



January 15, 2019

Senator Jerry Moran  
512 Dirksen Senate Office Building  
Washington, DC 20510

Senator Mark Warner  
703 Hart Senate Office Building  
Washington, DC 20510

RE: Support for the Startup Act

Dear Senators Moran and Warner,

Thank you for the re-introduction of the Startup Act, a bill that will help attract entrepreneurs to start and grow their businesses in America. By creating both an Entrepreneur and a STEM visa, this legislation will allow startup founders to stay in the U.S. and create the next great American company. Additionally, the bill would encourage the creation of new startups by accelerating the commercialization of university research, reduce regulatory burdens on startups, and modernize the Economic Development Administration as well as local and state development organizations.

Engine is a technology policy, research, and advocacy organization that bridges the gap between policymakers and startups and works to support the development of technology entrepreneurship. Our organization strives to foster forward-looking government policies and a regulatory environment in which innovative, new companies with the potential to make an outsized impact on our economy can launch, scale, and thrive throughout the U.S.

Tech:NYC is a nonprofit coalition with the mission of supporting the technology industry in New York through increased engagement between our 700 member companies, government, and the community at large. Tech:NYC works everyday to foster a dynamic, diverse, and creative ecosystem, ensuring New York is the best place to start and grow a technology company.

If passed, this legislation would allow more entrepreneurs and highly-educated workers to remain in the U.S., creating jobs for many American workers. In the past decade, virtually all new net jobs in this country were created by startups,<sup>1</sup> and studies have confirmed that newer and smaller tech firms are increasingly responsible for job growth.<sup>2</sup> Attracting top talent from around the world in the STEM fields increases potential job growth in the U.S. since the addition of 100 foreign-born workers with advanced

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<sup>1</sup> John Haltiwanger, Ron S. Jarmin, and Javier Miranda, "Who Creates Jobs? Small Versus Large Versus Young." The Review of Economics and Statistics, (May 2013), [http://www.mitpressjournals.org/doi/pdf/10.1162/REST\\_a\\_00288](http://www.mitpressjournals.org/doi/pdf/10.1162/REST_a_00288)

<sup>2</sup> Ewing Marion Foundation, "The Importance of Young Firms for Economic Growth," (September 2015), <https://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/the-importance-of-young-firms-for-economic-growth>

degrees from American institutions results in 262 additional jobs for Americans.<sup>3</sup> High-skilled immigration has demonstrated real job creation in the tech space since immigrants have started more than half (44 of 87) of America's startup companies valued at \$1 billion dollars or more, creating 760 jobs per company in the U.S.<sup>4</sup>

Technology startups are a vital and growing part of the American economy and the U.S. should take measures to ensure that technology companies continue to develop here. In 2015, the technology industry provided roughly 6.7 million jobs in the U.S., a total workforce that exceeds many other important sectors such as construction, finance and insurance, motor vehicle manufacturing, and food manufacturing.<sup>5</sup> Technology sector jobs have grown consistently since the Great Recession, with five straight years of growth from 2009 through 2015.<sup>6</sup> Notably, at a time when wage stagnation is so prevalent in the U.S., technology sector jobs pay significantly higher wages compared with average private sector wages. Average annualized wages for the U.S. technology industry were \$105,400 in 2015, more than double the average wage for all other private industries that year.<sup>7</sup> Technology jobs also have a ripple effect across the economy. Research shows that the creation of one high tech job is projected to create 4.3 other jobs in a local economy.<sup>8</sup> Overall, tech sector jobs lead to more job creation in the wider economy than other sectors and are vital for the success of America.

While immigration remains a top concern for startups, the Startup Act includes several other provisions that are important to growing the economy and spurring new business creation.

First, the legislation helps startups by encouraging the acceleration of commercialization of university research that could lead to new business creation. By using existing federal R&D funding to support university initiatives designed to bring cutting-edge research to the marketplace, the Startup Act would benefit startups by opening up these research advances to all entrepreneurs. While empowering universities to help startups is an admirable goal, we urge lawmakers to closely monitor how tech-transfer offices are licensing technology. Many universities have sold their patents to non-practicing entities, commonly known as patent trolls, which have terrorized startups and discouraged innovation.<sup>9</sup> Startups are particularly vulnerable to abusive patent litigation with 82 percent of troll activity targeting small and medium-sized businesses.<sup>10</sup> About 55 percent of patent troll suits are filed against startups with revenue of less than \$10 million.<sup>11</sup> Congress needs to keep protecting innovation by discouraging this type of

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<sup>3</sup> Madeline Zavodny, "Immigration and American Jobs." American Enterprise Institute Public Policy Research and Partnership for a New American Economy, (December 2011), [http://www.newamericaneconomy.org/sites/all/themes/pnae/img/NAE\\_Im-AmerJobs.pdf](http://www.newamericaneconomy.org/sites/all/themes/pnae/img/NAE_Im-AmerJobs.pdf)

<sup>4</sup> National Foundation for American Policy, "Immigrants and Billion Dollar Startups", (March 2016), <http://nfap.com/wp-content/uploads/2016/03/Immigrants-and-Billion-Dollar-Startups.NFAP-Policy-Brief-March-2016.pdf>.

<sup>5</sup> CompTIA, "Cyberstates 2016, The Definitive State-by-State Analysis of the U.S. Tech Industry," (2016), <https://www.comptia.org/docs/default-source/advocacydocs/cyberstates/comptia-cyberstates-2016-vfinal-v2.pdf?sfvrsn=2>.

<sup>6</sup> Id.

<sup>7</sup> Id.

<sup>8</sup> Engine Advocacy and Bay Area Council Economic Institute, "Technology Works: High-Tech Employment and Wages in the United States," (December 2012), <http://documents.bayareacouncil.org/TechReport.pdf>.

<sup>9</sup> Clovia Hamilton and David Schumann, "Love and Hate in University Technology Transfer: Examining Faculty and Staff Conflicts and Ethical Issues," (2016). <https://files.eric.ed.gov/fulltext/ED577446.pdf>

<sup>10</sup> Unified Patents. "First Half of 2018: Patent Dispute Report." June 28, 2018.

<https://www.unifiedpatents.com/news/2018/6/28/1st-half-2018-patent-dispute-report?>

<sup>11</sup> Savitz, Eric. "Are Patent Trolls Now Zeroed In On Startups?" Forbes, 17 January 2013. <http://forbes.com/site/ciocentral/2013/01/17/are-patent-trolls-now-zeroed-in-on-startups/>

predatory behavior and protect the patent quality reforms adopted in the Leahy-Smith America Invents Act of 2011.<sup>12</sup>

Second, the Startup Act aims to reduce regulatory burdens on small companies by requiring all government agencies to reassess “significant rules” and their impact on the formation and growth of new business. As any scrappy startup knows, it is nearly impossible to track and comply with a complex, and sometimes inconsistent, patchwork of laws. This legislation will give lawmakers an opportunity to re-examine the impact this patchwork is having on startups and direct the Department of Commerce to look at state and local policies with the same goals.

Finally, the legislation creates opportunities for non-profit organizations to promote regional commercialization strategies. While each state and region remain unique, startups are flourishing across the country. By expanding the Economic Development Administration’s programming, this legislation will increase support to entrepreneurs nationwide, creating more dynamic startup ecosystems.

We look forward to working with you to move this legislation forward. Startups created roughly 1 million jobs in 2017 alone and offer the highest potential for job growth, outpacing older companies.<sup>13</sup> It is crucial to empower these engines of innovation. Thank you for your support.

Sincerely,



Evan Engstrom  
Executive Director, Engine



Julie Samuels  
Executive Director, Tech:NYC

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<sup>12</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (to be codified in scattered sections of 35 U.S.C.).

<sup>13</sup> U.S. Bureau of Labor and Statistics. Table G. Distribution of Private Sector Firms by Size Class. [https://www.bls.gov/web/cewbd/table\\_g.txt](https://www.bls.gov/web/cewbd/table_g.txt).