

**Opening Statement of  
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Consumer Protection and Commerce Hearing on “Buyer Beware: Fake and  
Unsafe Products on Online Marketplaces”  
March 4, 2020**

*As Prepared for Delivery*

Good morning and welcome to the Consumer Protection and Commerce Subcommittee hearing on counterfeit products.

I want to first recognize how President Trump and his Administration are leading to combat counterfeit and pirated goods online.

The President has made this a priority, which is clear in “Phase 1” of the U.S.-China Trade deal. For instance, China agreed to:

- Provide enforcement procedures to facilitate effective and quick takedowns;
- Consider revoking e-commerce operating licenses for repeated failures;
- Take action to stop the manufacturing of pirated and counterfeit products;
- Take enforcement action against counterfeit medicines and other products that may have a significant impact on public health or safety;  
and
- Increase the number of trained professionals to inspect, detain, and destroy any counterfeit goods found at the Chinese border.

In addition, on January 24<sup>th</sup>, the Department of Homeland Security released its first report required by President Trump’s April 2019 *Memorandum on Combating Trafficking in Counterfeit and Pirated Goods*.

This was a call to action to fight against cheaters and bad actors gaming the e-commerce system.

The report recommends where the government should take action and best practices for e-commerce platforms and other third-party marketplaces.

Among the best practices, the Administration is calling on companies to:

- 1) enhance the vetting of third-party sellers;
- 2) limit high risk products;
- 3) clear transactions through banks that comply with U.S. law; and
- 4) provide rapid notice and takedown procedures.

Following the report, President Trump signed an executive order to ensure safe and lawful e-commerce protects people and guards against intellectual property abuse.

The Administration should be commended for their leadership.

As I've said before, to win the future and beat China, America must be the global leader in the 21<sup>st</sup> century economy.

Just like we must lead to promote artificial intelligence and deploy autonomous vehicles America must also lead to stop counterfeit goods and protect our intellectual property.

If we don't step up, China will dictate the terms and rules for the future.

The Chinese Communist Party will win with the playbook they've always used by undermining human rights, stealing from our innovators, and cheating and harming Americans.

America innovates and creates, while China cheats and steals.

According to a report by the Organization for Economic Cooperation and Development, China is the "single largest producing market" of counterfeit and pirated products.

Administration officials estimate that more than 100,000 packages from China arrive in America a day that could harm and defraud people.

More than 85 percent of all contraband seized at our borders come from China and Hong Kong.

While the Administration is taking decisive action, the government and regulations cannot solve this issue alone.

Because the best way to predict the future, is to invent it. American innovators must be equipped to win the future and beat China in artificial intelligence, blockchain, IOT, and other emerging technologies.

Companies today are leveraging AI to analyze data points to discover counterfeit listings and repeat offenders.

IOT provides identification and traceability functions that can be used to address and track counterfeit sales.

Blockchain may provide a unique solution to this complex problem too.

For example, a tamperproof chain of custody that uses smart tags can ensure only authentic products are included on the blockchain and sold.

As the DHS report suggests, we should leverage public-private partnerships to develop a national awareness campaign.

We should educate people about the risks of counterfeits as well as the various ways they can spot and report counterfeits online.

Etailz in Spokane Valley, Washington is also working with businesses to navigate online marketplaces and protect their brands from bad actors.

They do so by helping small businesses conduct test buys, documenting counterfeits, and filing complaints among other services.

It's proactive, pro-innovative and pro-consumer actions like this that we should encourage, especially on e-commerce sites that are convenient for people and create more opportunities for small businesses to succeed.

I thank leaders like Etailz for taking action for the health and safety of customers and encourage this committee to lead by harnessing—not holding back-- the innovation and agility of the private sector to address this pervasive problem of counterfeit products..

Thank you. I yield back.