

**Statement of Ranking Member Frank Pallone Jr.
Committee on Energy and Commerce
Subcommittee on Consumer Protection and Commerce
Hearing on “Buyer Beware: Fake and Unsafe Products on
Online Marketplaces”**

March 4, 2020

Thanks to the growth in e-commerce, we can purchase products from our computers, phones, tablets, or our smart speakers at any hour of the day with the expectation that the products will be delivered at our doorstep within days or even hours.

Third-party sellers on online marketplaces such as Amazon, eBay, and others are responsible for much of the convenience, providing a seemingly endless selection of products for consumers. On Amazon, where nearly half of online U.S.

shoppers start their product searches, sales by third-party sellers now make up 60 percent of total sales.

But this convenience has come at a devastating price: a proliferation of dangerous counterfeit goods that endanger consumers and property, and an army of counterfeit merchants from overseas that undermine American small businesses with unscrupulous tactics.

The practices and policies of the online platforms have made it increasingly difficult for even the savviest consumers to avoid fake and unsafe products. For years, brick-and-mortar stores have had policies in place to ensure the integrity of their supply chain. The stores also take responsibility for defective or unsafe products. These traditional practices simply do not exist in the online marketplace. In fact, many online marketplaces

seem to be taking the opposite approach —abdicating any responsibility because they are thriving off the sale of fake goods.

A recent survey found that 26 percent of American consumers have been conned into purchasing at least one counterfeit product in the past year. Too many consumers don't realize they've purchased counterfeits until it's too late, and this can result in tragic consequences. Hoverboards with counterfeit batteries have caught on fire while charging, burning down someone's house. Fake beauty products have reportedly caused people's eye lashes to fall out in clumps. And counterfeit products can result in chronic health effects that do not present until years later, like water filter cartridges that not only don't remove contaminants but actually add new carcinogens to water.

Investigations by various media outlets have uncovered a huge number of knock-off children's products that pose serious safety risks. There have been troubling reports of car seats that don't meet the National Highway Traffic Safety Administration's crash test standards. Bicycle helmets that don't meet the Consumer Product Safety Commission's performance standards. And recalled products and knock offs of recalled products that federal regulators know can or already have caused serious death or injury. These knock off products proliferate on online marketplaces.

Consumers and authentic brands cannot fight the combination of lax policies of online platforms and deceptive practices of unscrupulous sellers trying to edge out legitimate businesses.

Fake and incentivized reviews drown out authentic reviews or are used to take down legitimate rivals. On many marketplaces, misleading user interfaces obscure the identity of the actual seller for each purchase. A person may think they are buying from Amazon, when they are instead buying from a foreign third party who merely ships through Amazon. And a platform's decision to commingle inventory from different sellers makes it virtually impossible for anyone to reliably track whether they received a counterfeit or authentic product.

Counterfeiters also have become much more sophisticated—producing products that appear authentic and setting prices more on par with authentic goods—to better trick consumers.

Savvy consumers who turn to the online store of a trusted brick-and-mortar business in search of authentic goods are increasingly finding a marketplace of third-party sellers instead of a place to directly purchase their trusted brands. Many large traditional retailers—Walmart, Target, Macy’s, Crate and Barrel—have launched third-party marketplaces to keep pace with Amazon and bolster lagging sales.

Such “hybrid” marketplaces, in which a site acts as both a seller and a platform for third-party sellers, can be confusing for unsuspecting customers. While some of these platforms screen and curate their sellers, other platforms that do less vetting can give those sellers an aura of credibility—often undeserved.

This week is National Consumer Protection Week, when we can help bring attention to issues that are causing consumers

harm. Consumer Protection Week is a perfect time to get answers from our panel on the scope of the problem and solutions we can implement to protect consumers and businesses from this unprecedented and growing threat.

Thank you, I yield back.