

PHILADELPHIA BUSINESS JOURNAL

Why Philadelphia is perfect for Israeli companies looking to enter the U.S. market



CHRISTIAN OFFENBERG

Monastery of Mar Saba



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In July of last year, then-Philadelphia Mayor Michael Nutter returned to Israel for his second offi-

cial visit in two years, with the goal of encouraging Israeli businesses entering the U.S. market to establish operations in Philadelphia. The city has always been a pillar of the American Jewish community (since its founding in the 17th century by William Penn) and remains so today, with a Jewish population of around 250,000—one of the largest in the United States. Philadelphia is still a great location for Israeli businesses seeking to enter the United States. Particularly in technology and the life sciences industry, the

city offers unique advantages for inbound companies from Israel that better-known destinations, like New York and Los Angeles, are finding it hard to match. They include a thriving Jewish community, one of the most educated workforces in the world and a world-renowned tech and life sciences ecosystem. In addition, Philadelphia offers quick and easy access to the rest of the East Coast and the world and a cost of living significantly below that of other major cities.

Philadelphia and Tel Aviv are offi-

cially linked through the Sister Cities Program, which encourages areas of cooperation between the two cities such as economic development and trade and technology. At the heart of the Sister Cities Program is an agreement signed by the mayors of each city confirming their commitment, and that of their successors, to the program. Like his predecessor, current Philadelphia Mayor James “Jim” Kenney and his new city administration, sworn in in January, are no less interested in bridging the gap between the City of Brotherly Love and our sister city in Israel.

Israelis entering the U.S. market have a number of advantages over entrants from other countries. Because English is so widely spoken in Israel, it is not difficult for an Israeli to communicate with local business owners when in the United States. In addition, Israel has maintained a close relationship with the United States ever since its creation. Accordingly, an Israeli business launching here typically has access to both a U.S. network of Israelis experienced in doing business here and an equally helpful network at home. However, just because it may be easier to launch a business in the United States if you are Israeli does not mean it is easy. The countries are still very different, and nearly 6,000 miles apart.

Although much of Philadelphia’s business culture will be familiar, much of its legal and operational culture will not. The most significant of these issues can be collectively categorized as “corporate formalities.” They include such questions as the kind of company you decide to create in the United States; how you fund it; which state you select as your company’s legal home; and all the decisions around the capitalization, accounting and taxation of your U.S. enterprise. It is smart to attend to these issues with the

assistance of an experienced U.S. attorney, ideally one who understands the business and legal environment in Israel. Formation issues that seem minor at the outset can become enormous problems down the road. For example, improperly classified stock option grants can present a company’s senior management team with major tax problems in the future. American tax law is complex, especially for international companies.

Similarly, it is essential for companies in a technology-related field to enlist the services of an experienced American intellectual property attorney. American IP issues involve much more than ensuring that patents are properly drafted and filed. They also entail developing a strategic IP plan, which evaluates the patent portfolios of American competitors, both actual and potential. In addition, a comprehensive IP strategy will also address topics, such as employee noncompete agreements and trade secrets, as well as the status of partnership and development contracts with outside partners.

Other issues frequently faced by inbound Israeli companies are less technical, but no less important. For instance, the sales and business development environment in the United States in general, and particularly in Philadelphia, may be completely different from that of Israel, which can present challenges. Israeli companies operating here have a tendency to seek out, and thus limit themselves to, building relationships with other Israelis. This can hurt you. The United States is one of the world’s biggest markets, and although it can be more challenging, it is essential to build relationships with everyone in the marketplace—Israeli or not. Attend every industry event. Read blogs, newsletters and publications in your fields. While it may feel unnatural, consciously

striving to avoid limiting your network to other Israelis is an essential step in getting traction as quickly and cost-effectively as possible.

At the same time, however, it is worthwhile to leverage the Philadelphia Jewish community. Properly managed, this enormous, vibrant group can be an extraordinary source of guidance, relationships and mentorship. The Delaware Valley has dozens of organizations—not only religious, but also business, cultural, arts-related, culinary and sports organizations—that can help. In particular, seek out mentors—including other Israelis in your field—who have “been there, done that” and can provide guidance.

Finally, it is essential to avoid neglecting the personal and emotional challenges of entering this new market. Israel is seven hours ahead of Philadelphia. You may be working alone, or with a small team, largely isolated from the day-to-day decision-making, brainstorming and support of your home office. Much of what is so familiar as to be automatic in Israel, from renting space and negotiating a lease, to obtaining a cell phone to hiring American employees—with all the attendant rules and regulations—will be drastically different. Prepare for this, and calibrate your expectations.

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