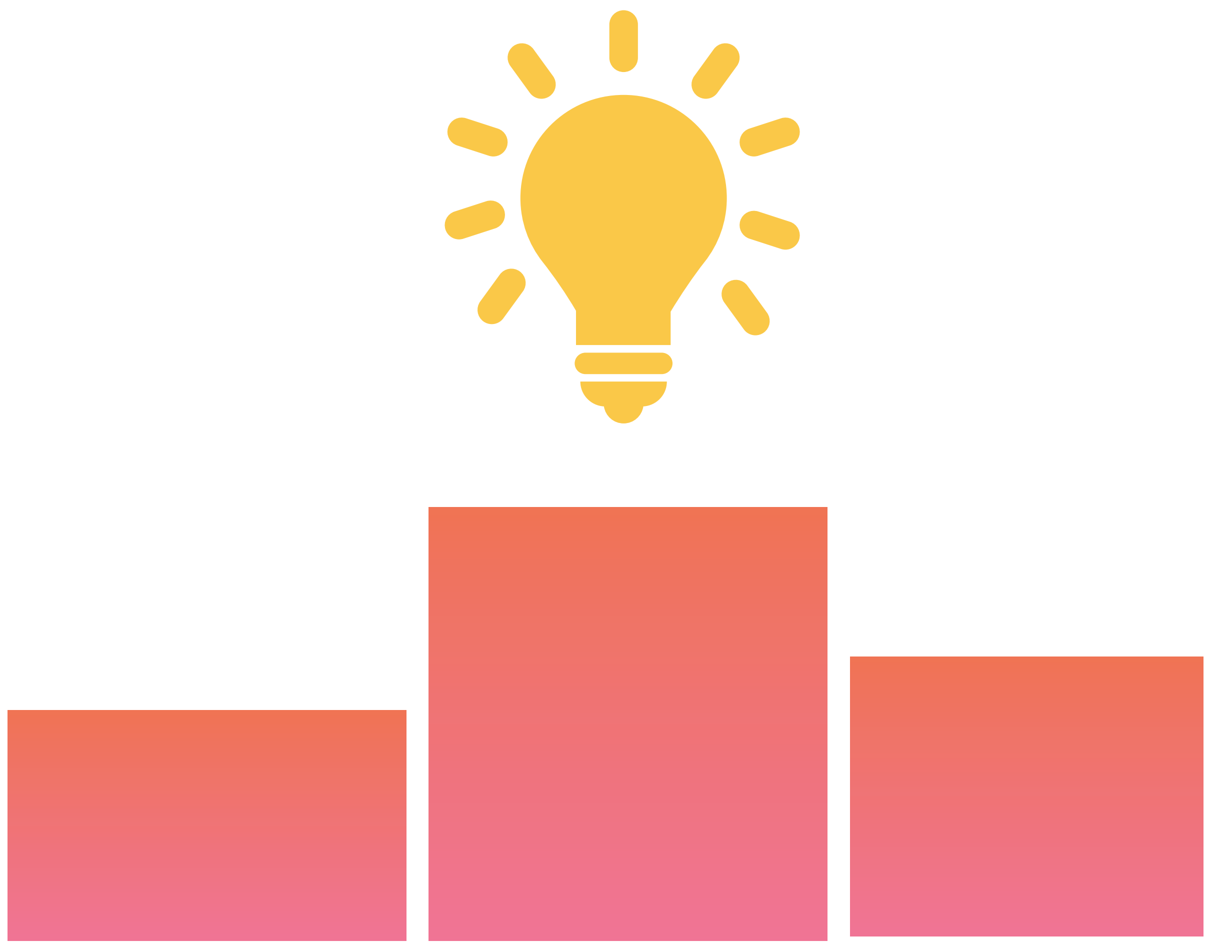
Engine

STARTUP POLICY AGENDA

How policy can keep U.S. innovation in first place

2026



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CONTENTS

ACCESS TO CAPITAL

WHY DOES IT MATTER FOR STARTUPS?

Access to capital is perhaps the most critical barrier startups face when launching. Most startups launch with a combination of limited funding, often cobbled together from a mix of personal funds and family savings. Startups at the earliest stage of their funding journey or pre-seed have on average just $55,000 a month to cover all their operating costs. The popular story of a small startup receiving large amounts of money from a venture capital firm is not the reality for most founders; only an estimated 1 percent of startups receive venture capital. The journey is even harder for founders of different backgrounds—including race, gender, sexual orientation, and geographical location—who often face greater barriers across the board in accessing the capital they need, from friends and family rounds, to business loans, to venture capital. Another crucial avenue to secure capital for early stage founders is via federal grants like the Small Business Innovation Research (SBIR) program which awards companies non-dilutive capital to help them bring their innovations to market.

KEY TAKEAWAYS

- Most startups rely on a patchwork of funding sources outside of traditional venture capital.
- Expanding and diversifying the investor pool will allow for more participation in the startup ecosystem and will result in founders from more backgrounds receiving funding.
- The SBIR/STTR programs must be reauthorized as a vital source of non-dilutive funding.

WHAT CAN POLICYMAKERS DO?

Policymakers must continue to improve the regulatory environment in which startups operate to raise capital. That includes balancing valid concerns about investor protections with the need for more investors from all backgrounds to participate in—and benefit from—the startup ecosystem. This can be done by expanding the accredited investor definition and increasing the allowed size of emerging funds, so more investors from more backgrounds can participate—both of which are part of the the Increasing Investor Opportunities (INVEST) Act, passed by the House in December 2025. The government should also prioritize improving access to capital for underrepresented founders, including by ensuring access to Small Business Administration resources, identifying and rectifying discrimination in bank lending, and defending programs aimed at helping underrepresented founders. Policymakers should also address capital access issues with respect to federal funds; most pressing is the need to reauthorize the SBIR program, which serves as a key source of non-dilutive funding and was allowed to expire in 2025. Beyond making the SBIR program permanent, policymakers need to make the program better support founders by streamlining applications, offering application support to founders coming from outside of academia and expanding grants for earlier stage companies.

★ Startup Spotlight ★

Dunya Analytics

(Wilmington, Delaware)

Megan Pillsbury, Founder & CEO

Dunya Analytics provides digital tools for businesses that measure, manage, and report on biodiversity and nature-related risks.

"We were encouraged by the Small Business Development Center to apply for SBIR grants, but we were thrice rejected, and we still aren't sure what could have made our application successful. It seems that perhaps the SBIR programs we applied to were intended for a different type of startup, such as one that is developing an environmental monitoring system."

ARTIFICIAL INTELLIGENCE

WHY DOES IT MATTER FOR STARTUPS?

Recent breakthroughs in artificial intelligence build on decades of startups using AI to solve everyday problems and build innovative products. Startups are innovating at all levels of the AI ecosystem, including by building their own proprietary models, leveraging models from industry leaders, pulling in open source models, or using AI for common business functions to enhance their own efficiency. Policymakers in the U.S. and around the world are pursuing rules for AI that will shape how the technology is developed, what it can be used for, and at what cost—all impacting the competitiveness of startups. But these conversations often leave out startups and threaten the proliferation of divergent rulebooks that vary by jurisdiction.

WHAT CAN POLICYMAKERS DO?

Startups are key stakeholders in AI policy and policymakers at the state and federal levels should make sure that they evaluate potential AI frameworks with startups in mind and take steps to support startup competitiveness in the AI ecosystem. It's critical that AI policy conversations consider the impact any policy changes would have on the entire AI ecosystem, including startups that are developing and using AI technologies in beneficial ways. High compliance costs around things like third-party audits or licensing requirements will make it difficult for startups developing or deploying AI to grow. Even where individual provisions don't give rise to steep compliance costs on their own, an emerging patchwork of varying AI rules threatens to bury startups in costs arising from duplicate compliance activities. To address risks without hampering innovation, regulation should be set at the federal level, outcome-focused, supplement existing laws where needed, and avoid burdening benign uses of technology.

KEY TAKEAWAYS

- Startups contribute overwhelmingly to economic growth and drive innovation and adoption of new technologies like AI, but are put at a competitive disadvantage when regulations are designed with large market participants in mind or fractured along state lines.
- Policymakers looking to regulate AI must account for the wide and diverse range of socially beneficial uses of the technology and must arrive at a balanced framework that enables startups to compete and succeed.

To support startup competitiveness, policymakers should bolster resources for AI R&D and grow the AI talent pool, both through increased STEM education resources and skilled immigration. Balanced intellectual property and intermediary liability frameworks have been critical to startup success and should be maintained, and policymakers should avoid creating new vectors for exploitative legal threats to be brought against startups.

★ Startup Spotlight ★

Maple

(New York, N.Y.)
Aidan Chau, CEO and Founder

Maple is an AI phone answering service that handles orders and reservations so restaurant teams can stop missing phone calls and operate with greater efficiency.

"AI is bringing about much more good than bad. There's a lot of fear-driven conversations around AI, specifically around it taking jobs from people, but that misses what's actually happening. The restaurant industry is brutal–most restaurants fail within five years. Maple has helped restaurants stay more profitable and expand, which means more jobs, not fewer."

CONNECTIVITY

WHY DOES IT MATTER FOR STARTUPS?

Thanks to the Internet, an entrepreneur located anywhere in the country can launch and grow a company that reaches users across the world. Increasing reliable, affordable broadband access—through wireline and wireless connectivity, devices, and digital literacy resources— creates more opportunities for innovation and entrepreneurs. Startups also benefit from balanced telecom policy, including around unlicensed spectrum, the shared airwaves that fuel Wi-Fi networks and are available for use by anyone that abides by set standards. Increases in the availability of unlicensed spectrum have created vast opportunities for the companies that make and use technology that relies on the high-frequency airwaves—such as connected devices—as well as generally improving Wi-Fi networks across the country.

WHAT CAN POLICYMAKERS DO?

Policymakers should continue working to improve broadband access across the country by increasing the amount of spectrum available for use by the public, pushing ISPs to build out broadband access in underserved areas, and supporting subsidies that have lowered broadband costs for U.S. households. Congress is currently reviewing reform proposals to the Universal Service Fund, which supports digital equity programs such as E-Rate and Lifeline, and policymakers should consider the impacts on innovation and startups when evaluating the program's effectiveness and potential funding changes. Additionally, to help close the digital divide, policymakers should continue supporting the National Telecommunications and Information Administration's implementation of the $42 billion Broadband Equity, Access, and Deployment Program, which aims to expand reliable broadband and ensure equal access to affordable high-speed Internet. Any leftover funds from this program should also be directed toward this goal.

KEY TAKEAWAYS

- Startups need policymakers at all levels of government to prioritize more reliable and affordable broadband across the country to ensure the startup ecosystem is accessible to innovators of all backgrounds.
- As broadband affordability and infrastructure programs undergo reform, policymakers must continue to account for impacts to innovation and small technology companies.

★ Startup Spotlight ★

Clyn

(Austin, T.X.)

Diana Muturia, Co-Founder

Clyn is an AI platform that connects short-term rentals, boutique hotels, and vacation properties with reliable, professional cleaning crews.

"[During my final year of college,] I transferred schools and lost my scholarships. I ended up dropping out and found myself homeless. With nothing to lose, I started using the library's public WiFi to teach myself how to code.... For field-based workers [including cleaners], broadband affordability programs can address...inaccessibility to high-speed Internet, [which] cleaners [need] to...upload photos or update job statuses in real time. "

CONTENT MODERATION

WHY DOES IT MATTER FOR STARTUPS?

Every startup that hosts content created by users—including websites with comment sections, apps that let users share messages, photo storage services, and review websites—deals with content moderation issues. Under the current legal framework established by Section 230 and the First Amendment, Internet companies of all sizes can host, moderate, remove, curate, recommend—including with the help of algorithms—user content without fear of ruinous legal repercussions. A small, new company that hosts user content won't be able to get investment, get off the ground, and grow its business if it has to constantly be prepared to face costly, time-consuming lawsuits over the content its users post and its content moderation decisions. And unlike the largest tech companies, startups do not have the time and resources to hire thousands of people or build expensive and ultimately imperfect tools to monitor what their users share.

WHAT CAN POLICYMAKERS DO?

Policymakers understandably want to address concerns about problematic content that spreads online, especially when online content leads to real-world harms. But most content moderation policy proposals would make it harder for smaller and new Internet companies to launch and compete, leading to fewer places for users to gather online. Content moderation is incredibly difficult, even for the world's largest companies. There are no silver-bullet solutions to quickly finding and removing the user content a company doesn't want to host, including technological solutions, which are inherently imperfect and expensive to build and maintain.

Policymakers should be careful to avoid sweeping changes to the legal landscape around content moderation, especially those that make it riskier for startups to host, curate, and remove user content. In recent years, lawmakers have proposed varying and often conflicting legislation that would push Internet companies to moderate more and less content. Some accuse companies of removing too much and have proposed requiring that Internet companies host certain content, while others say companies aren't doing enough to remove or suppress problematic content—including illegal content as well as First Amendment-protected speech like misinformation. Most recently, lawmakers at the state and federal levels have pushed "kids' safety" legislation that would limit how companies design their products, including using algorithms to surface relevant content and moderate harmful content. Lawmakers have also sought to prohibit Internet companies from showing certain user content to young users, which raises practical concerns about how much information companies should have to collect about users to determine their age and free expression concerns about who gets to decide (either through private lawsuits or through government enforcement) what content should be kept from kids.

KEY TAKEAWAYS

- Content moderation is difficult for all companies that host user-generated content, especially for startups that can't afford to hire thousands of content moderators or build expensive filtering tools.
- The First Amendment protects startups' ability to moderate user content so that their corners of the Internet are useful, relevant, and welcoming to their communities of users.
- Section 230 allows Internet companies to relatively quickly and inexpensively resolve lawsuits over content created by their users.

★ Startup Spotlight ★

Stump
(Sommerville, Mass.)
Chris Madden, Founder

Stump is seeking to make civic participation in elections more accessible by offering a platform for local political candidates to reach voters in an individualized, AI-powered "Ask Me Anything" way.

"I am currently manually reviewing user content, but having me call balls and strikes is a problematic solution. ... Establish[ing] terms of use and user authentication...will be a collaborative effort that includes the voices of candidates, voters, and other stakeholders ... [as] each group of users on Stump has different priorities. ...There's a trade-off between removing friction for users and shaping an ecosystem in which everyone wants to participate in. ... If Stump is rife with negativity or toxic language, it undermines the platform's long-term viability."

COPYRIGHT & TRADEMARK

WHY DOES IT MATTER FOR STARTUPS?

For startups that encounter user-generated content—e-commerce platforms, social media websites, photo sharing apps, and much more—existing balanced legal frameworks, including Section 512 of the Digital Millennium Copyright Act (DMCA) and the judicial decision in Tiffany v. eBay, ensure that startups aren't automatically held liable for alleged infringement by users. Startups also benefit from other existing balanced intellectual property frameworks, including the fair use doctrine of copyright law, which, for instance, protects copying of application programming interfaces (APIs) necessary to build software that is interoperable with other systems. These frameworks strike a valuable balance that is especially important to startups in these instances, because the law provides certainty and guards against mere threats or unaffordable legal exposure putting startups out of business.

WHAT CAN POLICYMAKERS DO?

Congress should avoid decreasing certainty or imposing unwarranted costs and risks on emerging Internet companies, especially considering that these startups and their users may unknowingly encounter copyrighted content on their platforms. Policymakers should also avoid requiring Internet companies to proactively monitor or filter all user posts to try to detect infringement. This would not catch much (if any) additional infringement but would impose a lot of new costs and risks and create substantial barriers to entry.

Generally, policymakers should promote balanced frameworks that prevent abuse from bad actors and give startups the certainty they need to innovate. For instance, ongoing litigation over whether AI companies need licenses to use copyrighted content in training data could create significant costs for startups building their own AI models or fine-tuning existing AI models.

KEY TAKEAWAYS

- Startups need balanced intellectual property frameworks that encourage innovation and interoperability and limit their exposure to costly litigation over intellectual property.
- Changing the framework for online copyright and trademark claims would have an outsized, negative impact on startups that encounter user-generated content.
- Proposals that would block startups' entire websites over allegedly infringing user content would overrestrict speech and innovation while imposing high costs on startups.

★ Startup Spotlight ★

Flamel.ai

(Covington, K.Y.)

Paul Ehlinger, Co-Founder

Flamel.ai provides a marketing operating system that leverages AI to help multi-location and franchise brands stay true to their brand guide while delivering content at scale.

"Simply put, we don't have the funds and time to defend against possible copyright infringement lawsuits. Larger AI companies with similar services have the time and money to defend themselves in these defining court cases. We have to hope that these questions are resolved by the ongoing litigation and we don't have to face a lawsuit."

PATENTS

WHY DOES IT MATTER FOR STARTUPS?

Patent quality is essential to innovative, high-tech startups. High-quality patents can be a valuable asset for many emerging companies. Low-quality patents—those that claim things that were already known or that are written in vague, overbroad terms that are difficult to understand—on the other hand, lack value and can fuel abusive litigation that harms startups. Unfortunately, many startups will only interact with the patent system in the context of abusive litigation. For example, patent assertion entities—also known as “patent trolls”—use patents to try to coerce startups to take quick settlements, knowing startups cannot afford costly patent litigation. Competitors can also use patent litigation to distract startups and slow down or stall new market entrants. Weak and overbroad patents are especially easy to misuse because they can be asserted against many startups’ basic activities. Startups benefit when the U.S. Patent and Trademark Office (PTO) and the courts weed out weak and overbroad patents and when court proceedings are fair and transparent.

WHAT CAN POLICYMAKERS DO?

Patent law developments, including the 2011 America Invents Act and key Supreme Court cases, have made it easier and more affordable for startups to defend against weak or overbroad patents. Policymakers should continue to prioritize and improve patent quality over quantity while avoiding legislative or policy changes, such as restricting access to the PTO’s Patent Trial and Appeal Board, that could empower bad actors or undermine these improvements. Congress and the PTO should make the patent system easier to navigate for innovators with clear guidance. Meanwhile, the litigation system must install appropriate guardrails to prevent abusive or frivolous litigation that stifles startup innovation. Policymakers should preserve the progress made over the past decade, further endorse tools that promote quality and transparency, and reduce costs of defending against costly, frivolous patent lawsuits.

KEY TAKEAWAYS

- Startups need patent laws that protect truly new inventions and prevent the issuance of low-quality patents that stifle innovation.
- Patent enforcement mechanisms should be fair and transparent to prevent weaponization against startups.
- Policymakers must focus on patent quality; preserve tools to clear out weak, overbroad, low-quality patents; and foster transparent and affordable mechanisms for startups to defend themselves in frivolous or abusive lawsuits.

★ Startup Spotlight ★

Instinct

(Hillsboro, Ore.)
Ashwin Datta, Co-Founder & CEO

Instinct is a company focusing on conservation natural resource management by providing data on species inhabiting the forests using an automated bioacoustic monitoring device.

“We’re also mindful of how intellectual property can be used within a small niche industry like bioacoustics hardware. There was recently a large competitor that issued a cease-and-desist letter to a much smaller company based on overly broad patent claims. In the end, the smaller company was able to appeal against these patent claims and prevail, so the case never advanced to court, but it demonstrated how the threat of legal action alone can create significant pressure for startups that lack the resources to defend themselves. Startups often don’t have the team, bandwidth and time to be dealing with patent trolls and long, costly legal disputes.”

PRIVACY

WHY DOES IT MATTER FOR STARTUPS?

Much of the conversation around privacy and data security focuses on large Internet companies, but startups have to navigate the same legal and regulatory framework around data without the resources of their larger counterparts. Several states have unique privacy laws in effect, and many more are likely to soon pass their own. Federally, Congress has discussed a uniform nationwide privacy framework, but policymakers have failed to get a comprehensive bill across the finish line. Many policymakers in Congress and at the state level have recently shifted their focus to tailored legislation, including around privacy protections for young users (which could require startups to estimate or verify users' ages). All of these efforts have similar overarching goals but contain relevant differences that leave startups to grapple with varying requirements and obligations that increase costs. Engine research has shown that startups already spend hundreds of thousands on privacy compliance, and are faced with $15,000 - $60,000 in costs each time a new law is passed or amended.

WHAT CAN POLICYMAKERS DO?

Policymakers should prioritize crafting a uniform federal privacy and data security framework that creates certainty for startups while providing strong protections for consumers. Twenty states have enacted unique data privacy laws. Some of those states have continued to amend their laws, while more are gearing up to pass their own, adding to the complexity for startups. Familiar sticking points have hindered legislative progress toward a comprehensive federal data privacy law, including whether and to what extent the federal framework would preempt state laws and how to enforce the law. Congress should create one federal standard so startups know their obligations and responsibilities under the law, regardless of where they're located, and that framework should be consistently enforced by an expert agency to ensure certainty and to minimize opportunities for bad actors to weaponize costly legal action against startups.

Policymakers should also defend the ability of technology companies to use security measures like encryption to protect their users. The push for "backdoors"—or intentional vulnerabilities in hardware or software that can be exploited by law enforcement—will do more harm than good by opening up products and services and their users to malicious actors.

KEY TAKEAWAYS

- Startups need one uniform, consistently enforced set of rules around user privacy to provide predictability, streamline costs, and promote stability as they launch and grow, especially as several varying state privacy laws take effect.
- Startups prioritize their users and spend hundreds of thousands on their privacy and compliance programs, but each new state with a unique privacy law adds another tens of thousands in duplicate costs.

★ Startup Spotlight ★

Atlas

(Raleigh, N.C.)

Michael Hoy, CEO and Cofounder

Atlas is a software platform that helps SaaS and AI companies to price and package their applications efficiently, while also providing the billing infrastructure to invoice and manage customers.

"We're a relatively small team, and it's incredibly hard to keep up with the constant changes when you're just starting. Varying state compliance requirements around data privacy were a challenge during my time at a larger company, and something I'm tracking as we grow Atlas, even if it's harder, given our limited amount of resources."

TALENT

WHY DOES IT MATTER FOR STARTUPS?

Startups need to hire the best and brightest talent to compete, but the current talent pool in the U.S. does not meet the high-skill demands of current startups, especially in ecosystems outside of traditional tech hubs. The U.S. technology sector needs a larger, and better-trained workforce to remain a global leader of innovation. In the short term policymakers must focus on reshaping high-skilled immigration policies, and, in the long-term, should invest in more robust STEM education and upskilling to better support the startup ecosystem. Other talent barriers, like the lack of affordable childcare, student loan debt, and insufficient benefits, also keep people from contributing to the startup ecosystem. On top of talent shortages, existing legal and policy frameworks—including limitations on independent contractors and the use of overly restrictive non-compete agreements—can make it difficult for startups to hire the talent they need as they grow.

Startups are already at a disadvantage when it comes to navigating the process of hiring high-skilled, foreign-born workers—which is lengthy and complex and imposes significant financial burdens on already tight startup budgets. The entire tech ecosystem benefits when companies can access high-skilled immigration opportunities—many of these employees may go on to found or contribute to new, innovative companies, and the presence of immigrant workers raises wages and creates jobs for native-born Americans.

WHAT CAN POLICYMAKERS DO?

To address current talent gaps, policymakers should defend and expand existing immigration programs and implement new programs to enable foreign-born entrepreneurs to come to the U.S. Policymakers should work to implement a startup visa with a pathway to citizenship, as well as providing green cards to foreign graduates of U.S. higher education institutions, especially in STEM fields, to enable the U.S. to remain at the forefront of innovation

To address other talent challenges that startups face, policymakers should take steps toward strengthening the high-skilled workforce. This includes ensuring startups have access to the flexibility they need in making hiring decisions, banning non-compete agreements, and boosting funding for and access to STEM education. Policymakers should also minimize other barriers to entrepreneurship, such as improving access to and affordability of child care and exploring loan forgiveness for startup founders and employees.

KEY TAKEAWAYS

- The startup ecosystem needs policies that are more supportive of workforce mobility; ensuring there are restrictions on overly broad non-competes and balanced independent contractor policies—help workers enter and move around the startup ecosystem.
- The U.S. needs to attract and retain skilled talent from around the world to compete globally, including by making the immigration system accessible to startups and creating pathways for foreign-born startup founders.
- Policy should help make STEM education and pathways to entrepreneurship accessible to everyone.

★ Startup Spotlight ★

Autumn Labs

(San Francisco, Calif.)

Prathik Muppidi, Co-Founder

Autumn Labs provides software that makes it easy to monitor factory stations through a single platform, helping organizations reduce production stoppages while enhancing product quality.

"The H-1B visa lottery system is pretty unpredictable, which endangers our capacity to attract skilled workers, hire employees and make plans to work with them long term.... The answer isn't as simple as only hiring American employees, because sometimes the person with the exact skills or experience you need isn't based in the U.S. Being able to bring in exceptional international talent can strengthen a startup's capabilities, and in turn help elevate the team as a whole and contribute to the growth of the broader domestic industry."

TAX

WHY DOES IT MATTER FOR STARTUPS?

Startup founders, employees, and investors all stand to benefit from tax policies that incentivize investment, enable growth, and support people pursuing entrepreneurship. The One Big Beautiful Bill Act 2025 brought back important provisions for startups including, the return of immediate R&D expensing, expansion of Qualified Small Business Stock (QSBS) exemption and an increased child tax credit. These changes all serve to support the startup ecosystem.

On the other hand, complex, discriminatory tax frameworks discourage startup growth. For example, digital service taxes, which have been pursued across multiple states and in other countries, target the provision of low cost services on which startups rely. These taxes could result in increased costs, stretching a startup's already slim budget.

WHAT CAN POLICYMAKERS DO?

Important strides were made for startups within the OBBBA, but there are still areas of improvement. Policymakers should work to implement and extend provisions that help support startups including those that help startups stretch their funds further, enable entrepreneurship as a career pathway, allow startups to attract employees, and incentivize investment in startups. To help startups stretch their limited funds, policymakers should lower the overall tax burden for startups, including by preserving a low corporate rate and making the R&D tax credit more useful for startups. Congress should continue to raise the child tax credit and explore other tax incentives to help women founders and women in the workplace. Policymakers should also continue to focus on expanding existing benefits for startup investors and employees, like QSBS. Lawmakers could also explore other avenues to encourage investment such as a federal angel tax credit.

KEY TAKEAWAYS

- Providing tax benefits to investors, startup founders, and early employees can increase capital, talent, and opportunities for nascent companies.
- To help early stage founders and investors offset potential losses, policymakers should index the Small Business Stock Loss Deduction (Section 1244) for inflation to help encourage continued investment in startups.
- Policymakers can also consider new benefits to strengthen the startup ecosystem—for example by expanding QSBS exemptions or implementing a federal angel tax credit—to drive startup investment.

★ Startup Spotlight ★

Dapple

(Centennial, CO)

Gadalia Montoya Weinberg O'Bryan, Founder and CEO

Dapple Security challenges the current standard of multifactor authentication by utilizing responsible biometrics, creating a first-of-its-kind passwordless platform that better protects people and privacy.

"Expanding the R&D tax credit indefinitely would also help founders just starting. Legislation to remove the amortization requirement that recently went into place would be great. These are all different pathways for providing founders with options when it comes to access to capital which is incredibly important."

TRADE

WHY DOES IT MATTER FOR STARTUPS?

Thanks to the significant growth of digital trade, startups and the smallest Internet companies reach users across the globe. Limits on cross-border data flows and a global patchwork of laws and regulations can create a mosaic of different rules about the same issue. Those hurdles stifle digital trade and have a disproportionate impact on small startups that lack the compliance resources of their foreign and larger industry competitors. These barriers hinder the growth of digital trade and stand in the way of U.S. startups' ability to compete abroad. U.S.-imposed tariffs on trading partners and the retaliatory measures they prompt raise costs and threaten additional barriers for startups to navigate.

WHAT CAN POLICYMAKERS DO?

To support startups' domestic growth and contributions to the U.S. economy, policymakers should strive for digital trade policies that improve startups' international competitiveness and keep barriers to trade low by facilitating cross-border data flows, promoting regulatory certainty, avoiding tech-sector specific levies, and providing proportionate, tailored, and certain intermediary liability frameworks. Policymakers should support agreements like the USMCA that contain essential digital trade provisions to these ends. Conversely, overreliance on tariffs for other policy goals harms startups and leads to retaliation that additionally increases costs and reduces market opportunities.

Cross-border data transfers are critical to supporting digital trade and U.S. startup success. Policymakers must enable data flows and oppose data localization requirements that can steer where and how startups can scale. Tech-sector-specific levies, like digital services taxes, negatively impact startups because they increase costs for services startups use to reach and grow in new markets. Policymakers must take steps to avoid the return or expansion of digital services taxes. The absence of customs duties thanks to the WTO e-commerce moratorium has shaped the market around digital trade without tariffs and the moratorium should be made permanent. Finally, balanced intermediary liability frameworks, like those found in the U.S., should be exported to provide the legal certainty needed for startups with business models that rely on user content—whether it's comments, photos, reviews, etc.—to grow and thrive.

KEY TAKEAWAYS

- Sound digital trade policy is a vital part of promoting domestic technology entrepreneurship—lowering trade barriers unlocks markets for U.S. startups to expand, compete, and find success.
- U.S. trade policy should seek to smooth global regulatory patchworks, facilitate cross-border data flows, avoid sector-specific levies, and lower barriers to foreign markets.
- Tariffs—and resulting retaliation from trading partners—lead to increased costs for startups and fewer markets where they can compete.

★ Startup Spotlight ★

Deliveri

(Cary, N.C.)

Jason Brown, Founder & CEO

Deliveri is an e-commerce shipping platform helping small businesses ship both domestic and international, track their packages, connect their webstores, insure their shipments, and more.

"Access to the Internet is a fundamental driver of modern commerce. [...] But that depends on data being able to flow across global borders. Internationally, countries like Indonesia have already added tariff codes to their tariff schedules for electronic transmissions, with global corporations such as Netflix struggling to navigate these issues. As a former photonic network engineer who spent over 10 years building networks worldwide, I know that digital tariffs and getting rid of the e-commerce moratorium would never work. You can't put a tax on data. People will use various means to circumvent it."

STARTUP POLICY AT A GLANCE

ACCESS TO CAPITAL: Getting funding to launch and grow is the first hurdle most startups encounter, and policies can ease that hurdle by lowering barriers for investors, incentivizing investment, and creating accessible grant and loan opportunities.

Policymakers should:

- Expand and diversify the pool of investors so that more diverse startups receive funding
- Streamline processes for obtaining government funding, including through the grant process
- Avoid policies that make it more difficult to be acquired or access the public markets

page 2

CONNECTIVITY: Ubiquitous, affordable, reliable Internet access across the country creates a level playing field where anyone with a good idea can launch an innovative startup.

Policymakers should:

- Ensure ubiquitous, affordable, reliable broadband access for all communities across the country
- Invest in education and resources to increase digital literacy
- Support policies that keep the Internet open to startups

page 4

COPYRIGHT & TRADEMARK: Existing intellectual property frameworks around copyright and trademark support innovation, including the fair use doctrine and intermediary liability frameworks that protect startups that host user content.

Policymakers should:

- Defend the copyright and trademark frameworks that encourage innovation, competition, and expression, including the fair use doctrine
- Push back on proposals that would require startups to proactively look for—and make complicated determinations about—infringement in vast amounts of user content

page 6

PRIVACY: Startups want to be responsible stewards of their users' data, but they need clear, uniform, and consistent rules of the road when it comes to collecting, processing, sharing, and securing user data.

Policymakers should:

- Pass a federal, uniform, consistently-enforced set of rules around user privacy to provide startups with predictability and stability as they launch and grow, especially as several varying state privacy laws take effect
- Preempt varying state laws that make up a confusing patchwork of privacy laws

page 8

TAX: Tax incentives can promote investment and participation in the startup ecosystem and allow startups to conduct R&D and use their capital to grow.

Policymakers should:

- Change existing tax treatments—including QSBS and the R&D tax credit—to encourage would-be employees to join early stage startups and to encourage investment in innovation
- Keep current tax treatments indexed to inflation so more people can invest in startups
- Create new incentives for investing in early-stage companies, including a federal angel tax credit

page 10

ARTIFICIAL INTELLIGENCE: AI policy in the U.S. and around the world will shape how the technology is developed, what it can be used for, and at what cost—all impacting the competitiveness of startups.

Policymakers should:

- Endeavor to limit negative consequences for startup competitiveness while mitigating risks associated with AI
- Support startup success by creating and funding AI resources for startups, bolstering AI talent, and affirming longstanding IP and intermediary liability frameworks

page 3

CONTENT MODERATION: The current legal framework for the Internet allows startups to host—and moderate—user content (from comments, to reviews, to photos and videos, to files, to messages, and more) without facing ruinous legal costs anytime one user takes issue with another user's content.

Policymakers should:

- Defend legal frameworks that allow startup platforms of all types to host user content without reviewing or scanning it
- Support startups' efforts to moderate content in ways that make the most sense for each platform's community of users

page 5

PATENTS: High-quality patents can promote innovation and creativity in the startup ecosystem, but startups are often the first to suffer in the face of low-quality patents that can be easily weaponized.

Policymakers should:

- Improve the quality of issued patents and preserve or enhance tools to protect against invalid ones
- Create more transparency in the patent system around who owns patents and controls patent assertion lawsuits

page 7

TALENT: The startup ecosystem requires training and attracting the best and brightest and flexible policies that enable startups to grow their team as they scale.

Policymakers should:

- Lower barriers in immigration programs to make them more accessible to startups and small companies and implement new immigration pathways
- Support STEM education and training programs across all education levels
- Support policies that increase workforce flexibility and mobility

page 9

TRADE: Digital trade policy promotes domestic technology entrepreneurship as lowering barriers to trade unlocks markets for U.S. startups to expand, compete, and find success.

Policymakers should:

- Pursue policies that lower barriers to trade by facilitating cross-border data flows, reducing regulatory burdens, lowering tariffs, and promoting stability to ensure that startups are well positioned to prosper.
- Work together with trading partners around the world to facilitate cross-border transfers of data and enable startups to participate in digital trade

page 11

GET INVOLVED

Engine is a non-profit organization that works with thousands of startups and other members of the startup ecosystem in communities across the country to advocate for pro-startup, pro-innovation policy through research, analysis, and advocacy. We believe that, while the vast majority of startups can't afford lobbyists, their voices should be front and center as policymakers think about innovation, entrepreneurship and technology policy.

In the summer of 2025, we hosted a series of roundtables in cities across the country, convening startup founders, ecosystem support organizations, and policymakers to discuss policy issues impacting startups. If you're interested in participating in an event featuring startups in your community, please contact advocacy@engine.is.