-based, technologically advanced economy” had been “nothing short of meteoric”.

Micha Tollman is on the advisory board of the Tel Aviv Landing Pad, speaking to high-level delegations of Australians who want to learn the secrets of Israel’s success in innovation and entrepreneurship. Tollman spent his youth moving between South Africa and Israel before before completing his L.L.B and L.L.M in Israel and heading to work in Australia.

Tollman is an ideal bridge between the thriving legal and business cultures of Australia and Israel because he worked at Allens in Sydney between 2008 and 2011. At the time, he was requalifying as an Australian lawyer at the Law Extension Committee of the University of Sydney and the College of Law.

When we link up to talk about Silicon Wadi, Tollman explains how he was drawn into this dynamic area of law and business. Six years ago, he returned from Australia to practise in Israel, focusing on project finance, and energy and resources. “When I came back to Israel, the start-up nation and innovation scene here was bubbling. It was just contagious and, without really planning to, I started to progress Australian-Israeli business initiatives and we started representing Australians investing in Israeli tech in

addition to the many Israeli start-up companies and investors we act for.

“Today, after acting on some terrific Aussie-Israeli deals – both straight Australian equity investments and other proposed investments through ASX listings – our firm’s representation of Australian investors such as Square Peg Capital ... is growing rapidly.”

The primary business links between Australia and Israel are all about security, finance and communication – and the back-up technologies that make big systems work.

“The big Australian telcos, Telstra and Optus, and the banks, ANZ, CBA, Westpac and NAB, are all great users of Israeli technology,” Tollman says. “And Aussie investors are definitely interested in Israeli FinTech because of Australia’s great financial services industry.”

He says other big-ticket items include Israeli cybersecurity, AgTech, autonomous vehicles, drones, life sciences, medical services, food and water tech, and defence. Tollman offers the example of Elbit, an Israel-based international defence electronics company with several hundred employees in Australia, most of whom are Australians. He says Elbit provides the Australian Government with command control communications, computers, intelligence surveillance and reconnaissance in a deal worth US\$300 million. In a second deal worth US\$30 million, it provides unmanned aircraft systems and thermal weapons sights.

The description of the start-up sector in Israel as “contagious” is intriguing, especially considering the high failure rate of new ventures. When asked to “please explain”, his answer is careful, yet you feel his underlying enthusiasm. “In Israel you see many of your friends leaving major, very steady corporate roles and saying, ‘We’re going to open up our own companies’,” he says. “The city of Tel Aviv is inundated with start-ups and investors. The deals happen very quickly, and there is a great buzz around them. The start-up sector provides you with a unique opportunity to be on the cutting edge of technology with young people who are very innovative. Seeing the ideas and angles being considered is mind-boggling. It puts a different perspective on the legal profession.”

Yigal Arnon & Co recently represented Intel in its acquisition of Mobileye for US\$15.3 billion. Mobileye is an Israeli company that develops advanced, vision-based driver-assistance systems. This deal will progress Israel’s smart



Lawyer Micha Tollman, who runs the Australia Desk at his firm in Israel, and a wall of apps developed in Israel at the Mind Innovation Centre at the Tel Aviv Stock Exchange.



mobility and autonomous vehicle industry, and the lawyers involved are considered fellow pioneers in developing the sector.

What advice would Tollman offer young graduates interested in joining this world? “First of all, on the purely legal side, you need to have strong corporate and commercial experience,” he replies.

“Broadly speaking, Israel and Australia have a similar drafting style and the majority of the work is in English.

“On the commercial side, you need to help these companies with their IP commercialisation and protection, with procurement and distribution, and, most importantly, with raising finance through various rounds.”

The message to young lawyers is to extend your focus beyond the law to be successful in this sector.

“It is very important to know the industry itself on a macro and micro level. It is important to network and meet young entrepreneurs. They are not typical clients. They are not your 45-year-old or 55-year-old CEOs. They are a different breed. They are Generation X businesspeople.”

He says younger lawyers generally are more effective in start-ups because of their familiarity with technology. They relate more easily to younger clients.

“It is important to understand high-tech niches,” Tollman says.

“For example, when I say our firm has a high-tech practice, that will divide up into internet and mobile, life sciences, FinTech, data security, big data and emerging technology, software, homeland security, technology licensing, AgTech, food tech, consumer products, privacy and more. Then each of these categories will have different subcategories – for example, FinTech has subcategories of payment solutions, payment systems,

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MICHA TOLLMAN

financial data, cryptocurrency, bitcoin, InsurTech and more.”

The start-up sector requires a different approach to legal fees.

“You often need to defer some or all legal fees, and that is a real cultural change. You actually have to say, ‘I am going to act for all of these companies and, with some of them, I might not see payment. But on the chance that a few are going to be successful, my acting for these companies is my investment in these companies,’” Tollman says.

“And it is not a kindness. It’s a real win-win – that’s how we see it. Because, when our start-up companies get off, they become great clients and we have terrific success stories.”

Tollman’s firm has represented AppsFlyer and Windward from the start, seeing them through their growing pains and financing rounds until they became successful commercial companies.

AppsFlyer is a mobile attribution and marketing analytics platform that was ranked as Israel’s best start-up for 2016 by some rankings. It recently raised US\$56 million from the likes of Goldman Sachs and DT, among others. Windward



Austrade is setting up five overseas Innovation Landing Pads and the first opened in Israel in mid-2016.

is a maritime data and analytics company that gathers information about what’s happening at sea. It provides services worldwide to help security agencies combat maritime challenges and authorities counteract illegal fishing.

Austrade hopes that immersing Australian entrepreneurs in this culture for 90 days will help them develop some Israeli chutzpah. This Yiddish term translates as cheek, impudence, personal confidence and taking risks, without feeling guilty. But can you learn chutzpah?

Tollman believes Australia has the right ingredients to do so because Australia and Israel share a certain informality and down-to-earth culture that can help drive innovation. The “she’ll be right” approach, while it has some downsides, means people are more likely to be game to try something new and figure it out along the way. In other cultures, people might not try the same idea because it seems impossible or too hard.

This raises the deeper question: why are Israelis so successful with high-tech start-ups? Tollman’s answer is blunt.

“I think it is because we really didn’t have a choice until a couple of years ago when we discovered our natural gas fields,” he says.

“Our success in Israel is about the survivability of the place. It is a challenging place, in a tough neighbourhood.” sraelis do military

service between 18 and 21. Some of them have attended Unit 8200, an Israeli Intelligence Corps unit responsible for collecting signal intelligence and decrypting codes.

“It teaches soldiers to come up with solutions to different technical problems. You’ve got this whole generation who, by the age of 21, have great technological experience. I think that is one of the key ingredients. If Australia did not have mineral resources to rely on, by default it would have to be more innovative.”

Military service is widely seen as beneficial for innovation in Israel (see *Start-up Nation: The Story of Israel’s Economic Miracle* by Dan Senor and Saul Singer). Avishai Abrahami, the co-founder of Wix – one of the world’s leading cloud-based web development platforms – served in Unit 8200. Last year, he told *Forbes* magazine that he personally knew more than 100 guys from the unit “who built start-ups and sold them for a lot of money”.

There are other significant factors that nurture success including cultural factors.

“I think part of the success in Israel is explained by very constructive government support in terms of grants, which aren’t loans, and they provide tax breaks,” he says.

“Israel likes to work lean. We are critical of everything while maximising the fun. This breeds innovation. There is also an acceptance that failure can’t be

frowned upon, or people will become risk-averse,” he says.

“In the Israeli start-up sector, good news travels faster than bad news,” he says with emphasis. “And there is actually a lot of bad news. While many start-ups raise initial financing, probably 3 per cent or 4 per cent of start-ups succeed big time. Yet we celebrate the good news. No one likes or encourages failure, but just because someone has failed, it’s not ‘one strike and you are out’.”

Tollman believes the Australian Landing Pad in Tel Aviv is a great initiative. While still in its early days, he hopes it will set commercial targets, such as investment and collaboration opportunities with Israeli tech companies.

“It is an excellent educational platform and ‘doing’ would certainly complement the learning,” he says.

There is another significant success factor in Israel. A willingness to take risks to help the nation survive is embedded deep within the Israeli culture. Israelis put themselves and their children on the line to preserve and shape the state. Israelis go to university and start their first jobs in their early 20s, after military service, with a level of maturity and life experience that is uncommon in many other countries. Most feel driven to work to make their country thrive, as well as themselves and their families.

Tollman and his wife, Yael, hope to raise their newborn son, Tom, to be creative and independent, much like Israeli innovation.

The Australian Government is expecting the Tel Aviv Landing Pad to transmit some of this urge for creative risk-taking to Australian entrepreneurs. It is a big ask, but – for the sake of Australia’s innovation aspirations – let’s hope they succeed. **LSJ**



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