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## **Hatch Statement at Finance Committee Hearing on Counterfeit Goods & Opportunities for Small Business Exporters in the Digital Age**

WASHINGTON – Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a hearing to examine trade opportunities and challenges for American businesses in the digital age:

*Welcome everyone to this afternoon’s hearing, which we’ve titled: Challenges and Opportunities for U.S. Business in the Digital Age.*

*Over the last decade, the digital economy has dramatically changed our way of life – from the way we hail a cab, search for a new home, or order take-out, it has a profound effect on our lives.*

*This is also true for the ways in which companies conduct their business.*

*The digital economy provides U.S. businesses of all sizes with great opportunities and challenges. In today’s marketplace, businesses no longer have to rely on the hope that a passerby will notice something in their storefront window and come in. Today, a business can setup shop wherever it wants and sell all kinds of products over the Internet to customers all over the world.*

*This represents a huge portion of worldwide commerce. According to the Internet Association, about 8 trillion dollars changes hands in the digital marketplace each year.*

*In addition to having a digital storefront that can be seen in every corner of the world, the Internet also provides new tools for businesses to find and retain customers. For example, it is now possible to tailor advertisements to specific market segments and interact in meaningful ways with customers using social media.*

*However, as with all great technological and societal developments, there are challenges that come part and parcel with the opportunities. Although the United States has largely embraced and supported the changes brought about by expanded Internet commerce, there are many countries around the world that do not fully embrace this potential.*

*Many countries want to regulate various facets of the Internet, including the digital economy, operating under a mindset from the last century.*

*Put simply, that's not a wise or sustainable approach to dealing with the Internet. That is why the Finance Committee worked to make digital trade a priority in our international trade negotiations through the Trade Promotion Authority, or TPA, statute that was signed into law last year.*

*The digital trade negotiating objective in the new TPA law directs the administration to do a number of things in order to protect the Internet as we know it, including ensuring that our digital goods and services can be exported to other nations without duties, that our electronic goods and services are treated no less favorably than their physical counterparts, and that the free flow of data across borders is not inhibited.*

*Another equally important challenge facing businesses and consumers in the digital marketplace is the rise of counterfeits. Just as the digital economy has made it easier for businesses to find and engage with consumers, it has also enabled counterfeiters to do the same.*

*Small businesses are the backbone of our economy and, for these businesses, the Internet is a powerful tool.*

*I don't think I'm the only who remembers a time in which the first steps to launching a successful business were finding the right spot to physically locate the business and advertising in the local newspaper. Clearly, times have changed, and, today, small businesses start by launching a website and creating a Facebook page.*

*Unfortunately, the relative simplicity and efficiency of this process can sometimes be a double-edged sword.*

*We hear all the time from businesses that have established a robust web presence to grow their business only to find that, as their products became more popular, counterfeiters started to sell fake versions of their products. Some of these counterfeiters are so brazen that they steal photos from legitimate websites and use them to advertise their fake products on search and social media platforms. Equally as unnerving, the consumer often doesn't know that they are purchasing a counterfeit good.*

*Sadly, the threat of counterfeit goods is only growing.*

*The Organization for Economic Co-Operation and Development (OECD) recently released a study that shows that counterfeit products accounted for up to 2.5 percent of world trade, or \$461 billion, in 2013. This is a dramatic increase from a 2008 estimate that showed that fake products accounted for less than half that amount.*

*Counterfeits are a worldwide problem, but the OECD estimates that the United States is the hardest hit, followed by Italy and France. Of the estimated \$461 billion in counterfeit trade in 2013, goods with registered intellectual property rights in the U.S. represented 20 percent, or \$92 billion, of the OECD estimate.*

*U.S. trade data also shows a growing trend in counterfeits. U.S. Customs and Border Protection, along with Immigration and Customs Enforcement, tracks, on an annual basis, the number of seizures conducted at the border to stop products that violate U.S. intellectual property rights from entering the United States. Over the last decade, these seizures have nearly doubled from approximately 15,000 in 2006 to over 28,000 in 2015. The 2015 seizures represent approximately \$1.4 billion of goods.*

*As we all know, this is a multifaceted problem with no simple solutions.*

*Congress has taken a number of steps to address these challenges. In addition to establishing a TPA negotiating objective on digital trade, we addressed counterfeits in our Customs bill, which was signed into law earlier this year. This new law established a Chief Innovation and Intellectual Property Negotiator in the office of the United States Trade Representative, strengthened the "Special 301" report, required CBP to publish information concerning the seizure of unlawful circumvention devices, and codified the National Intellectual Property Rights Coordination Center.*

*These are all important developments. However, as we learned at our FTA Implementation hearing earlier this year, we also must ensure that our trading partners fully implement their commitments in our trade agreements. All too often, we have seen the Executive Branch allow agreements to enter into force without first ensuring that our trading partners have fully met their obligations. This is especially true when it comes to provisions relating to protecting intellectual property, particularly under the current administration.*

*Going forward, if the Obama Administration wants Congress's support for trade agreements like the Trans-Pacific Partnership, they must not only address outstanding Congressional concerns, but also demonstrate that they have achieved a common understanding through detailed plans with our trading partners on how they intend to implement these and other commitments.*

*As the digital economy continues to evolve, Congress must be vigilant in finding new and better solutions. That is one reason why we are holding this hearing today, to hear firsthand what steps we can take to ensure a safe and secure digital environment for the future.*

*We have some very accomplished witnesses with us this afternoon. I am very much looking forward to their testimonies and to what I hope will be a robust discussion of how we can more effectively ensure that our workers, consumers, and job creators receive the full benefits of the digital marketplace while also preventing the growing threat of counterfeits going forward.*

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