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ONE HUNDRED SIXTEENTH CONGRESS

# Congress of the United States

## House of Representatives

### COMMITTEE ON ENERGY AND COMMERCE

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Majority (202) 225-2927

Minority (202) 225-3641

August 4, 2020

Jeff Bezos  
Founder, CEO, and President  
Amazon.com, Inc  
410 Terry Ave. North  
Seattle, WA 98109

Mr. Bezos:

We write to you regarding Amazon's online marketplace and the policies you have in place to address the sale of counterfeit products and goods stolen as a result of organized retail crime. As we continue to deal with the COVID-19 pandemic, millions of Americans are forced to spend more time at home and, as a result, rely on online marketplaces to get products and their necessities. Likewise, with government-mandated closure of businesses across the country, small and medium-sized enterprises have been able to reach their customers through your platform and other third-party marketplaces.

Although the sale of counterfeit or stolen products is not new, the problem has intensified in recent years.<sup>1</sup> According to the Organisation for Economic Cooperation and Development (OECD), the value of fake goods worldwide rose to approximately \$509 billion in 2016.<sup>2</sup> Similarly, the U.S. Department of Homeland Security (DHS) found that between 2000 and 2018, seizures of infringing goods at our borders increased 10-fold, from 3,244 seizures per year to 33,810.<sup>3</sup> In addition, a survey by the National Retail Federation reported that organized retail crime cost retailers \$703,320 per \$1 billion in sales.<sup>4</sup>

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<sup>1</sup> [https://www.dhs.gov/sites/default/files/publications/20\\_0124\\_plcy\\_counterfeit-pirated-goods-report\\_01.pdf](https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf) at 4.

<sup>2</sup> <https://www.oecd.org/newsroom/trade-in-fake-goods-is-now-33-of-world-trade-and-rising.htm>

<sup>3</sup> [https://www.dhs.gov/sites/default/files/publications/20\\_0124\\_plcy\\_counterfeit-pirated-goods-report\\_01.pdf](https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf) at 4.

<sup>4</sup> <https://nrf.com/research/2019-organized-retail-crime-survey>

There appears to be a connection between the proliferation of online e-commerce and third-party marketplace platforms, like Amazon's, and the increase in counterfeit sales. OECD reports that "E-commerce platforms represent ideal storefronts for counterfeits and provide powerful platform[s] for counterfeiters."<sup>5</sup> Additionally, the U.S. Government Accountability Office (GAO) found that e-commerce has "contributed to a shift in the sale of counterfeit goods with...counterfeiters producing a wider variety of goods that may be sold on websites alongside authentic products."<sup>6</sup> Unsurprisingly, China is a significant threat when it comes to counterfeit goods. In fact, last year, more than 8 of every 10 counterfeit products seized at U.S. borders came from China or Hong Kong.<sup>7</sup> OECD has also found that China appears to be "the single largest producing market" of counterfeit products.<sup>8</sup>

Recognizing this threat, President Trump negotiated important provisions to combat counterfeits in "Phase 1" of the U.S.-China trade deal. Among other obligations, China agreed to provide enforcement processes to facilitate effective and quick takedowns; increase the number of trained personnel to inspect, detain, and destroy counterfeit goods found at the Chinese border; and to take sustained and effective action to stop the manufacture and distribution of counterfeit products with a significant impact on public health or personal safety.<sup>9</sup> But, government action alone is not enough and more must be done by the private sector to address these concerns.

Accordingly, please provide written answers and any related documentation to the following questions no later than August 17, 2020:

1. Public reporting indicates that 38 percent of Amazon's top sellers to the U.S. marketplace are based in China.<sup>10</sup> With respect to sellers based in China, please answer the following:
  - a. Do you require any additional steps or scrutiny to verify sellers? If yes, please explain.
  - b. Do you do regular audits of such sellers to ensure they are not in violation of your policies? If yes, please explain, including how often such audits are conducted.
  - c. Do you vet such sellers for links, direct or indirect, to the Chinese Communist Party or Chinese state-owned entities? If yes, please explain.

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<sup>5</sup> <https://www.oecd-ilibrary.org/docserver/9789264291652-en.pdf?expires=1595773970&id=id&accname=guest&checksum=6891DA13D607C2A523784E72DA3EA76E> at 84.

<sup>6</sup> [https://www.dhs.gov/sites/default/files/publications/20\\_0124\\_plcy\\_counterfeit-pirated-goods-report\\_01.pdf](https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf) at 4.

<sup>7</sup> [https://www.cbp.gov/sites/default/files/assets/documents/2020-May/FY%202019%20IPR%20Seizure%20Powerpoint%20FINAL%20PBRB%20APPROVED\\_0.pdf](https://www.cbp.gov/sites/default/files/assets/documents/2020-May/FY%202019%20IPR%20Seizure%20Powerpoint%20FINAL%20PBRB%20APPROVED_0.pdf) at 8.

<sup>8</sup> [https://www.dhs.gov/sites/default/files/publications/20\\_0124\\_plcy\\_counterfeit-pirated-goods-report\\_01.pdf](https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf) at 8.

<sup>9</sup> [https://d3i6fh83elv35t.cloudfront.net/static/2020/01/Economic\\_And\\_Trade\\_Agreement\\_Between\\_The\\_United\\_States\\_And\\_China\\_Text.pdf](https://d3i6fh83elv35t.cloudfront.net/static/2020/01/Economic_And_Trade_Agreement_Between_The_United_States_And_China_Text.pdf)

<sup>10</sup> <https://www.marketplacepulse.com/articles/47-of-top-amazon-sellers-based-in-us-38-based-in-china>

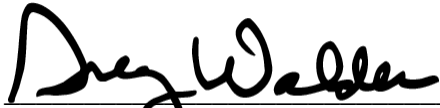
2. On January 24, 2020, DHS published a report entitled “Combating Trafficking in Counterfeit and Pirated Goods” that recommends 10 “best practices” for e-commerce platforms and third-party marketplaces. Do you implement these practices? If not, do you plan to?
3. Please detail the policies and practices you have in place to address the sale of counterfeit and stolen goods on your platform.
4. Do you verify the identity of high-volume third-party sellers on your marketplace?
  - a. If yes, please detail the information you collect to verify such sellers, including whether such information includes verified bank account information, government-issued photo identification, government-issued records, and business tax identification numbers.
5. Do you re-verify the identity of high-volume third-party sellers annually? If yes, please explain. If no, please explain why not and whether you do any audits to ensure sellers are who they claim to be.
6. What do you consider to be the threshold for a “high-volume third-party seller”? Please detail the factors you consider, including the number of discrete sales or transactions and the aggregate total of gross revenue.
7. Please provide the Terms of Service or any policy you require all third-party sellers to agree to for use of your platform.
8. Do you proactively ensure a seller is not in violation of your policies or only if an issue is flagged by a user? If yes, please explain what proactive actions you take.
9. Do you use artificial intelligence, human reviewers, or some combination thereof to ensure sellers are in compliance with your policies? If yes, please explain.
10. Do you have any limitations or additional procedures in place for the sale of products that have a higher risk of being counterfeited? If yes, please explain.
11. Do you have any limitations or additional procedures in place for the sale of products that pose a higher risk to public health and safety? If yes, please explain.
12. Please detail your notice and takedown procedures, including what the appeal process is for sellers who have been accused of violating your policies.
13. Upon discovering counterfeit or stolen goods have been sold on your platform, do you conduct any post-discovery actions. If yes, please detail such actions.

Letter to Mr. Bezos

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If you have any questions, please contact Tim Kurth and Bijan Koohmaraie at (202) 225-3641. Thank you for your prompt attention to this request.

Sincerely,



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Greg Walden  
Republican Leader



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Cathy McMorris Rodgers  
Republican Leader  
Subcommittee on Consumer Protection  
and Commerce



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Richard Hudson  
Member of Congress