

ONE HUNDRED FIFTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
Majority (202) 225-2927  
Minority (202) 225-3641  
March 7, 2018

Mr. Fred Chang  
Chairman and Chief Executive Officer  
Newegg  
9997 Rose Hills Road  
Whittier, CA 90601

Dear Mr. Chang:

I am writing to request a briefing on how Newegg is addressing the problem of sales of counterfeit products through your platform. Specifically, I am troubled by a recent report by the Government Accountability Office (GAO) showing that federal investigators were able to purchase potentially dangerous counterfeit products through popular online platforms. Counterfeit products, such as fake cosmetics and electronics, can cause serious harm to consumers and endanger public health.

The Energy and Commerce Committee has a longstanding interest in protecting consumers from harmful products – especially products such as cosmetics that consumers may be using every day. Regarding cosmetics in particular, my office has worked to strengthen safety standards and draw attention to potentially harmful cosmetics and personal care products.<sup>1</sup>

As documented in the recent GAO report, federal investigators purchased a sample of trademarked consumer products, including cosmetics and phone chargers, from third-party

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<sup>1</sup> See, e.g., House Committee on Energy and Commerce, *Pallone and Lance Unveil Bipartisan Proposal to Strengthen Cosmetic Product Regulation* (Sept. 14, 2016) (press release); House Committee on Energy and Commerce, *Pallone Raises Concerns After Asbestos Found in Cosmetics Marketed to Kids and Teens* (Aug. 7, 2017) (press release); House Committee on Energy and Commerce, *Pallone Urges FDA to Investigate Cosmetics Company Rodan + Fields* (Jan. 25, 2018) (press release); House Committee on Energy and Commerce, *Pallone Calls on FDA to Investigate Claire's and Justice Retail about Asbestos Found in Cosmetics Products* (Feb. 2, 2018) (press release).

sellers on Amazon.com, Walmart.com, Sears Marketplace, Newegg.com, and eBay.com.<sup>2</sup> GAO determined that 20 of the 47 products in the sample – and all of the cosmetics – were counterfeit.<sup>3</sup> This is especially concerning because, as GAO noted, “[c]ounterfeit goods may pose risks to the health and safety of consumers.”<sup>4</sup>

In particular, GAO found that “counterfeit cosmetics have been found to contain hazardous substances, including cyanide, arsenic, mercury, lead, urine, and rat droppings.”<sup>5</sup> This finding demonstrates yet another disturbing way consumers could unknowingly buy harmful products in commerce, and is consistent with the Food and Drug Administration’s evidence of the high number of violations associated with cosmetic imports, including the use of banned cosmetic ingredients, microbial contamination, illegal color additives, and high levels of mercury or heavy metals.<sup>6</sup>

I would like to better understand what measures your company is taking to prevent the sale of counterfeit products on your platform. Specifically, I request that representatives of your company brief my staff on this issue, as well as provide a written response to the following questions by March 28, 2018:

1. How does your company investigate counterfeit products on your platform?
2. What measures does your company take to vet third-party sellers on your platform?
3. How does your company block and remove counterfeit products?
4. What kinds of interactions does your company have with product manufacturers and law enforcement to address counterfeit issues?
5. How has your company engaged in consumer outreach efforts to help consumers identify and report suspected counterfeit products on your platform?

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<sup>2</sup> Government Accountability Office, *Agencies Can Improve Efforts to Address Risks Posed by Changing Counterfeits Market*, at 43 (Jan. 2018) (GAO 18-216).

<sup>3</sup> *Id.* at 15.

<sup>4</sup> *Id.* at 8.

<sup>5</sup> *Id.* at 8.

<sup>6</sup> Letter from Anna K. Abram, Deputy Commissioner for Policy, Planning, Legislation and Analysis, Food and Drug Administration, to rep. Frank Pallone, Jr. Ranking Member, House Committee on Energy and Commerce (June 30, 2017).

Mr. Fred Chang  
March 7, 2018  
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Your assistance in this matter is greatly appreciated, and we look forward to receiving your response. If you have any questions, please contact Julie Babayan with the Democratic Committee staff at (202) 225-3641.

Sincerely,

A handwritten signature in blue ink that reads "Frank Pallone, Jr." with a stylized flourish at the end.

Frank Pallone, Jr.  
Ranking Member

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March 7, 2018

Mr. Marc Lore  
President and Chief Executive Officer  
Walmart eCommerce U.S.  
Walmart  
702 SW 8 Street  
Bentonville, AR 72716

Dear Mr. Lore:

I am writing to request a briefing on how Walmart.com is addressing the problem of sales of counterfeit products through your platform. Specifically, I am troubled by a recent report by the Government Accountability Office (GAO) showing that federal investigators were able to purchase potentially dangerous counterfeit products through popular online platforms. Counterfeit products, such as fake cosmetics and electronics, can cause serious harm to consumers and endanger public health.

The Energy and Commerce Committee has a longstanding interest in protecting consumers from harmful products – especially products such as cosmetics that consumers may be using every day. Regarding cosmetics in particular, my office has worked to strengthen safety standards and draw attention to potentially harmful cosmetics and personal care products.<sup>7</sup>

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Mr. Marc Lore  
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March 7, 2018

Mr. Jeff Bezos  
President, Chief Executive Officer,  
and Chairman of the Board  
Amazon  
410 Terry Ave. N  
Seattle, WA 98109

Dear Mr. Bezos:

I am writing to request a briefing on how Amazon is addressing the problem of sales of counterfeit products through your platform. Specifically, I am troubled by a recent report by the Government Accountability Office (GAO) showing that federal investigators were able to purchase potentially dangerous counterfeit products through popular online platforms. Counterfeit products, such as fake cosmetics and electronics, can cause serious harm to consumers and endanger public health.

The Energy and Commerce Committee has a longstanding interest in protecting consumers from harmful products – especially products such as cosmetics that consumers may be using every day. Regarding cosmetics in particular, my office has worked to strengthen safety standards and draw attention to potentially harmful cosmetics and personal care products.<sup>13</sup>

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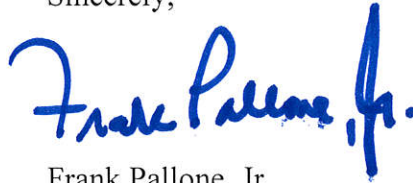
<sup>18</sup> Letter from Anna K. Abram, Deputy Commissioner for Policy, Planning, Legislation and Analysis, Food and Drug Administration, to rep. Frank Pallone, Jr. Ranking Member, House Committee on Energy and Commerce (June 30, 2017).



Mr. Jeff Bezos  
March 7, 2018  
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March 7, 2018

Mr. Devin Wenig  
President and Chief Executive Officer  
eBay  
2025 Hamilton Avenue  
San Jose, California 95125

Dear Mr. Wenig:

I am writing to request a briefing on how eBay is addressing the problem of sales of counterfeit products through your platform. Specifically, I am troubled by a recent report by the Government Accountability Office (GAO) showing that federal investigators were able to purchase potentially dangerous counterfeit products through popular online platforms. Counterfeit products, such as fake cosmetics and electronics, can cause serious harm to consumers and endanger public health.

The Energy and Commerce Committee has a longstanding interest in protecting consumers from harmful products – especially products such as cosmetics that consumers may be using every day. Regarding cosmetics in particular, my office has worked to strengthen safety standards and draw attention to potentially harmful cosmetics and personal care products.<sup>19</sup>

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Mr. Devin Wenig  
March 7, 2018  
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Frank Pallone, Jr.  
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March 7, 2018

Mr. Edward S. Lampert  
Chairman of the Board  
and Chief Executive Officer  
Sears Holdings  
3333 Beverly Rd  
Hoffman Estates, IL 60179

Dear Mr. Lampert:

I am writing to request a briefing on how Sears Marketplace is addressing the problem of sales of counterfeit products through your platform. Specifically, I am troubled by a recent report by the Government Accountability Office (GAO) showing that federal investigators were able to purchase potentially dangerous counterfeit products through popular online platforms. Counterfeit products, such as fake cosmetics and electronics, can cause serious harm to consumers and endanger public health.

The Energy and Commerce Committee has a longstanding interest in protecting consumers from harmful products – especially products such as cosmetics that consumers may be using every day. Regarding cosmetics in particular, my office has worked to strengthen safety standards and draw attention to potentially harmful cosmetics and personal care products.<sup>25</sup>

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Mr. Edward S. Lampert  
March 7, 2018  
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Frank Pallone, Jr.  
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