ML STRATEGIES

House Select Committee Publishes Report on DeepSeek, as Commerce Imposes New AI Chip Export Restrictions — AI: The Washington Report

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VIEWPOINT TOPICS

- Artificial Intelligence

- On April 16, the House Select Committee on the Chinese Communist Party (CCP) published a report on the Chinese company DeepSeek's AI model with findings from the committee's investigation into DeepSeek.
- The report highlights the risks that DeepSeek's model poses to US technological leadership, as well as DeepSeek's use of US export-controlled Nvidia chips to power its AI model. Nvidia is a US AI chip and semiconductor giant and has been subject to chip export controls since 2022 under the Biden administration, which the Trump administration has kept in place.
- The report comes as the Department of Commerce (Commerce) imposed additional restrictions on Nvidia's chip exports, which are the first of such restrictions under the Trump administration. Congress is also considering legislation to tighten technology export controls to China whose fate is uncertain.

On April 16, the bipartisan House Select Committee on the Chinese Communist Party (CCP) published a **report** on the Chinese company DeepSeek's AI model. As **we covered**, the release of DeepSeek's AI model, which rivals US AI models but apparently cost a fraction to develop, sent shockwaves across the AI industry earlier this year. The Select Committee's report highlights the risks that DeepSeek's model poses to US technological leadership, as well as DeepSeek's use of US export controlled Nvidia chips to powers its model.

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Select Committee's DeepSeek Report

The Select Committee report's point of view is revealed in its title, "DeepSeek Unmasked: Exposing the CCP's Latest Tool for Spying, Stealing, and Subverting US Export Control Restrictions." In support, the report includes four main findings from the committee's DeepSeek investigation:

1. **DeepSeek shares Americans' data with the People's Republic of China (PRC).** According to the report, "DeepSeek acquires extensive personal data on the Americans who use the chatbot, including chat history, device details, and even the way a person types. It then, by its own admission, funnels the data directly back to China, creating a pipeline of problematic foreign data access."
2. **DeepSeek manipulates its results to align with CCP propaganda.** "The DeepSeek chatbot alters or suppresses responses to topics deemed politically sensitive by the CCP in 85% of cases, directly aligning outputs with Beijing's censorship directives," the House investigation found.
3. **DeepSeek potentially used model distillation techniques to create an imitation AI model from US AI models**. The Committee determined that "it is highly likely that DeepSeek used model distillation techniques to create an imitation AI model." Model distillation "involves the systematic extraction and replication of the reasoning capabilities of existing AI models to expedite their own development at reduced costs." Leading US AI tech companies told the committee that they had "high confidence" that DeepSeek distilled and imitated their models.
4. **DeepSeek used export controlled Nvidia chips to build its AI model**. "DeepSeek's AI models appear to be powered by advanced chips provided by semiconductor giant Nvidia and reportedly utilizes tens of thousands of chips that are currently restricted from export to the PRC," according to

the report.

The Select Committee made two recommendations in its report:

1. **Take action "to expand export controls" and "improve export control enforcement."** Policy recommendations include increasing funding to Commerce's Bureau of Industry and Security to expand export control analysis, strengthening existing export controls, and "creating incentives for industry insiders and external parties to report export control violations."
2. **"Prevent and prepare for strategic surprise related to advanced AI."** The Select Committee recommends that agencies coordinate to "promote AI innovation and adoption" and "prepare for the use of AI capabilities by adversaries." They also recommend that the Commerce Department closely monitors "PRC AI progress toward highly advanced systems."

Select Committee's Letter to Nvidia

On April 16, 2025, the Select Committee Chairman, John Moolenaar (R-MI), and Ranking Member, Raja Krishnamoorthi (D-IL), sent a **letter** to the CEO of Nvidia addressing concerns about DeepSeek's potential use of Nvidia's chips. According to the lawmakers, "DeepSeek's ability to develop cutting-edge AI models suggests that loopholes or indirect channels may still exist" in US export controls on Nvidia's chips.

In their letter, the lawmakers requested that Nvidia shares the following information:

- A list of customers that have purchased certain AI chips and that are based in China or certain Asian countries
- Communications between Nvidia and DeepSeek
- Any contractual agreements between Nvidia and "any PRC entity prohibited or restricted by the US government"

Nvidia has until April 30, 2025, to respond to the lawmakers' request for information.

Commerce Imposes New Export Controls on Nvidia Chips

In early April, Commerce imposed new export controls on the sale of some of Nvidia's chips to China, according to **reporting**. Commerce has reportedly blocked the sale of certain Nvidia chips to China without a license and will require a license for future exports of such chips.

The new export controls are the first of their kind under the Trump administration and build on AI chip export controls originally issued by the Biden administration, which **we wrote about**.

Congress Considers Legislation to Limit Technology Exports to China

Pieces of legislation that would limit technology exports to China have been introduced in both Houses:

- **Foreign Investment Guardrails to Help Thwart (FIGHT) China Act** (**H.R. 2246/S. 1053**): The act, which was introduced by Rep. Andy Barr (R-KY) in the House and Senator John Cornyn (R-TX) in the Senate and has bipartisan cosponsors in both chambers, would empower the Secretary to require notification of and prohibit certain transactions with Chinese companies or the Chinese government involving AI models.
- **Decoupling America's Artificial Intelligence Capabilities from China Act of 2025** (**S. 321**): The act, introduced by Senator Josh Hawley (R-MO), would prohibit imports and exports of AI technology from and to China. It would also ban any US person from " knowingly holding or managing an interest in, or lending money or extending credit to, a Chinese entity of concern" that conducts research related to AI or produces AI technology.
- **China Technology Transfer Control Act of 2025** (**H.R. 1122**): The act, introduced by Rep. Mark Green (R-TN), would delegate power to the President to "control the export or re-export to, or transfer in, the People's Republic of China of any covered national interest technology," including AI.

All of the bills have been referred to relevant committees, where they currently sit. As **we've written about**, although the FIGHT Act and other AI-related bills have bipartisan support in Congress, GOP

lawmakers are likely to wait on the release of the Trump administration's AI action plan in mid-July before they stake out a clearly defined approach to AI or act on AI legislation.

We will continue to monitor, analyze, and issue reports on these developments. Please feel free to contact us if you have questions as to current practices or how to proceed.

Authors

Bruce Sokler

Bruce D. Sokler is a Mintz antitrust attorney. His antitrust experience includes litigation, class actions, government merger reviews and investigations, and cartel-related issues. Bruce focuses on the health care, communications, and retail industries, from start-ups to Fortune 100 companies.

Alexander Hecht, Executive Vice President & Director of Operations



Alex Hecht is a trusted attorney and policy strategist with over 20 years of experience advising clients across a broad range of industries on how to navigate complex policy environments. His strategic insight and hands-on experience in both legislative and regulatory arenas empower clients to advance their priorities with clarity and confidence in an evolving policy landscape.

Christian Tamotsu Fjeld, Senior Vice President



Christian Tamotsu Fjeld draws on two decades of Capitol Hill experience to support clients in building relationships, shaping policy, and engaging effectively with the federal government. His experience working with Congress and his insights help clients anticipate federal developments and advance their priorities with clarity and confidence.

Matthew Tikhonovsky

Matthew is a Mintz Senior Project Analyst based in Washington, DC.