

**Testimony
of
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on behalf of the
U.S. Women's Chamber of Commerce**

Before the House Small Business Committee

**“Legislative Initiatives to Strengthen and Modernize
the SBIR and STTR Programs”
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Chairwoman Velázquez, Ranking Member Graves, Members of the Committee. I am here today as a member of the U.S. Women's Chamber of Commerce representing our 500,000 members. Over three-quarters of our members are small business owners, many of whom are active contributors to high-tech innovation including research and development for both the federal and commercial sectors.

My firm, PD Inc., is an innovative technology firm and a Small Business Administration designated HubZone Small Business, located in Baltimore, Maryland. The firm was founded in 2001 for the purpose of inventing technologies that are the first to effectively solve existing technical problems that are of significant social and economic impact. I am especially pleased to have the opportunity to provide testimony for the Committee today as my firm has had direct experience with the SBIR program.

Since the year 2004, PD Inc. has devoted major human and monetary resources into the R&D activities of voting technology. Our research has focused on a holistic design of a new breed voting machine that would address problems existing in current voting technologies in order to accommodate all stake-holders, such as election officials, voters, and the federal government, in their needs of having an easy to manage, easy to use, accurate, fair, transparent, and verifiable election process. One of the sub-components of our design is an essential innovation in addressing security problems which have been a main contributor to social controversial and public scrutiny in the past years.

At the beginning of 2008, we discovered the SBIR program and identified that the SBIR opportunity at the National Science Foundation could be of benefit to our specific innovation. The SBIR application process is complex in its requirements of documentation, one of which is a letter from an existing or potential customer to support the invention of such technology.

However, our customers would generally be county and municipal election officials who, given that they are public sector personnel, cannot “endorse” a product or technology marketed by a particular commercial entity. Therefore, the state and local election officials who we had contacted, and who had initially displayed a good bit of enthusiasm when we first described the features of our design, later were reluctant to provide the correspondence that we needed to complete the SBIR application. As the application deadline was rapidly approaching, we did not have enough time to follow-up with these election administrators to allay any endorsement-related concerns. Therefore, we decided not to file our application at that point.

Our research continued in the latter half of 2008. We proved that the prototype we built is economically viable and there hasn't been such a device in the commercial space. At this point we were beyond Phase I in the R&D process, but we still need money to build it. Phase II of the SBIR award would solve our funding needs. However, we are not eligible to apply because we haven't gone through Phase I. If we apply for Phase I it is not only dishonest it also would waste precious human and monetary resources to repeat procedures that have already been done.

Our experience has motivated us to recommend to the Committee that small enterprises, which are able to secure independent validation of their technology, should be allowed to bypass Phase I and apply directly for Phase II assistance. We support legislation that does not permit businesses to evade Phase I of the SBIR program, but does allow an exception to be granted for companies that can demonstrate to agency SBIR proposal evaluators that the company has fully completed phase one work.

For example, SBIR program participants that have already demonstrated “proof of concept” utilizing their own financial resources, in addition to having acquired validation through peer review conducted by a recognized subject matter expert, should be allowed to “opt out” of Phase I and go directly into Phase II. Such an expert could be affiliated with an accredited academic or research institution. This would save the innovators time, and enable them to adhere to their schedule of innovation.

Our experience also leads us to the following additional recommendations.

Acquisition of the services of a patent attorney should be recognized by all federal agencies, as an eligible expenditure under both Phase I and Phase II.

Efforts should be put into place to protect small businesses' rights to intellectual property. The U.S. Small Business Administration (SBA) should be directed to promulgate regulations, which would be binding on the large, industrial partners of SBIR program recipients, to protect small innovators' interests in intellectual property during the process of applied research collaboration. For example, a standard Non Disclosure Agreement (NDA) could be drafted by the General Council Office of SBA, which large prime personnel could be required to sign before requesting small business innovators disclose their intellectual property information.

A code of conduct should be established to regulate large prime personnel's behavior when it comes to handling small business innovators' intellectual property.

SBA administrators should also direct all the participating federal agencies to proactively assist their SBIR program recipients' efforts in protecting their intellectual property.

Additionally, SBA should set aside resources to work with SBIR recipients, and perhaps also with the U.S. Patent & Trademark Office (USPTO), to assist these businesses with the filing of patent applications.

We strongly support the venture capital provisions detailed in the legislation under consideration which permits SBIR awardees to receive venture capital. Venture capital participation and partnerships are vital to advancing innovation and linking small business innovation and research to capital and market opportunities.

However, we must make sure there are safeguards within the legislation, the regulations and the practical application of the rules and relationships to protect small businesses and the SBIR program from exploitation by larger businesses and venture capitalists. We support clearly maintaining majority ownership and board representation by the small firm. And, we need rules and practical methods to protect innovation, intellectual property rights, and assist with patent services.

Thank you again for the opportunity to provide input here today. We applaud the work of this committee to energize research and innovation within the small business community and assist with the transfer of this innovation to the federal government and commercial sectors.