

Testimony of Chas Smith
Roku TV and Players

1. Good afternoon Chairman Busis and members of the Section 301 Subcommittee. My name is Chas Smith and I am the General Manager for Roku TV and Players. Thank you for the opportunity to appear before you today on behalf of Roku and our 800 U.S. employees who have revolutionized the way that we watch TV.

2. For those of you who have not yet “cut the cord,” let me give you a brief introduction to my company. Roku is a U.S.-based innovator, holder of over 55 patents, and pioneer of streaming television.

3. Using one of our products, 21.8 million consumers globally – with the vast majority in the United States – choose from over 6000 channels and millions of hours of on-demand programming from providers like PBS Kids and ESPN. Roku users can also choose a variety of specialized channels that would otherwise be unavailable due to the way cable TV is packaged. For example, we offer a selection of hundreds of religious channels that are not generally available on cable.

4. We are an American company. The vast majority of our employees are in the United States and the vast majority of those employees are in the high value-added parts of our business. This includes engineering and product development as well as the maintenance of state-of-the-art servers and databases that are built specifically to support our business. Not only is our operating system developed in the United States, but Roku’s service that continually powers our operating system is run by American employees and primarily on American-based computers and infrastructure. Roku has grown exponentially in recent years: from 500 employees at the end of 2016 to over 900 today – and approximately 800 in the United States.

5. I am here today to talk about our smart TVs – what we call Roku TVs – and the fact that the Section 301 tariffs could cover these products. These tariffs could have a detrimental impact on Roku and its U.S.-based workforce.

6. What is a “Roku TV”? Starting in 2014, we began licensing our proprietary operating system to various TV manufacturers, including companies that manufacture in China. Roku’s licensees incorporate our operating system into their TVs and pay us for that intellectual property. In a nutshell, Roku’s intellectual property is what makes the TV smart and the intellectual property opens the TV up for additional U.S.-based business from Roku.

7. These TVs are marketed and sold under the “Roku TV” brand. In the first quarter this year, approximately one in four of the smart TVs sold in the United States were Roku TVs.

8. Roku TVs are a vital part of our business and, by extension, a vital part of keeping Roku the innovative leader in streaming technology. Sales of Roku TVs generate licensing revenue for Roku, but they also create a new pool of customers for Roku products. This group represents a fast-growing segment of Roku’s monthly active users.

9. The number of active users is extremely important to Roku. The channels that are accessed through the Roku operating system share revenue with Roku that increases with the number of users, and we generate significant advertising, content distribution and promotions revenue from our monthly users. These active users also form the viewer base for Roku’s own channel – The Roku Channel – which launched in September 2017.

10. These various revenue streams originating from the Roku TV allow us to innovate the TV experience. We are constantly adding new channels and new software updates to our Roku TVs. These additions and updates are done by our U.S. workforce.

11. If the tariff were to cause fewer Roku TVs to be sold, it would have a negative impact on our business by choking off the fuel for innovation. In short, *Section 301* tariffs could undermine Roku's ability to maintain American leadership in revolutionizing the TV consumer experience.

12. I would also like to note that there is no valid reason to include Roku TVs on the list of products subject to the *Section 301*. We have agreements with our manufactures that protect our intellectual property, and I can happily report that those business arrangements are working well. Also, our closed proprietary operating system does not allow just anyone to access our source code.

13. More generally, I understand that streaming TVs like those made by our licensees are not a focus of the Made in China 2025 program, or otherwise mentioned in the *Section 301* report.

14. Finally, I would note that targeting streaming TVs is not going to help U.S. manufacturing, but only serve to hurt U.S. innovation. The top-selling TVs in the United States that are not Roku TVs are Samsung, LG and Vizio – none of which are manufactured here in the United States.

15. As we discussed in our submission, content publishers do not want to support a fragmented TV ecosystem. Targeting Roku TVs for tariffs could do that, and challenge U.S. leadership over the operating system at the heart of the domestic television market. That would be a terrible result for this country and for Roku.

16. I ask that Roku TVs be excluded from the list of products subject to the *Section 301* tariffs. Thank you for your time. I am happy to answer any of your questions.