



USIJ

Alliance of U.S. Startups
& Inventors for Jobs

Unlocking American Innovation

*A Little Tech / Growth Tech
Agenda for Policy Makers*

Our Biggest Challenge

Vice President J.D. Vance has helped popularize the term “Little Tech” to champion policies that empower smaller companies in their mission to disrupt, create, grow our economy, and improve upon the status quo. Two critical policy areas are essential to support this effort to unlock the full potential of the U.S. innovation ecosystem:

1. Protection of Intellectual Property (IP) Rights

These rights form the backbone of venture funding for startups, ensuring inventors and entrepreneurs can safeguard and benefit from their ideas.

2. Fair Competition Policies

Smart policies can prevent established enterprises from leveraging their size, resources, and market power to stifle emerging competitors.



USIJ, the Alliance of U.S. Startups and Inventors for Jobs, is a coalition of inventors, startups, and research institutions who develop revolutionary new technologies and products that drive economic growth and job creation. Many of our American Little Tech members — or as we like to call them, “Growth Tech” — have helped drive breakthrough technologies in fields such as medical devices, mobile technologies, life sciences, cybersecurity, and semiconductors.

Little Tech, Big Impact

Whether called “Little Tech,” “startups,” or our preferred term — “Growth Tech” — these small but dynamic enterprises are vital to U.S. economic growth and competitiveness. Growth Tech companies push the boundaries of existing technology, often aiming to outcompete, out-innovate, and outperform Big Tech incumbents.

However, these startups face significant disadvantages. As noted by venture firm Andreessen Horowitz:

“...they must go up against incumbent companies that have overwhelmingly superior brands, market positions, customer bases, and financial strength — incumbents that are out to strangle startup competition in the cradle.”¹

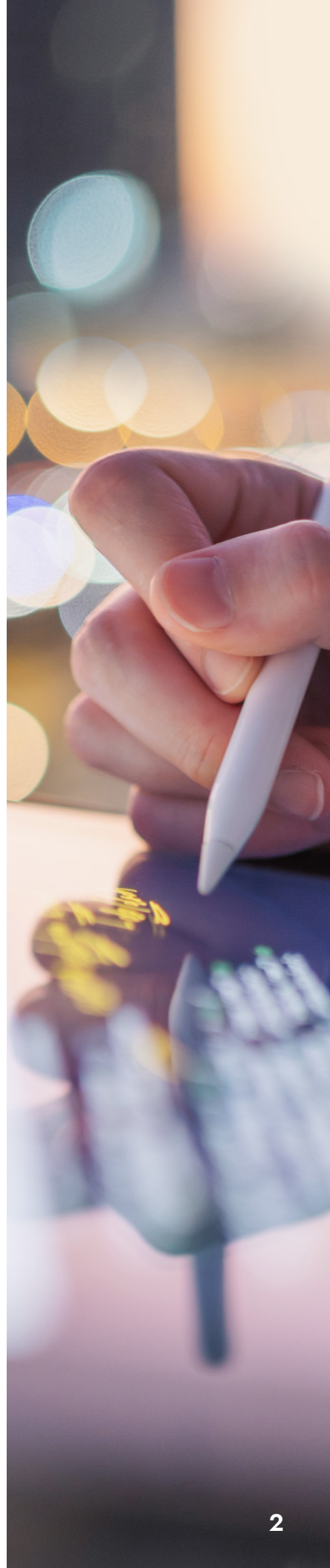
With a supportive policy environment, we can harness the manufacturing and distribution efficiencies of Big Tech, and also the agility of Growth Tech to drive breakthrough innovation and economic progress.

A robust patent system has historically fueled transformative progress by empowering inventors, entrepreneurs, startups, and universities to take calculated risks. Reliable patents assure inventors that successful innovations will be protected, incentivizing bold technological leaps that can attract risk capital and become thriving, globally competitive companies.

Equally critical is a competition policy that prevents incumbents from exploiting their vast resources to sway lawmakers and regulators in their favor. Unfortunately, Big Tech has used its influence to undermine the patent system and entrench its dominance. They’ve attacked IP protections to expropriate technologies they did not create while lobbying for regulations that consolidate their status.

To address this challenge, we must strengthen IP protections and ensure competition is determined by merit, not by lobbying power or economic clout.

¹ <https://a16z.com/the-little-tech-agenda/>



Eroding Patent Protection Has Hurt Growth Tech

Innovators, from university scientists to garage inventors, rely on the U.S. Patent and Trademark Office (USPTO) to secure exclusive rights to their discoveries. Patents grant these rights for 20 years, providing crucial protection for inventors to develop and commercialize their technologies.

Unfortunately, however, the security of patent protection has eroded in recent decades.

Predatory Infringement

A 2006 Supreme Court decision (*eBay Inc. v. MercExchange*) limited the ability of patent holders to block sales of infringing products. Big Tech companies now frequently engage in what they cynically call “efficient infringement,” appropriating technology, delaying legal challenges, and profiting while litigating.

March-In Rights

Proposed guidance from the Biden administration suggesting the government could “march in” on patents developed with federal funding if commercialized products were deemed too expensive created uncertainty for investors willing to back university-driven startups.

America Invents Act (2011)

Intended to streamline patent procedures, the AIA created avenues for Big Tech to challenge patents through duplicative, expensive, and abusive proceedings at USPTO and federal courts, hurting Growth Tech companies.

Patent Waivers

The Biden administration’s support for IP waivers at the World Trade Organization and tacit support for compulsory licenses in several overseas markets undermined confidence in U.S. patents, particularly in industries like life sciences.

Restricted Patent Eligibility

Supreme Court rulings have limited patent protections for discoveries in fields such as fintech, medical diagnostics, software, and AI, creating massive confusion and ceding innovation leadership to global competitors.

Litigation Funding Attacks

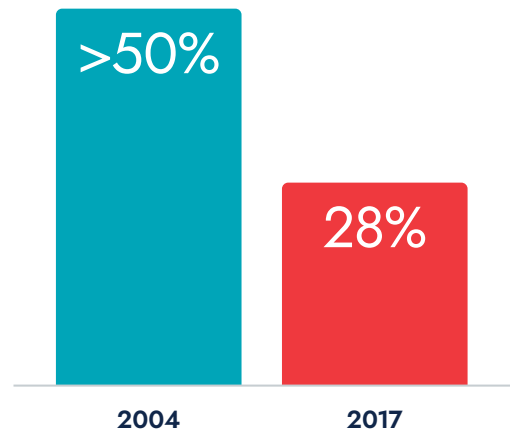
Activists and lawmakers have sought to restrict third-party funding for patent litigation, disadvantaging Growth Tech in battles against well-funded Big Tech infringers.

The Dangerous Consequences Of Weakened IP Protections

Starting a company is inherently risky, requiring bold investors willing to bet on future returns. Weakened patent protections, however, dampen investor confidence:

- Venture capital investment in patent-intensive industries dropped from over 50% in 2004 to just 28% by 2017.²
- There is a dangerously low level of venture investment in key sectors such as semiconductors, wireless technologies, drug discovery, and cybersecurity while China is heavily investing state funding in these and other patent-intensive areas.
- By 2024, global venture capital and private equity funds held \$2.6 trillion in “dry powder,” reflecting caution due to uncertain patent protections.³

Venture Capital Investment in Patent-Intensive Industries



Investors need assurance that their capital will yield returns, particularly when startups face costly R&D and regulatory hurdles. As just one example, launching a single medical device can require up to \$250 million in private capital and take a decade to bring to market. Without reliable IP protections, securing such investments becomes increasingly difficult, stifling innovation and economic growth. A new medicine can cost up to \$1 billion in private capital and require ten years or more before it can be sold.

² <https://blueironip.com/venture-capital-investments-in-patent-heavy-companies-is-down-substantially/>

³ <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/private-equity-dry-powder-growth-accelerated-in-h1-2024-82385822>



An IP Agenda for Growth Tech

Today's Big Tech giants were once startups. Their growth was made possible by a robust patent system and policies that ensured fair competition. Many of them are now trying to pull up the very ladder of their own success. To revive the innovation ecosystem and empower the next generation of tech entrepreneurs, the government must:

Curb Predatory Infringement

- Restore injunctive relief, enabling patent holders to block the sale or import of infringing products, software, and others.
- Reform USPTO processes to prevent duplicative challenges to patents, particularly by allowing only one forum — either the USPTO or federal courts — to adjudicate patent validity.

Restore and Enhance Patent Eligibility

- Congress must act to clarify patent eligibility and overturn Supreme Court rulings that have narrowed protections for fintech, medical diagnostics, and AI innovations.
- Reintroduce clear guidelines to ensure inventors can protect their discoveries across diverse industries.

Strengthen International IP Protections

- Direct the U.S. Trade Representative to oppose IP waivers and focus on combating global IP theft, which costs U.S. innovators billions annually.

Reaffirm Federally Funded Innovation Protections

- Withdraw flawed march-in rights guidance that undermines university-based startups.
- Finalize clear policies to ensure federally funded patents are safeguarded from undue government intervention.

Enhance USPTO Leadership

- Confirm a USPTO Director with a strong commitment to protecting IP rights and supporting startups.
- Reinstate the Fintiv Directive to prevent infringers from overloading small companies with costly patent challenges.
- Create a mandatory Sotera declaration whereby Big Tech companies that challenge valid patents at the USPTO cannot simultaneously challenge the same patents in federal court.

Preserve Litigation Funding

- Protect third-party litigation funding to ensure Growth Tech innovators can effectively challenge infringement.
- Develop mechanisms to deter predatory infringement by imposing stricter penalties for bad-faith actions by infringers.

By implementing these measures, we can level the playing field, giving Growth Tech startups the tools and protections they need to thrive in a competitive marketplace. A revitalized commitment to robust IP protections will ensure that the U.S. remains a global leader in innovation and technology.

Legislation to Support Growth Tech

USIJ urges Congress to prioritize reforms that restore balance to America's patent system:



PREVAIL Act

Introduces reforms to USPTO's Patent Trial and Appeal Board, addressing duplicative challenges created by the America Invents Act.



Patent Eligibility Restoration Act (PERA)

Simplifies and clarifies patent eligibility, ensuring stable protections and encouraging investment.



Restore Patent Rights Act

Reinforces patent holders' rights to seek injunctive relief, boosting investor confidence in startups.

By adopting these measures, we can safeguard America's innovation ecosystem and ensure that Growth Tech continues to thrive, creating jobs, advancing technology, and driving economic growth.

