

Question: Mr. Abbott, as an investor, you have finite resources and need to pick and choose between great ideas. What is it about the Internet of Things that has you and your firm excited? What concerns do you see on the horizon that may temper that enthusiasm?

We are excited because of the incredible wave of innovation that we see coming in this space. Analysts today are projecting anywhere from 20 to 50 billion new sensors within the next five years. Those sensors will be deployed across consumer, industrial, and enterprise sectors. Some sensors will replace existing processes, enabling better products and services at a lower cost. Others will create entirely new capabilities, whether they are autonomous vehicles or sensor-equipped industrial machinery or delivery drones.

Beyond the developments that get headlines, there are others that are just as important. When we deploy sensors at this scale, we have new tools for quality control, moving from a timed approach to maintenance – checking the crane or the elevator or the brakes every set number of months – to knowing immediately when a product is overheating. This needs-based approach improves quality, improves durability, improves productivity, and – perhaps most important – improves workplace safety. This is just another example of how the Internet of Things will change the way we live and work. And as the best engineers in Silicon Valley focus on this area, whether in manufacturing and logistics or in other functions that make a difference for the enterprise, the possibilities will continue to increase – and the costs, for consumers, will continue to fall.

Some of the creation and deployment of these new technologies will come from existing companies. But others will come from resourceful entrepreneurs who draw on their own creativity and expertise to build meaningful standalone businesses. Our firm exists to find and back those entrepreneurs and help them build great companies.

Our main concern is not with the state of technology but with the prospect of ill-designed regulation. We know that there are legitimate concerns about how the data collected by new sensors will be used, and we support clear transparency about what data is being collected and how it is being used. But we also know that the new sensors, if they are to unlock the power of this technology to improve the lives of consumers, require sufficient data. The technology is young – We are still learning what data is most useful and why, and we are still learning how to use data more efficiently. Our hope is that policymakers will recognize that the ability to use big data, so long as the consumer has not opted out, is essential to innovation in this space.

Question 2: Mr. Abbott, in your testimony, you urged regulators and legislators to proceed with caution when considering regulation regarding the Internet of Things. As you note in your testimony, the FTC recently released a staff level report on the Internet of Things which makes “best practice” recommendations on privacy, security, and data minimization. I understand many IoT companies are concerned about whether today’s best practices may tomorrow become “reasonable” practices subject to enforcement by the FTC. This could lead to a great deal of uncertainty in the marketplace for startups. How do questions about the FTC’s reach affect investors like yourself?

Starting a successful company, even in a space with as much opportunity as the Internet of Things, is never easy. If the FTC's reach began to factor more significantly into our calculations as we considered whether and how a startup would succeed, the decision to back an IoT entrepreneur would become more difficult.

This is especially true because early-stage companies, unlike large tech firms, generally do not have existing data to draw on. Their ability to innovate depends on their ability to learn from the data generated by users. If they faced restrictions in doing this, they would have a harder time getting off the ground, as so many startups fail to do. As investors, we would be more skeptical of the prospects for success when the market is constrained, and we might instead turn our attention to other markets – and perhaps look for opportunities abroad if the regulatory environment there were more favorable for entrepreneurs.

We fully support clear transparency around data collection practices and believe that the consumer should know what is being collected as a user of the product. We simply hope that the legitimate need for transparency will not turn into regulatory practices that stifle innovation in this space at such an important time.