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MARKUP OF H.R. 6032, STATE OF MODERN APPLICATION,

RESEARCH, AND TRENDS OF IOT ACT

WEDNESDAY, JUNE 13, 2018

House of Representatives,

Subcommittee on Digital Commerce and Consumer Protection,

Committee on Energy and Commerce,

Washington, D.C.

The subcommittee met, pursuant to call, at 11:03 a.m., in Room 2123, Rayburn House Office Building, Hon. Robert Latta, [chairman of the subcommittee] presiding.

Present: Representatives Latta, Kinzinger, Burgess, Upton, Lance, Bucshon, Mullin, Walters, Costello, Duncan, Walden (ex officio), Schakowsky, Clarke, Cardenas, Matsui, Welch, Kennedy, Green, and Pallone (ex officio).

Staff Present: Mike Bloomquist, Staff Director; Daniel Butler, Legislative Clerk, Health; Kelly Collins, Legislative Clerk, Energy/Environment; Melissa Froelich, Chief Counsel, DCCP; Adam Fromm, Director of Outreach and Coalitions; Ali Fulling, Legislative Clerk, O&I, DCCP; Elena Hernandez, Press Secretary; Zach Hunter, Director of

Communications; Paul Jackson, Professional Staff, DCCP; Peter Kielty, Deputy General Counsel; Bijan Koohmaraie, Counsel, DCCP; Ryan Long, Deputy Staff Director; Greg Zerzan, Counsel, DCCP; Michelle Ash, Minority Chief Counsel, Digital Commerce and Consumer Protection; Jeff Carroll, Minority Staff Director; Elizabeth Ertel, Minority Office Manager; Lisa Goldman, Minority Counsel; Carolyn Hann, FTC Detailee; and Caroline Paris-Behr, Minority Policy Analyst.

Mr. Latta. Good morning. The Subcommittee on Digital Commerce and Consumer Protection will come to order, please. And the chair recognizes himself for an opening statement.

Good morning again. Today, the Digital Commerce and Consumer Protection Subcommittee will take up the State of Modern Application Research and Trends of IoT Act, or the SMART IoT Act. I would like to first recognize my colleague, the gentleman from Vermont, Mr. Welch, for his willingness to work across the aisle on this very important piece of legislation. Together, we have developed bipartisan legislation that will act as an important first step and the foundation for future policy on IoT issues.

This began with our work together in forming the IoT Working Group in the last Congress and has continued through multiple hearings in this subcommittee and showcases of IoT technologies in many of our colleagues' districts. Through numerous meetings with stakeholders and discussions of small business manufacturers and farmers back in my district, it is clear that IoT solutions offer enormous potential.

IoT solutions will not only benefit consumers and businesses by improving productivity and efficiency, this technology also promises to greatly improve the lives of so many of our constituents. Whether we are talking about automobile technological advances that will vastly improve roadway safety and save lives or smart city applications that will improve community services, one thing is clear: we have the chance to benefit from a more connected world. But to realize these benefits, we must ensure the government does not get in the way.

We have heard from many stakeholders working on these important issues that because IoT is increasingly becoming ubiquitous, it is very difficult to know who is doing what both in the Federal Government and in the private sector. A lack of collaboration and dialogue presents the problem of creating unnecessary barriers to innovation,

something we cannot afford to do if we want to unleash the power of IoT in the United States.

In response to these factors, we developed the SMART IoT Act. The SMART IoT Act directs the Secretary of Commerce to create a compendium that answers a very important question at this stage of IoT development: Who is doing what? At the Federal level, this will help promote interagency discussions and avoid conflicting and duplicative obligations or regulate -- or requirements that may slow innovation and progress.

At the industry level, this will help innovators and businesses know how entities are developing using and promoting use of IoT solutions. It will also highlight industry-based efforts to self-regulate and provide industry with a one-stop shop for compilation of industry-based standards, both ones already in effect and those currently being developed. The SMART IoT Act is a critical first step to future IoT policy efforts. As we serve on this subcommittee, we have the opportunity to look into the future and further as we see where the technology is headed. We have an obligation to do what we can to promote innovation, American competitiveness, and technological advances that benefit consumers. The SMART IoT Act does just that.

I encourage all my colleagues to support this piece of legislation today. I would like to thank my colleagues who have signed on as cosponsors thus far, and I am happy to have more before this full committee markup. I again want to thank Mr. Welch for his hard work on this very important issue and all the members of the subcommittee for their commitment to work the across the aisle.

And at this time, I would like to recognize my friend, the gentlelady from Illinois, the ranking member of the subcommittee, for 3 minutes for an opening statement.

Ms. Schakowsky. Thank you, Mr. Chairman.

I am so happy to join you and my other colleagues today as we advance legislation to study the Internet of Things. The SMART IoT Act is the product of bipartisan cooperation. I want to thank Chairman Latta and Congressman Welch for their leadership on this issue going back to the IoT Working Group in the 114th Congress.

This bill will require the Commerce Department to survey the variety of connected devices available and then -- and also examine the Federal role in this space. The study conducted under this bill should serve as the foundation for future legislative efforts as we work to ensure that interconnected devices are deployed to the benefit of American consumers.

The SMART IoT Act is being considered under regular order. After a series of hearings on the Internet of Things, Republicans and Democratic staff worked together on a discussion draft of the bill last month. We held a legislative hearing where we heard testimony from the Center for Democracy and Technology, Chamber of Commerce, and Intel.

That hearing raised several issues that we should continue to examine, including privacy and security and safety. Our subcommittee has proven its ability to work on a bipartisan basis when we advance legislation. However, I will note that this is the first subcommittee markup we have held this year and only the second in this Congress. We are; leaving major consumer protection issues unresolved. Most notably, this subcommittee has not pursued consumer privacy and data security legislation in the wake of the Equifax data breach and the Facebook scandal.

Our anger over misuse of consumer data has been bipartisan, but we have not yet come together on solutions. As members of this subcommittee are aware, I have introduced the Secure and Protect Americans' Data Act, which I believe is a good starting point to begin discussion. I continue to urge my Republican colleagues to bring their

ideas to the table so we work to find common ground. American consumers deserve action. For now, I am pleased to move forward on legislation where we have reached consensus.

And I yield back unless somebody wants my time. I yield back.

Mr. Latta. Thank you very much.

The gentlelady yields back. And the gentleman from Oregon, the chairman of the full committee, is not here at this time, and we will informally pass on his opening statement. I recognize the gentleman from New Jersey, the ranking member of the full committee, for 3 minutes.

Mr. Pallone. Thank you, Mr. Chairman.

The SMART IoT Act is the next step of this subcommittee's work on new and innovative internet-connected technology. Chairman Latta and Representative Welch have worked together over the past few years to help us discover how the Internet of Things is enhancing our economy and improving our lives, and I commend them for that work and the bill before us today.

Many of us have made connected devices part of our daily lives for things like digital personal assistants and fitness trackers, but the Internet of Things reaches far beyond consumer products. The so-called industrial Internet of Things is making companies safer and more efficient. Drones are used to assess hazardous situations and to keep first responders safe. Manufacturers use sensors to increase quality and reduce waste. Airplanes have sensors monitoring parts that can tell mechanics that preventative maintenance is needed to avoid failures.

The bipartisan bill we are marking up today directs the Department of Commerce to conduct a study and report on the state of the Internet of Things. Since the hearing a couple weeks ago, a few changes were made to the bill based on some of the feedback

we heard at the hearing. Because we all know that IoT is used across practically all industry sectors, the bill no longer requires commerce to come up with a comprehensive list of industry sectors using IoT. Commerce will, however, still survey industry sectors making connected devices and public-private partnerships promoting the adoption of connected devices. And the completed report will include descriptions of the ways IoT devices are developed, promoted, and used. The report will also include a list of industry-based bodies that have developed or are developing standards for the Internet of Things, and based on feedback from one of our witnesses at the hearing, the report will give the status of these standards. Standards and guidelines implemented by Federal agencies will also be identified in the report.

The study will also look at the ways industry works with the Federal Government and how Federal agencies work with each other, and this part of this study is important to see not only where there is room for improvement but where there may be gaps in oversight that need to be filled. So I want to address the stakeholders that specifically ask that cybersecurity be included in this study. I would still support that change, but I expect that the industry-based standards and the Federal standards and guidelines identified in the report will include cybersecurity and data security standards and guidelines. So I hope, by getting the full picture of how internet-connected devices are used and what standards are being followed, we can address any possible gaps.

And, lastly, while I am glad that we are moving forward on this bipartisan legislation, this committee does not need to wait for this report to address the critical issue of data security. It would be nice if we could also work on consumer data security and privacy legislation that would apply across the board to the Internet of Things and even beyond. So thank you, Mr. Chairman, and I yield back.

Mr. Latta. Does the gentleman wish to yield to the gentleman --

Mr. Welch. I was going to strike the last word. I am sorry. We are on opening statements.

Mr. Latta. Thank you very much. The gentleman yields back. That concludes the opening statements.

And the chair now calls up H.R. 6032 and asks the clerk to report.

Ms. Collins. H.R. 6032, to direct the Secretary of Commerce to conduct a study and submit to Congress a report on the state of the internet-connected devices industry in the United States.

Mr. Latta. Without objection, the first reading of the bill is dispensed with, and the bill will be open for amendment at any points. So ordered.

[The bill follows:]

******** COMMITTEE INSERT ********

Mr. Latta. Are there any bipartisan amendments to the bill?

Seeing none, I believe the gentleman from Vermont would like to strike the last word?

Mr. Welch. I would. Thank you, Mr. Chairman. I appreciate it. I want to thank you and Ranking Member Schakowsky and both committee staffs, especially the committee staffs, for working with us on this legislation, the SMART IoT Act, which acknowledges that Congress needs to better understand the Internet of Things industry.

Chairman Latta and I started the IoT Working Group last Congress. Twenty-one bipartisan Members participated in that, and it was all intended to help us better understand the Internet of Things, the ecosystem, explore what role Congress can play, and get informed before we act, rather than after. And it is great that we continue to work on a bipartisan basis to help consumers and companies move forward with greater usage of these IoT devices. And as we all know, the Internet of Things encompasses a world where machines and physical objects are embedded with internet connectivity and network sensors allowing them to process data and communicate in real time with their surrounding environment. And these things known as smart devices are being adopted by millions of people across the country to achieve fitness goals -- or at least try to achieve fitness goals -- connect with doctors, and increase productivity in their everyday lives.

The Internet of Things, however, is much more than a convenience technology. It has the potential to be a catalyst for significant economic growth and job creation, not just in urban areas but in rural Vermont and in rural America. It can increase agricultural output, streamline business operations, and advance the economy across all sectors. McKinsey & Company offered a positive economic impacts analysis saying $4 trillion to $11 trillion annually in productivity by 2025, and we are already beginning to see

industries lay the foundation to achieve that growth.

In the energy sector, for instance, the internet connectivity has been integrated into electric grids in the utility infrastructure across the country. The healthcare sector is benefitting from the Internet of Things by increasing and improving patient access and quality of care with more precise real-time information on a patient's health. That is helping in Vermont treat patients in the Northeast Kingdom through telehealth services.

And the agriculture industry is utilizing the Internet of Things to transform their farms and increase productivity, including in East Fairfield, Vermont, the Magnan Brothers Dairy Farm. It is a 900-cow operation that uses some of the latest and best technology to maximize their efficiency in the barn. They track each cow with a pedometer that provides real-time data on the health of the cow, what cycle they are in, and other pertinent information to their computer and iPad. That information is used to know when to breed the cows, how intensely to stimulate the cows' udder to encourage milk letdown, and how much salt content is in the milk, which is a precursor for infections in the udder or mastitis. So there are incredibly practical applications across our economy. And the potential appears unlimited.

This bill is an important part of the advancement of this technology so we can continue to better understand the current IoT landscape in the private sector and across Federal agencies.

Mr. Chairman and Madam Ranking Member, I look forward to getting this bill through full committee and onto the floor soon. So thank you very much. I yield back.

Mr. Latta. The gentleman yields back, and I just want to thank the gentleman for all of your hard work during the working group and the meetings that we had here in the last Congress. I think they were very productive, and I do appreciate all your work on that. So thank you very much.

Mr. Welch. Thank you.

Mr. Latta. Are there any other members wishing to speak on the bill?

Hearing none, the question now occurs on forwarding H.R. 6032 to the full committee.

All those in favor, say aye.

All those opposed, no.

The ayes have it, and the bill is agreed to.

Without objection, staff is authorized to make technical and conforming changes to the legislation approved by the subcommittee today.

So ordered.

Without objection, the subcommittee stands adjourned.

[Whereupon, at 11:18 a.m., the subcommittee was adjourned.]