

U.S. House of Representatives Committee on the Judiciary

Subcommittee on Immigration Policy and Enforcement

September 14, 2011

“Hearing on the Investor Visa Program: Key to Creating American Jobs”

Testimony of:

Sherwin Pischevar

Menlo Ventures

Menlo Park, California

Introduction

Chairman Gallegly, Ranking Member Lofgren and members of the subcommittee, my name is Sherwin Pischevar and I am a managing director of Menlo Ventures based in Menlo Park, California. I recently joined Menlo Ventures after spending most of my career as a serial entrepreneur and angel investor. During this time I founded a number of technology companies here in the United States including WebOS, the Social Gaming Network, Webs.com, Hyperoffice and Hotprints where I have had the privilege to hire many U.S. employees. Additionally, I have invested in more than 40 other companies that have gone on to innovate and create jobs here in America. I am a patent holder and I am an immigrant entrepreneur.

I am privileged to testify today on behalf of the countless foreign entrepreneurs who would like nothing more than to do what I have done – build companies, create jobs, and innovate here in the United States. I hope my testimony sheds light on why our country needs these individuals – and why we must act with a sense of purpose and urgency – and in the spirit of compromise -- to welcome them to our country.

My Story

I was born in Iran in 1974. My family was very poor; my father lost both his parents by the time he was twelve years old. Yet, he had great ambition and when I was 2 years old he received a scholarship and brought us with him to the United States where he pursued a graduate degree. We arrived during the bicentennial celebrations and I can still remember the excitement of the parades occurring in the nation's capital. After my father received a master's degree from Catholic University, we had to return to Iran in 1978 where he was promoted to the head of Radio and Television for the country. However, he soon found himself on Khomeini's execution list for bravely broadcasting instructions in a foreign language how to leave Iran. He escaped, fled our home, and the Iran-Iraq war began. My family braved this war without him and I didn't see my father for more than a year and a half when we reunited in the United States in 1979. There he took a job as a taxi driver and my mother cleaned hotel rooms.

I always talked about making it easier for my parents someday. I noticed how happy they would get when I would receive good grades so I threw myself into school. I went from ESOL- English for Speakers of Other Languages- to Gifted and Talented/Honors- to being tested and bused to a Magnet Program for the top 100 students in a county with 120,000 students. Every certificate or reward I got my father would put on a wall of awards. Soon the entire wall was covered. When I got accepted to University of California at Berkeley I remember how proud my parents were. I received a Presidential Fellowship to continue my high school science project which led to finding a new way to selectively lyse malaria infected red blood cells. Berkeley filed a patent on the discovery and I was the sole inventor.

My parents' dream was for me to go to Medical School. I was the one that was supposed to become Dr. Pischevar, MD. My brother became Mr. Pischevar, Esquire, the attorney. My sister became Dr. Pischevar, PhD, and tenured Professor. But my father had made one little mistake. When the Apple IIc came out I begged him for a computer and he saved the money to buy me one. I taught myself how to do simple code and learned every program I could. That single purchase changed my life and set me on a course that would initially break my father's heart.

At Berkeley at the computer lab in 1994 I came across a program called NCSA Mosaic. This was the Internet Browser created by young developers at the University of Illinois. I quickly imagined all that I could do and with my friends developed an idea called the Web Operating System (WebOS). Berkeley's Office of Technology and Licensing, which had paid for the patent on the malaria research I did, had introduced me to a mentor at Cooley Godward, a top tech law firm. He taught me that I could start my own company. I decided to do just that and in my senior year, started a company that evolved into WebOS Inc.

When I told my father I had canceled my application process for joint MD/PhD programs, he was tremendously upset. He thought I was abandoning the American dream and he didn't talk to me for 9 months. But this was MY American dream and I struggled for a year and took a night job as a security guard so I could work all day and night on my idea. After a number of fortunate breaks, the company was launched and I was on my way. My Dad started talking to me again.

I share my story with you because I am just one of thousands of entrepreneurs who were not born in the United States, but who believe that this country is still the land of opportunity. I am fortunate to have been brought here when I was a child, but this is not the case with others. Still we are similar in that we have the talent, the passion and wherewithal to start and grow companies anywhere

in the world. But we know that the best company successes, the most exciting innovations, and the greatest opportunities for value creation will still happen here in America.

Immigrants Contribute to U.S. Innovation

It is imperative that the United States make it a priority to anchor innovation to its shores because history shows us that the location of innovation drives where the economic value is created. Nowhere is that more true than in Silicon Valley where the ecosystem thrives on technological breakthroughs that occur each day. If you look at the components of top startup regions around the country you will see a familiar combination of successful research universities, a cadre of highly motivated entrepreneurs, and a system of capital and mentorship that supports the growing of businesses. Innovations emerge from the research labs and garages of entrepreneurs. The best ideas are funded and companies are formed. As these companies innovate, they grow. As they grow, they create jobs and new products. And as this growth occurs, employees and new ideas spin out of existing companies and new entities are formed. It is a benevolent circle that begins with the innovation. Where the innovation goes, the value follows.

Immigrant entrepreneurs are an integral part of the Silicon Valley ecosystem. Studies have shown that Silicon Valley has a higher concentration of foreign-born

entrepreneurs, technologists, scientists and engineers operating within the high technology sectors including software, semiconductors and biotechnology than any other US region. According to the 2006 *American Made* study, 40 percent of U.S. publicly traded venture-backed companies operating in high technology manufacturing were started by immigrants. Moreover, more than half of the employment generated by these high tech manufacturers came from immigrant founded companies.

The story at privately held venture-backed companies was even more compelling where almost half of the companies across the U.S. had foreign born founders. My sense is that in California, this percentage is much higher. These founders held an average of 14.5 patents with a median of four. The U.S. innovation pipeline is well fueled by immigrants and it is our responsibility to ensure that we don't unintentionally divert this energy overseas.

Immigrants Entrepreneurs are Poised for Success

The StartUp Visa legislation applies two very important filters so that when the United States accepts an immigrant entrepreneur who has received venture investment, we are getting the best and brightest candidates from around the globe. First, there is the self selection filter which applies to any individual enterprising enough to leave one's home and attempt to innovate and grow a business in a new country. Furthermore, the value that many of these countries

place on education in math and science guarantees that the knowledge we are importing is on par if not beyond what is available here in the United States. Consequently, these immigrants come to our country highly educated and highly motivated – an ideal combination.

The second filter is the venture capital vetting process which only funds those companies that have the highest chance to succeed. The venture capital process also has built in-monitoring which allows these companies to receive follow on funding only if they meet agreed upon milestones. The result will be creating a network of highly motivated, well supported entrepreneurs who will generate value.

To wit, the *American Made* survey reported that nearly two thirds of immigrant founders of privately-held venture-backed companies have started or intend to start more companies in the United States. Like me, they have become serial entrepreneurs and will continue to serve our economy well by building innovative companies one after another. Why the United States is not rolling out the welcome mat for these individuals remains deeply concerning to those who understand the value these entrepreneurs bring with them.

The Time has Come for Compromise

Reforming the legal immigration process so that highly motivated, well-intentioned immigrant entrepreneurs who want to grow their businesses in America must be a Congressional priority. I am very encouraged that we are having this hearing and the growing bipartisan support for the Startup Visa proposal is indeed promising. Passing legislation encompassing much needed reform would be a clear win for both sides of the aisle and Members of Congress need to do all that they can to break this log jam. This is not a Republican issue or a Democratic issue. It is an American competitiveness issue where there is a clear opportunity to create jobs and foster innovation here.

However, for this bill to become law, we will need more than bipartisan support; we will also need bipartisan compromise. Both Democrats and Republicans have advocated for competing priorities with the unfortunate result being that forward movement has remained elusive. The stalemate has gone on too long.

I urge members of Congress to come together and create a package that is in the spirit of bipartisan compromise before years end. The American people are counting on you to do this – to compromise -- which means including provisions

you many not otherwise support but recognize that you must for the good of the American economy. Our country cannot afford to wait any longer.

Conclusion

I appreciate that there are aspects of this bill that are not deemed perfect to one side or the other but our country is not in any position to let the perfect be the enemy of the good. The *American Made* survey reported that nearly all the immigrant founders in private companies (95 percent) would still start their companies in the United States if given the choice. But nearly two thirds believed that it was currently more difficult to enter the United States and start a company then when they started their companies.

Everyday, the U.S. is losing out to other countries that are opening their doors to immigrants. I feel incredibly blessed that I had the opportunity to grow up in the United States and become an entrepreneur in the most promising country in the world. When I think about the fact that others like myself – with the same commitment and passion for technology and innovation – are not being permitted into the country which I now call home, I can only shake my head and ask why? I urge this committee and members of Congress to ask themselves the same question – and then act quickly and compromise to reverse an unfortunate path down which we have traveled for far too long.