

February 23, 2021

Janine Scianna  
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United States Patent and Trademark Office  
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Alexandria, VA 22313  
innovationcomment@uspto.gov

Dear Ms. Scianna,

We applaud the National Council for Expanding American Innovation's ("NCEAI") goal of building more inclusive innovation ecosystems in the U.S. As startups, founders, incubators, accelerators, investors, and support organizations, we know the substantial value of innovation and entrepreneurship. Startups drive American innovation and economic growth, create jobs (the jobs of the future), develop groundbreaking new technology, and launch with novel business models and improved services. But the nation must do more to promote equity in these benefits and opportunities. We are grateful for this opportunity to highlight issues facing underrepresented founders and suggest ways to improve diversity in this sector.

Startup communities across the country comprise individuals of every race, gender, ethnicity, and culture. Embracing and elevating this diversity is crucial. Not only is it the right thing to do—but companies with diverse leaders and teams contribute unique (often better) ideas, can build products that serve a broader customer base, are more profitable, and tend to outperform less diverse companies.<sup>1</sup>

But the diversity of America's entrepreneurs and startup founders does not yet reflect the diversity of the people that make up this country. Would-be entrepreneurs with great ideas are being unfairly left behind while we, as a nation, miss out on exciting contributions they could offer. And as the nation continues the necessary work of addressing systemic inequality and structural racism, the government should emphasize improving diversity in innovation and entrepreneurship as one avenue to increase opportunities and create wealth in underserved and historically marginalized communities.

In many ways, the challenges facing underrepresented founders are woven into the fabric of the country. Tackling these problems will require intense focus, dedication, and creativity. We realize the Patent and Trademark Office will be limited in what it can do directly, and resolving inequalities in our innovation ecosystems will be much more complex than patent ownership—indeed, increasing the number of U.S. patents is probably not the answer. Surface-level thinking, or viewing problems only through the lens of patents or inventions, will limit the impact the NCEAI can have. And one-size-fits-all responses will not be the answer—different communities of underrepresented founders face different barriers, and the government should seek to elevate each of these communities with a tailored approach. We urge NCEAI to conduct a deep exploration of the complex barriers underrepresented founders face and propose concrete steps the federal government can take across agencies to support these founders and start to tear down the various barriers. To that end, we are offering a few suggestions:

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<sup>1</sup> See, e.g., Sylvia Ann Hewlett et al., *How Diversity Can Drive Innovation*, Harv. Bus. Rev. (Dec. 2013), <https://hbr.org/2013/12/how-diversity-can-drive-innovation>; Tech Experts Share the Importance of Diversity and How to Foster Inclusion, Cornell Tech (Oct. 12, 2017), <https://tech.cornell.edu/news/tech-experts-share-the-importance-of-diversity-and-how-to-foster-inclusion/>.

- ***Make direct government funding fairer and more equitable.*** Accessing capital is often the most significant barrier facing underrepresented founders, and many of us know—firsthand—how difficult it is to raise funds. The government can help fill in the gaps by increasing funding to underrepresented founders with, e.g., existing (or new) loan and grant programs. There is also a need to examine and rectify disparity in federal lending and grantmaking. For example, women and Black loan applicants to the Paycheck Protection Program fared worse than their white, male counterparts.<sup>2</sup> The government should seek to eliminate bias and increase representation among those deciding who gets funded and ensure the metrics used to evaluate applicants do not reinforce disparities.<sup>3</sup>
- ***Support incubators and accelerators dedicated to diversity and inclusion & replicate successful efforts across the U.S.*** Innovation intermediaries are familiar with local startup ecosystems and often best-suited to identify and meet the needs of diverse founders in their communities. These incubators and accelerators can provide critical programming and regional networking opportunities — connections and mentorship that are key to any startup’s success. Indeed, certain funding streams, such as VC, are largely network-dependent. The government should find ways to invest in and through these institutions with a proven track record of working with underrepresented founders and encourage creation of new institutions with targeted expertise to assist unique startups across the U.S.
- ***Incentivize private investment in underrepresented founders.*** More than 75 percent of VC funding goes to all-white teams.<sup>4</sup> While, over the past decade, startups led by Latinx women raised only 0.32 percent of all VC funding, and Black women only 0.0006 percent.<sup>5</sup> These disparities are often self-perpetuating: VCs tend to fund founders with similar life experiences as the investors themselves—those they already know, that went to the same school or live in the same city, that have already made successful exits, etc.<sup>6</sup> Breaking that cycle will require VCs to start thinking differently and inviting more diverse investors into their ranks. But the federal government can encourage investors to diversify their portfolios. For example, the government could make matching investments when VCs fund companies with diverse founders or offer tax credits to angels who make qualifying investments.
- ***Expand access to credit.*** Startup founders usually turn to personal savings, credit, and friends and family for funding.<sup>7</sup> But generational wealth gaps and systemic racism mean that fewer founders of color can tap those resources. And underrepresented founders may be reluctant to pursue bank business loans, fearing their applications will be rejected. The numbers bear this out—for example, Black business loan applicants are rejected 53.4 percent of the time, compared to a 24.7 percent rejection rate for white applicants, and underrepresented founders face higher interest rates.<sup>8</sup>

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<sup>2</sup> E.g., Dan Plotz et al., *This is How Structural Racism Works*, Business Insider (July 16, 2020),

<https://www.businessinsider.com/ppp-loan-study-shows-structural-racism-that-black-americans-face-2020-7>.

<sup>3</sup> See, e.g., Jeffrey Mervis, *Study Identifies a Key Reason Black Scientists are Less Likely to Receive NIH Funding*, Science (Oct. 9, 2019), <https://www.sciencemag.org/news/2019/10/study-identifies-key-reason-black-scientists-are-less-likely-receive-nih-funding>.

<sup>4</sup> Emily Birnbaum, “*Were Your Grandparents Slaves?*,” Protocol (Aug. 19, 2020), <https://www.protocol.com/black-founders-racism-discrimination-investing>.

<sup>5</sup> Ann-Derrick Gaillot, *The Venture Capital World Has a Problem with Women of Color*, Girlboss (Jan. 21, 2019), <https://www.girlboss.com/read/venture-capital-woc-women-of-color>.

<sup>6</sup> See, e.g., *Diversity in U.S. Startups*, RateMyInvestor, available at [https://ratemyinvestor.com/diversity\\_report](https://ratemyinvestor.com/diversity_report).

<sup>7</sup> E.g., *Startup Funding Infographic*, Fundable, <https://www.fundable.com/learn/resources/infographics/startup-funding-infographic>.

<sup>8</sup> Tatiana Walk-Morris, *For Many Black Entrepreneurs, VC Funding Remains an Uphill Battle*, ChicagoInno (June 4, 2018), <https://www.bizjournals.com/chicago/inno/stories/inno-insights/2018/06/04/for-many-black-entrepreneurs->

Developing an alternative to the credit score could begin to level the playing field, as these scores can be one of the greatest challenges facing (especially underrepresented) entrepreneurs seeking a loan to grow their business. Roughly 22 percent of adults in the U.S. have thin to no credit. But poor credit scores are often not indicative of an individual’s ability to repay a loan. Policymakers and the industry should consider shifting focus to other, more holistic metrics to determine creditworthiness—for example, looking at timely rent, utility, and phone payments, checking account data, and property records as proof that a founder should receive a loan.<sup>9</sup>

- ***Invest in education and training for diverse STEM and business educators.*** The importance of a diverse tech talent pipeline cannot be understated. The government should continue to invest in STEM education and programs that help students transition into STEM careers. Another key lever for promoting diversity in the STEM workforce is cultivating a more diverse and inclusive STEM faculty. Only 10.1 percent of STEM faculty at four-year institutions are from underrepresented backgrounds. Expanding the number of diverse STEM and business educators would mean aspiring innovators and entrepreneurs can learn from leaders who represent them.<sup>10</sup>

Thank you for considering these suggestions. NCEAI has the opportunity to take up issues that are critical to our innovation ecosystems and the U.S. economy—but also fundamental to promoting justice and equity. We hope that these brief comments are helpful and encourage you to explore other ways the federal government can devote itself to successfully supporting underrepresented founders.

Sincerely,

10XTS, Inc.

1863 Ventures

Aberrantmuse LLC

Accelerate NY Seed Fund

ACME AtronOmatic LLC / MyRadar

Alerje, Inc.

American Underground

authentic LLC

Bims Laboratories, Inc.

Black Women Talk Tech

Blue Rayame

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Center for American Entrepreneurship

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[vc-funding-remains-an.html](#); Alicia Robb et al., *Access to Capital Among Young Firms, Minority-owned Firms, Women-owned Firms, and High-tech Firms* (Apr. 2013), available at [https://www.sba.gov/sites/default/files/files/rs403tot\(2\).pdf](https://www.sba.gov/sites/default/files/files/rs403tot(2).pdf).

<sup>9</sup> Melissa L. Bradley, *Expanding Credit Through Alternative Credit Scores*, Medium (Oct. 21, 2020), [https://medium.com/@melissa\\_6316/expanding-credit-through-alternative-credit-scores-f015c4edea29](https://medium.com/@melissa_6316/expanding-credit-through-alternative-credit-scores-f015c4edea29).

<sup>10</sup> Jessica Bennett et al., *Strengthening Pathways to Faculty Careers in STEM: Recommendations for Systemic Change to Support Underrepresented Groups*, Assoc. Of Public & Land-Grant Univ. (2020), available at <https://www.aplu.org/library/strengthening-pathways-to-faculty-careers-in-stem-recommendations-for-systemic-change-to-support-underrepresented-groups/file>.

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JOOR Inc.  
Lanyapp, Inc.  
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