

**Prepared Statement by Senator Chuck Grassley of Iowa
Chairman, Senate Judiciary Committee
Hearing on Counterfeits and Their Impact on Consumer Health and Safety
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Good morning everyone. We're here to discuss an intellectual property crime that's growing in magnitude across the United States and around the globe: counterfeiting and, in particular, the impact of counterfeits on consumer health and safety. This is an important consumer protection issue, and a timely one, considering that yesterday was World IP Day. We have an excellent panel of witnesses that will be able to provide us with their invaluable insights into this serious problem that affects us all. I thank them for being here today.

The production and sale of counterfeit goods is a world-wide problem with tremendous economic and health ramifications. Governments, industries and consumers all are impacted by "fakes."

Counterfeiters operate elaborate global networks to manufacture, export, import, and distribute their illegitimate products. They exploit border control weaknesses, poor regulatory frameworks, and overwhelmed law enforcement agencies to advance the sale of their illicit goods. While counterfeiters profit in the billions from their criminal activities, millions of consumers are at risk from their unsafe and ineffective products.

Counterfeits are a real threat to our economy, to job creation, and to innovation. According to some sources, counterfeiting costs the global economy over 2.5 million jobs per year and drains tax revenue. Counterfeits undermine the ability of American businesses to compete in foreign markets, and they expose American companies to increased liability.

In recent years, there has been a tremendous increase in the manufacturing, trade and consumption of these products. For example, last year, the Department of Homeland Security's Customs and Border Patrol seized over 28,000 items that infringed on intellectual property with a value of \$1.3 billion. According to an OECD Report on counterfeiting released just last week, in 2013, counterfeit and pirated goods represented up to 2.5% of world trade, or as much as \$461 billion. Further, counterfeits help fund criminal gangs, organized crime, and even terrorism.

Enforcement efforts are having a tough time keeping pace with the ever changing tactics of these criminals. Moreover, criminals are taking advantage of advances in technology to increase their sales to unsuspecting consumers.

However, possibly the most nefarious impact of counterfeit goods is the danger they present to the consumer health and safety. Hazardous counterfeit products, like counterfeit medicines, electronics, and automotive and military parts, put the public at tremendous risk of harm, and even death. Criminals have ramped up their production of counterfeit items like airbags, smoke detectors, computer chips, and cancer medication—products that have an immense impact on everyday life.

These kinds of counterfeits have lasting and potentially fatal consequences for consumers' health and safety. Americans expect that their brakes will work and stop their cars in the rain, or that their prescription drugs will contain the correct mix of active ingredients to cure an illness.

But with increased counterfeiting of so many everyday products, this presumption of quality and effectiveness is becoming less and less certain, often times with devastating results.

I've been interested in the issue of unsafe counterfeits for some time. In fact, I worked with the Ranking Member a few years back to address the problem of counterfeit pharmaceuticals and medical devices. Unfortunately, consumers unwittingly buy counterfeit medicines that have been manufactured in unlicensed, unregulated, uninspected, and frequently unsanitary sites. These medicines often have inactive or harmful ingredients. Counterfeit medicines are estimated to be a multi-billion industry worldwide, one of the most profitable commodities for criminal organizations.

Because counterfeit medicines are particularly dangerous to public health and impact the most vulnerable in our society – the sick, the elderly, the very young – Senator Leahy and I authored legislation that became law to enhance the criminal penalties for the trafficking of counterfeit medicines and devices. We need to do all we can to keep consumers safe in this area.

So counterfeiting has gone beyond just another cost of doing business. It now strikes at the core with its direct impact on the public's health and safety. In order to address this growing problem, we need programs in place to educate businesses and consumers about how to deal with counterfeits and the criminals that make them. Law enforcement should take a tough and proactive stand. They should work with their foreign counterparts, as well as with international organizations and public health authorities.

Federal agencies should cooperate with each other and with industry to secure supply and distribution chains, and bolster detection and enforcement efforts.

Voluntary and best practices must be encouraged amongst the various government, industry, and consumer stakeholders. Governments need to strengthen global IP protection and enforcement through stakeholder and law enforcement coordination in key countries. Data sharing will help inform everyone about the scope of the threat.

We in Congress also must strive to work together with law enforcement and industry to raise awareness and keep consumers safe from counterfeit products in the marketplace. In my capacity as a Co-Chair of the Congressional Trademark Caucus, we've tried to inform our colleagues about the value of trademarks and their impact on society and the economy. Consumers and businesses alike must understand the scale of the counterfeiting problem, and they should be constantly vigilant of the threat.

So, it's important for us to know what the state of play is with respect to not only the impact of counterfeits on the economy, but also their impact on the health and safety of American consumers. We have a great panel of witnesses from the government and private industry ready to tell us about the extent of the problem, the current and emerging challenges they face, and the strategies that will help put an end this scourge. I look forward to their testimony.