

# State of Innovation

## Patents and Innovation Economics

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## Could Apple Get Funded Today?

This intriguing question and its implications for US economic policy are tackled in the groundbreaking book [Great Again](#), by Henry R. Nothhaft and David Kline. They answer the above query with a series of questions:

Could a twenty-year-old college dropout, just back from six months in an ashram somewhere, attract funding for a capital-intensive venture based on the manufacture (yes, the manufacture) and sale of a \$2,500 consumer product unlike any that had ever been bought by consumers before? One whose potential uses were at best unknown, and possibly nonexistent? And one for which the total current market size was exactly zero?

Not only could Apple **not** get funded today, it probably could not go public. Nor would Apple have received its first patent (USPN 4,136,359) in only 20 months. The book asks “how many of today’s Apples are not getting a chance?”

The authors use the above example to make a broader point that the US is failing economically and technologically because of the policies we are pursuing. They show that all net new jobs created in the US since 1977 (and possibly longer) were created by startups like Apple. All increases in real per capita income are due to new technologies and most revolutionary/disruptive technologies are created by startups and individual inventors. So what are the policies that have undermined our economy, by undermining technology startups?

The book examines five areas:

- 1. Role of regulations.** The Authors show that our tax policies, Sarbanes Oxley and our indifferent (some might say arrogant) regulators' application of well meaning regulations to startups is driving them either overseas or out of business.
- 2. Underfunding the patent office.** This is costing the US millions of jobs and billions in GDP. According to the authors, each issued patent is worth 3-5 jobs on average, particularly patents issued to startups.
- 3. Manufacturing policies in the US.** Manufacturing is key, particularly in a world that does not respect property rights in inventions, to ensuring that the US profits from US innovation and not other countries. The US is also losing the global battle for human talent.
- 4. Battle for global talent.** Our restrictive immigration policies are depriving the US of talented entrepreneurs such as Andy Grove, founder of Intel.
- 5. Funding for research.** The book shows that our spending on basic science and engineering is not only declining as a percentage of GDP, but the system has become short-term oriented and bureaucratic.

While this book tackles complex issues, it is a quick easy read. It is full of interviews from entrepreneurs, venture capitalists, and technologists who built America's technology startups over the last three decades. *Great Again* provides numerous real life examples to illustrate its points.

This pioneering book shows how the US can create jobs and increase per capita income. The policy prescriptions are based on solid science. Just cutting government spending (balancing the budget) will not cause the US economy to grow vigorously, we need pro-growth policies. The authors are some of the few people that understand what policies are needed for the US to be GREAT AGAIN.

[\*Great Again: Revitalizing America's Entrepreneurial Leadership\*](#), by Henry R. Nothhaft and David Kline

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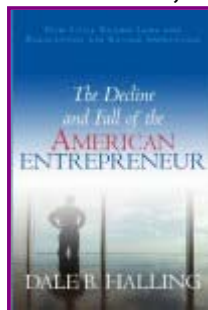
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## About

This blog is devoted to intellectual property innovation, patent law and



innovation. The moderator, editor, and main author is Dale B. Halling. Mr. Halling is patent attorney and entrepreneur. As a patent attorney, Mr. Halling, has represented numerous Fortune 500 companies including, McDonnell Douglas, Boeing, Motorola, Ameritech, SBC, MCI, Cypress, and numerous technology start-ups. He has helped his clients obtain patents worldwide. Mr. Halling has a BS in Electrical Engineering from Kansas State University, an MS in Physics from the University of Texas at Dallas and a JD from St. Louis University. Mr. Halling is the author of the book “The Decline and Fall of the American Entrepreneur: How Little Known Laws are Killing Innovation.”

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