Startup Europe Partnership

STARTUP EUROPE comes to SILICON VALLEY

Policy Hack

Exploring Innovative Ways to Advance Policy Reform

Mind the Bridge

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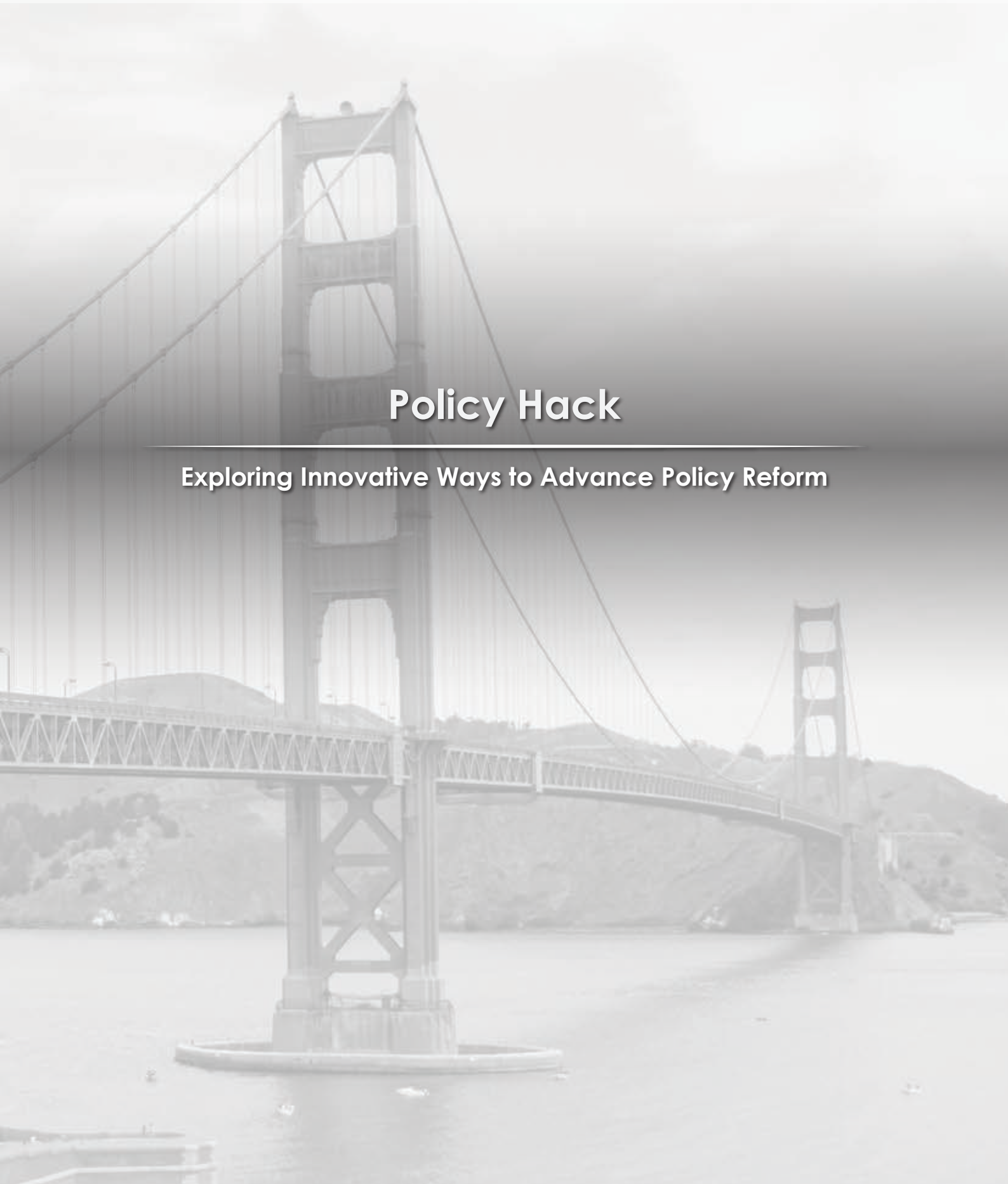

Policy Hack

Exploring Innovative Ways to Advance Policy Reform

Startup Europe Partnership

Mind the Bridge

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Exploring Innovative Ways to Advance Policy Reform

This Report

The 2016 **Startup Europe Comes to Silicon Valley (SEC2SV) mission**, created and organized by **Mind the Bridge** as part of the Startup Europe Partnership initiative and co-organized with **EIT Digital**, brought together a group of entrepreneurs, investors, and policy experts from both sides of the Atlantic in the Bay Area.

The week-long program of activities featured a ***Policy Hack*** **in partnership with Dell**, to explore innovative ways to address some of today's most pressing policy issues faced by global innovators and entrepreneurs.

The objective of the Policy Hack was to **give top-line thinking from a transatlantic perspective on how policy conditions for entrepreneurs could be improved**.

Teams of four to five 'hackers' were given **one hour to brainstorm and draft solutions** for five different issue areas: **trade**, **privacy** and **data transfers**, **IPR** and **copyright**, **access to capital**, and **worker mobility**. Each solution was then **pitched to a team of judges**.

Teams were asked to draft a solution that had a reasonable level of **utility** and featured the **ability to be replicated** as well as **prospects of being adopted**.

This report describes the Policy Hack **methodology** and summarizes the **main outcomes of the discussion**.

While we are fully aware that the topics addressed during the hackathon are of **significant complexity** to be unbundled in just a few hours of work, **we strongly value the process** undertaken: **exposing policy matters to a balanced representation of policy makers, entrepreneurs, and investors/managers**. And using problem-solving processes that are closer to the world of entrepreneurs.

As such, we consider the recommendations proposed below as **possible high-level suggestions**, rather than properly actionable proposals.

Startup Europe Partnership

Established by the European Commission in January 2014 at the World Economic Forum in Davos, **SEP is the first pan-European platform dedicated to transforming European startups into scaleups** by linking them with global corporations. By participating in the SEP program, global companies can ease the scale up process via business partnerships and strategic and venture corporate investments, providing them with access to the best technologies and talents through procurement of services or products, corporate acquisition or "acqui-hiring".

SEP is led by Mind the Bridge, a global organization based in Europe and United States, with the support of **Nesta** (the UK's innovation foundation), **Factory** (a European network of campuses for tech companies of any stage, founded in Berlin), and **Bisite Accelerator** (Madrid/Salamanca). **SEP is a Startup Europe initiative**.

Partners include Telefónica, Orange, BBVA (Founding), and Telecom Italia, SKY, Unipol Group, Microsoft and Enel (SEP Corporate Member), with the institutional support of the European Investment Fund/ European Investment Bank Group, London Stock Exchange Group, EBAN, Cambridge University, IE Business School and Alexander von Humboldt Institute for Internet and Society.

Introduction

Context

The 2016 Startup Europe Comes to Silicon Valley (SEC2SV) mission, created and organized by Mind the Bridge as part of the Startup Europe Partnership initiative and co-organized with EIT Digital, brought together a group of entrepreneurs, investors, and policy experts from both sides of the Atlantic in the Bay Area.

The SEC2SV 2016 mission kicked off with the **flagship European Innovation Day on Sep 12th pan-European event in Silicon Valley**, which saw Tim Draper - the 1985 founder of the venture capital firm that would become Draper Fisher Jurvetson - addressing 500 entrepreneurs, professionals, and EU policy makers. The mission closed with an intimate invite-only ceremony on Sep 20th, led by **Elżbieta Bieńkowska, EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs**.

The week-long program of activities featured a Dell PolicyHack™, to explore innovative ways to address some of today's most pressing policy issues faced by global innovators and entrepreneurs.

Policy Hack: Objectives

The objective of the Policy Hack was to give top-line thinking from a transatlantic perspective on how policy conditions for entrepreneurs could be improved.

More than 30 representatives from two very different ecosystems spent a creative afternoon together discussing better policies in an informal setting. With backgrounds as entrepreneurs, investors, policymakers and advisors they had to agree on how to tackle policy problems in a way they could all back.

The general starting point was that the transatlantic relationship brings with it a special set of challenges for policymakers, entrepreneurs and investors. There are cultural differences between the EU and the United States that make for different incentives, risk-taking approaches, and market pressures. Success stories are typically more celebrated in the United States than in Europe. As one Policy Hack participant observed:

> *"Europe has been battling with a stagnant startup policy ecosystem after the European Commission launched the Startup Manifesto in 2013. While initiating a grass-roots approach of local activities across Europe, not much changed in terms of regulation. A better approach would be to gather large corporations, associations and government to reach a critical mass of stakeholders advocating for change."*

This report describes the Policy Hack methodology and summarizes the main outcomes of the discussion. While we are fully aware that the topics addressed during the hackathon are of significant complexity to be unbundled in just a few hours of work, we strongly value the process undertaken: exposing policy matters and issues to a balanced representation of policy makers, entrepreneurs, and investors/managers from different ecosystems. And using **problem-solving processes that are closer to the world of entrepreneurs.** As such, we consider the recommendations proposed below as **possible high-level suggestions,** rather than properly actionable proposals.

Policy Hack: Methodology

Teams of four to five 'hackers' were given one hour to brainstorm and draft solutions for five different issue areas: trade, privacy and data transfers, IPR and copyright, access to capital, and worker mobility. The five teams featured representatives from across the startup ecosystems and were each given one issue area to address.

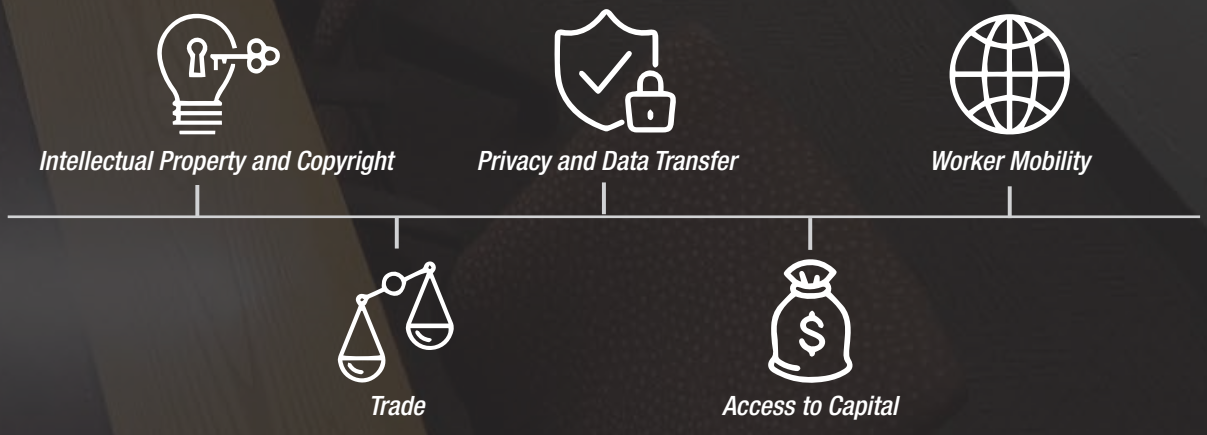
Each solution was then pitched to a team of judges including Pēteris Zilgalvis, Head of Unit for Startups and Innovation at the European Commission Directorate General for Communications Networks, Content & Technology; Zvika Krieger, U.S. Department of State Representative to Silicon Valley and Senior Advisor for Technology and Innovation; Burton Lee, Professor at Stanford University; John Zysman, Professor at the University of California Berkeley, and Alberto Onetti, Professor at University of Insubria and Chairman of Mind the Bridge. The event was facilitated by Richard Boly, former career U.S. diplomat and former Director of the Office of eDiplomacy and currently startup accelerator mentor and management consultant.

The judges selected the winning solution based on being an innovative, novel or unique solution that solved the challenge presented.

Teams were asked to draft a solution that had a reasonable level of utility and featured the ability to be replicated as well as prospects of being adopted.

The judges found that the solution of the **IPR and Copyright team** best fulfilled these criteria. Described below are the main problems identified and ways to address each of the five policy challenges, as proposed by the teams.

Topics Addressed



Intellectual Property (IP) and Copyright

The Challenge

How to make it easier for startups to manage copyright laws on both sides of the Atlantic and to increase transparency of patents available to them so as to avoid copyright infringements and minimize licensing costs.

Starting Point

To present an effective solution addressing the most pressing and direct issues related to innovation, the team decided to **narrow its approach to focus on IP rather than the related issue of copyright.**

Problems Identified

The existing patent system is not fit for the modern innovation process: it was designed for the Industrial Age based on arcane nomenclature, filing, and a document-based process. It is ill-suited for dealing with complex scientific or technological "inventions". In place for over 150 years, the system has also been prone to abuse by large players, and more recently by what are known as "patent trolls" though bulk purchasing of patents (known as Offensive Patent Aggregation - OPA). One of many forms of "patent aggression", it is deployed to assert patents against companies that would use the inventions.

The entrepreneurship ecosystem needs "non-offensive" protection schemes: OPA stifles innovation notably by Small and Medium Enterprises (SMEs), including startups and scaleups. Patent protection is often key to financing for innovative high-growth firms as investors ask for protection in order to ensure the firm is shielded from competitors.

Patenting in the existing system is the first barrier for an innovator: going to market would be faster if the current process could be simplified. Inventors already incur in significant search costs to determine whether they need to patent something or not. Patents are a grey area meaning next to the licensing costs inventors already incur significant search costs to determine whether they need to patent something or not.

Participants

Jorge Cortell
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CEO
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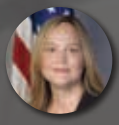
Bogdan Ceobanu
Policy Officer, Startups and Innovation
European Commission



Sara R. Klucking
Section Chief, Innovation & Programs
Office of Science and Technology Cooperation, U.S. Department of State

Proposed Solution

The team proposed an automated patent database complemented by a voluntary and "non-offensive" patent pooling system.

An innovative IPR system requires a brand new process that performs in line with the speed of today's innovation cycles, gives rise to a transparent patent market, while keeping costs for startups low; grants a level of protection that secures investments; and facilitate and speed the process of bringing new inventions from the lab to the market.

1. *The automatic system, based on expert input, artificial intelligence and machine learning would be capable of identifying the parts or elements of a proposed invention that may already be patented; as well as those which, although patented, may have prior art. This would allow the inventor to make instant decisions about the ideation, design, and implementation processes, without having to resort to very expensive and time-consuming patent and state-of-the-art research.*

2. *The voluntary pooling of patents (or patentable ideas) by SMEs, startups, or any other inventor or corporation that believes in the non-offensive use of patents would create a Defensive Patent Aggregation (DPA), keeping such patents out of the hands of entities that would assert them against operating companies, and guaranteeing a strong defense in a patent-infringement lawsuit threat. The Open Invention Network, a shared defensive patent pool that seeks to protect Linux, is an example of such a pool.*

This new system would allow to move to a **"results based" system** that advances, facilitates, and promotes exponential innovation, away from the current "patent based" system limited to measure innovation.

Implementation

This effort would require bringing together a critical mass of stakeholders from across the entrepreneurship ecosystem to use and advocate on behalf of such a system.

Given sufficient resources and using the latest technologies, implementing a system that would allow identifying patented elements and prior art would require approximately one year, including planning and legal review, and promoting the system. Additionally three to five years have to be factored for widespread adoption and mindset change - and potentially confronting and engaging with those with a vested interest in the existing system.

The team identified a potential business opportunity. The system could be made available worldwide as Software as a Service with the goal of providing a valuable service, and likely generate revenue. The alternative option is a public system, developed as joint international effort and made accessible for free. Benefits achieved would be to analyze the data and use it to inform future policy. In any case the adoption requires governments to join efforts and really invest into disseminating and promoting the use such a defensive pool.

Trade

The Challenge

How do we create a transatlantic trade relationship where startups benefit from interoperable markets, simplified customs procedures and industry standards that apply globally; how the TTIP (Transatlantic Trade and Investment Partnership) agreement can foster this process.

Starting Point

In arguing that unreasonably long processes around current trade regulations inhibit innovation, the team decided to **focus on the transatlantic trade relationship generally** rather than addressing the specific TTIP framework, as negotiations were fraught with uncertainty.

Problems Identified

Time is a necessary and essential resource for startups. Rules that impact trade do not currently take this into account.

The difference between startups and large established companies is the time they have been around, which typically results in a better know-how and ability in navigating across rules and regulations. Regulation that impacts market access also often lags behind technology as innovation advances at higher speeds than legislative processes.

Startups operating in the EU and U.S. markets struggle with resources to handle divergences between EU member state rules on top of dealing with red tape linked to transatlantic trade. The team had experienced issues with regulatory hurdles in relation to transfer pricing, data protection, and building construction.

> *One of the entrepreneurs – Qarnot, a company leveraging carbon-footprint by storing servers in buildings thereby providing a heating solution. - noted that even environmental approvals for test buildings are often a challenge in terms of operating across several markets. Buildings are subject to diverging provisions across EU member states, but also rules that apply to buildings are very different to those that apply to data centers. Qarnot was able to fast-track their proof of concept because it was backed by the French Ministry of Ecology. It takes one year to receive a 'temporary exception' ('Titre V Operation') to the French thermal regulation (RT20122) which is needed to run a pilot site. Obtaining a 'definitive exception' ('Titre V Système') to this regulation can take from three to five years.*
>
> *Another entrepreneur – Awingu, a workspace aggregator that gives users secure access to corporate IT resources - said that small companies have issues in complying with transfer pricing provisions that regulate the relationship between parent and subsidiaries between the EU and the U.S. As opposed to the tax authorities and larger corporations, small companies do not necessarily have the tools or know-how to tackle transfer pricing in a straightforward way.*

A third entrepreneur- beBee, social media network that expanded into the U.S. market in 2016 - highlighted the lack of guidance around data protection rules. Depending on where user data is stored different rules apply, and it is not clear how trading needs to be adapted depending on where you are selling or who you are selling to. There is no single place or tool where this know-how can be found.

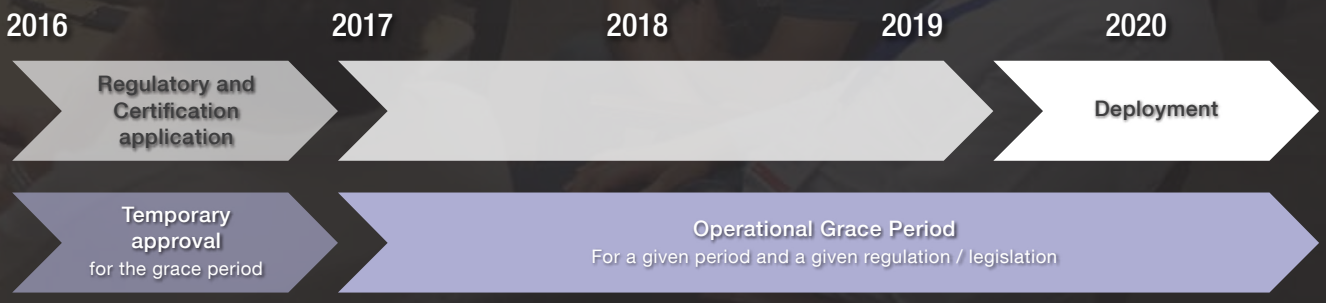
Proposed Solution

The team proposed that as part of the transatlantic relationship, regulatory authorities commit to a minimum two-year enforcement "grace period" for startups, in order to give them time and flexibility to develop a proof of concept. This would require that the European Commission and US government develop a centralized filing system where startups register as they prepare to launch operations on the other side of the Atlantic.

Governments would also act as "champions" in backing innovative concepts in their respective markets and acting as advisers to the startups.

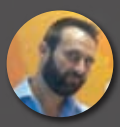
Implementation

An operational grace period would allow innovations to be tested commercially and technically, in spite of the length of administrative acceptance of technological innovations in the construction industry. For instance, in France the 'RT2012' regulation is not applied for a given timeframe (namely three years). Within this timeframe, the regulatory can follow its path without inhibiting innovation, even allowing the technology to prove its benefits and sustainability.



Participants

Paul Benoit
CEO
Qarnot



Javier Càmara Rica
Co-founder and CEO
BeBee

Walter Van Uytven
CEO
Awingu

Camille Sailer
President
European American Chamber of Commerce NJ

Lisa Brodley
Director
Office of Science and Technology Cooperation, U.S. Department of State

Policy Hack

Group Discussions

IP and Copyright

Trade

Privacy and Data Transfers

Access to Capital

Worker Mobility

Pitching to Judges

Judging Panel

From left to right:
***Zvika Krieger**, U.S. Department of State*
***Burton Lee**, Stanford University*
***Pēteris Zilgalvis**, European Commission DG CNECT*
***John Zysman**, University of California Berkeley*

Group Presentations

Privacy and Data Transfer

The Challenge

How to ensure that startups doing transatlantic business are compliant with data protection rules and have legal certainty for their transatlantic data transfer arrangements.

Starting Point

In recognizing that data economy firms of all sizes have an incentive to build trust in the online environment in order to benefit their sales, the team focused on the problem and opportunities that come with the **implementation of new European data protection rules, the General Data Protection Regulation (GDPR)**.

Problems Identified

The main issue of startups in relation to data protection is compliance.

As the GDPR is implemented, startups need to perform legal analysis, adjust contracts and operational execution for different European countries as well as for transatlantic data transfers. This is a complex and costly process and does not allow entrepreneurs to focus on growing their business.

Startups lack information and a lean process allowing them to become compliant.

Startups struggle to find guidance on what they need to comply with.

Accessing relevant information is costly unless provided for by regulators themselves. Governments can play a role in creating processes that incentivize compliance, as was the case for example in Estonia.

> *The Estonian "X-road" project saw the government set-up an online platform that gives government agencies access to each other's data, serving companies and citizens via e-services built off this data. Those taking part in the project are scrutinized against compliance rules in return for being granted access to the secure layer, meaning everyone "driving" their services via X-Road is compliant with data protection rules. By providing this secure online platform, the government created a standardized environment for government agencies. The same could be done for the private sector. This would allow small players, large corporations and the public sector to interconnect different information systems and data: a level playing field for everyone, regardless of size.*

Proposed Solution

The team proposed to create a platform that would offer startups a clear and standardized process to become compliant with the GDPR as part of becoming a member.

Entrepreneurs should be involved in helping design the platform. Membership would give startups the recognition of being GDPR compliant, along with access to technologies that have been vetted as compliant themselves and could easily be used by engineering and marketing teams in execution plans. Startups would also have access to resources and communities such as industry associations and privacy and cybersecurity hubs, which the government could facilitate.

The team saw the GDPR as a potential business opportunity for startups offering Compliance as a Service (CaaS), backed and certified by the government. This system could be modeled on the Estonian "X-road" project. Governments would need to lead a public education effort and generate initial traction around the project.

Implementation

Governments would start by prioritizing areas and domains where compliance is required in the short-term, such as healthtech and fintech. In building out the GDPR compliance project governments would partner with and rely on expert privacy players, from young software vendors to boutique consultancies.

Companies would be offered early movers benefits such as networking opportunities and connections with industry bodies. In the case of startups they could be offered fast-track access to high profile accelerators, and "ready to use" information and "cheat sheets" on the GDPR which could easily be integrated into their marketing materials.

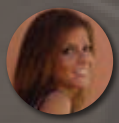
The GDPR compliance standardization would be completed by using ISO certifications and making available incentives and rewards such as promoting compliant companies on an online portal, and other awareness initiatives.

Participants

Christopher "Che" Mott
Managing Director
OpenStrategic BV

Federico Gobbi
Program Coordinator
Mind the Bridge

Mikk Vainik
Startup Policy Expert
Ministry of Economic Affairs and Communications, Estonia



Cinzia Guido
Senior Policy Adviser
Digital Economy and Regional Policy
Confindustria

Access to Capital

The Challenge

What financing tools do we need to ensure that startups on the EU or U.S. side have access to funds to expand into the respective markets on the other side of the Atlantic.
What is the role of government (do we need government-backed guarantees, should procurement be adapted to startups; and where should investments be directed?).

Starting Point

While recognizing that funding for high-velocity companies and risk management for later stage companies was an issue, **the team decided to focus on funding for early stage startups** as a way of dealing with the "back-end" of the system through the "front-end" of the system.

Problems Identified

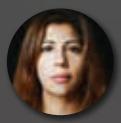
Many early stage startups are weak and not sufficiently robust for full-fledged market pressure. One reason could be that in Europe many early stage financial interventions are supported by the public sector. Silicon Valley tends to have less "free money". Successfully experiences of European startups in Silicon Valley involve later stage companies with customers. They then have access to advice and can raise their Series A round.
The European system gives rise to startups that are in the startup phase for too long. As a result, they lack pressures typically exerted by private investors.

Proposed Solution

The team proposed to develop a system of private-public foundations modeled on trusts in order to channel funding to startups directly to cover both equity and advisory services to startups. This would allow the shareholders to provide some of these services to the startups, leveraging public money with a "private" emphasis. A complementary but separate investment able to attract private matching funds could complement the action of these foundations.
Grants for early stage startups need to be restructured and include a debt component. These grants would be limited to R&D and not cover company development that would be supported by a follow-on uncollateralized loan. Grants would also be issued as venture debt rather than equity, with a payback obligation once a trigger event is reached. The foundations would generate returns and would be able to receive equity from the invested startups.

Participants

Tara Lemmey
CEO and Founder
LENS Ventures



Bindi Karia
Former VP
Silicon Valley Bank and Microsoft

Michael O'Connor
Chair of E-Xcelerator and Board Member
EBAN

Ignacio Puente
Policy Officer
DG Research and Innovation, European Commission

Worker Mobility

The Challenge

How to help startups access the talent they need to scale and create diverse workforces. How to allow entrepreneurs to be mobile when expanding and operating across borders and communities.

Starting Point

As European entrepreneurs expand to the U.S. market, they need to go through the visa process. While ensuring newcomers to the U.S. market are compliant with local regulation, the process is not necessarily able to identify the growth potential of a business idea.

Problems Identified

Visa applications are complex and costly: startups can't afford to invest a seven-figure amount into legal advice to ensure they do it right. The process also involves a series of commitments vis-à-vis the U.S. government, such as local hiring requirements that are typically problematic.

Requirements under U.S. immigration rules are a continuous administrative burden. With regular scrutiny by U.S. authorities, European startups need to repeat the same administrative procedures on almost a yearly basis, making for a constant strain of time and resources.

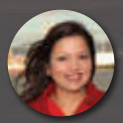
Proposed Solution

The team proposed an entrepreneur visa issued through an expert peer review process. The Community Evaluated Fast Track ("CEFT") would enable the U.S. government to perform a vigorous screening of talent and business ideas, while outsourcing the business plan evaluation to a community of experts who capitalize on their combined experience. The process would lead to one single European Visa, rather than 28 different types for each Member States. The visa would have a three-year duration with a half-term evaluation of the entrepreneur foreseen to ensure behavior is in line with U.S. laws and the company on track.

Implementation

A first batch of 1000 visas would be issued. This would need to be accompanied by building a large community of CEFT experts. Experts from the U.S. startup ecosystem would be incentivized to join by being employed for that purpose, similarly to border control officials; or by receiving a formal recognition as CEFT expert along with early access to information about startups from Europe entering the U.S. market.

Participants



Aparna Sain
Advisor
EIT Digital

Juan Imaz
Executive Chairman
BeBee

Matevz Gantar
Welcome H2020 Project
Bisite Accelerator

Gisli Herjolfsson
Founder & CEO
Controlant

Lenard Koschwitz
Director European Affairs
Allied for Startups

STARTUP EUROPE comes to SILICON VALLEY

Created and organized by Mind the Bridge and co-organized with EIT Digital, SEC2SV sparks a crucial conversation between EU policymakers (commissioners, prime ministers), top EU Scaleup companies, corporations and investors from both continents, and Silicon Valley stakeholders.

The SEC2SV 2016 mission kicked off with the flagship European Innovation Day on Sep 12th pan-European event in Silicon Valley and closed with an intimate invite-only ceremony on Sep 20th, led by Elżbieta Bieńkowska, EU Commissioner for Internal Market, Industry, Entrepreneurship and SMEs. Below some highlights from the 10 day program.

Sun, Sep 11

Scaleup Pitch Clinique

@ MTB Innovation Center, San Francisco (CA)


Mon, Sep 12

Closed Door Investors Event - Meet the top EU Scaleups

@ Computer History Museum, Mountain View (CA)


European Innovation Day (EID)

@ Computer History Museum, Mountain View (CA)


Reception at European Innovation Day

@ Computer History Museum, Mountain View (CA)


Tue, Sep 13

Scaleup Summit Day 1

@ MTB Innovation Center, San Francisco (CA)


Transatlantic Policy Workshop and Tech Policy Hackathon

@ MTB Innovation Center, San Francisco (CA)


Reception at Pinterest

@ Pinterest HQ, San Francisco (CA)

Wed, Sep 14

Scaleup Summit Day 2

@ K&L Gates, San Francisco (CA)

Thu, Sep 15

Bilateral Meetings: Microsoft, Google, LinkedIn

@ Microsoft Technology Center, Mountain View (CA)
@ Google Ventures, Mountain View (CA)
@ LinkedIn, Mountain View (CA)

Reception at Idean

Powered by EIT

@ Idean, Palo Alto (CA)

Fri, Sep 16

Bilateral Meetings: Uber, Berkeley, GE Digital

@ Uber, San Francisco (CA)
@ University of California at Berkeley (CA)
@ GE, San Ramon (CA)

Tue, Sep 20

Closing Ceremony with EU Commissioner Elżbieta Bieńkowska

@ Bay Area Council Economic Institute, San Francisco (CA)

Organized by:

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facility live

VERTICAL

WAMP

Startup Europe Partnership

Mind the Bridge

Startup Europe Partnership - SEP
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About Mind the Bridge

Founded in 2007, Mind the Bridge is a Silicon Valley/European organization dedicated to developing, promoting, and supporting sustainable entrepreneurial ecosystems around the world and bridging them to the world's most innovative center - Silicon Valley.

Mind the Bridge offers a suite of programs and services (Startup School, Investors Program, Scaleup Mastery Program, Corporate Executive Program, Technology Scouting) with partnerships and operations in Europe, Asia, MENA, and LATAM.

Mind the Bridge has also been chosen by the European Commission to drive "Startup Europe Partnership (SEP)", the pan-European open innovation platform to connect startups to large corporates. It is also the host of Startup Europe Comes to Silicon Valley (SEC2SV), an intense week of activities in Silicon Valley for top EU scaleups, corporates and policy makers.

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