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# **The Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984**

## **Chapter A: Introduction**

### **Objectives of the Law**

1. The objectives of this Law are:
  - (1) The creation of work places in the industry and the recruitment of scientific and technological manpower;
  - (2) The creation of Surplus Yield for the Israeli economy. In this Law: “**Surplus Yield**” – the increase in economic benefit to the economy stemming from Research and Development or the fruits thereof, beyond the yield which would have been derived to those directly engaged in such Research and Development;
  - (3) The development of a scientific rich industry whilst utilizing and broadening the State’s existing technological and scientific and human resources infrastructure;
  - (3a) The encouragement of growth, increased productivity and the advancement of Technological Innovation in the industry in Israel, including in the Negev and the Galilee;
  - (4) Improving of the payments balance of the State through the manufacture and export of scientific rich Products developed therein;

All, by way of encouragement of industrial Research and Development.

2. (Repealed).

### **Implementation**

3. The Minister of Innovation, Science and Technology and the Minister of Finance together (hereinafter, the “**Ministers**”) are charged with implementing this Law.

## **Chapter B: Definitions**

### **Definitions**

4. In this Law-

**“Plan”** - an annual or multi-annual Research and Development plan, consisting of one or more Files, according to terms to be determined in the Benefits Route;

**“Substantial Improvement of an Existing Product”** or **“Substantial Improvement of Existing Process”** – including the Development of a Product or a complementary process;

**“File”** – an application to receive a Benefit, during a specified period of time, within the scope of a Plan.

**“Product”** – tangible or intangible asset, process or service, including manufacturing processes and computer software;

**“New Product”** – a Product, the manufacturing or the use of which in a commercial manner will become possible as a result of the discovery of know-how, processes or methods previously unknown or that were not part of the public domain.

**“Research”** – an intentional investigation aimed at discovering new know-how with the expectation that such know-how will be useful in developing a New Product or new process or in substantially improving an existing Product or Process;

**“Development”** - the application of the findings of a Research or other know-how, intended for the manufacturing of a New Product or for the development of a new process or for a Substantial Improvement of an Existing Product or Process, including formalizing the features of a Plan or the testing thereof, preparing programs and designs, constructing a prototype and operating an experimental model or a semi-industrial facility;

**“Manufacturer”** - (Repealed);

**“Research and Development Expenses”** – (Repealed);

**“Rate of the Added Value”** – (Repealed);

**“Manufacturing Rights Transfer”** - an authorization to another to use the know-how developed in the context of or resulting from a Plan, solely for the purpose of manufacturing a specific Product, whereby, all the remaining rights to utilize and exploit the know-how remain with the transferor thereof, in Israel;

**“Control”** and **“Interested Party”** – shall have the meaning ascribed thereto in the Securities Law, 5728-1968.

**“Technological Innovation”** – Research or Development;

**“Companies Law”** – the Companies Law, 5759-1999;

**“Governmental Companies Law”** – the Governmental Companies Law, 5735-1975;

**“Foundations of Budget Law”** – the Foundation of the Budget Law, 5745-1985;

**“Council for Higher Education Law”** – the Council for Higher Education Law, 5718-1958;

**“Effective Date”** – the date on which the Encouragement of Research and Development in the Industry Law (Amendment Number 7), 5775-2015, came into effect;

**“Chief Scientist”** – the chief scientist of innovation in the Ministry of Innovation, Science and Technology, which has been appointed according to Section 6A;

**“Higher Education Institute”** – each of the following:

- (1) An institution recognized according to Section 9 of the Council for Higher Education Law;
- (2) An institution that received a certificate of permit or authorization according to Section 21A of the Council for Higher Education Law;
- (3) An institution, that a degree that it grants, was recognized according to Section 28A of the Council for Higher Education Law;

**“Higher Education Council”** – within the meaning of the Council for Higher Education Law;

**“Old Benefits Routes”** – Benefits Routes that were previously operated prior to the Effective Date by the Chief Scientist in the Ministry to Economy or the Administration for Industrial Research and Development of the Ministry of Economy, whether by virtue of the Law or not, including the R&D Law Route;

**“R&D Law Route”** – a Benefits Route by virtue of which approvals for Plans were granted according to Chapter D of the Law, as was in effect on the eve of the Effective Date;

**“the Negev”** and **“the Galilee”** – as defined in the Negev Development Authority Law, 5751-1991, and in the Galilee Development Authority Law, 5753-1993, respectively;

**“the Authority”** – the National Technological Innovation Authority established in Section 5.

**“Default Interest”** and **“Shekel Interest”** – as defined in the Interest and Linkage Ruling Law;

**“Interest and Linkage Ruling Law”** – Interest and Linkage Ruling Law, 5721- 1961;

## **Chapter C: The National Technological Innovation Authority**

### **Part A: The Authority**

#### **Establishing the Authority**

5. (a) The National Technological Innovation Authority is hereby established.
- (b)<sup>1</sup> The Authority will be situated in Jerusalem.

#### **Functions of the Authority**

- 5A. (a) For the purpose of fulfilling the objectives of this Law, the Authority shall act, directly or indirectly, to encourage, promote, support and aid Technological Innovation in the industry, and to develop the infrastructures needed for the above, amongst other things,

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<sup>1</sup> The effective date of subsection 5(b) shall be August 10, 2018.

through the grant of Benefits; in this Law, “**Benefits**” – each of the following, including via venture funds:

- (1) grants, loans, exemptions, discounts, reliefs, and guarantees made other than according to the State Guarantees Law, 5718-1958;
  - (2) measures implemented by the Chief Scientist in the Ministry to Economy or the Administration for Industrial Research and Development of the Ministry of Economy, prior to the Effective Date;
  - (3) additional aid tools, excluding the acquisition of shares by the Authority.
- (b) For the performance of its functions, the Authority may initiate, manage and make use of the diverse measures detailed in this Law, which will assist it in advancing the Technological Innovation in the industry, at the highest professional level, at a pace suitable to the market, and with the utmost required efficiency and flexibility.
- (c) In the execution of its functions, the Authority will act in accordance with the government’s policy on the Authority’s fields of operation, as determined in government resolutions, and in accordance with the policy of the Minister of Innovation, Science and Technology, which has been delivered in writing to the Authority, including via the Chief Scientist, and which shall be published on the websites of the Authority and the Ministry of Innovation, Science and Technology; If the government or the Minister has established such a policy, they may order the Authority, in a government decision or in a notice to be delivered to the Authority in writing, as the case may be, to report to them on the implementation of such policy at the times instructed by them.
- (d) Without detracting from his other powers under this Law, each of the Ministers may demand from the Authority, in a written notice, to formulate a position, recommendation or opinion or provide him with information, on a subject within the scope of its duties or powers under this Law, with the exception of commercial or business information, which is a private information that regards an individual or a corporation; If the authority received a demand from a minister as aforementioned, it will deliver the position, the recommendation, the opinion or the information, as the case may be, to the Minister, through the general manager of the Authority; Regarding this section, the provisions of section 14 shall not apply, provided that no information shall be provided according to this section concerning the position of a member of the research committee on an individual matter discussed before it and that information relating to the research committee's deliberations on individual applications shall be provided only after the committee's final decision has been made.
- (e) Reporting, formulating a position, recommendation or opinion or providing information, according to subsections (c) and (d), will not violate the duty of confidentiality established by law regarding a person or a corporation.

#### The Authority – A Corporation

5B. The Authority is a corporation, qualified for every right, obligation and legal action.

#### The Authority – A Supervised Body

- 5C. The Authority shall be a supervised body, as defined in Section 9(5) of the State Comptroller Law, 5718-1958 [Consolidated Version].

Acceptance for work at the Authority

- 5D. Accepting a person to work at the Authority shall be done in accordance with the principles of equality and adequate representation, transparency, publicity and integrity, taking into consideration the characteristics of the position, the nature of the Authority, according to procedures determined by the Council, and according to any applicable law.

Organs of the Authority

6. The following are the organs of the Authority:
- (1) The Authority's council (hereinafter, the "**Council**");
  - (2) The general manager of the Authority;
  - (3) The Research Committees.

Appointment of the Chief Scientist for Innovation

- 6A. The government will appoint, according to the proposal of the Minister of Innovation, Science and Technology, the Chief Scientist for Innovation in the Ministry of Innovation, Science and Technology.

Chief Scientist – Head of the Authority

7. The Chief Scientist shall be the head of the Authority and will serve as a member and chairperson of the Council, and member and chairperson of the Research Committees.

Functions of the Chief Scientist

8. The functions of the Chief Scientist shall be, amongst other things –
- (1) To advise the government and the Minister of Innovation, Science and Technology on all matters related to the implementation of the objectives of this Law;
  - (2) To monitor the processes and changes in Technological Innovation in the industry inside and outside Israel, including their influence on creating work places and reducing social-economic disparities;
  - (3) To recommend before any authority authorized to do so, regarding the granting of Benefits that may aid in fulfilling the objectives of this Law, in fields under the domain of such authority or in fields that such authority is responsible for their implementation;
  - (4) To report to the government, including to the Ministerial Committee for Innovation, Science and Technology established by the government, once a year, of its findings and recommendations regarding the advancement of Technological Innovation in the industry, and its recommendations regarding actions by the Authority and the

government, that are required to fulfill the objectives of the Law, taking into consideration their influence on creating work places and reducing social-economic disparities.

### **Part B: The Council of the Authority**

#### The Council of the Authority and its Functions

- 8A. The Authority shall have a Council, and the following are the functions of the Council:
- (1) To act in order to implement the policy aforesaid in Section 5A(c);
  - (2) To supervise the efficient and orderly conduct of the Authority;
  - (3) To discuss, approve and monitor the implementation of the Authority's work-plans;
  - (4) To approve the administrative budget of the Authority's activities as set out in Section 15cc(b);
  - (5) To continuously monitor the fulfillment of the aforesaid policy in Section 5A(c) and the plans and budgets of the Authority;
  - (6) To discuss the draft financial statements of the Authority and comments of the accountant-auditor regarding thereto, and following the approval of the financial statements – to discuss each particular with respect to which the accountant-auditor had reservations, commented on or withheld opining thereon;
  - (7) To determine benefits routes under this Law, the provisions and conditions thereof (in this Law – “**Benefits Routes**”), and the Council may authorize the Research Committees to establish procedures for the implementation of the Benefits Routes;
  - (8) To establish procedures regarding the work priorities of the Research Committees;
  - (9) To determine the wages, social benefits, other benefits, grants and other terms of employment of employees of the Authority, including the vice general manager and his deputies, division heads, financial affairs manager, internal auditor and the legal counsel.
  - (10) To perform any other function imposed thereon according to this Law.

#### Composition of the Council

- 8B. (a) The Council shall consist of eight members, and they shall be:
- (1) The Chief Scientist, who shall be chairperson as aforesaid in Section 7;
  - (2) An employee of the office of the Chief Scientist who shall be appointed by the Chief Scientist;
  - (3) An employee of the Ministry of Innovation, Science and Technology who shall be appointed by the general manager of the Ministry of Innovation, Science and Technology;

- (4) The Budgets Director in the Ministry of Finance or an employee of the Ministry of Finance on his behalf;
  - (5) The General Controller of the Ministry of Finance or an employee of the Ministry of Finance on his behalf;
  - (6) Three members representatives of the public.
- (b) A civil servant that engages in the field of Technological Innovation as part of his functions, shall not be deemed, for that reason only, as having a conflict of interest, preventing him from serving as a member of the Council.
- (c) A representative of the public may qualify to be appointed as a member of the Council if he meets the qualification conditions set out in Section 16A of the Governmental Companies Law, mutatis mutandis, provided however, that such person held a senior position in the high-technology industry, in the finance fields of such industry or in the Research and Development fields, and such person has a reputation and tenure in one or more of such fields; at least one Council member that is a representative of the public, shall be a person that held a senior position in Research and Development in the industry.
- (d) Council members that are representatives of the public shall be appointed as follows: one member will be appointed by the Minister of Innovation, Science and Technology, one member shall be appointed by the Minister of Finance, and one member shall be appointed by the Ministers; The aforesaid Council members shall be nominated out of a list of candidates recommended by a committee for identifying candidates, that was appointed by the Ministers (in this Section – the “**Candidates Committee**”); The following is the composition of the Candidates Committee:
- (1) The head of the Authority, who shall be as chairperson of the Candidates Committee;
  - (2) The president of the Manufacturers’ Association of Israel, or a person on his behalf;
  - (3) An additional member appointed by the Minister of Innovation, Science and Technology, based on a recommendation of the Chief Scientist, and in the discretion of the Minister, in consultation with the Manufacturers’ Association of Israel and other concerned organizations, and which member has significant experience in Technological Innovation in the industry, or such member has filled a senior position in the high-technology industry or in the finance filed of such industry;
  - (4) An additional member appointed by the Minister of Finance based on a recommendation of the Budgets Director of the Ministry of Finance, and in the discretion of the Minister, in consultation with the Manufacturers’ Association of Israel and other concerned organizations, and which member has substantial experience in Technological Innovation in the industry, or such member has filled a senior position in the high-technology industry or in the finance filed of such industry, or such member is a senior academic member in a Higher Education Institute in Israel.

- (e) The Candidates Committee shall determine the criterion for choosing the candidates that are representatives of the public, taking into consideration the policy on the matter that the Council may dictate, so that the persons chosen as candidates are persons that have significant experience related to the Authority's fields of operation.
- (f) The Candidates Committee and its members shall be subject, *mutatis mutandis*, to the guidelines applicable to the work of committees for identifying candidates for civil service positions, with respect to its work procedures and the prevention of conflict of interests.
- (g) Resolutions of the Candidates Committee will be passed by a majority vote; In the event of a tied-vote, the chairperson shall have a casting vote; The Candidates Committee may begin its work after three members have been appointed thereto, but shall be precluded from passing resolutions until the appointment of all of the requisite members has been completed.
- (h) The term of office of a Council member that is a representative of the public shall not exceed three years, and he may be reappointed for one additional term only.
- (i) Members of the Council shall be subject to the arrangements included in Sections 9A and 14 through and including 15A, *mutatis mutandis*.

#### Remuneration and Expense Reimbursement

- 8C. (a) A member of the Council that is a representative of the public, and who is not a Budgeted Body Employee or a Supported Body Employee, is entitled to receive from the Authority remuneration for participating in Council meetings or the meetings of one or more of its committees, according to the provisions of subsection (c), provided that he is not entitled to receive remuneration from another source for such participation.
- (b) A member of the Council that is not entitled to receive remuneration according to the provisions of subsection (a), shall be entitled to reimbursement from the Authority for his out-of-pocket expenses in connection with participating in Council meetings or the meetings of one or more of its committees, according to the provisions of subsection (c), provided that he is not entitled to receive reimbursement of such expenses from another source.
- (c) The Minister of Finance, with the approval of the Finance Committee of the Knesset, will determine the rules and conditions upon which the Authority shall pay remuneration or reimbursement of expenses to a member of the Council under this Section, and the rates thereof.
- (d) In this section, a "**Budgeted Body Employee**" and a "**Supported Body Employee**" – as such terms are defined in Section 32 of the Foundations of Budget Law.

#### Council's Work Procedures

- 8D. (a) The head of the Authority shall convene the Council at least six times in a year.



- (b) The head of the Authority shall appoint one member of the Council, from those members that are civil servants, to act, in his absence, as his substitute for convening and conducting meetings of the Council.
- (c) A lawful quorum for Council meetings shall be constituted with the presence of the head of the Authority or his substitute, a representative of the Ministry of Finance and one member that is a representative of the public.
- (d) Resolutions of the Council shall be passed by a majority vote of the Council members participating in the vote; In the event of a tied-vote, the chairperson shall have a casting vote, however, this provision shall not apply to his substitute as aforesaid in subsection (b).
- (e) A Council discussion concerning the approval of a Benefits Route, its amendment or abrogation, will take place only if all Council members that are civil servants are present in such discussion; however, a discussion as aforesaid shall not be postponed more than once solely due to the absence of members that are civil servants, and at the second meeting, the Council shall be entitled to discuss and pass resolutions on such issues with the requisite quorum present as aforesaid in subsection (c).
- (f) Notwithstanding the aforesaid in subsection (e), a Council discussion pertaining to, capital raising according to Section 15ee, Benefits Routes, the subject-matter of which are partnerships according to Section 15ll, or establishing arrangements regarding the transfer of know-how outside of Israel according to Section 15oo with the objective of easing the transfer of know-how outside of Israel, will only be held if all members of Council that are civil servants, together with at least two members that are representatives of the public, are present, and no resolutions on such matters shall be passed without the consent of the two members that are representatives of the public; However, such a discussion shall not be postponed more than once solely due to the absence of members that are civil servants or the absence of the two members that are representatives of the public, and at the next meeting to follow on such issues, the Council shall be entitled to discuss and pass resolutions on such matters, provided that, the requisite quorum is present as aforesaid in subsection (c); With respect to the next meeting to follow, the members that are representatives of the public may send their position on the matters in writing, provided that the same has been received prior to the time appointed for the next meeting to follow.
- (g) If a member that is a representative of the public is absent from a Council meeting in which one of the topics listed in subsection (f) is being discussed, and his written statement of position on the matter has not been received as aforesaid, he shall be deemed to have been absent once from a Council meeting according to Section 8B(i).
- (h) The existence of the Council, its authorities and the validity of its resolutions shall not be impaired solely by a vacancy on the Council, or due to a defect in the appointment or continued term of office of one of the members, provided that the majority of the members of the Council are lawfully serving in office.
- (i) Meetings of the Council and resolutions passed thereby shall be recorded in minutes of meetings and published on the website of the Authority; However, the Council may resolve, in a reasoned written resolution, that the minutes of a specific meeting or a part thereof, not be published as aforesaid.

- (j) The Council shall determine its work procedures on matters not specifically determined in this Law.

Ministers Authority Re Council Resolutions Pertaining to Benefits Routes

- 8E. (a) A decision of the Council approving, changing or abrogating a Benefits Route, shall be brought before the Ministers within seven days.
- (b) Each of the Ministers may, in a reasoned written resolution, object to the Council's decision as aforesaid in subsection (a), within 21 working days from being delivered said resolution, and each of the Ministers may, during said period, to extend said period for another period of seven working days, in a notification that he will deliver to the head of the Authority and the other Minister; One of the ministers sent a notification of the period extension as aforementioned, the total period for submitting objections by each of the ministers will be 28 working days from the day the Council's decision was delivered to the Ministers; If the Ministers did not express their objection in the above manner, the Council's decision shall come into effect.

Right to Receive Information

- 8F. Each Council member is entitled to inspect the records and transcriptions of the Authority and receive copies thereof, and is further entitled to inspect the assets and obligations of the Authority, all to the extent the same is necessary for him to fulfill his duties as a Council member.

Audit Committee

- 8G. (a) The Council shall appoint an audit committee from amongst its members, which audit committee shall consist of three members; One member shall be from those members that are civil servants, and two members shall be from those that are representatives of the public, one of the latter serving as chairperson of the audit committee; The head of the Authority shall not be a member of the audit committee.
- (b) The audit committee –
- (1) Investigate defects in the management of the Authority, through, amongst other means, consultation with the Authority's internal auditor or external accountant-auditor, and shall advise the Council on ways to correct and rectify such defects; If the audit committee finds a defect as aforesaid which is substantial, it shall hold at least one meeting to discuss such defect, in the presence of the internal auditor or accountant-auditor, as applicable, and excluding the presence of office holders of the Authority that are not members of the committee; However, an office holder may be present in such a meeting as aforesaid for the purpose of presenting his position on a matter that is within his fields of responsibility;
  - (2) Examine the formation of the internal auditing of the Authority and the functioning of the internal auditor, including whether the latter has at his disposal all the necessary resources and tools for the performance of his duties, specifically taking notice, amongst other considerations, of the special needs and size of the Authority;
  - (3) Discuss the reports of the internal auditor and those of the State's Comptroller;

- (4) Examine the work plans of the internal auditor and put it forward for the approval of the Council coupled with its comments and recommendations thereon;
  - (5) Resolve whether or not to approve actions and transactions that require approval in accordance with Section 15Q.
- (c) The chairperson of the audit committee shall convene the audit committee to discuss matters placed on the agenda thereof, whether placed on the agenda by the chairperson, another member of the committee, the Council, the general manager of the Authority or the internal auditor.
  - (d) A person who is not a member of the audit committee shall not be present at meetings of the committee during discussions and approval of resolutions, other than in accordance with the provisions of this Section or if the chairperson or the audit committee have determined, that the presence of such person is required to present a specific matter or to conduct the meeting in an orderly manner.
  - (e) Notwithstanding the aforesaid in subsection (d), the internal auditor, legal counsel and controller of the Authority shall receive notices of meetings of the audit committee and shall be entitled to participate therein.
  - (f) Notice of a meeting of the audit committee to discuss a matter relating to the audit of the financial statements shall be delivered to the accountant-auditor, who shall be entitled to participate in such meeting.
  - (g) Once in every year, and no later than on the 31<sup>st</sup> of March of each year, the audit committee shall submit to the Council and general manager of the Authority an annual report of its activities.

### **Part C: The general manager of the Authority**

#### General Manager of the Authority

- 8H. (a) The Council shall appoint a general manager to the Authority out of a list of candidates recommended by a candidates nomination committee (in this Section – the “**Nominations Committee**”); The Nominations Committee shall be appointed by the Council out of its members, and shall be chaired by the head of the Authority; The Nominations Committee and its members shall be subject to the provisions of Section 8B(f).
- (b) The general manager of the Authority shall be vested with all management and execution functions and authorities of the Authority, including to compose work plans for the Authority, which work plans shall be brought before the Council for its approval. The general manager shall be subject to the supervision of the Council.
- (c) The appointment of the general manager of the Authority shall be governed by the provisions of Section 37(b) and (c) of the Governmental Companies Law, mutatis mutandis, and shall be done following consultation with the committee for examining nominations, as the latter is defined in the Governmental Companies Law.

- (d) The Nominations Committee shall determine the criterion for nominating suitable candidates for the position of general manager of the Authority, taking into account the policy which may be laid down by the Council.

#### **Part D: The Research Committees**

##### The Research Committee

9. (a) The Authority shall have Research Committees, each of which shall be authorized to deal with one or more Benefits Routes.
- (a1) The Research Committees shall consist of nine members, as follows:
- (1) The head of the Authority, who shall serve as chairperson as aforesaid in Section 7;
  - (2) The general manager of the Authority;
  - (3) An Authority employee appointed by the general manager thereof;
  - (4) An employee of the Ministry of Innovation, Science and Technology that holds an academic degree in fields pertaining to the work of the Research Committees, and who shall be appointed by the general manager of the Ministry of Innovation, Science and Technology;
  - (5) A representative of the Budgets Director of the Ministry of Finance, who shall be appointed by the Minister of Finance;
  - (6) A representative of the General Controller of the Ministry of Finance, who shall be appointed by the Minister of Finance;
  - (7) Three members who shall be representatives of the public.
- (a2) A representative of the public may qualify to be appointed as a member of a Research Committee if he has significant employment or Research experience in a field pertaining to the Benefits Route for which the Research Committee is responsible for, and further, that at least one of the members who is a representative of the public has significant experience in the industrial Technological Innovation field from amongst the industrialists.
- (a3) The members who are representatives of the public shall be appointed by a sub-committee established by the Council; The members of said sub-committee shall be, the head of the Authority who shall be chairperson of such sub-committee, the general manager of the Authority and one of the Council members who is an employee of the Ministry of Finance, as determined by the Council, together with two representatives of the public who are Council members; A lawful quorum for a meeting of said sub-committee shall include no more than one representative of the public.
- (a4) Notwithstanding the aforesaid in subsection (a1), the Council may, in the provisions regulating the Benefits Routes –

- (1) Change the composition of the Research Committees, except with respect to participation by committee members who are civil servants, and provided that at least three members are representatives of the public;
  - (2) Authorize the head of the Authority to appoint sub-committees, that shall be composed of members of the Research Committees, and to further determine what aiding actions such sub-committees may implement for the Research Committees' operations.
- (b) The term of office shall not exceed three years. A member whose term of office expired, may be reappointed, provided that, a member who is a representative of the public, may not be reappointed for more than one additional term.
  - (c) A member of the Research Committee that is a representative of the public, is entitled to receive remuneration for participating in committee meetings, in Benefits Routes where it has been determined that such remuneration shall be paid to members that are representatives of the public for their participation in meetings, all according to the procedures set by the Council; The provisions of Section 8C shall apply to any such remuneration, mutatis mutandis.
  - (d) (Repealed).
  - (e) That who appoints a member to a Research Committee shall also appoint a permanent substitute member therefor.
  - (f) An announcement of the appointment of a member of a Research Committee shall be published in the Official Gazette.

Termination of Office

- 9A. (a) A member of the Research Committee shall cease to serve prior to the expiration of the term of his office, in any one of the following:
- (1) He submitted his written notice of resignation to the Ministers;
  - (2) He was convicted of an offense that by its nature, severity or circumstances, makes it inappropriate for him to continue serving as a member of the committee;
  - (3) He ceases being an employee of the Ministry he represents in the committee;
  - (4) With respect to a representative of the public – upon his appointment as a civil servant;
  - (5) He is absent from four consecutive meetings of the Research Committee or from six meetings in a one-year period, unless the Ministers determined, in a notice to the Authority, that the absence was justified;
  - (6) A circumstance exist that disqualifies him from being a member of Council.

- (b) The Ministers may remove a member of a Research Committee from office prior to the expiration of his term, if such member is precluded, permanently or for a period of six consecutive months, from fulfilling his duties.
- (c) If an indictment has been filed against a member of the Research Committee for an offense specified in subsection (a)(2), or if he is suspected of such an offense, the Ministers may, after consultation with the Attorney General, suspend such member from office until a final judgement is delivered in his case; The Attorney General shall, prior to providing his opinion, afford such member an opportunity lay out his claims in the matter; Should a member of the Research Committee be suspended from office according to the provisions of this subsection, a substitute member shall appointed in his place in the manner in which the member was appointed as aforesaid in Section 9, for the duration of the suspension.

Functions of the Research Committees

- 10. (a) Research Committees shall decide on the grant of Benefits in accordance with the provisions of the Benefits Routes as the same were determined by the Council and the budget allocated for their implementation; Research Committees may establish pre-conditions and performance conditions, all subject to the provisions of the Benefits Routes as the same were determined by the Council.
- (b) Any change in the activities for which a Benefit was granted and approved by the Research Committee in the framework of a Benefits Route, requires the advance approval of the Research Committee therefor.

Meetings of the Research Committee

- 10A. (a) The lawful quorum for meetings of the Research Committee is at least four members, including the chairperson of the committee and at least one member that is a civil servant and one member that is a representative of the public.
- (b) (Repealed).
- (c) Resolutions of a Research Committee shall be passed by a majority vote of the members participating in the vote.
- (d) In the event of a tied-vote, the chairperson of the Research Committee shall determine the outcome of the resolution, and in his absence – the member acting as his substitute.
- (e) The Research Committee shall determine its work procedures, to the extent these have not been set in this Law.
- (f) The general manager of the Authority shall act as substitute for the chairperson of the Research Committees, unless the Council stipulated otherwise in the provisions of the Benefits Routes, at the request of the head of the Authority.
- (g) The head of the Authority may cede his membership in the Research Committee, on a permanent or temporary basis, and appoint, in his stead, an employee of the Ministry of Innovation, Science and Technology that is subordinated to him in his capacity as Chief Scientist, whether as a temporary or permanent substitute regarding his

membership on the committee; If the head of the Authority cedes his membership in the Research Committee as aforesaid –

- (1) The general manager of the Authority shall be the chairperson of the Research Committee;
- (2) The head of the Authority may at any time, recant, and resume his position as chairperson and member of the Research Committee.

11. (Repealed).

12. (Repealed).

13. (Repealed).

14. (a) No disclosure shall be made of discussions of the Research Committee or of any materials delivered thereto, other than by a decision of the head of the Authority or the Council, or with their consent.
- (b) A person or entity that received documents on behalf of the Research Committee for the purpose of providing an opinion, or for any other purpose, shall not disclose the content of such documents to another without the prior written permission from the head of the Authority or the Council.
- (c) The Council shall establish procedures to safeguard the confidentiality of the activities of the Authority and its organs, and of any bodies acting on their behalf and for them, including with respect to applications for the grant of Benefits and approvals issued according to this Law, taking notice of the prevalent intellectual property rights laws in Israel.

#### Conflict of Interests

15. (a) A person shall not serve as a member of the Research Committee if he may be, directly or indirectly, in a frequent state of conflict of interest between his position as a member of the Research Committee and his position in another capacity, which is outside the civil service, or with respect to another matter, regarding which he or a his Relative, or regarding a corporation in which, he or his Relative are, directly or indirectly, an Interested Party; the foregoing, irrespective if such person holds the other position as a paid position or not.
- (b) A member of the Research Committee that may have, himself, or his Relative or a corporation in which he or his Relative are an Interested Party, have, directly or indirectly, a Personal or another Interest in a matter standing before the Research Committee for discussion, shall inform of the same to the chairperson of the Research Committee or his substitute, soon after it becomes known to him, and he shall not participate in any discussion on such matter.
- (c) In this section, “**Relative**” – spouse, parent, sibling or offspring of any one of the foregoing, and each person that is reliant for his livelihood, on the member of the Research Committee, as well as an agent, partner, employer, or employee of such member.

Non-Civil Servants Research Committee Members

15A. Members of a Research Committee that are not civil servants, shall be subject, in the same manner as civil servants, to the following legislation:

- (1) Public Civil Service Law (Gifts), 5739-1979;
- (2) Penal Law, 5737-1977, regarding those provisions applicable to civil servants;
- (3) The Torts Ordinance [New Version].

**Chapter C1: Duty of Care and Duty of Loyalty of Office Holders of the Authority**

**Part A: Definitions**

Definitions

15B. In this chapter –

**“Office Holder”** – Council member, Research Committee member, the general manager of the Authority, deputy or vice general manager of the Authority, and any other person who holds a said position in the Authority, even if his title is different, as well as any manager directly subordinate to the general manager of the Authority;

**“Personal Interest”** – an Office Holder’s personal interest, including the personal interest of his Relative or that of another corporation in which he or his Relative are Office Holders or in which they hold share capital, the right to participate in the distribution of profits, the right to appoint a manager or voting rights;

**“Relative”** – as defined in Section 15.

**Part B: Duty of Care**

Duties of Office Holders

- 15C. (a) An Office Holder owes a duty of care towards the Authority as set forth in Sections 35 and 36 of The Torts Ordinance [New Version].
- (b) Nothing in subsection (a) shall preclude the existence of a duty of care of an Office Holder towards another person.

Precaution Measures and Level of Skill

15D. An Office Holder shall act with a level of skill with which a reasonable office holder, holding the same position and in the same circumstances, would have acted, and shall, among other things, implement in his actions, taking notice of the particular circumstances, reasonable measures to ensure that his actions in his capacity as an Office Holder align with the functions of the Authority and the objectives of this Law, and shall obtain important information needed for making decisions or taking actions in his capacity as an Office Holder.



## **Part C: Duty of Loyalty**

### *Duty of Loyalty and No Conflict of Interest*

- 15E. (a) An Office Holder owes a duty of loyalty towards the Authority, and shall act in good faith and with the intention of fulfilling the purposes of the Authority, including –
- (1) Shall avoid any action that may place him, directly or indirectly, in a state of potential conflict of interest between fulfilling his duties in the Authority and a Personal Interest or another position he holds, and he shall not deal with or participate in votes and meetings convened for a matter that may place him, directly or indirectly, in a conflict of interest as aforesaid; For the purposes of this paragraph, the foregoing shall apply irrespective of whether or not the other position he holds is a remunerated position;
  - (2) Shall avoid any action that is competitive with the activities of the Authority;
  - (3) Shall avoid exploiting business opportunities of the Authority in order to gain a personal benefit for himself or for another;
  - (4) Shall disclose to the Authority, any information and document pertaining to its affairs, that came into his possession in his capacity of holding office in the Authority.
- (b) Notwithstanding the foregoing in subsection (a), a Council member that is a civil servant is permitted to take into account as part of his discretion and decisions, the policies of the government and those of the ministry in which he works, and he shall not be viewed as being in a conflict of interest for that reason alone.
- (c) Nothing in this Section shall preclude the existence of a duty of loyalty of an Office Holder towards another person.

### *Notice of Potential Conflict of Interest*

- 15F. Should an Office Holder become aware that a matter brought for discussion or being handled by him may cause him to be in a conflict of interest as aforesaid in Section 15E(a), he shall inform the same to the chairperson of the Council or to the general manager of the Authority, as applicable, and act according to their instructions.

### *Remedies for Breach of Duty of Loyalty*

- 15G. (a) The laws applicable to breach of contract shall apply to the breach of duty of loyalty of an Office Holder towards the Authority, mutatis mutandis.
- (b) Without derogating from the generality of the foregoing in subsection (a), an Office Holder that breached his duty of loyalty towards the Authority shall be deemed as breaching his engagement with the Authority.
- (c) The Authority may abrogate an action carried out by an Office Holder on behalf of the Authority for the benefit of another person or claim from such other person the compensation it is entitled to from the Office Holder, even without abrogating such action, if such person knew of the breach of duty of loyalty by the Office Holder.

## **Part D: Indemnification, Insurance and Claims on behalf of the Authority**

### *No Exemption of Liability*

- 15H. The Authority may not exempt an Office Holder from his liability for breach of duty of care or duty of loyalty towards it.

### *Indemnification*

- 15I. (a) The Authority may, retroactively, indemnify its Office Holders, as detailed in Section 260(a) of the Companies Law, for a liability or expense imposed on him as a result of an action he carried out in his capacity as an Office Holder of the Authority.
- (b) The Authority may not undertake in advance, to indemnify its Office Holders for a liability or expense imposed on him as aforesaid in subsection (a), other than in special circumstances justifying the same and for reasons noted, provided however, that no undertaking to indemnify be given other than in accordance with the provisions of paragraph (1) of Section 260(b) of the Companies Law.
- (c) A decision to grant, indemnification according to subsection (a) or, an undertaking to indemnify according to subsection (b), shall be made by the Council, and it is subject to approval by the Minister of Finance.

### *Liability Insurance*

- 15J. (a) The Authority may enter into a contract to insure its Office Holders for a liability imposed on such Office Holders for actions taken in their capacity as Office Holders of the Authority, for the events listed in Section 261 of the Companies Law.
- (b) A decision to enter into a contract to insure its Office Holders is subject to the approval of the Minister of Finance.

### *Restrictions on Indemnification*

- 15K. Notwithstanding the foregoing in Section 15I, the Authority may not retroactively indemnify, nor undertake in advance to indemnify, nor enter into a contract to insure the liabilities of its Office Holders, with respect to each of the matters listed in Section 263 of the Companies Law.

### *Invalidity*

- 15L. An undertaking to indemnify or insure the liability of Office Holders that has been made contrary to the provisions of this Part D, shall have no force and effect, and an Office Holder shall not accept, directly or indirectly, any such undertaking.

### *Claim on behalf of the Authority*

- 15M. The Attorney General may file a law suit, on behalf of the Authority, against an Office Holder therein, for damage caused to the Authority, from an act or omission of such Office Holder, and that was contrary to the Office Holder's duties towards the Authority according to applicable law.

## **Chapter C2: Transactions with an Office Holder in the Authority**

### Definitions

- 15N. In this chapter –

“**Office Holder**”, “**Personal Interest**” – as defined in Section 15B.

“**Transaction**” – as defined in the Companies Law.

### Prohibition on Transactions with Office Holders

- 15O. The Authority shall not enter into Transactions with its Office Holders, other than with respect to their terms of office or employment.

### Duty to Disclose

- 15P. (a) An Office Holder of the Authority that knows of his Personal Interest in an existing or proposed Transaction of the Authority, will promptly disclose to the Authority without delay and no later than the Council meeting at which the Transaction is first discussed, the nature of its Personal Interest including any material fact or document.
- (b) An Office Holder that failed to disclose his Personal Interest as aforesaid in subsection (a), shall be seen as having breached his duty of loyalty.

### Transactions Subject to Special Approvals

- 15Q. A Transaction of the Authority with an Office Holder of it pertaining to his term of office or terms of employment, as well as a Transaction of the Authority with another person in which an Office Holder has a Personal Interest, is subject to the approval of the audit committee and the Council.

### Abstention of Council Members from Meetings

- 15R. (a) A Council member that has a Personal Interest in a Transaction brought for the approval of the audit committee or the Council, shall not be present in the discussion or participate in the vote on the matter in both the audit committee and the Council meetings.
- (b) Notwithstanding the foregoing in subsection (a), a Council member may be present in a discussion of the audit committee, and participate in the vote, if the majority of the members of the audit committee have a Personal Interest in the approval of the Transaction, and he may further be present in a discussion and participate in the vote in the Council, if the majority of the Council members have a Personal Interest in the approval of the Transaction.

### Void Transaction

- 15S. (a) A Transaction of the Authority that has been effected contrary to the provisions of this chapter, shall be void and of no force and effect vis-à-vis the Authority and the Office Holder, and if the Transaction pertains to the term of office or employment of the Office Holder – it shall be void and of no force and effect as aforesaid, including where a material defect occurred in the approval process thereof pursuant to this chapter or if it was executed substantially outside the scope of its approval.
- (b) A Transaction as aforesaid in subsection (a) shall be void and of no force and effect vis-à-vis another person, if such person knew that it was a Transaction with an Office Holder, and if the Transaction pertains to the term of office or employment of the Office Holder - it shall be void and of no force and effect as aforesaid, if such person knew or should have known about the lack of approval in accordance with this chapter.

### Abrogation of a Transaction

- 15T. The Authority may abrogate a Transaction, that is subject to approval pursuant to this chapter, with a person who is not an Office Holder, and it may further claim compensation for damage caused thereto, from such person, even without abrogating the Transaction, if such person knew of the Personal Interest of the Office Holder in the approval of such Transaction, and knew or should have know of the lack of approval therefor as required by this chapter.

### Council's Approval

- 15U. A person shall be presumed not to have had to know about the lack of approval according to this chapter, if he received a confirmation from the Council that all requisite approvals for a Transaction were received.

## **Chapter C3: Special Position Holders in the Authority**

### Accountant-Auditor

- 15V. The Council shall appoint an accountant-auditor to audit and opine on its annual financial statements (in this chapter, the “**Audit**”).

### Authorities of the Accountant-Auditor

- 15W. (a) The accountant-auditor is entitled to review, at any time, the documents of the Authority that are necessary in order for him to perform his duties, and to further receive explanations regarding such documents.
- (b) The accountant-auditor may participate in any meeting of the Council or that of any of its committees, that are convened to discuss the financial statements with respect to which he performed an Audit, or in a Council meeting convening according to Section 15X(c).

### Independence and Reporting Obligations

- 15X. (a) The provisions of Section 45 of the Governmental Companies Act, and the provisions of Sections 160 and 161 of the Companies Law, shall apply to the accountant-auditor, mutatis mutandis.

- (b) Should the accountant-auditor become informed, during the Audit, of material defects in the accounting controls of the Authority, he shall report the same to the head of the Authority.
- (c) If the accountant-auditor informed of defects as aforesaid in subsection (b), the head of the Authority shall, without delay, convene a meeting of the Council to discuss the matters brought to his attention.

Internal Auditor

15Y. The Council shall appoint an internal auditor for the Authority; The provisions of Sections 48 and 49 of the Governmental Companies Law shall apply to the appointment, term of office, authorities and status of the internal auditor of the Authority, mutatis mutandis.

Authority's Legal Council

- 15Z. (a) The Council shall appoint a legal counsel to the Authority, who shall be an employee of the Authority.
- (b) The opinion of the legal counsel pertaining to an existing legal situation, shall be binding upon the Authority.
- (c) Should the Attorney General or someone on his behalf make a determination that is different than that of the legal counsel of the Authority, the opinion of the Attorney General shall be binding.

Authority's Controller

- 15aa. (a) The General Controller of the Ministry of Finance shall appoint a controller for the Authority, who shall be an employee of the Ministry of Finance.
- (b) Every commitment, order, contract or agreement that bind the Authority with a financial expenditure, shall be subject to the approval of the controller of the Authority; Nothing in this subsection derogates from the need to obtain other approvals for expenditures or contractual commitments as aforesaid, in accordance with any applicable law.
- (c) Without derogating from the provisions of this Section, all authorities and functions pertaining to debt arrangements, including any change in the manner of repayment of any debt, early repayment, postponement of loan payments, recycling of a loan and, the combination and split of a loan amortization schedule, shall be within the authority of the General Controller of the Ministry of Finance or someone on his behalf, provided however, that the General Controller of the Ministry of Finance may authorize the controller of the Authority to execute and perform, all or part, of the aforesaid authorities and functions.

Applicable Laws

- 15bb. Employees of the Authority, members of Council and members of Research Committees, that are not civil servants, shall be deemed civil servants with respect to the following legislation:
- (1) Civil Service Law (Qualification of Political Party Activity and Fund Raising), 5719-1959;

- (2) Election to Knesset Law [Consolidated Version], 5729-1969;
- (3) Public Civil Service Law (Restrictions Post Retirement), 5729-1969;
- (4) Public Civil Service Law (Gifts), 5739-1979;
- (5) Penal Law, 5737-1977, regarding those provisions pertaining to civil servants;
- (6) The Evidence Ordinance [New Version], 5731-1971;
- (7) Civil Service Law (Discipline), 5723-1963.

## **Chapter C4: Financial Management of the Authority and Transparency**

### Authority's Budget

- 15cc. (a) The annual budget of the Authority shall be financed out of the State's budget, and shall be prescribed in the Annual Budget Law in a separate Field of Operation under the Budget Item of the Ministry of Innovation, Science and Technology; In this respect –  
 –  
 “**Annual Budget Law**” – as defined in the Foundations of Budget Law;  
 “**Budget Item**”, “**Field of Operation**” – as defined in the Annual Budget Law.
- (b) The administrative budget of the Authority shall be separate from the Benefits Routes budget, and no conversion between the budget of the Benefits Routes and the administrative budget may be made, other than with the approval of the Budgets Director in the Ministry of Finance.

### Authority's Revenue

- 15dd. The revenues of the Authority from royalties or other sources shall be paid to the State's Treasury and shall be used to encourage Technological Innovation in the industry through the Authority.

### Capital Raising

- 15ee. (a) The Authority may, in exceptional cases and to the extent there exist professional justifications therefor, and after obtaining the written approval of, the head of the Authority, the Budgets Director in the Ministry of Finance and the General Controller of the Ministry of Finance, and subject to additional conditions that the latter two may stipulate, raise capital in or outside of Israel, against the issuance of debt only, and not against royalties or assets of the Authority, for the purpose of financing specific Benefits Routes pre-determined in advance by the Council; Repayment of such debt shall not be made out of royalties or assets of the Authority, rather, solely out of the State's budget.
- (b) A decision of the Authority as aforesaid in subsection (a) is subject to the approval of the Ministers and of the Finance Committee of the Knesset.

### Assets Committee

- 15ff. (a) Assets accumulated by the Authority as a result of the operation of the Benefits Routes (in this Section – the “**Assets**”), shall be managed by a committee dedicated to this subject (in this Law – the “**Assets Committee**”).
- (b) The composition of the Assets Committee shall be identical to the composition of a Research Committee, and the provisions applicable to a Research Committee shall apply to the Assets Committee, mutatis mutandis; However, a lawful quorum of the Assets Committee shall be the presence of all members of the committee that are civil servants.
- (c) The Assets Committee shall have exclusive authority to take the necessary actions to manage the Assets, including, the sale, transfer or realization of the Assets.
- (d) Notwithstanding the foregoing in subsection (c), the Minister of Finance may, in special circumstances, instruct the Assets Committee to take those actions specified above in such subsection, as he shall instruct, except with respect to the rights of the Authority in a Limited Partnership as set forth in Section 15ll; The Minister of Finance shall instruct as aforesaid only after the Council gave its opinion on the matter and if he is of the opinion that issuing the instruction will not significantly hinder achieving the objectives of this Law.

### Financial Statements

- 15gg. (a) The Council shall be responsible for preparing the detailed Financial Statements of the Authority and their approval; The Financial Statements shall be prepared in accordance with the then update governmental accounting principles, according to the guidance of the General Controller of the Ministry of Finance.
- (b) The provisions of Sections 171 and 172 of the Companies Law pertaining to the preparation of Financial Statements that apply to a private company, shall apply, mutatis mutandis, to the Authority, subject to the provisions of this Law.
- (c) The Authority’s Financial Statements shall be approved by the Council, signed on its behalf and submitted to the Ministers no later than March 31<sup>st</sup> of each year.
- (d) In this Section, “**Financial Statements**” – balance sheet, profit and loss statement, and cash flow report, including the notes relating thereto.

### Public Transparency

- 15hh. The Authority shall establish the necessary procedures to maintain public transparency in accordance with applicable law, shall act according thereto, and take the necessary measures to follow such procedures.

## **Chapter C5: Benefits Routes**

### Determination of Benefits Routes by the Council

- 15ii. (a) The Council is the authorized body to determine and change Benefits Routes, the primary objectives of which are to encourage Technological Innovation in the industry, except with respect to the implementation of international agreements according to Section 42(b).
- (b) The Council shall set Benefits Routes only if they shall cause, directly or indirectly, technological innovative activities in the industry in Israel.
- (c) Benefits Routes shall come into effect on the date on which they are published on the Authority's website as set forth in subsection (d).
- (d) Benefits Routes and procedures according to this Law shall be published on the Authority's website following their approval or change, and shall be open for public inspection, at no cost, in a manner that will permit tracking the changes in the Benefits Routes and documenting the same over time.
- (e) The Ministry of Economy shall not establish routes for the grant of Benefits the main purpose of which shall be to encourage Technological Innovation in the industry; Nothing in this subsection shall derogate from the provisions of Section 51 concerning other governmental ministries.

Provisions and Arrangements in the Benefits Routes

- 15jj. (a) In each Benefits Route, the Council shall include provisions concerning the following matters:
- (1) The types and scope of Benefits;
  - (2) Conditions for an approval granted according to Section 17(d) or pertaining to the receipt of Benefits, including conditions relating to the following:
    - a. The entry into force of the approval;
    - b. Implementation of the approved activity by the recipient of the Benefits;
    - c. The grant or payment of the Benefits, including the dates of grant of Benefits and the conditions for their repayment;
  - (3) The manner in which the application for a Benefit is to be submitted (in this Section – the “**Application**”);
  - (4) The manner in which the Application is checked and deliberated;
  - (5) The prevention of duplicity in the grant of Benefits;
  - (6) The identity of the entity permitted to carry out an activity that was approved in the framework of a Benefits Route.
- (b) The Council may include in a Benefits Route provisions, amongst others, pertaining to the following matters:



- (1) Postponing the payment of Benefits and demanding guarantees as a condition of their repayment, subject to the provisions of Section 16A;
  - (2) The payment of an advance on account of the Benefits;
  - (3) The know-how being developed, including pertaining to ownership thereof as set forth in Section 15mm;
  - (4) The manufacturing of the Product in Israel and removing the manufacturing thereof outside of Israel, including the payment for such removal as set forth in Section 15pp;
  - (5) Performing a technologically innovative activity for another;
  - (6) A revised deliberation of resolutions.
- (c) In Benefits Routes regarding which the Council deems it required to give a regional preference, priority shall be given to those developing regions set according to Section 40D of the Encouragement of Capital Investments Law, 5719-1959, to development regions A and B, or one of them, however, the Ministers are permitted, after having been given the Council's opinion on the matter, coupled with the approval of the Finance Committee of the Knesset, to determine other regional preference areas with respect to the same Benefits Route or several Benefits Routes.

*Benefits Routes for Academic Research in a Higher Education Institute and Regional Research and Development Centers*

- 15kk. (a) The approval or a change of Benefits Routes that are not Old Benefits Routes and that do not include the direct financing participation of an industrial body for an academic Research conducted in Higher Education Institutes, requires, as a pre-condition thereto, the consent of the Higher Education Council.
- (b) The approval or a change of Benefits Routes that are not Old Benefits Routes and that do not include the direct financing participation of an industrial body for an academic Research conducted in Higher Education Institute or for a Research conducted in a regional Research and Development center that is supported by the Ministry of Science, Technology and Space, requires coordination with the Minister of Science, Technology and Space prior to coming into effect.

*Partnership in a Limited Partnership*

- 15ll. (a) The Authority may, within the framework of implementing the Benefits Routes, become a partner in a Limited Partnership, provided that all of the following occur:
- (1) The Authority shall be a Limited Partner;
  - (2) The partnership shall be registered in Israel;
  - (3) The law governing such partnership shall be Israeli law.

- (4) Any of the following persons may not be a director, Office Holder, and a Controlling shareholder in the General Partner or a member of the partnership –
- a. A person convicted of an offense that by its nature, severity or circumstances, makes it inappropriate for him, in the opinion of the Ministers, to continue holding a position as aforesaid in a partnership with a statutory corporation, or a person against whom a criminal proceeding is pending for a charge in an offense as aforesaid;
  - b. A person whom, the Ministers, after consulting with the Attorney General, deem there to be a flaw in his competency or credibility.
- (b) The Authority may, within the framework of implementing the Benefits Routes, become a shareholder in the General Partner of a Limited Partnership, with the approval of, the head of the Authority, the Budgets Director in the Ministry of Finance and the General Controller of the Ministry of Finance, provided that all the conditions set forth in subsection (a)(2) through and including (4) exist in the partnership, coupled with all of the following:
- (1) The Authority shall not become a Controlling shareholder of the General Partner, shall not hold one half or more of the voting power in a general meeting thereof and shall not have the right to appoint one half or more of the directors therein;
  - (2) Should the Authority have the right to appoint a director on its behalf in the General Partner as aforesaid, such director shall be appointed by the Council, after consulting with the committee for examining nominations as the same is defined in the Governmental Companies Law; The director appointed on behalf of the Authority shall be subject to the provisions of Chapter C of the Governmental Companies Law, mutatis mutandis.
  - (3) The Authority shall be entitled to demand, of the director appointed on its behalf in the General Partner, information and documents on matters pertaining to the partnership.
- (c) If the Authority desires to implement a Benefits Route in which it shall become a Limited Partner or a shareholder in a General Partner as aforesaid in this Section, all of the following shall apply thereon:
- (1) The Authority shall give notice of the same to the Manufacturer's Association of Israel, to additional central bodies in the industry pertaining to the Benefits Route determined by the Council, and to bodies as aforesaid that also operate in the field of venture capital, and all of the latter may provide the Authority with their position on the matter within 14 days from the date on which they received the aforesaid notice from the Authority; Should the Authority receive such position papers from these bodies, the same will be brought before the Council and the Ministers before they make a decision on the matter;
  - (2) The budget for the aforesaid Benefits Route shall be an addition to the budget of the Authority as approved in the Annual Budget Law for that year;

- (3) The total budget for the Benefits Route as aforesaid in any given year shall not exceed 10 percent of the total discretionary budget of the Authority as set in the Annual Budget Law for that year; Notwithstanding the foregoing, to the extent that no such budgetary addition was given in the two preceding years, or that a budgetary addition as aforesaid was given but not utilized in one of those years, it shall be permitted to issue a budgetary addition to a Benefits Route as aforesaid in subsection (2), in a total aggregated amount equal to the total amount of budgets that could have been issued in each of those years and that have not been utilized as aforesaid.
- (d) The limitation on acquisition of shares by the Authority as set forth in Section 5A(a)(3) shall not apply to the matter of a partnership according to this Section.
- (e) With respect to the sale by the Authority of its shareholdings in the Limited Partnership, whether these be shareholdings as a Limited Partner or in the General Partner, the following provisions shall apply:
  - (1) A decision of such a sale as aforesaid shall be made by the Assets Committee of the Authority, with the approval of the Council;
  - (2) The sale procedure shall be competitive, equal and transparent, unless the partnership agreement stipulates provisions affording advantages to the General Partner or to another Limited Partner.
- (f) In this Section, “**General Partner**”, “**Limited Partner**”, “**Limited Partnership**” – shall have the meaning ascribed thereto in the Partnerships Ordinance [New Version], 5735-1975.

Arrangements Re Ownership of Know-How

- 15mm. (a) The Council may determine, in the framework of the Benefits Routes, any arrangements pertaining to requirements of ownership of know-how and the rights deriving therefrom, including intellectual property rights.
- (b) In determining such arrangements as aforesaid in subsection (a), high priority shall be given to an arrangement, according to which the recipient of the approval set forth in Section 17(d) (in this Law – the “**Benefits Recipient**”) shall be required to be the owner of the know-how and the rights deriving therefrom, including intellectual property rights, or to an arrangement, according to which the know-how and the rights deriving therefrom, including intellectual property rights, be owned by a corporation incorporated in Israel; Should the Council establish such arrangement, it may determine the scope of ownership required from the Benefits Recipient or the corporation as aforesaid, and the conditions for the transfer thereof to another in or outside of Israel, and in this respect, high priority shall also be given to arrangements guaranteeing that the ownership of the know-how and the rights deriving therefrom as aforesaid, shall remain with a person in Israel.
- (c) In determining such arrangements as aforesaid in subsection (a) regarding the Benefits Routes specified below, the provisions of subsection (b) shall not apply, and determining such arrangements shall require consultation with the Higher Education Council:

- (1) Benefits Routes which are not Old Benefits Routes, and which are primarily intended for Plans based on the grant of permission or a license to use the products of a technologically innovative activity on behalf of a Higher Education Institute;
  - (2) R&D Law Route, with respect to Plans based on the grant of permission or a license as aforesaid in sub-paragraph (1).
- (d) The provisions of subsection (b) shall not apply to establishing arrangements as aforesaid in subsection (a) –
- (1) Regarding Benefits Routes which are not Old Benefits Routes, and which are primarily intended for Plans based on the grant of permission or a license to use the products of a technologically innovative activity of hospitals, health corporations as such are defined in Section 21 of the Foundations of Budget Law, or the Administration for Agricultural Research;
  - (2) Regarding the R&D Law Route, with respect to Plans based on the grant of permission or a license as aforesaid in sub-paragraph (1).

Arrangements Re Transfer of Know-How to Another in Israel

15nn. If the Council determined, with respect to a Benefits Route, provisions pertaining to requirements of ownership of the know-how and the rights deriving therefrom, including intellectual property rights, it may determine that the owner as aforesaid, may transfer the same to another, in Israel, including exposing or disclosing the know-how to another entity, provided that the recipients of such know-how and the rights deriving therefrom, including intellectual property rights, shall be subject to the obligations that apply to the owner thereof prior to the aforesaid transfer, as set forth in this Law or in provisions determined by the Council, as applicable.

Transfer of Know-How to Another outside of Israel

- 15oo. (a) Without derogating from the priorities the Council must give to arrangements guaranteeing the retention of ownership of know-how and the rights deriving therefrom, by a person in Israel in accordance with the provisions of Section 15mm, if the Council determined, with respect to a Benefits Route, provisions pertaining to requirements of ownership of the know-how and the rights deriving therefrom, including intellectual property rights, then among other things, the Council may –
- (1) Establish arrangements pertaining to the grant of an approval for the transfer of know-how and the rights deriving therefrom, including intellectual property rights, to another, outside of Israel;
  - (2) Establish arrangements pertaining to the grant of permission or a license by the Benefit Recipient to an entity outside of Israel, to use or exploit the know-how and the rights deriving therefrom, including intellectual property rights, including the payment to the State in consideration for the grant of permission or license as aforesaid;
  - (3) Establish arrangements pertaining to the grant of permission to expose or disclose the know-how, to another entity outside of Israel;

- (4) To authorize a Research Committee, with respect to the arrangements referred to in sub-paragraphs (1) through and including (3) –
  - a. To adopt a resolution concerning approving applications for the transfer of know-how and the rights deriving therefrom, including intellectual property rights, according to an Approved Plan, that is not the Product developed in the framework of the same Plan, provided that the Research Committee shall not approve the transfer as aforesaid outside of Israel, within the appropriate Benefits Routes, other than in special cases and for reasons noted;
  - b. To regulate the computation and methods of payment for the approval as aforesaid in sub-paragraphs (1) through (3), to be made in cash, unless the Council established other terms for such matter in the provisions of a Benefits Route, including provisions allowing the transfer of know-how not in consideration for payment;
  - c. To set provisions regarding the maximal amount that a Benefit Recipient shall pay for an approval as aforesaid in sub-paragraphs (1) through (3);
  - d. To set provisions regarding the payment to be made in the event of an insolvency liquidation or receivership in liquidation of the Benefit Recipient;
- (5) To determine that if a payment as aforesaid in sub-paragraph (4) is not made, that Shekel Interest will be added thereon, and the provisions of the Interest and Linkage Ruling Law will apply to this interest, mutatis mutandis.
- (b) All payments amounts that will be paid in accordance with this Section shall be used to encourage and promote Technological Innovation in the industry.
- (c) The provisions of Section 21(d) shall apply to the collection of payments under this Section.
- (d) If the Council set arrangements for granting approval to a transfer of the know-how and the rights deriving therefrom, including intellectual property rights, according to subsection (a)(1), such know-how or rights shall not be transferred outside of Israel except after meeting the conditions of the approval so given to the satisfaction of the Research Committee.

Arrangements Re Manufacturing in Israel and the Transfer thereof outside of Israel

- 15pp. The Council shall establish, in general, arrangements that shall aid the preservation or creation of work places in Israel, however, it may, in special circumstances and for reasons noted, establish provisions concerning the transfer of manufacturing outside of Israel with respect to a Benefit Route, with regard to –
- (1) The authorization of a Research Committee, in special cases, to approve an application of a Benefit Recipient, to transfer the manufacturing outside of Israel or the grant of a license to manufacture a Product developed within the framework of or resulting from a Benefit Route, outside of Israel;

- (2) The manner of computation of payment from the Benefit Recipient for the transfer of manufacturing outside of Israel.

## **Chapter D: Approval of Applications for the grant of Benefits**

16. (Repealed).

### Authorities of Research Committee Re Applicant of Benefit that is a Debtor of the Authority

- 16A. (a) Should the applicant of a Benefit have a Conclusive and Final Debt to the Authority and it refuses to repay the same, the Research Committee may –
- (1) not discuss an application of such Benefit applicant to receive a Benefit;
  - (2) Discuss the application of the Benefit applicant, and if the application for Benefit was approved – delay the grant of the Benefit or demand security for the repayment of the debt according to subsection (b).
- (b) If the Benefit applicant is indebted to the Authority, for which a court proceeding is pending, and the debt has not been discharged until the date on which a discussion on the application for a Benefit was held, the Research Committee shall discuss the application; Should the Research Committee approve the application as aforesaid, it may delay the grant of the Benefit or demand security for the repayment of the debt as a condition precedent to the grant of the Benefit, provided all of the following occur:
- (1) Delaying the Benefit or conditioning it on a security as aforesaid shall hold only until the aforesaid proceeding is adjudicated, and if the proceeding results in an order of payment of the debt against the Benefit applicant, in whole or in part – then until such time as the payment is made as set forth above;
  - (2) The amount of Benefit being withheld and the amount demanded as security as set forth above, shall not exceed the amount indebted.
- (c) If the Benefits applicant paid the Conclusive and Final Debt as set forth in subparagraphs (2) or (3) of the definition of “Conclusive and Final Debt”, it shall not derogate from the remedies or rights it shall have regarding the debt it paid as aforesaid.
- (d) In this Section, “**Conclusive and Final Debt**” – each of the following:
- (1) A debt against which no appeal may be filed;
  - (2) A debt not paid within 90 days from sending a written payment demand with respect thereto by the Authority, provided that no outstanding court proceeding on the same is pending;
  - (3) Should an outstanding court proceeding with respect to part of such unpaid debt as aforesaid in sup-paragraph (2) be pending – then the undisputed part of the debt.

### Approval of a Plan

17. (a) (Repealed).
- (a1) (Repealed).
- (b) (Repealed).
- (b1) (Repealed).
- (c) (Repealed).
- (d) If the Research Committee approved all or part of a Plan (hereinafter – an “**Approved Plan**”), written approval thereof shall be given, signed by the general manager of the Authority.
- (e) If the Research Committee does not approve all or part of a Plan, the general manager of the Authority shall inform the applicant of the reasons thereof, in writing, within fourteen days of the decision not to approve the same.

Approval of Changes to a Plan

18. (a) Every change in an Approved Plan requires the approval of the Research Committee.
  - (a1) The recipient of the approval and the Controlling shareholder or the Interested Party as set forth in sub-paragraph (2), as applicable, shall report to the Research Committee, at times stipulated thereby and published on the website of the Authority, of every change as follows:
    - (1) A change of Control in the recipient of the approval;
    - (2) A change in the Holdings of Means of Control in the recipient of the approval that results in a person, that is not an Israeli citizen or Israeli resident or a corporation incorporated in Israel, becoming a direct Interested Party in the recipient of the approval; Alongside the report as aforesaid, the Interested Party shall execute a written undertaking in the form published for this purpose by the Research Committee on the Authority’s website; In reference to this matter, “**Holding**” and “**Means of Control**” – as the same are defined in the Securities Law, 5728-1968.
  - (a2) Should an, Application for Liquidation, Application for Receivership or Application for Compromise or Arrangement, be filed against a recipient of an approval, or a voluntary liquidation resolution has been made thereby, the recipient of the approval shall, as soon as possible, report the same to the head of the Authority, and shall do so no later than seven days from such Application being filed or of being informed of the filing thereof, the earlier of the two, or shall do so after the resolution has been made, as applicable; Should a Position Holder be appointed to the recipient of the approval, such reporting requirements shall apply thereon as well; For the purpose of this subsection –  
  
“**Position Holder**” – liquidator, temporary liquidator, receiver, temporary receiver, or a position holder appointed according to Chapter 3 of Part 9 of the Companies Law;

**“Application for Receivership”** – an application for receivership according to the Companies Ordinance;

**“Application for Liquidation”** – an application for liquidation according to the Companies Ordinance, the Cooperative Associations Ordinance or the Unincorporated Associations Law, 5740-1980;

**“Application for Compromise or Arrangement”** – an application for a compromise or arrangement according to Chapter 3 of Part 9 of the Companies Law;

**“Companies Law”** – the Companies Law, 5759-1999;

**“Companies Ordinance”** – the Companies Ordinance [New Version], 5743-1983.

(b) (Repealed).

(b1) (Repealed).

(c) (Repealed).

#### Plan Implementation Terms

19. (a) (Repealed).

(a1) The Minister of Innovation, Science and Technology, with the approval of the Economy Committee of the Knesset, shall determine -

(1) Conditions for the grant of an approval of a Plan, including conditions precedent for such approval to take effect, that pertain to protection of the environment; Regulations according to this paragraph shall be set after consultation with the Minister of Environmental Protection;

(2) Provisions for conditioning the approval of a Plan with the requirement to implement the provisions of the Minimum Wages Law, 5747-1987.

(b) (Repealed).

(b1) (Repealed).

(b2) (Repealed).

(b3) (Repealed).

(c) (Repealed).

(d) (Repealed).

19A. (Repealed).

19B. (Repealed).

#### Accounts and Reports



20. The recipient of a Benefit shall submit a progress account and report for the approved activities, and an account and report of the approved expenditures that were expended, all, at times and according to procedures prescribed for this purpose by the Research Committee and which shall be published on the website of the Authority.

Royalties

21. (a) An entity granted an approval as aforesaid in Section 17(d), within the framework of Benefits Routes for which the Council determined the payment of royalties is required, shall pay the State's Treasury royalties from any Income derived from the Product that was developed within the framework of a Plan or resulting therefrom, including services accompanying the Product or entailed therein, all whether the Income was created by the recipient of the approval or by a **Affiliated Person or Corporation**; In this respect –

**“Affiliated Person or Corporation”** – one of the following:

- (1) A corporation Controlled, directly or indirectly, by the one whom approval of a Plan was given;
- (2) The one that Controls, directly or indirectly, the one whom approval of a Plan was given;
- (3) A corporation Controlled, directly or indirectly, by the one in which the provisions of sub-paragraphs (1) and (2) exist or which received an approval as set forth in sub-paragraph (4);
- (4) The one that received an approval to manufacture the Product by the recipient of the approval or from the one in which the provisions of sub-paragraphs (1) through (3) exist;

**“Control”** – in the meaning of such term in the Securities Law, 5728-1968;

**“Income”** – as shall be determined by the Council for a Benefits Route.

- (b) (Repealed).
- (c) Royalties shall be paid at rates and according to provisions prescribed therefor by the Council for the different Benefits Routes.
- (d) Royalties shall be collected in the manner in which taxes are collected, and the Tax Ordinance (Collection) shall apply as if the royalties were a tax as defined therein, and the controller of the Authority shall be deemed as Director of Collection according to the aforesaid Ordinance.

Termination of Implementation

22. (a) Should the general manager of the Authority see that the approved activity is not advancing or that at the stage of the approved activity, the results point to the fact that the Plan's chances of success have been substantially reduced, he may, after hearing

the position of the recipient of the approval, recommend before the Research Committee that said approval be abrogated or that the Approved Plan be changed.

- (b) The Research Committee may accept the recommendation of the general manager of the Authority, in whole or in part, reject the same, or resolve otherwise on the subject matter, including adopting a resolution according to Section 45(b).
- (c) If a progress account and report is not submitted as aforesaid in Section 20, the general manager of the Authority may deem the approved activity as not advancing according to the Approved Plan, and act according to subsection (a).
- (d) Should the Research Committee decide to abrogate or change an approval of a Plan as aforesaid in subsection (b), the general manager of the Authority or a person authorized thereby, may demand that the recipient of the approval return the Benefits received thereby, all or part, as applicable, unless he determines that the recipient of the approval caused the promotion of the objectives of this Law.

#### Re-Deliberation

- 22A. Should the Council determine a possibility of re-deliberation regarding a Benefits Route as aforesaid in Section 15jj(b)(6), the application for such re-deliberation shall be subject to the payment a fee.
- 23. (Repealed).
- 24. (Repealed).
- 25. (Repealed).

### **Chapter E: (Erased)**

#### Right to a Benefit

- 26. A recipient of an approval according to this Law shall be entitled to receive a Benefit, provided that it meets all of the conditions of the approval of the Plan and fulfills all of the provisions of this Law, and the provisions and procedures set by the Council or the Research Committee for this matter.
- 27. (Repealed).
- 28. (Repealed).

#### Guarantees

- 29. The chairperson of the Research Committee may demand guarantees to secure the return of Benefits, in those Benefits Routes which the Council determined, and according to rules it determined and published on the website of the Authority, in order to ensure the fulfillment of the provisions of the Benefits Routes, all, subject to the provisions of Section 16A.
- 30. (Repealed).

#### Advances

31. (a) The chairperson of the Research Committee or, one of the civil servant members of the Research Committee acting on his behalf, may approve the payment of an advance on account of a grant, according to rules prescribed by the Council, and such advance on account of a Benefit shall be deemed to be a Benefit for the purposes of this Law.
- (b) With respect to the provisions of Sections 26, 29, 44, 45, 46 and 47, an advance on account of a grant shall be deemed to be a grant.
32. (Repealed).
33. (Repealed).

#### Benefits for Scientific Employees

34. (a) The rate of taxation on the income of a Scientific Employee that stems from him being employed under an Approved Plan or under another Research and Development program that was approved for this purpose by the head of the Authority shall not exceed 35% of that income. His income as aforesaid shall be computed at the highest level on the ladder of income liable for taxation; This benefit shall not be afforded for a period exceeding eighteen months.
- (b) In this Section, a “**Scientific Employee**” – an employee that is entitled, under a collective bargaining agreement in Israel applicable to him, to a paid sabbatical and that during such sabbatical, was employed as an employee in the framework of an Approved Plan according to this Law or in the framework of another Research and Development program that was approved for this purpose by the head of the Authority, and that prior to his employment as aforesaid, was not an employee of the same employer.
35. (Repealed).

### **Chapter F: (Repealed)**

36. (Repealed).
37. (Repealed).
38. (Repealed).
39. (Repealed).
40. (Repealed).
41. (Repealed).

### **Chapter G: International Cooperation in Industrial Research and Development**

#### Joint Funds and Bilateral Agreements

42. (a) At the recommendation of the Minister of Innovation, Science and Technology, the government may enter into agreements with governments of other countries, or in

accordance with rules prescribed by the Minister of Innovation, Science and Technology – with cities that have capabilities in the economic field and infrastructure in the fields of Research and Development as well as capabilities in the technological field, and cooperation with them will aid the advancement of Research and Development of Israeli industrial corporations, such agreements being bilateral agreements to encourage joint Research and Development projects or for the establishment of joint funds, with the objective of promoting the Research and Development cooperation between industrial corporations incorporated in Israel and entities in other countries, for advancing and promoting the objectives of this Law.

- (b) The head of the Authority, with the approval of the Council, shall instruct in a procedure published on the website of the Authority, the manner in which each agreement referenced in subsections (a) and (c) herein will be implemented, and he may include in such procedure provisions set forth in Section 15jj, mutatis mutandis, however, the Council may exempt the head of the Authority from the need to obtain its approval as aforesaid, with respect to all such agreements or part thereof.
- (c) The Authority may, through the head of the Authority, enter into agreements with entities outside of Israel, including multi-national corporations, with the aim of encouraging cooperation in Technological Innovation between industrial corporations incorporated in Israel and entities outside of Israel, among other things, by way of encouragement of joint technologically innovative projects, establishing joint funds or executing joint investments in Technological Innovation.
- (d) Agreements as set forth in this Section shall be the responsibility of the Authority and operated thereby.
- (e)
  - (1) The Authority may establish a corporation that shall operate as a joint international fund of the Authority and, governments, a foreign authorized governmental body or international inter-governmental organizations;
  - (2) The decision to establish a corporation as aforesaid in sub-paragraph (1) (in this subsection – the “**Corporation**”) as well as the international agreement to set up the fund, shall be brought for approval before the government by the Ministers, and any change in such agreement shall be subject to approval by the government;
  - (3) The Corporation shall be a legal entity, qualified for every right, obligation and legal action.
  - (4) The Corporation shall be organized and managed according to the agreement between the parties.

42A. (Repealed).

42B. (Repealed).

## **Chapter H: General Provisions**

### Duty to Give Information

43. An entity that received an approval for a Plan shall provide the general manager of the Authority, upon his demand and within the timeframe stipulated thereby, information, documents, and other evidence related to the implementation of the Approved Plan, the fulfillment of the conditions of the approval regarding setting the rate of the Benefits, and for determining the obligation to pay royalties and the rate thereof.

Fulfilling Provisions – Precondition of Benefits

44. The provisions of this Law shall apply notwithstanding any other law; No Benefit shall be given unless the provisions of, this Law, the rules and regulations promulgated thereunder, the Approved Plan and each of the conditions of the approval, have been met and fulfilled, and the applicant proved that it maintains admissible books of account as the same are defined in the Tax Ordinance, and if the applicant has other businesses – proved that it maintains a separate accounting system pertaining to the Approved Plan.

Suspension and Abrogation

45. (a) Should the general manager of the Authority see that a recipient of an approval failed to observe a provision of this Law, or failed to implement or execute the Approved Plan or any of its conditions, he may send the recipient of the approval notification of his intention to propose to the Research Committee to discuss the suspension or abrogation of the approval, prospectively or retroactively.
- (b) If a notification as aforesaid in subsection (a) has been delivered, the Research Committee may –
- (1) Approve the continuation of the implementation and execution of the Approved Plan, on conditions or without additional conditions;
  - (2) Suspend the approval or abrogate it, prospectively or retroactively;
  - (3) Delay Benefits until further inquiry is made;
  - (4) Demand the return of Benefits granted;
  - (5) Prevent or delay the grant of Benefits in each other Plan submitted by the recipient of the approval according to this Law.

Abrogation due to False Statement

46. (a) Should the Research Committee realize that an approval was obtained on the basis of false statements or intentionally misleading statements, it shall abrogate such approval, retroactively from the date of approving the same.
- (b) (Repealed).

Repayment of Benefits

47. (a) Anyone required to repay or return Benefits granted thereto according to Sections 22 or 45, shall do so within ninety days from the date of notice thereof, or on a later date stated in the aforesaid notice, with Shekel Interest added thereon, however, the Research Committee may, for special noted reasons, waive all or part of such interest,

and the provisions of the Interest and Linkage Ruling Law will apply to this interest, mutatis mutandis.

- (b) Should a corporation, having received Benefits according to this Law, become subject to a liquidation or receivership order, or resolve to undergo voluntary liquidation, prior to executing and implementing the Approved Plan in its entirety, and prior to fulfilling all of the terms of the approval thereof – such corporation shall be deemed as having undertaken to return and repay the Benefits prior to, the liquidation or receivership orders being issued, or prior to the resolution being taken, unless the Research Committee decided that the Benefits not be returned and repaid or be partially returned and repaid; The same shall apply to an individual upon which a receivership in bankruptcy order was issued against. Nothing in the provisions of this subsection shall derogate from the State's right to receive royalties according to Section 21 from any Income as defined therein, and that was received following the issue of the liquidation or receivership order or the resolution of voluntary liquidation.
- (c) Should an approval be abrogated according to Section 46, the recipient of the approval is obligated to return and repay the Benefits so received within sixty days from the date on which a notification of abrogation was sent, with Shekel Interest added thereon, calculated from the date on which the Benefits were received, and the provisions of the Interest and Linkage Ruling Law will apply to this interest, mutatis mutandis.
- (d) The provisions of this Section do not derogate from the provisions of any other law, and if there occurred a violation of the conditions pertaining to the payment of royalties or the prohibition on transfer of know-how, the provisions of this Section shall not derogate from the obligation of the recipient of an approval of a Plan to fulfill any condition as aforesaid.
- (e) Any amount due to the State's Treasury on account of a return and repayment of Benefits shall be collected in the manner taxes are collected, and the Tax Ordinance (Collection) shall apply thereon as if such amounts were a tax, as the same is defined in said Ordinance, and the controller of the Authority shall be deemed responsible for collection according to said Ordinance.

#### Penalties

- 47A. (a) If, pertaining to a Benefits Route, the Council established requirements concerning the ownership of know-how, the rights deriving therefrom, including intellectual property right, and in the framework thereof, it determined that an approval is required prior to taking the following actions, then a person shall refrain from taking any of the following actions without the approval of the Research Committee:
- (1) The transfer outside of Israel of know-how developed within the framework of an Approved Plan or as a result of its execution;
  - (2) The transfer outside of Israel of know-how developed within the framework of an Approved Plan or as a result of its execution, including intellectual property rights, or the grant of a license or permit by the recipient of the Benefit to an entity outside of Israel;

- (3) Exposure or disclosure to another entity, inside or outside of Israel, of know-how developed within the framework of an Approved Plan or as a result of its execution.
- (b) Anyone taking any of the actions listed in subsection (a) without the approval of the Research Committee or contrary to the conditions of an approval as aforesaid, shall be subject to a penalty of – three years imprisonment.

Financial Sanction

- 47B. (a) (1) Should the head of the Authority have reasonable grounds to assume that a recipient of an approval breached any one of the obligations set forth below, he shall notify the recipient in writing of it being found in breach of its obligations, and that if the breach is not remedied within 45 days from receipt of said notice, a financial sanction shall be imposed thereon:
- a. Duty to report a change of Control or a change in Holding of Means of Control in the recipient of an approval, according to the provisions of Section 18;
  - b. Duty to submit a progress account and report according to the provisions of Section 20;
  - c. Duty to provide information, documents and evidence demanded by the general manager of the Authority, according to the provisions of Section 43.
- (2) Should a recipient of an approval fail to fulfil his duties as aforesaid in sub-paragraph (1) within the period stipulated therein, the head of the Authority may impose thereon a financial sanction in the amount set forth below, provided that he afforded the recipient the opportunity to present its claims on the matter:
- a. Pertaining to the duty set forth in sub-paragraph (1)a.– in the amount of NIS 6,000;
  - b. Pertaining to the duty set forth in sub-paragraph (1)b.– in the amount of NIS 24,000;
  - c. Pertaining to the duty set forth in sub-paragraph (1)c.– in the amount of NIS 12,000;
- (b) A financial sanction so imposed shall be paid upon the demand of the head of the Authority, within 45 days from receiving the demand thereof; Should the financial sanction not be timely paid, Shekel Interest and Default Interest shall be added thereon, for the duration the same remains unpaid and until it is paid, and the provisions of the Interest and Linkage Ruling Law will apply, mutatis mutandis.
- (c) A financial sanction shall be computed according to the amount updated on the date the demand for payment is issued; Should an appeal thereon be filed, and the court adjudicating the appeal, orders a stay of payment – the financial sanction shall be computed to the amount updated on the date the final judgement on the appeal is given.

- (d) The head of the Authority may update the amounts of financial sanctions on the 1<sup>st</sup> of January each year according to the rate of change of the consumer price index, calculated on the basis of the last consumer price index published prior to said update vis-à-vis the last consumer price index published prior to the Effective Date of this Law; Furthermore, the head of the Authority may round the amount of the financial sanction to a number that is nearest to a multiplication by NIS 10; The head of the Authority will publish the updated amount of financial sanction in the Official Gazette.
- (e) The Tax Ordinance (Collection) shall apply to the collection of a financial sanction.

*Demanding a Financial Sanction from an Office Holder of an Approval Recipient*

- 47C. (a) If a financial sanction so imposed has not been paid as aforesaid in Section 47B, the head of the Authority may demand the payment thereof from any one who acted as director or general manager of the recipient of an approval at the time of the breach or violation, unless such person can prove one of the following:
- (1) That he took all appropriate measures to prevent the violation;
  - (2) That he did not know and should not have known about the violation.
- (b) Should the financial sanction be paid by a director or general manager, the recipient of the approval shall not be required to pay the same, and the person making the payment as aforesaid shall be entitled to indemnification therefor from the recipient of the approval.

*Appeal Against a Decision of the Head of the Authority*

- 47D. (a) A final decision made by the head of the Authority according to Sections 47B and 47E may be appealed against to the Magistrate Court in which the presiding president of such court sits; Said appeal may be filed within 30 days from the date on which the decision was delivered.
- (b) The appeal on its own shall not delay the obligation to pay the financial sanction unless otherwise instructed by the head of the Authority or the court.
- (c) Should the appeal be upheld after the financial sanction was paid, the amount paid shall be repaid together with Shekel Interest calculated from the date of payment thereof and until it is repaid, and the provisions of the Interest and Linkage Ruling Law will apply to this interest, mutatis mutandis.
- (d) A judgement of the court of pertaining to an appeal may only be appealed against with the court's permission, and the court shall adjudicate the appeal sitting in a single judge panel.

*Publication*

- 47E. (a) Should the head of the Authority impose a financial sanction on a corporation in accordance with Section 47B, he shall publish the following details on the website of the Authority, in a manner ensuring transparency pertaining to his discretion of imposing a financial sanction:
- (1) The imposition of the financial sanction;



- (2) The nature and circumstances of the breach or violation for which the financial sanction was imposed;
  - (3) The amount imposed as a financial sanction;
  - (4) Relevant details concerning the violating entity;
  - (5) The name of the corporation.
- (b) If an appeal was filed according to Section 47D, the head of the Authority will publish the filing of the appeal soon after its filing, and the results of such appeal.
  - (c) Notwithstanding the foregoing, the head of the Authority shall not publish details that are considered information which a public authority is precluded from disclosing pursuant to Section 9(a) of the Freedom of Information Law, 5758-1998, and he may further decline to publish details according to this Section, that are considered information that a public authority is not obligated to deliver pursuant to Section 9(b) of the aforesaid law.
  - (d) A publication according to this Section shall be for a period of four years.

Publication of Rules of the Council and Research Committees

- 48. Procedures set by the Council or the Research Committees according to this Law shall be published on the website of the Authority.

Publication of Appointments

- 49. Announcements of appointments according to this Law shall be made in the Official Gazette.
- 50. (Repealed).

Preservation of Authorities

- 51. (a) The authorities granted under this Law do not derogate from authorities granted under any other law.
- (b) Nothing in the determination of the Authority as a Corporation according to law as aforesaid in Sections 5 and 5B, or in the functions and authorities vested therein as aforesaid in Sections 5A, 8A, 15ii, 15kk and 42(c) and (e), to derogate from –
  - (1) The authorities vested in the Higher Education Council or those of any of its committees as aforesaid in Section 17A of the Council for Higher Education Law, according to any applicable law and government resolutions;
  - (2) The authorities vested in government ministries according to any applicable law or government resolutions made by September 14, 2014, pertaining the transfer of authorities from one Minister to another, or pertaining to the transfer of fields of operation from one ministry to another pursuant to Section 31 of Base Law: The Government, or from authorities, fields of operations that could have been vested until such date to government ministries, including governmental

resolutions pursuant to the aforesaid section, all taking into account the authorities that were vested in the Administration for Industrial Research and Development in the Ministry of Economy according to this Law until the aforesaid date.

#### Fees

52. The Ministers, with the approval of the Finance Committee of the Knesset, may set fees for handling applications submitted pursuant to this Law, or for any other service provided by the Authority.

#### Effective Date

53. This Law shall come into effect on January 1, 1985.

#### Reporting to the Government and the Knesset

54. (a) The head of the Authority shall report, every year, to the Minister of Innovation, Science and Technology and Minister of Finance on all of the following:
- (1) The development of Technological Innovation in the branches of industry and services therein;
  - (2) The Benefits Routes determined by the Council in the year preceding the date of the report, their objectives and targets;
  - (3) Assessment of activities of the Benefits Routes and their influence according to their objectives;
  - (4) The influence of the activities of the Authority and Benefits Routes on creating work places and reducing social-economic disparities, including with respect to the Negev and the Galilee;
  - (5) The budget of the Authority and its implementation, including if Benefits Routes were established according to Sections 15ee and 15ll.
- (b) A report as aforesaid in subsection (a) shall be submitted to the Finance Committee of the Knesset not later than on March 1<sup>st</sup> of each year.
- (c) A report pursuant to this Section shall not derogate from the obligation of confidentiality contained in any law pertaining a person or corporation.

Addendum

(Repealed)

(Signatories)

