



July 22, 2014

*Heidi Jacobus
Robert Schmidt
Co-Chairmen*

**The Honorable John Boehner
Speaker
US House of Representatives
H-232 US Capitol
Washington, DC 20515**

*Jere Glover
Executive Director*

*Larry Nannis
Treasurer*

Subject: Support of the TROL Act

*Kevin Burns
Greg Zacharias
New England
Regional Chairs*

Reference: H.R. ____, the Targeting Rogue and Opaque Letters (TROL) Act of 2014

*Matt Oristano
Joseph Schwartz
Mid-Atlantic
Regional Chair*

Dear Speaker Boehner,

*Ash Thakker
Southeast
Regional Chair*

The Small Business Technology Council (SBTC) is the high technology arm of the National Small Business Association, the nation's longest running, small-business advocacy organization. We are a staunchly nonpartisan, member-driven organization dedicated to promoting America's high-tech, innovative companies. SBTC supports the 5000 Small Business Innovation Research (SBIR) companies who collectively produce a quarter of the nation's most valuable patents as evidenced by R&D 100 awards: three times as many as universities and four times as many as Fortune 500 companies.¹ And SBIR firms produce 58% more patents than all universities combined, on 12% of the Federal R&D funding.² According to the Federal Reserve, patents are the number one indicator of regional wealth,³ and high patenting areas increase worker paychecks by \$4,300 per year.⁴ Consequently, keeping a strong patent system is not only of significant interest to SBIR firms, but to the entire national economy as well.

*Mary Delahunty
Southwest
Regional Chair*

*Russ Farmer
Mountain
Regional Chair*

*Michael Browne
Pacific
Regional Chair*

*Roy Keller
State Liaison*

We support prompt passage of the TROL Act as an effective solution to the patent troll problem. We understand the need to curb fraudulent and misleading practices of certain entities demanding funds from innocent, non-infringing companies. On the other hand, we emphatically support a strong patent system where legitimate inventors and patent holders can fully enforce their patent rights. For this reason, we vigorously opposed the Innovation Act (HR3309) which would have had devastating effects on inventors and the entire American economy.⁵ The TROL Act, on the other hand, strikes a proper balance by protecting inventors and legitimate patent owners enforcing their patents using good faith, patent-related communications, while narrowly targeting fraudulent demand letters that have been the source of the entire troll issue. We commend Chairman Terry and Members of the Subcommittee on Commerce, Manufacturing, and Trade for creating a balanced approach that properly addresses the issue of false or deceptive patent demand letters.

*Greg Zacharias
DOD Committee
Chair*

*Paul Donovan
Michael Squillante
NIH Committee
Co-Chairs*

*Ash Thakker
Phase III Committee
Chair*

*Russ Farmer
DCAA Committee
Chair*

SBIR companies have a strong commercial interest in patents and proposed patent reform legislation. Since SBIR companies are the best investment for job creation, producing 40 long-term jobs for each million dollars invested,⁶ Congress must protect America's constitutionally mandated intellectual property rights for small businesses. The TROL Act allows the Federal Trade Commission to target unfair or deceptive practices in patent demand letters. Furthermore, federal preemption is required for small, inventive businesses



to operate across state lines. While we are always concerned about undue regulatory burden, an affirmative defense provides a reasonable level of protection. As always, regulatory powers must be used judiciously to prevent adverse impact against inventive job creators the legislation is meant to protect.

We believe the TROL Act will bring a fair, balanced, and reasoned approach for patent reforms that will eliminate abuse while protecting those who depend on patents to protect their technology. This will be instrumental in advancing U.S. technological development.

We urge you to bring the TROL Act to the House floor as soon as possible and support prompt passage, in lieu of legislation such as HR 3309, to advance U.S. technology and protect the thousands of small businesses we assist.

Sincerely,

A handwritten signature in black ink, appearing to read "Jere W. Glover". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Jere W. Glover
Executive Director
Small Business Technology Council

Cc: The Honorable Kevin McCarthy, US House of Representatives
The Honorable Steve Scalise, US House of Representatives
The Honorable Cathy McMorris-Rodgers, US House of Representatives
The Honorable Fred Upton, US House of Representatives
The Honorable Sam Graves, US House of Representatives
The Honorable Nydia Velazquez, US House of Representatives

¹ Fred Block and Matthew R. Keller, "Where Do Innovations Come From? Transformations in the U.S. National Innovation System, 1970-2006", THE INFORMATION TECHNOLOGY & INNOVATION FOUNDATION, July 2008, pg. 15,

² SBIR patent database, Innovation Development Institute, www.innovation.com

³ See Federal Reserve Bank of Cleveland, "Altered States: A Perspective on 75 Years of State Income Growth," *Annual Report 2005*. For more detail, see Paul Bauer, Mark Schweitzer, Scott Shane, *State Growth Empirics: The Long-Term Determinants of State Income Growth*, Working Paper 06-06, Federal Reserve Bank of Cleveland, May 2006, www.clevelandfed.org/research/Workpaper/2006/wp0606.pdf

⁴ *Patenting Prosperity: Invention and Economic Performance in the United States and its Metropolitan Areas*, Brookings, Feb, 2013

⁵ See 5 part series, starting at: Robert N. Schmidt, Heidi Jacobus, Jere Glover, Why 'Patent Reform' Harms Innovative Small Businesses, Part I of V, April 25, 2014, IP WatchDog, <http://www.ipwatchdog.com/2014/04/25/why-patent-reform-harms-innovative-small-businesses/id=49260/>

⁶ Albert Link and John Scott, *Employment Growth from Public Support of Innovation in Small Firms*, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI, 2012