



## **Alternatives to Silicon Valley: The Emergence of Tech Hubs in Nashville and Montreal**

**Technology, Privacy, and eCommerce**



For more than 40 years, the southern San Francisco Bay area known as Silicon Valley has been the birthplace of an impressive range of technology startups — including Apple, now the world's most valuable company — as well as the epicenter of innovation across various verticals from software to

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microprocessors to social media. The region attracted disruptors, creating one of the most skilled labour forces in the world. It also brought rapid escalation — in everything from salaries to cost of living to legal services. For many years, cities have been dubbed the Silicon Valley of "the North," "the South," "India," "Europe," and seemingly every other country, continent, or cardinal direction. Companies have already begun to seek alternatives to the limited space and high salaries of Silicon Valley. Two cities that have distinguished themselves as logical alternatives are Nashville and Montreal.

These two cities share more than just a passion for hockey (just ask any hockey fan about the controversial 2016 trade between the Montreal Canadiens and the Nashville Predators, and the fact that hockey fever has consumed Nashville ever since the Predators' first post-season appearance) and lauded culinary scenes (both adored by the late Anthony Bourdain). Both cities are also experiencing booms in the technology sector that have had far-reaching impacts in the legal world as well. While it would be hard to select two cities that are more different on the surface — one a French-Canadian city with a European flair and the other a southern US city with deep roots in country music — these cities have a lot in common when it comes to their recent emergence as technology hubs.

Montreal has always benefitted from its geographical location, dating back to the days of trading fur pelts up the St. Lawrence River. The city's riverside location proved to be a major advantage in its development as a transportation, manufacturing, and financial centre. The political tensions and threat of separation in the 1970s and 1980s caused long-term instability to Montreal because many businesses moved their head offices to Toronto and foreign investors proceeded with caution. Decades later, Montreal has finally reversed this trend, and the last few years have seen more investment in the city, especially in technology.

Nashville has long been recognized as a hub for the healthcare industry. Its economy is further boosted by its other highly successful industries, namely music and entertainment, manufacturing, and tourism and hospitality. Drawn not only by the vibrant live music joints that line its downtown streets, but also its low unemployment rates, welcoming vibe, and notoriously diverse and recession-resilient local economy, Nashville has experienced major population and tourism booms in recent years.

Between July 1, 2010 and July 1, 2017, Nashville's local census surveys tracked a double-digit population surge as it grew from an estimated 1,675,757 residents to 1,903,045 residents, giving rise to the now famous claim among Nashvillians that "100 people a day" make Music City their new home. Nashville's recent accolades also include being ranked as a top 10 US metro for job growth for the last six years in a row (climbing to number three on that list in 2017), a top 20 finalist among the cities being considered by Amazon for the site of its second headquarters, second place in the nation by CBRE for its growth of highly skilled tech workers, and fourth place by Fortune magazine in its national survey of overall technology job growth.

According to Brian Moyer, CEO and president of the Nashville Technology Council, Nashville is distinctive in its "fertile creative ground" that he credits to the city's "musical heritage" and support of "improvisation and individual expression," which welcomes "expansive thinking, new approaches, and facilitates sharing and collaboration"; qualities that are attractive to entrepreneurs, technology startups, and innovation-minded companies and individuals. Indeed, Moyer and the Nashville Technology Council, along with the Tennessee Entertainment Commission, are just some of the many forces striving to establish Nashville as the "Creative Tech Destination" of the United States.

"The quality of life in Nashville for a young professional is hard to beat," says Chris Sloan, chair of

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Baker Donelson's Emerging Companies Team. "When you factor in the relatively low cost of living, the vibrant music, food, and culture, and the number of large companies that are locating here, it's easy to see why our tech and entrepreneur communities are thriving." Sloan, and his colleagues at the law firm, whose Nashville office has grown considerably in recent years and is now attracting more technology-related work than ever, have seized upon the numerous collaboration opportunities presented by the local technology community, where the attorneys serve as leaders, advisors, and board members for various technology accelerators and technology-focused organizations.

According to Sunny Handa, partner and co-practice group leader of Blake, Cassels & Graydon LLP's Technology Group:

"Montreal is now known as one of Canada's premier technology hubs and in fact ranks highly across North America. With the loss of elements of the traditional Montreal economy such as financial services, the textiles industry and manufacturing to name a few over the past 40 years, Montreal has reinvented itself using technology industries as an anchor."

Further, according to John Leopardi, Handa's partner at Blakes, who co-heads the tax group in Montreal, this all comes down to three elements that have helped with this surge in the last many years. Leopardi explains:

"Quebec has a slew of refundable tax credits that [are] offered in several spaces but principally in the technology space, which stand out vis-a-vis the rest of the other Canadian provinces. Those, coupled with relatively low operating costs and a fresh talent pool from universities, have caused this province to stand out over the last few years."

Montreal also still benefits from its geographical location: 90 minutes by air to New York and Boston and less than a one-hour drive to the US border has tangible benefits.

The present-day situation in Nashville is similar in terms of the city's commitment to welcoming and incentivizing new businesses and industries. Lori Odom, vice president of international business for the Nashville Chamber of Commerce, has observed that economic and community development incentives are managed at the metropolitan and state levels. Businesses are evaluated for incentives on a case-by-case basis with "an emphasis on a variety of economic factors including capital investment, new jobs created, industry sector[,] and average wages," she added. Job tax credits, infrastructure and training assistance, energy credits, low-cost loans and grants, and tax abatement are among the incentives Odom has seen the city use to attract new businesses.

In addition to these incentives, other benefits enjoyed by Nashville include no state personal income tax on wages and salaries, and the repeal of the so-called "Hall tax" on investment income slated for 2022. Unsurprisingly, these incentives and benefits have caught the attention of leading companies, such as financial firm AllianceBernstein Holding L.P., which recently announced its plan to relocate its global headquarters from New York City to Nashville, Tennessee, which will reportedly bring 1,050 jobs and over US\$70 million in investment to the city, and reduce the firm's operational costs by moving the majority of its operations to a lower cost city.

Beyond attracting top talent, Tennessee Governor Bill Haslam has led efforts to build the talent pool within the state of Tennessee and identified it as "a top priority" for the entire state of Tennessee. Strong evidence of this mission can be seen in the "Drive to 55" initiative launched by Governor Bill

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Haslam in 2013, which aims to equip 55 percent of Tennesseans with a college degree or certificate by 2025 through programs such as the Tennessee Promise scholarship, which provides two years of tuition-free community or technical college education to Tennessee high school graduates, and Tennessee Reconnect, which offers adults the opportunity to complete a tuition-free post-secondary degree or credential at a community or technical college.

Aside from law firms, which tailor their services accordingly, addressing everything from startups to the cryptocurrency world, the abundance of growth has also changed the landscape for in-house counsel. Whereas 10 years ago, many attorneys gravitated toward traditionally publicly-traded multinational companies, today, attorneys are increasingly working in-house in the technology sector, with many landing at startups, gaming companies, online publishers, and service providers. It is not unusual for startups to hire in-house counsel earlier rather than later, and this trend has created a slew of graduates who are specifically looking for work in the technology space.

In fact, one of the early investors in Montreal was Ubisoft, the French gaming company behind games such as Assassin's Creed, which has over 2,500 employees in Montreal. Since then, numerous other companies have set up in Montreal, including LightSpeed POS, Busbud, GameLoft, and, recently, Facebook's AI research center.

Within the last 10 years, leading technology-driven companies have increasingly taken root in Nashville, including EventBrite, Lyft, Postmates, Houzz, Phillips Healthcare, and Asurion, and, within the past year alone, more than 100 tech-related events have been hosted in and around Nashville — a clear sign of the city's efforts to cater to the growing local interest in software development, digital content, UX, tech manufacturing, hardware, data analytics, and security, among other topics. In turn, the local legal community has been building up their privacy, security, and technology practices in order to keep pace with these developments.

What does the future hold for Montreal and Nashville? As Handa points out, specific sectors within tech are starting to break out on their own, further developing the landscape, such as the artificial intelligence (AI) space in Montreal, which Facebook selected to host their research center. She continues:

"Montreal is now regarded across North America as having extremely strong clusters in aerospace, biotechnology, digital graphics, video gaming, and now artificial intelligence. In the case of the artificial intelligence industry, Montreal's universities have served as an incubator for the growing number of technologies and resulting companies that have sprouted up in the city. The success of the artificial intelligence cluster is evidenced by the number of large multinational technology companies that have set up an artificial intelligence presence in Montreal in order to capture the technological spinoffs and the human resources that are being developed in Montreal."

Meanwhile, Nashville continues to foster technology innovation in its dominant healthcare industry while also diversifying and enriching its "creative" technology sector. Like Montreal, Nashville is seeing increased interest in artificial intelligence as a means of increasing efficiency in the legal market and elsewhere, and both cities continue to benefit from a steady pipeline of technology professionals rising up through the ranks of local software schools, filling up spaces at WeWork and similar co-working venues, and relocating from larger, more expensive cities to participate in the evolution of two of the newest and most successful US tech hubs.

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