

**COMMENTS OF VEEVA SYSTEMS INC.
REGARDING NEW YORK SENATE BILL S.3100
May 19, 2023**

Veeva Systems Inc. (“Veeva”) submits the following comments regarding S.3100’s proposed non-compete ban. Below we discuss:

1. Veeva’s status as a publicly traded public benefit corporation in the technology space and its position on non-competes;
2. The reasons why non-competes are an unfair method of competition. For example, they restrain competition and depress wages, violate employee rights and limit their productivity, have real world consequences on individuals and competitors, are unnecessary to protect intellectual property, and narrow the job market; and
3. The prevailing business perspective that employees should be treated as stakeholders and how non-competes run afoul of that viewpoint and harm business.

1. Veeva

Veeva provides cloud software, data and consulting services to the life sciences industry, including pharmaceutical, biotech, and medtech companies. Among other functions critical to the industry, our technology solutions help life sciences companies run clinical trials more efficiently, maintain quality manufacturing processes, and monitor drug safety. Veeva was founded in 2007 and listed on the New York Stock Exchange in 2013 (NYSE: VEEV). Veeva employs over 6,500 people (including nearly 300 employees in the State of New York) and our market cap is approximately \$29 billion. Our website is www.veeva.com.

In 2021, we became the first U.S. publicly traded company to convert to a public benefit corporation (PBC), a corporate structure that enables a for-profit company to simultaneously pursue a public benefit purpose. We believe the PBC structure better aligns to our long-standing core values—do the right thing, customer success, employee success, and speed. Our stated public benefit purpose is to help the industries we serve be more productive in their efforts to improve health and extend lives, and to provide high-quality employment opportunities in the communities in which we operate. Our Board has adopted the elimination of employment non-compete agreements in the U.S. as one of four key objectives in pursuit of our PBC purpose, highlighting the significant public benefit that we believe is associated with the elimination of non-compete agreements. Veeva’s PBC objectives are listed below:

- Enable faster, less expensive clinical trials that are less burdensome and more accessible to patients
- Support customer choice and remove competitive barriers from the industry
- High-quality job creation – 10,000 employees by 2025
- *Advocate for the elimination of the use of non-compete agreements as a condition of employment in the U.S. by 2030*

We believe the use of employment non-compete agreements to constrain individual choice is pernicious and we have worked against the practice for more than a decade. Since our founding, we have never asked employees to sign non-compete agreements and we offer legal defense to employees who are threatened by a past employer over a non-compete. We now wholeheartedly support a ban on the use of employment non-compete agreements in New York.

2. **Banning Non-compete Agreements is Sound Public Policy**

The economic arguments for banning non-compete agreements are clear. Leading academic research shows that the overall economic impact of non-compete agreements is negative and wide-reaching.¹ Non-compete agreements are pervasive (especially among technology workers in permissive states) and the use of such agreements undeniably restrains competition in labor markets, stifling employee mobility, depressing wages, limiting the ability of employers to reach the most qualified personnel (which is a drag on innovation and productivity), and discouraging entrepreneurship. Further, because non-compete agreements most acutely impact competition between firms in the same industries, they help entrench market leaders and harm consumers. Clearly, non-compete agreements are contrary to free and vigorous competition. That's why we call them "*non-competes*" after all.

Consider Silicon Valley as a case study for what eliminating non-compete agreements can help to enable. California's long-standing ban on employment non-competes has shown that the free flow of talent adds to the pace of entrepreneurship, start-ups, and job growth. When innovation sparks from the mixing of experience and ideas, the economy expands. The Silicon Valley model has proven that the free movement of talent can help create the most innovative companies and products in the world and advance the economy overall. There is every reason to believe that State of New York will experience a similar boost to innovation and economic dynamism.

a. Employee Rights and Employee Productivity

Perhaps more importantly, we believe the freedom to change jobs is a fundamental right. People should be able to advance their careers and improve their lives without fear of being sued by their former employers when they have done nothing wrong. Legally empowering former employers to limit a person's freedom to make life and career choices is improper and unfair. In fact, it runs counter to the American dream. Yet, these impacts are playing out on a significant scale throughout the economy, hurting families by limiting mobility and income potential, and often employees are unaware they have even agreed to such restrictions until it's too late. Corporations and lawyers should not have that kind of lingering control over the lives of employees in any industry or for any role.

In addition, we believe that employee freedom increases productivity. No one is motivated to do their best work under a cloud of threats or when locked into a job. Employees that feel trapped by their employer are less engaged and less productive. It's better for employer and employee when people are empowered to change jobs freely if they would like to.

¹ See the work of Evan P. Starr, J.J. Prescott, & Norman D. Bishara or Mark A. Lemley & Orly Lobel, for example

Companies should focus on fostering an environment where employees want to stay, rather than trying to control or intimidate employees with non-compete agreements.

b. Real Impact on Companies and the Lives of Employees

Over the last decade, Veeva has provided for the legal defense of more than 20 employees sued or threatened with suit by former employers trying to enforce abusive non-compete agreements at an estimated expense of over \$10 million, including lawsuits filed in New York. For most companies (especially smaller ones), the mere possibility of legal spending at that scale is enough to discourage them from hiring an employee who might even arguably be subject to a non-compete agreement, and that's true even when the non-compete is overly broad and not likely to survive legal challenge. In this way, the threat of legal action over non-compete agreements limits the recruiting pool and available workforce, especially for less well-funded companies, and serves to entrench larger market leaders that have the financial means to file lawsuits (or credibly threaten to do so) around the country.

Even when a company provides for the legal defense of its employees, as Veeva does, there is still a meaningful negative impact on the employees and their families. Veeva employees have described their experiences as follows:

“People don't really understand how disruptive signing non-compete agreements can be to your life until it happens to you. I joined my previous company just out of college and signed the paperwork without thinking I had a choice. Fourteen years later when I accepted a new job our whole lives were in upheaval. When I resigned, I was walked out the door and served legal papers at my home in front of my wife and children. I questioned if I should have moved jobs, if my new job was still secure, if I would have to pay the legal fees, and if this would sabotage my career. After almost a year of legal processes, the case was dismissed, finding that I had done nothing wrong.” – Veeva employee Joby George

“At the time I signed a non-compete agreement, I was young and it was downplayed as a routine, non-enforceable condition of employment. After over a decade with this company, it came time for me to look for new opportunities based on indicators deemphasizing my area's product line. My managers supported my move but HR and legal teams quickly filed a lawsuit against me personally. I was told I could not start working at my new job, and after several months I could only work in a separate area which delayed my learning and career advancement. The case was dropped, but it was an ordeal.” – Veeva employee Scott Mitreuter

“I ran a small company that was acquired. I found out about the acquirer's non-compete policy when we were near the end of the process and all our employees would have to sign them. There were a lot of questions and anxiety around the enforcement unknowns. In any acquisition there are people who leave because they signed up to a small company and don't fit in a larger one. I believe in non-disclosure and trade secret agreements but not having the freedom to leave and be happy in a job because it's not a cultural fit is wrong.

When I left the company myself after over 5 years I underestimated how exhausting the stress and burden of multi-year legal proceedings would be. Non-compete procedures wear people down and that affects their families. People don't think about having their personal freedoms taken away when they sign a document to keep their job. It's so important to protect them by abolishing non-competes.” – Veeva employee Peter Stark

c. Non-competes Are Not Needed to Protect Intellectual Property

As a technology company, Veeva keenly appreciates the need to protect intellectual property and we strongly support the ability for companies to do so. But, non-compete agreements simply are not the right way. We support the use of patents (Veeva has over 70 issued patents), copyright laws, trademark laws, trade secret laws, and reasonable confidentiality agreements to protect valuable intellectual property. There is no shortage of targeted options for intellectual property protection. Non-compete agreements, on the other hand, are the bluntest of instruments. Concerns over intellectual property protection cannot justify the use of non-compete agreements over the well-established negative impacts on people, companies, and the economy overall.

3. Treating Employees as Stakeholders and Expanding the Job Market

As a PBC, we have accepted a legal obligation to consider the best interest of our stakeholders in how we run the company. We have been explicit and clear that employees are key stakeholders at Veeva, but ours is not a particularly controversial viewpoint and it's not unique to PBCs.

In his 2018 letter to CEOs, Larry Fink, CEO of BlackRock, the largest investment fund in the world, stated that “to prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. ***Companies must benefit all of their stakeholders***, including shareholders, ***employees***, customers, and the communities in which they operate.”²

In 2019, the Business Roundtable, an organization made up of some of the world's largest and most well-known corporations, famously took the position that corporations “share a fundamental commitment to ***all of our stakeholders***.”³ It went on to list employees as stakeholders and espoused investing in employees, treating them with respect and dignity, and delivering value to them for the benefit of communities.

Similarly, Wachtell, Lipton, Rosen & Katz, and New York based law firm and one of the world's preeminent authorities on the topic of corporate governance, has observed: “The purpose of a corporation is to conduct a lawful, ethical, profitable and sustainable business in order to create value over the long-term, which requires ***consideration of the stakeholders*** that are critical to its success (shareholders, ***employees***, customers, suppliers, creditors and communities), as determined by the corporation and the board of directors using its business judgment and with regular engagement with shareholders, who are essential partners in supporting the corporation's pursuit of this mission.”⁴

Indeed, we believe that most forward-thinking business leaders agree with the fundamental premise that—in seeking to increase the long-term value of the corporation—

² See <https://aips.online/wp-content/uploads/2018/04/Larry-Fink-letter-to-CEOs-2018-BlackRock.pdf> (emphasis added)

³ See <https://opportunity.businessroundtable.org/ourcommitment/>

⁴ See “On the Purpose of the Corporation” at <https://www.wlrk.com/webdocs/wlrknew/ClientMemos/WLRK/WLRK.26961.20.pdf> (emphasis added)

employees should be treated as stakeholders and their interests should be taken into account in corporate decision-making. We also think that most forward-thinking business leaders don't believe the use of employment non-compete agreements is in the best interest of employees. They know that non-compete agreements are bad for morale and send the wrong message to employees.

Further, we believe those same business leaders would like nothing more than for the proverbial talent playing field to be opened up to competition and free from the artificial friction created by non-compete agreements. That would allow them to create value for their shareholders by recruiting the best employees in the new "work anywhere" environment, without having to worry about state employment law gamesmanship.

However, flawed as we think it is, there is a perception among many business leaders that unilaterally abandoning the use of non-compete agreements will disadvantage their companies vis-a-vis the competition. Thus, the race to the bottom we find ourselves in now.

That's where a clear and unambiguous ban on non-compete agreements can play a crucial role. Such a ban should be—and over the long term, we predict, will be—welcomed by business leaders, shareholders, and employees when they feel the benefits that flow from an open and competitive labor market.