

Driving Job Growth: Small Business Innovation and Research
U.S. Senate Committee on Small Business & Entrepreneurship
Field Hearing
Museum of History and Industry (MOHAI)
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My name is Adriane Brown. On behalf of Intellectual Ventures, I would like to thank Senator Cantwell and the Senate Committee on Small Business and Entrepreneurship for the opportunity to speak today on the subjects of innovation, job growth, the invention economy in the Pacific Northwest, and how government can best support innovation. I'd also like to welcome Administrator Contreras-Sweet to Seattle and thank her for her leadership. Your combined commitment to fostering our region's iconic and dynamic hi-tech economy is extraordinarily important.

The Museum of History and Industry is such a fitting place for our gathering today. We are surrounded by invention at every turn, and cannot help but be inspired by the innovations on display. I'd like to briefly introduce Intellectual Ventures and our work to the committee and make three points about the invention economy based upon our experience.

Intellectual Ventures is an invention capital company and is the global leader in the business of invention. We believe ideas are valuable. And we're not alone. According to the U.S. Commerce Department, IP-intensive industries currently contribute more than \$5 trillion per year or 34.8 percent of the U.S. GDP.

Our mission is to energize and streamline the invention economy in a manner which allows us to generate a return on our invested capital, and which should also allow others to be motivated to invest their capital into the invention economy in expectation of earning a return as well. We manage and grow our invention portfolios by partnering with leading inventors, collaborating with pioneering companies, and investing both expertise and capital in the process of invention.

Point one: We recognize the value of feeding the invention economy and encourage the Committee to support a variety of business models that fuel the marketplace of invention. Intellectual Ventures manages more than \$6 billion in committed capital and has paid more than \$720 million to startups and

small businesses as well as more than half a billion to individual inventors since 2000, and we will continue to do so.

We have more than 40,000 intellectual property assets spanning more than 50 technology areas. We have 4,000 active inventors in our international inventor network. We partner with more than 400 institutions and universities to support innovation. Our 700 team members include more than 140 engineers, scientists and staff at our lab which are working on a variety of projects including disease modeling, malaria diagnostics, and milk science.

One of the questions we are asked frequently is why invention matters. The old proverb, often ascribed to Plato, says “necessity is the mother of invention.” That is quite a fitting way to answer this question. The constant need to make faster, smaller, cheaper, better versions of nearly everything requires constant innovation which leads to a continuous cycle of invention.

Let’s consider the ubiquitous smartphone. Most people don’t know that in addition to all your emails, phone numbers, texts and photos – plus Twitter, Facebook and Instagram accounts – your smartphone contains on average 25,000-30,000 patents and innovations. That’s a mountain of technology and intellectual property to either protect or access. We believe a liquid marketplace benefits the invention process associated with building the next evolution of the smartphone, as one example, which seems to be in high demand every 12-18 months. It’s critical for there to be a marketplace that represents and rewards innovation and intellectual property rights accordingly.

In the past 13years, we have infused more than \$2.3 billion into the economy by purchasing patents for the purpose of providing access and creating a new market for invention. This infusion means jobs, tax revenue, and most importantly, more capital for innovation.

The fact is we all need an invention market where patents can be bought and sold for fair market value. Inventors want to be paid for their work, companies of all sizes want to be able to make a return on their invention investments, and universities like our own University of Washington – one of the world’s foremost research institutions – want to further their research and development programs. Universities are often the best incubators for new and exciting startups. Without this market, who will have the incentive to reinvest in invention, and in turn push ahead our collective economic growth?

I urge this Committee and the SBA to do everything possible to keep the invention economy vibrant by supporting startups and small businesses that thrive because of investments in patents and intellectual property, and benefit from grant programs like the SBA's Small Business Innovation Research grants.

Point 2: In addition to leading the marketplace for monetizing invention, Intellectual Ventures is also creating companies, jobs and public good through innovation. Two examples with local impact are Kymeta and TerraPower.

We are very proud of Kymeta, headquartered in Redmond, a 2012 spin-out from Intellectual Ventures which currently employs more than 100 people here in Washington State, and is focused on commercializing a new, innovative metamaterials-based antenna for satellite communications.

An early Intellectual Ventures focus on big problems resulted in numerous inventions which supported the launch of another spin-out, TerraPower, a nuclear energy technology company based in Bellevue, which employs more than 80 people in the state of Washington.

Finally, our Vaccine Cold Chain Device, which is on display here in MOHAI, is one of our Global Good inventions helping to protect vaccines requiring cold storage. This enables medical professionals to reach remote health posts and treat people throughout the developing world. Our invention will help reduce the roughly 1.5 million childhood deaths annually from vaccine-preventable diseases like tuberculosis.

I urge this Committee and the SBA to make it possible for companies to continue to create jobs and public good through invention.

Point 3: We also remain committed to finding big innovations through two additional programs we create or support. We urge the Committee and the SBA to support strong patent protection for small businesses as a strong patent system encourages investment and commitment to invention.

Our Startup Initiative allows us to bring our network of more than 4,000 inventors to bear on ideas and growth opportunities for small businesses, joint ventures, and spin-outs based on our customers' interests and our portfolio of technologies. We expect big things from this initiative. We also support the SURF Incubator, a local Pacific Northwest initiative that fuels local innovation. Our work together has allowed us to develop a rich pipeline of opportunities we are exploring together.

Innovation, invention, patent rights, and the health of the invention economy remain critical issues for Intellectual Ventures and for the American economy. We have research to support this.

Last year, Intellectual Ventures commissioned market research based on interviews with more than 200 CEO, CFO and CTOs from companies with revenues of \$100 million or less, in a wide range of industries, to better understand their current views on patents and the growing intellectual property industry. Our market research shows that 70 percent of the C-suite respondents believe patents are good for innovation.

Let me share a few other interesting data points:

- **87%** of the C-suite surveyed believes that patent rights should be respected.
- **78%** of the C-suite respondents believe people should pay a license fee to use technology that is patented.
- **68%** of the C-suite surveyed had a positive overall perception of patents.

Despite the overall stated importance of patent rights, our research showed that many business leaders remain largely uninformed about patents, licensing, and other intellectual property strategies.

The future of innovation remains bright and we continue to invest in research and development efforts on multiple fronts. We encourage this Committee and the SBA to continue to support policies and programs which allow for investment and partnership in startups and incubator programs like those we have highlighted here in the Pacific Northwest.

We recommend this Committee and the SBA continue to create opportunities, like this hearing today, to offer a platform for all the participants in the innovation ecosystem to have a voice, to share our experiences, and to offer our recommendations for moving forward.

Summary: In summary, Intellectual Ventures is committed to the invention economy. We have made significant investments in building a marketplace for invention and will continue to support the small businesses that are helping drive our economy forward. It is our hope that this Committee and the SBA, as well as Congress as a whole, will continue to support these efforts and those of the others at this hearing today.

I am grateful for the opportunity provided by Chairwoman Cantwell and Administrator Contreras-Sweet and all the members of the Committee appearing today, and we hope that our testimony has shed some light on the continued importance of Congressional support for a healthy invention economy.

Thank you.