

Patent Myths & Facts

Myth: Patents discourage innovation.

- Fact: The U.S. continues to lead the world in the key sectors of technology, medicine, and biologics. Patent filings continue to rise with innovations across these industries. ¹
- Fact: Patents allow companies and inventors to work together to improve technology and products without fear of their inventions being stolen in the process. ²
- Fact: Patents allow innovative small businesses to compete on a level playing field with established companies by helping to secure market-share and protect new ideas in a crowded marketplace. ³
- Fact: Patented inventions can be licensed across companies and industries which allow inventors to build upon existing ideas, speeding up the process of invention. ⁴

Myth: Patents impede economic growth.

- Fact: IP-intensive industries contribute \$5 trillion to the US GDP annually and support 40 million jobs. ⁵
- Fact: IP-intensives industries account for approximately \$775 billion in US exports, or 60% of all goods exported every year. ⁵
- Fact: Average weekly earnings for employees in IP-intensive industries are 42% higher than non-IP intensive private industries. ⁵
- Fact: IP is a proven driver of US economic growth by creating jobs and spurring R&D, exports, and output in all 50 states. ⁶
- Fact: Companies in economies with advanced IP systems are 40% more likely to invest in R&D. ⁶
- Fact: Top global innovators spent \$223.2 billion on R&D in 2012. ⁷
- Fact: \$271.6 billion was spent in the U.S. on Research and Development in 2014. ⁶

Myths: Patents are only good for litigation.

- Fact: The number of patent lawsuits filed in 2014 dropped by 13%, a dramatic shift from recent years. ⁸
- Most patent litigation is brought by operating companies, often as a way to determine the ultimate value of their intellectual property and settle on a fair rate for competitors and others to pay to use their inventions. ⁹

Myth: Investors don't care about patents.

- Fact: Research has linked patent ownership by software start-ups to larger venture capital investment. Each patent helps start-ups raise an extra \$2.7 million on average, compared to similar companies that own no patents. ¹⁰
- Fact: A French study found that the average U.S. software startup owns just over six patents at its IPO, and that each one leads to an additional \$1.9 million raised, for an increased value of more than \$12 million. ¹¹
- Fact: A 2013 study from the Brookings Institute found that both the value and number of IPOs across metropolitan areas are highly correlated to patenting activity. ¹²

Patent Myths & Facts

Myth: Patents do not support U.S. global competitiveness.

- Fact: IP-intensive industries account for approximately 60% of total US exports.⁵
- Fact: 82% of firms with patents export, indicating that the vast majority of innovative firms are connected to the global economy.¹³
- Fact: Patents give competitors the incentive and the means to develop and produce rival non-infringing products that enrich the market and provide consumers with more choices.⁴

Myth: Patents only help large companies.

- Fact: Small medical device company, Second Sight, invested \$100 million over 15 years to develop its bionic eye. When the company began, success was not assured and its mission was widely thought to be impossible. Now with competitors appearing, Second Sight relies on its patents to protect its inventions and raise investment dollars.¹⁴
- Fact: Small software company ManyWorlds finds great value in patents. The company has 30 software patents and invests 20 percent of its revenue goes back into R&D. Patents are critically important for investing in breakthrough improvements and competing with large businesses.¹⁴

Sources:

- ¹ Partnership for American Innovation, 4/2015 – <http://partnershipforamericaninnovation.org/as-global-patent-rates-climb-so-do-economies/>
- ² Fortune, 5/2015 – <http://fortune.com/2015/05/08/why-americas-patent-system-is-not-killing-innovation/>
- ³ Corporate Counsel, 10/2014 – <http://www.corpcounsel.com/id=1202672741530?keywords=PAI&publication=CC+Corporate+Counsel>
- ⁴ CPIP, 2015 – <http://cpip.gmu.edu/2015/06/10/the-commercial-value-of-software-patents-in-the-high-tech-industry-2/>
- ⁵ US DOC, 3/2012 – http://www.uspto.gov/news/publications/IP_Report_March_2012.pdf
- ⁶ GIPC, 7/2014 – <http://www.theglobalipcenter.com/ip-creates-jobs/#ranking>
- ⁷ Thomson Reuters, 2013 – <http://thomsonreuters.com/en/press-releases/2013/thomson-reuters-names-the-worlds-top-100-most-innovative-organizations-for-2013.html>
- ⁸ PricewaterhouseCoopers, 5/2015 – http://www.pwc.com/en_US/us/forensic-services/publications/assets/2015-pwc-patent-litigation-study.pdf
- ⁹ US GAO, 8/2013 – <http://www.gao.gov/assets/660/657103.pdf>
- ¹⁰ Mann and Sager, 9/2005 – http://papers.ssrn.com/sol3/papers.cfm?abstract_id=802806
- ¹¹ Useche, 11/2012 – <http://www.oecd.org/site/stipatents/3-3-Useche.pdf>
- ¹² Brookings Institute, 2/2013 – http://www.brookings.edu/~media/research/files/reports/2013/02/patenting_prosperity_rothwell/patenting_prosperity_rothwell.pdf
- ¹³ Lin and Lincoln, 10/2013 – http://www-personal.umich.edu/~jenxlin/files/LinLincoln_latest.pdf
- ¹⁴ Inside Counsel, 10/2014 – <http://www.insidecounsel.com/2014/10/08/partnership-for-american-innovation-welcomes-small>