COMMENTS OF VEEVA SYSTEMS INC.
REGARDING OHIO SENATE BILL NO. 11
March 5, 2025

I would like to thank Chair Manning, Vice Chair Reynolds, Ranking Member Hicks-Hudson, and members of the Judiciary Committee for the opportunity to speak to you today. My name is Caleb Tuten and I am here representing Veeva Systems to offer a real-world, business perspective and to express our strong support of Senate Bill 11, banning the use of non-compete agreements here in Ohio. To set the stage for my comments, today I will briefly address three topics:

First, I will give a short introduction to Veeva, our status as a publicly traded public benefit corporation in the technology space and our position on non-competes. Second, I will outline why non-competes are an unfair method of competition, why they violate employee rights and limit productivity, stifle broad economic productivity and restrict the job market, and are unnecessary for protecting trade secrets and intellectual property. And third, I will discuss 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 primarily 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 we went public in 2013. Today, Veeva employs well over 7,000 people (including nearly 300 employees in Ohio) and our market cap is approximately $35 billion.

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. 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.

2. Banning Non-compete Agreements is Sound Public Policy

The economic arguments in favor of 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 and the use of such agreements undeniably restrains competition in labor markets, stifling employee mobility,

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

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.

Let us 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. It 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 Ohio will experience a similar boost to innovation and unlock its potential by eliminating non-competes. On a more personal level, Veeva was founded in California. Should non-competes have been allowed there (like they are in Ohio today), Veeva would not exist today. We owe our very existence and all the jobs we have created to a non-compete ban.

It is also important to note that any non-compete ban should include all income levels to ensure that the positive effects of new business formation is not lost. All non-competes inherently restrict the ability to create new businesses. This is particularly true for non-competes applied to high-wage employees. It is often the higher-compensated employees that are in the best position to create new companies with high growth potential. By limiting their ability to do so, non-competes not only hurt those individuals but also hurt the thousands of their potential employees by stifling job creation. Veeva is a perfect example of this. Our founder and current CEO left an enterprise business software company called Salesforce.com to start Veeva. Now there is healthy competition between those two companies—which means better choice for customers—and 7,000 people have high-quality, high paying jobs that would not have existed if Veeva had not been formed. A non-compete ban with a wage threshold (which would have allowed a non-compete to be enforced against Veeva's founder) would fail to address this key problem. That hurts the typical worker, even if the non-compete does not directly apply to them. When high-wage non-competes are allowed, the common worker is not only harmed by the lack of job creation and opportunities but also by the resulting loss of broader economic dynamism. So, if a wage threshold were implemented as part of a non-compete ban, the core problem with non-competes would not be solved and workers at all wage levels would continue to suffer.

a. <u>Employee Rights and Employee Productivity</u>

Perhaps even 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. 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. 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. 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, 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.

Indeed, we believe that most forward-thinking companies and business leaders agree with the fundamental premise that—in seeking to increase the long-term value of the corporation—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 and that they 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 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, like Senate Bill 11, 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.

Thank you for your time. And with that, I would be happy to take any questions.