



Office of the Chair

UNITED STATES OF AMERICA  
Federal Trade Commission  
WASHINGTON, D.C. 20580

**Remarks by Chair Lina M. Khan  
YCombinator  
San Francisco, CA  
July 25, 2024**

Hi, everyone. Thanks so much to Garry Tan and Y Combinator for inviting me here today.

As you all know, there has been a lot of talk in Washington recently about how to address artificial intelligence. Garry has been a fierce advocate for little tech companies, making sure they get a seat at the table in these policy conversations.

Against this backdrop, it's exciting to be here to talk about how we can make sure America can harness the full opportunity, innovation, and growth that AI could present. A vital ingredient will be making sure that these markets stay open, honest, and competitive. Fair competition is what ensures that the best ideas win—that markets are rewarding businesses with the best skill and talent, rather than incumbent firms that can exploit special privileges or advantages. These are the markets that allow tinkerers and dreamers to come up with a big idea, take a risk, and thrive.

These open, fair, and competitive markets are the engine of American growth and innovation—especially at moments of major disruption and transformation, like the one we are potentially facing now with AI.

These are the moments when we see breakthrough ideas, ideas that shift the paradigm. These are the moments when any upstart, led by bold founders willing to take a risk, can change the landscape forever.

But history shows these can also be the moments when incumbents tighten their grasp, even if it means abusing their power, because they have the most to lose. These companies can exploit bottlenecks and stop the flow of innovation. They can leverage their market power to pick winners and losers, rather than allowing the best ideas to win.

To stay ahead and fully harness the benefits of AI, we must make sure that upstarts can compete on a level playing field. This requires a philosophy of openness across the industry—not just open markets, but open architecture, open ecosystems, and open-source software.

For decades, open-source software has driven competition, innovation, and opportunity in the tech space. Under certain conditions, it has allowed researchers and developers to build on each other’s discoveries more easily and more efficiently.

Take Linux, for example, which was developed more than 30 years ago. With the help of the community that sprouted up around it, Linux has allowed countless technologies to flourish, from cloud services to supercomputers. Now it powers some of the world’s most important systems, from the New York Stock Exchange to the particle accelerators at CERN.

In fact, some of Y Combinator’s most successful companies may never have come into existence without open-source software and its community. Technologies we use every day could have never made it past the idea stage because the barriers to entry posed by proprietary software are simply too high.

Openness is more than a feel-good philosophy. It’s a proven catalyst of innovation—which is why it has attracted hundreds of billions of dollars in venture capital funding to help start-up founders bring their ideas to life.

So it’s worth thinking about what “open source” could mean in the context of AI—both for you as innovators, and for us as law enforcers. Of course, the definition of “open source” in the context of software does not translate neatly to AI. We’re still figuring this out, and I have been grateful to meet with some of the people who are leading efforts across the industry to develop a shared understanding of what openness in AI might mean.

As a starting point, instead of saying “open-source models,” the FTC uses the phrase “open-weights models,” specifically referring to AI models for which the weights are publicly available.

It’s still early days, but we can already see that open-weights models have the potential to drive innovation, promote competition and choice, and lower costs and barriers to entry for start-ups like the ones that incubate here.

The FTC is clear-eyed about the conditions that need to exist to make this vision come true.

As you know better than anyone: it isn't easy to build an AI foundation model. It is resource- and capital-intensive—from retaining engineering talent, to accessing expensive compute infrastructure, to acquiring the necessary data.

Those factors have allowed the biggest technology companies to get a leg up in the AI race. If you control the raw materials, you can control the market and shut out smaller companies who don't have the infrastructure to compete. This may well lead to fewer exciting products made by even fewer companies—and can come at the expense of both innovation and choice.

But with open-weights models, more smaller players can bring their ideas to market. There is tremendous potential for open-weights models to promote competition across the AI stack—and by extension, spur innovation across the stack, too.

Open-weights models can reduce costs for developers, so they can focus their capital on products and services, rather than expensive model training. And they can free up venture capital to pursue promising new applications of models, rather than starting at square one with model development.

At a basic level, open-weights models can liberate start-ups from the arbitrary whims of closed developers and cloud gatekeepers. Developers that use open models are less likely to have the ground shift under them because a model owner decides one day to significantly increase the cost of API access.

That is the type of free and fair market the FTC is committed to promoting. You all deserve the opportunity to build in that type of environment, free from the pressure and constraints of monopoly power.

Of course, open-weights models come with some challenges.

First, it matters who develops and owns the open model. We've seen firms deploy opportunistic “open-first, closed-later” strategies, where they use openness to draw in developers, scale up quickly, and enjoy the network effects and data feedback loops that this scale provides. Then, once they've ridden openness to dominance and locked in a user base, they flip the switch and become closed instead.

Policymakers across government need to be vigilant of this playbook, and antitrust enforcers already are.

For example, in one of the FTC's lawsuits against Meta, we note that Meta allowed third-party developers to build apps that integrated with Facebook, only to reverse course later and

restrict access to those that challenged them. The Justice Department’s lawsuits against Google allege a version of this story too.

Second, the licensing terms attached to the model are crucial. A developer could make a model’s weights available under licensing terms that ultimately restrict developers from using it to meaningfully compete in the marketplace.

And third, there is a serious risk of bad actors using open models to engage in troubling and even illegal activities. AI can be used to clone voices to defraud consumers and to create sexually explicit imagery of people without their consent, including children.

This isn’t speculation; we are seeing this happen right now. And so even as we embrace a commitment to openness, we need to be clear-eyed about the risks.

Openness is just one way to promote a level playing field for start-ups. There are other key ways we can shape policy to structure markets such that they allow the best ideas and best talent to rise to the top.

Founders have told us that they struggle to compete, because dominant players are monopolizing access to key talent, critical inputs, and valuable data. The FTC is doing our part to open up the market and ensure that founders have what they need to start and scale their businesses.

First, talent. Some of the best engineers in America are bound by restrictive noncompete clauses. We’ve heard from startups that secured funding and entered the market—only to find they can’t grow because the talent pool is locked up by the dominant players.

Earlier this year, the FTC banned noncompete clauses. This will allow 30 million Americans—including developers, designers, and researchers across the country—to move freely from company to company with their innovative ideas and their unique expertise.

Second, we are making sure that firms have competitive access to the critical inputs needed to build AI tools and models. One of the first merger lawsuits we filed after I joined the agency was to block Nvidia’s attempted acquisition of Arm—which would have given one of the largest chip companies control over the technology and designs that its competitors rely on to develop their own chips. Our team determined that the merger would undermine competition and hamstring innovation of next-generation technologies.

We also launched an inquiry into the partnerships between dominant AI players and cloud service providers, to better understand the impact these relationships have on competition—and to

make sure no company is exerting undue influence or gaining special access because of these partnerships.

Third, we are making clear that major companies cannot collect swaths of data by surreptitiously and retroactively changing their terms of service. This is not only an invasion of consumers' privacy, it also distorts the playing field and gives these firms a leg up over smaller competitors with fewer avenues for data collection.

At the helm of this work is the FTC's new Office of Technology, which we launched last year to deepen our in-house expertise. Our team includes folks who have built open-source software and who have deployed technology to millions of people. We have active members of the open-source community, and alumni of start-ups that incubated here at YC.

I want to close by addressing what I see as a common misconception about the tech sector in policy circles, which is that it's a monolith. That the interests and incentives of all tech companies are the same, from scrappy start-ups to giant firms.

The many conversations I've had with tech founders here in Silicon Valley have continued to remind me just how misguided that assumption is. Instead, founders tell me that too often they worry that who wins and who loses in the marketplace is not reflective of a start-up's skill or talent. It's instead about whether that idea aligns with the agenda of a giant incumbent. In other words, if one of the giants wants you to succeed, you just might. And if they don't, you probably won't.

Open, fair, and competitive markets mean that the best ideas and talent win, without needing to bow down to any existing monopolist.

That is why it's so essential that federal enforcers continue to hear from the folks in this room, and from market participants across the tech ecosystem.

With your input, policy choices in Washington can help build a future where vibrant competition gives challengers like you a fair shot at championing the next technological breakthrough. That is the future we should all aspire toward—and it's one that free and fair competition can help create.

Thank you.

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