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Before the U.S. House of Representatives'
Committee on the Judiciary -
Subcommittee on Intellectual Property, Competition, and the Internet
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Chairman Goodlatte, Ranking Member Watt, members of the subcommittee on Intellectual Property, Competition, and the Internet, thank you for your continued leadership on intellectual property enforcement. I also want to thank you for the support that the Committee on the Judiciary and this subcommittee has provided to my office and the Administration's overall intellectual property enforcement efforts.

In June of 2010, we sent to you the Administration's Inaugural Joint Strategic Plan on Intellectual Property Enforcement. That Strategy was developed with significant input from the public and the coordinated efforts of Federal agencies, including the U.S. Departments of Commerce (DOC), Health and Human Services, Homeland Security (DHS), Justice (DOJ), State, and the Office of the U.S. Trade Representative (USTR). The overarching goal of the Strategy is to protect U.S. jobs, to increase exports of innovative technology and creative works and protect intellectual property rights, thereby allowing America's innovation to continue to drive our economic growth. A second overarching goal is to protect the health and safety of the public. In that Strategy, we set out six broad principles that we would follow to meet our goals and 33 specific actions that we would take to improve enforcement. We knew the Strategy would take time to implement fully, and we are making progress, including in areas involving international cooperation and improved protection for U.S. rightholders abroad.

Let me briefly mention the process my office is now conducting to review and revise the Administration's Strategy. When Congress passed the Pro-IP Act in

2008, it required the Intellectual Property Enforcement Coordinator to review and revise the Joint Strategic Plan to ensure we are addressing the latest challenges.

On June 26, 2012, my office published a notice in the *Federal Register* soliciting comments from the public on the new Joint Strategic Plan. The comment period closed on August 10, 2012. All the comments we received are available for review by the general public. Currently, my office is analyzing hundreds of comments submitted by companies, trade organizations, labor unions, academics, technology experts, and concerned citizens. There have been some excellent submissions with recommendations on ways to protect intellectual property rights both domestically and internationally, which will be helpful in shaping the next Strategy.

Let me shift to the subject of this hearing and the efforts we are making to ensure that American intellectual property is protected around the world. Today, I will be discussing partnerships with foreign law enforcement how we use trade policy tools, the use of U.S. personnel stationed overseas, international capacity building, the ongoing efforts with China, the development of a strategy to combat the theft of trade secrets and economic espionage, and the commitments made at the May 2012 G-8 Summit at Camp David.

Foreign Law Enforcement

Operating from abroad, often beyond the reach of U.S. law enforcement, today's criminals exploit technology and global distribution chains to develop increasingly sophisticated and diverse methods of infringement, such as the manufacture and sale of a wide range of counterfeit goods, including counterfeit pharmaceuticals; online infringement and theft of trade secrets. Enhanced international law enforcement cooperation is a critical component to combat the global nature of intellectual property infringement. Federal law enforcement agencies have strengthened ties with their foreign counterparts to: (1) enhance efforts to pursue domestic investigations of foreign intellectual property infringers; (2) encourage foreign law enforcement to pursue those targets themselves; and (3) increase the number of criminal enforcement actions against intellectual property infringers in foreign countries in general. To successfully reduce infringement overseas, we need the cooperation of other countries. Attorney General Eric Holder and U.S. Immigration and Customs Enforcement (ICE) Director John Morton have been pressing their foreign counterparts for better law enforcement cooperation in intellectual property crime investigations.

In addition, as described in more detail below, we are increasing the number of personnel overseas focused on intellectual property enforcement. The deployment of U.S. Government personnel abroad cultivates foreign law enforcement cooperation, expands the capabilities of foreign partners to enforce intellectual property rights, and further signals the commitment of the U.S. Government to protect intellectual property rights.

Cooperation between U.S. law enforcement and foreign counterparts in combating intellectual property crime has improved in recent years. For example, the National Intellectual Property Rights Coordination Center (IPR Center) has been able to expand its global membership. The IPR Center now has 17 domestic partner agencies and four international partners: Europol, INTERPOL, the Royal Canadian Mounted Police, and the Mexican Revenue Service. The IPR Center also has a partnership with multilateral organizations that has resulted in increased worldwide collaboration from international partners.

Counterfeit products that impact public health and safety remain a top priority for the IPR Center and the global law enforcement community—particularly regarding the escalating problem of foreign-based counterfeit pharmaceutical merchants. Toward that end, I am pleased to report that in January 2011, a Belgian national pleaded guilty to operating an illegal Internet pharmacy that sold \$1.4 million worth of counterfeit and misbranded drugs (along with controlled substances). The defendant used multiple websites to sell more than 40 types of prescription drugs. He operated a customer call center in the Philippines, received payments from customers using a credit card processor in the Netherlands, and paid employees using Western Union in the Philippines, Costa Rica, and the U.S. The defendant was arrested in Costa Rica and extradited to the U.S. under an agreement with that country. As part of his plea, the defendant agreed to pay a judgment of \$1.4 million.

Last fall, Operation Pangea IV, involving 81 participating countries, was launched by INTERPOL and the World Customs Organization (WCO) in a global law enforcement effort focused on websites supplying illegal and dangerous medicines. As a result, 2.4 million illicit and counterfeit pills worth \$6.3 million were confiscated, 13,495 websites were shut down, and 55 individuals are currently under investigation or under arrest, according to INTERPOL.

Operation APEC was a U.S. Customs and Border Protection (CBP)-led Asia Pacific Economic Cooperation (APEC) Mutual IPR Enforcement Operation. The operation targeted counterfeit pharmaceuticals by developing model practices for intellectual property enforcement in international postal and express courier

facilities. This is the first time a joint law enforcement operation has ever been conducted through the auspices of APEC. The United States and ten other countries participated in the operation which had enforcement actions ranging from detentions to seizures of over 1,200 shipments.

This year, CBP apprehended a notorious counterfeit pharmaceutical offender. A New Zealand physician (based in China) now faces up to 30 years in prison and \$6 million in fines after pleading guilty in July 2012 to supplying counterfeit erectile dysfunction pills. Robert Han was originally indicted in December 2007, but remained at large until March 29, 2012. He was taken into custody at San Francisco International Airport by CBP officers following his arrival on a flight from Hong Kong. The original investigation was spearheaded by ICE, in conjunction with the Food & Drug Administration.

In addition to counterfeit pharmaceuticals, the law enforcement community continues to target a wide variety of infringing products through joint operations and providing strategic training programs for our overseas counterparts. In February 2011, Paraguayan law enforcement authorities cooperated with DOJ, the U.S. Marshal Service and the FBI Joint Terrorism Task Force in Philadelphia to extradite a fugitive who had been identified as providing material support to Hizballah through the sale of counterfeit goods and other illegal activities. At the time of the indictment, the defendant had fled to the Tri-Border Area of Paraguay. This area includes Ciudad del Este, which has been identified in USTR's Special Out-of-Cycle Review of Notorious Markets as a haven for purveyors of counterfeit hard goods.

In June 2011, ICE-HSI Attaché special agents in Brasilia participated with Brazilian authorities in operations against several complexes near a shopping district that led to the seizure of 10 million counterfeit items estimated to be worth the equivalent of approximately \$255 million. The Sao Paulo Mayor's office initiated the program and invited the ICE-HSI Brasilia special agents to participate in the operation which included 400 Brazilian national, state, and city officials.

Operation Short Circuit was a three-month operation concluded in October 2011 and conducted by 43 countries that led to the seizure of more than one million counterfeit electrical goods that posed a significant risk to public safety. This operation was spearheaded by the IPR Center and conducted on an international level in coordination with the WCO.

During the six-week Holiday Hoax II Operation in November and December 2011, the IPR Center coordinated with several federal agencies, state and local law enforcement, and the Government of Mexico to seize over 327,000 counterfeit items worth an estimated \$76.8 million, nearly 300 percent greater than the first Holiday Hoax operation in 2009 (\$26 million). The 2011 operation spread across 66 U.S. cities; 55 cities in Mexico; and Seoul, South Korea. Local authorities also arrested 33 people connected to the violations.

While there is still much work to be done to foster cooperation internationally, these cases demonstrate a trend towards increased cooperation. In addition to coordinated law enforcement operations, the Administration continues to pursue improved international law enforcement cooperation through continued diplomatic engagement by the State Department, enforcement activities by DOJ and DHS, and trade agreements and reporting mechanisms at USTR.

Trade Policy Tools

The Administration has also been utilizing trade policy tools to press foreign governments to do more to protect American rightholders. In April, USTR issued the 2012 Special 301 Report. The report, which USTR issues pursuant to Section 182 of the Trade Act of 1974, as amended by the Omnibus Trade and Competitiveness Act of 1988 and the Uruguay Round Agreements Act (enacted in 1994), represents the result of an intensive review of our trading partners efforts to provide adequate and effective protection and enforcement of intellectual property rights (IPR) and market access for U.S. industries that rely on IPR.

This year's Special 301 Report highlights progress made in Spain, which after years of placement on the Watch List, was removed from the list because of steps made to address piracy over the Internet, including the recent adoption of regulations to implement a law regarding this issue. Malaysia was also removed from the Watch List after passing significant copyright amendments to strengthen its protection and enforcement against copyright piracy and promulgating regulations to protect pharmaceutical test data. The United States will continue to monitor their progress and work with these trading partners to address other areas of concern. In addition, Ukraine was moved to the Priority Watch List in this year's Special 301 Report because of its failure to effectively implement its 2010 IPR action plan and in light of serious concerns relating to counterfeiting and rampant piracy, including piracy over the Internet.

In addition to the removal of Spain and Malaysia from the Watch List and placement of Ukraine on the Priority Watch List, the 2012 Special 301 Report noted significant new laws, rules, and/or leadership structures in Israel, the Philippines, Russia, and China, among other countries. Significant trends noted in the report included growth in the online sale of pirated products and counterfeit hard goods; a surge in the use of legitimate courier services to deliver infringing goods; an increase in the practice of shipping of counterfeit products separately from labels and packaging in order to evade enforcement efforts; and growing challenges facing rightholders seeking to collect royalties that are legally owed for the public performance of their musical works in certain regions.

The report also noted the need for stronger and more effective criminal and border enforcement to stop the manufacture, import, export, transit, and distribution of pirated and counterfeit goods, including, counterfeit pharmaceuticals and bulk active pharmaceutical ingredients (API) used to manufacture counterfeit pharmaceuticals.

In 2012, the Special 301 Report contained a section highlighting best practices by trading partners in the area of intellectual property enforcement, including:

- Efforts by several trading partners that participated or supported innovative mechanisms, such as the Medicines Patent Pool, that enable government and the private sector to voluntarily donate or license intellectual property on mutually-agreed terms and conditions; and
- Positive reports regarding Russia's efforts to combat counterfeit medicines through a Memorandum of Understanding between the Ministry of Health and the Federal Service for Intellectual Property.

In February 2011, USTR released its first-ever Special 301 Out-of-Cycle Review of Notorious Markets (Notorious Markets List), following a separate request for comments and review of online and physical foreign markets that deal in infringing products. As a standalone report published separately from USTR's annual Special 301 report, the February 2011 Notorious Markets List increased public awareness of, and guided trade-related enforcement actions against, markets that exemplify the problem of global piracy and counterfeiting. As a result of the increased attention to these markets, Baidu, a leading Chinese search engine listed in the report, signed a music licensing agreement with One-Stop China, a joint venture between the Universal Music Group, the Warner Music Group, and Sony BMG.

In December 2011, USTR released its second Notorious Markets List following another request for comments published in September 22, 2011. In addition to listing markets that are reportedly engaged in piracy and counterfeiting, the Notorious Markets List also highlighted positive developments since the previous review. For example, the December 2011 Notorious Markets List noted Baidu's landmark licensing agreement mentioned above, as well as action taken by Hong Kong's local customs officials at the Ladies Market to remove allegedly infringing goods from the premises. These authorities reported a commitment to continue to undertake enforcement actions at the market. In addition, the Notorious Markets List noted that at the Savelovsky Market in Russia, management implemented an action plan to stop the distribution of infringing goods. Accordingly, Baidu, the Ladies Market, and the Savelovsky Market—which had been listed previously in February 2011—were removed from the Notorious Markets List in December 2011.

In October 2011, the United States and seven other countries signed the Anti-Counterfeiting Trade Agreement (ACTA). ACTA provides for enhanced international cooperation, promotion of sound enforcement practices, and a strengthened legal framework for IPR enforcement. We are currently working with our partners to bring the agreement into force. In October, Congress overwhelmingly approved and President Obama signed legislation approving bilateral Free Trade Agreements with Colombia, Panama, and South Korea. Each of these trade agreements contains a chapter dedicated to intellectual property rights, with requirements for protection spanning all types of intellectual property and commitments to join key multilateral intellectual property rights agreements. They also contain strong provisions to ensure that intellectual property rights are efficiently and effectively enforced in those countries.

The United States is also participating in the Trans-Pacific Partnership (TPP) negotiations with eight partner countries (Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam) to conclude an ambitious, next-generation Asia-Pacific trade agreement that reflects U.S. priorities and values, including with respect to intellectual property and enforcement. All the TPP countries have agreed to reinforce and develop existing World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) rights and obligations to ensure an effective and balanced approach to intellectual property rights among the TPP countries. Proposals are under discussion on many forms of intellectual property, including trademarks, geographical indications, copyright and related rights, patents, trade secrets, data required for the approval of certain regulated products, as well as intellectual

property enforcement. In June 2012, the TPP negotiating countries extended an invitation to Canada and Mexico to join the negotiations, pending successful conclusion of domestic procedures.

Overseas Personnel & International Capacity Building and Training

U.S. personnel stationed overseas play an important role in combatting intellectual property infringement.

In 2010, as part of the Joint Strategic Plan, IPEC established an interagency working group to improve the effectiveness and efficiency of overseas personnel involved in the effort to combat intellectual property infringement in priority locations around the world. It includes representatives from the State Department (Bureau of Economic and Business Affairs and Bureau of International Narcotics and Law Enforcement Affairs); the U.S. Agency for International Development; Treasury Department; DOJ (Computer Crime & Intellectual Property Section and the FBI); DHS (CBP and ICE); DOC (U.S. Patent and Trademark Office (USPTO), International Trade Administration (ITA), and Commercial Law Development Program (CLDP)); USTR; and the Copyright Office. The group identified 17 key countries – Brazil, Canada, Chile, China, Colombia, Egypt, India, Israel, Mexico, Nigeria, Peru, Russia, Saudi Arabia, Spain, Thailand, Turkey, and Ukraine. Each embassy in those 17 countries established a senior-level interagency team to bring together U.S. personnel stationed there to improve enforcement of intellectual property. In 2011, those 17 embassies drafted their first annual interagency work plans that set out objectives and activities to address the host country’s critical intellectual property issues identified by the United States. These embassy work plans were developed with the input of outside stakeholders and in coordination with an IPEC interagency working group. The embassies report on a quarterly basis to the IPEC on the status of the implementation of the work plans.

We are also increasing the number of personnel overseas in key countries. The USPTO is adding two more intellectual property attachés to assist U.S. businesses in foreign countries by creating new posts in Mexico City, Mexico and Shanghai, China. In September 2011, the FBI posted an intellectual property-trained agent in Beijing, China to work full time on intellectual property crime. In the President’s 2013 budget, DOJ requested funds to place six International Computer Hacking and Intellectual Property (ICHIP) Coordinators in strategic global locations to strengthen international intellectual property enforcement. . In 2010, ICE-HSI designated its Assistant Attaché in Guangzhou to be its first “IP

Attaché” and point of contact for all intellectual property matters involving China. In addition, ICE-HSI has added a liaison to the European Union in Brussels, Belgium.

In 2010, IPEC also established an interagency working group to improve the efficiency and coordination of international intellectual property enforcement capacity building and training, and to ensure the U.S. Government makes the best possible use of its training resources by focusing on priorities, such as training foreign law enforcement officials to tackle counterfeit drugs and developing new techniques to combat intellectual property crime.

To help facilitate the group’s coordination and oversight of training activities, USPTO launched a searchable database (<http://www.usipr.gov>) where relevant U.S. Government agencies now post information on the intellectual property enforcement trainings they conduct. The publicly available database is intended to: (1) use resources more efficiently by sharing training materials between U.S. Government agencies and avoiding duplicative programs; (2) improve results by building on past programs and targeting U.S. Government efforts on countries and topics where more training is needed; (3) increase transparency by allowing the public to see how the U.S. Government is allocating resources on intellectual property training; and (4) increase public participation by identifying upcoming training events that are open to the public. Notable training programs conducted in 2011 include:

- Philippines: The IPR Center and ICE-HSI Attaché special agents in Manila organized an IPR Criminal Enforcement Symposium in Manila on July 18-20, 2011 for law enforcement officers, customs officials, and prosecutors. Within two months of receiving this training, Philippine authorities conducted two highly successful enforcement operations, resulting in the seizure of counterfeit goods worth over \$18 million.
- Ukraine: CLDP and U.S. Embassy Kyiv conducted a workshop on counterfeit medicines for Ukraine’s health and safety enforcement agencies in May 2011, where U.S. officials put forward a key legislative recommendation for Ukraine to make the manufacture or distribution of counterfeit medicines a crime. This legislative recommendation was adopted by the Government of Ukraine in October 2011.
- Mexico: DOJ worked with several other groups, including the WCO, U.S. and Mexican rightholders, and customs and intellectual property-

related agencies within the Mexican government to provide a new generation of Mexican officials with the skills necessary to identify counterfeit products, refer cases for criminal prosecution, and continue to establish prosecutors at the major ports in Mexico. Based on the success of previous joint programs, the Mexican Navy requested to participate in the program to increase interagency cooperation on enforcement. This training resulted in the identification of containers of counterfeit products and the initiation of new criminal prosecutions.

Intellectual Property Enforcement in China

President Obama, Vice President Biden, and other senior Administration officials have directly and frequently engaged with Chinese officials and conveyed that they have much more to do to combat intellectual property theft.

President Obama has repeatedly raised intellectual property enforcement with China's president, Hu Jintao, including during his State Visit to Washington D.C. in January 2011. The engagement resulted in a commitment that "China will continue to strengthen its efforts to protect IPR, including by conducting audits to ensure that government agencies at all levels use legitimate software" and that "China will not link its innovation policies to the provision of government procurement preferences." In November 2011, President Obama continued the Administration's press for more American jobs at the Asia Pacific Economic Cooperation (APEC) leader's summit, by calling attention to China's record on intellectual property.

Vice President Biden also continued the Administration's engagement on intellectual property rights as part of his August 2011 trip to China, pressing for better enforcement in several forums, including in his meetings with China's leaders. In February 2012, during Vice President Xi's visit to the United States, Vice President Biden announced an agreement with China to significantly increase market access for U.S. movies in order to resolve outstanding issues related to films after the United States' victory in a WTO dispute in 2011. The agreement allows for more U.S. film exports to China and provides fairer compensation to U.S. film producers for the movies being shown there. Among other things, the agreement allows more American exports to China of 3D, IMAX, and similar enhanced format movies on favorable commercial terms, strengthens the opportunities to distribute films through private enterprises rather than the state film monopoly, and ensures fairer compensation levels for U.S. blockbuster films distributed by Chinese state-owned enterprises.

Secretary of State Hillary Clinton, Treasury Secretary Timothy Geithner, Acting Commerce Secretary Rebecca Blank, Attorney General Eric Holder, U.S. Trade Representative Ron Kirk, Ambassador Gary Locke, ICE Director John Morton, Under Secretaries Robert Hormats, David Kappos, and Francisco Sanchez, DHS Assistant Secretary and Chief Diplomatic Officer Alan Bersin, and other senior Administration officials have directly and repeatedly pressed China to do much more to combat intellectual property theft. China has made several important commitments as part of our ongoing bilateral trade dialogues.

Following closely on the President's engagement at the APEC in November 2011, USTR and DOC secured important commitments from China on key intellectual property issues during the 22nd Joint Commission on Commerce and Trade (JCCT) in Chengdu, China. These included the following: the establishment of a State Council-level leadership structure to lead and coordinate intellectual property rights enforcement across China; the completion dates for the legalization of software at the provincial, municipal, and county level governments; and the elimination of any catalogues or other measures linking innovation policies to government procurement preferences at the provincial, municipality, and autonomous region levels.

In May 2012, at this year's Strategic & Economic Dialogue (S&ED), the United States and China committed to intensive, ongoing discussions of the implementation of China's February 2012 commitment that technology transfer and technology cooperation shall be decided by businesses independently and will not be used by the Chinese government as a pre-condition for market access. Both countries will ensure the full participation and timely cooperation of all relevant agencies and authorities.

Also during the S&ED, the United States and China affirmed that the protection of trade secrets is an important part of the protection of intellectual property rights and agreed to intensify enforcement against trade secret misappropriation. China agreed that enforcement against trade secret misappropriation would be included in the 2012 Annual Work Plan of the State Council Leading Group on Intellectual Property Enforcement.

During the S&ED, China also, for the first time, committed to creating an environment where sales of legitimate intellectual property-intensive products and services within its border will increase, in line with its status as a globally significant economy. This commitment is significant, as one goal of enforcement is

to take back the marketplace from counterfeiters so that our businesses can compete on fair terms and legitimate sales can flourish.

As previously mentioned, the Notorious Markets Lists published in February 2011 and December 2011 noted progress and the need for additional work in China. The December report documented that some sites have taken positive steps in obtaining licensing agreements and were removed from the list.

The Administration has attempted to forge better partnerships with Chinese law enforcement. In May 2011, ICE Director Morton signed a Memorandum of Understanding (MOU) with China's General Administration of Customs (GACC) to enhance cooperation on law enforcement, including intellectual property theft. This agreement followed Director Morton's trip to China that resulted in a Letter of Intent with China's Ministry of Public Security (MPS) to cooperate on joint intellectual property investigations signed in 2010. Also in May 2011, CBP signed an MOU with China's MPS to increase information sharing and enforcement.

As noted earlier, the Administration has placed more U.S. personnel in China dedicated to intellectual property enforcement. In 2010, ICE designated its Assistant Attaché in Guangzhou to be its first "IP Attaché" and point of contact for all intellectual property matters involving China. In September 2011, the FBI posted an intellectual property trained agent in Beijing to work full time on intellectual property crime. USPTO, adding to its two Intellectual Property Attaches in Beijing and Guangzhou, has stationed a third in Shanghai.

Lastly, in response to growing concerns over China's administrative and judicial systems of patent enforcement, we launched an initiative to focus on China's patent enforcement system. The goal is to address the deficiencies in China's system, including the lack of effective discovery, low damages awards, unexamined utility model patents, and enforceability of judicial orders. In 2011, IPEC and USPTO conducted roundtables in Washington, Beijing, Shanghai, and Guangzhou to learn from U.S. companies about challenges they have faced when enforcing their patents in China.

Trade Secret Theft

The Administration has serious concerns related to the threat posed to U.S. innovation from economic espionage and trade secret theft by persons on behalf of Chinese companies. Economic espionage and the theft of trade secrets represent significant costs to victim companies. These include loss of unique intellectual

property, loss of expenditures related to research and development, and loss of future revenues and profits. Many companies are unaware when their sensitive data is pilfered, and those that find out are often reluctant to report the loss, fearing potential damage to their reputation with investors, customers, and employees.

The pace of foreign economic collection of information and industrial espionage activities against major U.S. corporations is accelerating. Foreign competitors of U.S. corporations, including competitors with ties to companies owned by foreign governments, have increased their efforts to steal trade secret information and intellectual property. The loss of this information and intellectual property can have serious repercussions for the victim company.

In FY 2011, DOJ and the FBI increased investigations of economic espionage and trade secret theft by 29 percent compared to FY 2010. Since the passage of the Economic Espionage Act, nine cases have been prosecuted pursuant to 18 U.S.C. § 1831 – economic espionage to benefit a foreign agent. Seven of those cases have involved a link to China.

We are currently developing a strategy to more efficiently coordinate the government's efforts to mitigate the theft of trade secret misappropriation and economic espionage. We need to act aggressively to combat the theft of trade secrets, whether state sponsors, those that are supported by state actors, or those that are acting for their own commercial gain. I look forward to working with the members of this subcommittee as the Administration continues to develop the strategy.

Counterfeit Drugs

Because of serious risks to health and safety, combating counterfeit drugs is a critical priority. In March 2011, we sent to Congress a strategy focused on how we will combat counterfeit drugs sold on the Internet and smuggled into the U.S. A few examples of our approach include a CBP pilot program—the Centers for Excellence and Expertise (CEE)—instituted in 2011 that focused on forming closer partnerships with pharmaceutical companies to better understand industry practices and leverage this information into more efficient and effective enforcement. The effect of CBP's prioritization of health and safety is clear as seizures of counterfeit pharmaceutical have increased by nearly 600 percent over the last two years.

In December 2010, American Express, Discover, eNom, GoDaddy, Google, MasterCard, Microsoft (Bing), Neustar, PayPal, Visa, and Yahoo! committed to form a non-profit group to combat illegal fake online “pharmacies” - criminals masquerading as legitimate pharmacies. The Center for Safe Internet Pharmacies (CSIP) was officially launched in July 2012 and is now operational. We are pleased to note that on September 1st, Facebook joined as a member of the group as well.

G-8 Commitments

We know that effective enforcement must involve private sector stakeholder efforts such as the Center for Safe Internet Pharmacies described above. The G-8 Leaders Camp David Declaration contains a strong expression of support for voluntary best practices to reduce infringement, specifically highlighting counterfeit drugs. Our embassies will conduct formal outreach to the G-8 member countries – Canada, France, Germany, Italy, Japan, Russia, and the United Kingdom – to foster cooperation on these efforts and turn the statement into action.

These voluntary best practices must be practical and effective, must respect privacy, due process, competition, free speech, and must protect legitimate uses of the Internet. In 2011, my office worked closely with Internet Service Providers, advertisers, industry associations, credit card companies, payment processors, search engines, and domain name registrars and registries to develop effective ways to take voluntary action to avoid supporting infringing activity.

Closing

Mr. Chairman, in closing, I commend this subcommittee’s leadership on intellectual property enforcement. Intellectual property is used throughout the U.S. economy and intellectual property rights support innovation and creativity in virtually every U.S. industry.

I look forward to working closely with this subcommittee on improving our protection of American intellectual property. Now, I would be happy to take any questions.