



U.S. Chamber of Commerce

STATEMENT OF THE U.S. CHAMBER OF COMMERCE

ON: Enhancing Patent Diversity for America's Innovators

TO: The House Committee on Small Business

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at the U.S. Chamber of Commerce

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I am Rick Wade, and I am the Chamber's Vice President for Strategic Alliances and Outreach. I appreciate the opportunity to testify before the committee today.

The Chamber commends the committee for its leadership on issues central to increasing access to our "innovation economy" among women, minorities, veterans, and other underserved communities.

Through my experience in both the public and private sectors, I have come to understand and appreciate the important role that diverse-owned businesses play in our economy and society. Consider the following:

- The Minority Business Development Agency (MBDA) of the U.S. Department of Commerce estimates that there are currently 11 million minority business enterprises nationwide, which employ over 6 million people and generate nearly \$1.8 trillion in revenue.
- The U.S. Census Bureau and other statistical data show that minority-owned businesses are twice as likely to export as non-minority companies, three times as likely to have international operations, and six times as likely to transact business in a language other than English.
- *Fortune and Forbes* report that Black and Hispanic buying power now exceeds \$2.9 trillion.

All in all, diverse-owned enterprises are key contributors to and drivers of America's economy. Enhanced access to tools like the patent system will only strengthen these enterprises and ensure their competitiveness in years to come.

The patent system serves as the foundation of our innovation ecosystem. We especially appreciate the Committee's work on the **Study of Underrepresented Classes Chasing Engineering and Science Success Act of 2018**, also known as the "**Success Act**". I want to thank the Chairwoman and Ranking Member, and all Members of the Committee for their hard work and commitment to this legislation.

The United States has long led the world in innovation and creativity, and to maintain this lead we must ensure that all Americans have the education, skills, opportunity, knowledge, and tools to innovate, invent, and succeed. Too often, underserved communities, minorities, women, veterans, individual inventors, and small business owners lack the information and/or resources to take advantage of the many forms of intellectual property protections available to them, including our U.S. patent system.

As you well know, the *Success Act* directed the United States Patent and Trademark Office (USPTO), in consultation with the Small Business Administration (SBA), to identify publicly available data on the number of patents applied for and obtained by women, minorities, and veterans, and the benefits of increasing these numbers. We appreciate that the Act also asked for legislative recommendations on how to encourage and increase engagement among diverse entrepreneurs.

In addition to the Committee's excellent work on these issues, we want to also recognize the leadership of USPTO Director Andrei Iancu for the report and many programs he and his team at USPTO have implemented to encourage more participation in our innovation economy by women, minorities, veterans, and other underserved communities – some of which I will discuss in more detail later in my testimony.

The USPTO report mandated by the *Success Act* revealed there is a limited amount of publicly available data regarding the level of participation by women, minorities, and veterans in our patent system. But according to a recent USPTO study, only approximately twelve percent (12%) of inventors named on U.S. patents are women. Clearly, this represents both a serious issue of concern and a tremendous untapped resource for innovation.

Much of our domestic innovation is driven by individual inventors and entrepreneurs who start small businesses and create jobs. And it is important to note that minority communities have higher shares of women-owned businesses. According to the Small Business Administration (SBA), almost all (99.9%) of women-owned businesses are considered a small business (less than 500 employees). Of those, 59 percent are black/African American and 44 percent are Hispanic.

According to the Department of Commerce and other sources, small businesses make up 99.7 percent of U.S. employer firms, 64 percent of new private-sector jobs, 49.2 percent of private-sector employment, 42.9 percent of private-sector payroll, 46 percent of private-sector output, 43 percent of high-tech employment, 98 percent of firms exporting goods, and 33 percent of exporting value.

Small Business Administration (SBA) data also shows that of high patenting firms, those with fifteen (15) or more patents in a four-year period, small businesses produced sixteen (16) times more patents per employee than large patenting firms. Small businesses have an average of ten employees per firm. In contrast, small firms in the “super-heavy” patent intensity industries – or those which receive over eight percent of all patents issued to corporations – employ 24 employees per firms. In the

“heavy-intensity” industries – those receiving two (2) and six (6) percent of all corporate patents – small businesses employ almost double the average number of people per firm. And this trend continues in the “light-intensity” industries as well.

The Chamber’s annual International IP Index, which analyzes the intellectual property (IP) environment in over fifty (50) economies, clearly shows the correlation between economic growth, innovation, creativity, and global competitiveness and a strong domestic IP system. A critical component of such a system is a strong domestic patent system that can be accessed by inventors and creators to bring innovative new products to market.

However, more needs to be done to ensure that first-time inventors, start-ups, minority, and women-owned businesses have a fuller understanding of, and access to, our domestic patent system. As I previously stated, USPTO, under Director Iancu’s leadership, continues to initiate and implement a number of programs specifically designed to address this need.

Here are a few of these programs:

The USPTO has resources in almost every state to help new entrants to patenting navigate the patent process, including local partnerships with pro bono attorneys, law school clinic programs, local libraries where inventors can get help searching USPTO databases for previously filed patents and trademarks, and many other programs.

The USPTO also recently updated its home page to include a link to these local resources. Now, with one click, new inventors can access a map of the U.S. and then click on their states and find – in one place – numerous resources to assist them in their local areas.

The USPTO has also indicated in its SUCCESS Act report the following new initiatives to enhance its efforts to reach and serve underrepresented and first-time inventors:

- **Council for innovation inclusiveness:** This year, the USPTO will launch a council to develop a national strategy for promoting and increasing the participation of underrepresented groups as inventor-patentees, entrepreneurs, and innovation leaders.
- **Workforce development:** The USPTO will work with other government agencies to help develop workforce training materials that include information

on how to obtain a patent, and the importance of invention and IP protections.

- **Increased development of IP training for educators:** The USPTO will continue and expand its work with other federal agencies to develop training materials to help elementary, middle, and high school teachers incorporate the concepts of invention and IP creation and protection into classroom instruction.

The USPTO report also includes a number of legislative recommendations for Congress, such as:

- **Enhance USPTO authority to gather information:** Congress could authorize a streamlined mechanism for the USPTO to undertake a voluntary, confidential, biennial survey of individuals named in patent applications that have been filed with the USPTO.
- **Expand the purposes/scopes of relevant federal grant programs:** Congress could expand the authorized uses of grants and funds in appropriate federal programs to include activities that promote invention and entrepreneurship, as well as the protection of inventions and innovations using intellectual property among underrepresented groups.

Finally, please know that the Chamber is stepping up its efforts to expand opportunities for diverse-owned companies. Some of our exciting initiatives include:

- Our Partnership with the Minority Business Development Agency, in which we are working together on research and seeking to address key issues such as automation, access to capital, and connectivity to the global marketplace.
- The Diverse Business Leadership Group convenes the heads of the nation's diverse chambers and other business organizations to develop a common business agenda.
- Our Next-Gen Business Partnership with Historically Black Colleges & Universities and other minority-serving institutions, which inspires and develops the next generation of innovators, entrepreneurs and business leaders.
- Through a grant from the W. K. Kellogg Foundation, we are advancing a dialogue across the business community on Kellogg's major research report *The*

Business Case for Racial Equity and assessing best practices and policies that can help close the economic inequality gap.

While these programs are important and effective ways to try and increase participation by women, minorities, veterans, and other underserved communities in our patent system, more still needs to be done.

From Thomas Jennings, the first black patent recipient in 1821— for a dry-cleaning process — to Elijah McCoy, who obtained 57 patents over his lifetime, our collective goal must be to continue to inspire and develop new generations of innovators and entrepreneurs.

We need to ensure that tomorrow’s inventors have the opportunities that helped propel Dr. Lonnie Johnson to a successful and celebrated career. Dr. Johnson is literally a “rocket-scientist” whose mission is to ensure the world has enough energy for a prosperous future. Although he has devoted his life to solving some of the world’s most complex technological problems, he is perhaps best known for his wildly successful invention, the Super-Soaker water gun. He holds more than 100 patents and earned a Master’s Degree in Nuclear Engineering and an honorary Doctorate in Science from Tuskegee University. Dr. Johnson has worked on the Galileo mission to Jupiter, the Mars Observer Project, and the Cassini mission to Saturn. Dr. Johnson exemplifies the spirit of American invention and entrepreneurship, and a clear reminder of how important it is we get this right.

The Chamber looks forward to continuing to work with this Committee, the Administration, academia, business leaders, and others in the private sector, to ensure that every American has access to our patent system and the opportunity to bring new inventions and products to market.

The stakes could not be higher. Our position as the leader of the world’s innovation economy can only be sustained if we devote the resources and energy needed to ensure that tomorrow’s inventors, innovators, and creators succeed.