June 27, 2025

Ambassador Jamieson Greer
United States Trade Representative
600 17th St NW
Washington, DC 20508

Re: Request for Comments Regarding Foreign Nations Freeriding on American-Financed Innovation (Docket No. USTR-2025-0011)

Dear Ambassador Greer:

On behalf of the Alliance of U.S. Startups and Inventors for Jobs (USIJ), thank you for the opportunity to comment on the widespread problem of foreign nations freeriding on American-financed innovation. USIJ is a group of inventors, startup companies, venture capitalists, incubators, and research institutions that share a common interest in safeguarding America's innovation ecosystem. We support aggressive efforts to reduce foreign freeriding, which deprives U.S. inventors of fair compensation and threatens their ability to continue creating groundbreaking technologies.

The well-known and dramatic effects of global freeriding are particularly acute in the biopharmaceutical sector, where American patients, insurers, and taxpayers shoulder a disproportionate share of global R&D costs. In the biopharma sector, the United States accounts for over half of global R&D investment, and more than half of new drugs are launched here first. In contrast, other wealthy countries that impose price controls on drugs pay on average just 40% of their fair share for innovative medicines, per a recent analysis by No Patient Left Behind.

President Trump was right to say in his **May 12th Executive Order** that this, "abuse of Americans' generosity" must end.

Global free-riding is a very well-know and long-standing problem that needs to be addressed BEFORE the U.S. government resorts to a damaging price control scheme that will undermine American innovation and leadership. Detailed U.S. Government references to global free-riding go back almost a decade:

- "Other countries are free-riding, benefiting from American innovation without paying a share of the costs."
  — Council of Economic Advisors, "Reforming Biopharmaceutical Pricing at Home and Abroad" (Feb. 2018)
- "Many developed countries use price controls to obtain unfairly low prices from drug manufacturers. These nations are, in effect, freeloading off of American investment in innovation." *HHS "American Patients First" Blueprint (May 2018)*
- "Americans unfairly pay more for many prescription drugs than people in other developed countries. It is unacceptable that foreign nations are able to obtain favorable pricing at the expense of American patients." *Trump Administration Executive Order 13948 (Sept. 2020)*
- USTR's Special 301 report has frequently criticized competitors for not providing adequate protection of IP which has allowed them to force lower drug prices. This includes *(from the 2023 Special 301 report)*:
  - Canada, Korea, and Mexico for weak pharmaceutical patent enforcement.
  - Brazil, India, and South Africa for policies enabling compulsory licensing or undermining patent rights.

We are deeply concerned that the Trump Administration's proposed Most Favored Nation (MFN) pricing policy would unintentionally replicate the very policies that facilitate free-riding abroad that our own government has long criticized. By replicating, rather than repudiating, foreign governments' price controls -- and the implicit disregard for patent rights embedded in those controls – the proposed MFN approach threatens to chill American investment and innovation not just in the biotech sector, but across the high-tech economy as a whole.

MFN pricing ties U.S. reimbursement for high-cost medicines to artificially low prices paid by nations we should treat as peers with a reciprocal responsibility to support global innovation. However, many of these nations force lower prices only through government-mandated price controls and weak patent protections. This leaves the U.S. largely alone to generate the billions in venture and corporate investment necessary to sustain medical innovation.

There's no dispute that other countries disproportionately rely on American innovators and investors to produce new technologies, yet contribute little to the cost of that innovation.

If the U.S. government proceeds with importing drug price controls from abroad, it will make it virtually impossible for many companies to justify costly biomedical research that can often take a decade to commercialize. According to the FDA, **55% of new drugs approved in the U.S. are developed by startups and small companies** (less than $500 million in revenue). These companies are heavily dependent on outside sources of funding such as venture capital. This pipeline of funding and innovation will be especially hard-hit if U.S. government price controls drive entrepreneurs and investors out of the market. And as the pipeline of innovative cures and treatments dries up, U.S. patients -- not foreign free-riders -- will pay the highest price.

I. MFN Pricing Threatens U.S. Innovation

Biotech startups depend on premium U.S. market pricing to recover investments in long-term, high-risk drug development. MFN would destabilize these business models by tethering U.S. prices to international benchmarks, cutting projected revenues and investor confidence.

Startups focused on rare diseases, gene therapies, and next-generation biologics rely on strong pricing mechanisms to attract capital. MFN pricing risks halting the development of critical new treatments, especially for small patient populations.

II. Weak Patent Protections Abroad Enable Free-Riding

Many OECD countries benefit from U.S.-funded R&D while contributing little due to weak patent enforcement, compulsory licensing, and IP waivers. These practices disincentivize innovation, accelerate venture capital flight from patent-intensive sectors, and shift global leadership to countries like China.

As noted in prior USIJ submissions to Congress, recent developments—such as Colombia's compulsory licensing and WTO IP waiver discussions[1]—further erode global IP norms.

III. U.S. IP as a Global Public Good—But Only if Respected

American innovation has delivered unmatched public health benefits globally, but these gains depend on robust patent rights. Weakening these rights—whether through domestic policy or international precedent—would undercut investor trust across the tech sector.

Undermining patents through MFN in the biopharma sector sends a broader signal: that long-standing IP rights can be overridden for cost concerns. This poses risks beyond healthcare—to AI, clean energy, and defense technologies.

IV. Recommendations

To truly confront global freeriding and preserve American innovation, we urge the USTR to:

1. **Reject MFN Drug Pricing** – Avoid importing foreign price controls that undercut U.S. patent rights and innovation incentives.
2. **Reinforce IP Diplomacy** – Use trade tools to challenge compulsory licensing and weak IP standards abroad.
3. **Leverage Special 301 in Trade Negotiations** – Leverage insights from the USTR Special 301 process to secure stronger commitments in ongoing trade negotiations that curb compulsory licensing and protect patent rights for pharmaceuticals.
4. **Strengthen the U.S. Patent System** – Work with Congress and USPTO to reinforce policies that strengthen the U.S. patent system which will in turn secure investor confidence and incentivize inventors, competition and entrepreneurs.

[1] https://usij.org/wp-content/uploads/2024/07/FINALUSIJLetterUrgingRejectionofSouthAfricaandIndiaProposalreTRIPSWaiver2.pdf

5. **Recognize the Role of Startups** – Again, 55% of the new drugs approved by the FDA are developed by startups[2]. It is critical to ensure startup voices are included in trade and innovation consultations.

Thank you for your consideration of these comments. We welcome continued collaboration with USTR to ensure America's innovators remain the engine of global progress.

Sincerely,

Chris Israel
Executive Director
Alliance of U.S. Startups and Inventors for Jobs

[2] https://bio.news/health/55-of-fda-approved-drugs-were-developed-by-u-s-small-biotechs-says-study/