



RETAIL INDUSTRY LEADERS ASSOCIATION

TESTIMONY OF MR. JASON BREWER EXECUTIVE VICE PRESIDENT, STATE AFFAIRS AND COMMUNICATIONS RETAIL INDUSTRY LEADERS ASSOCIATION (RILA)

BEFORE THE PENNSYLVANIA HOUSE CONSUMER AFFAIRS COMMITTEE PUBLIC HEARING ON HOUSE BILL 1594 (TOMLINSON) ORGANIZED RETAIL CRIME

October 6, 2021

Chairman Marshall, thank you for the opportunity to testify today on behalf of leading retailers, manufacturers and consumer groups who have grave concerns about the surge in stolen and counterfeit goods sold on leading online marketplace platforms.

By way of background, [RILA](#) is the U.S. trade association for leading retailers. We convene decision-makers, advocate for the industry, and promote operational excellence and innovation. Our aim is to elevate a dynamic industry by transforming the environment in which retailers operate. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs, and more than 100,000 stores, manufacturing facilities, and distribution centers domestically and abroad.

The [Buy Safe America Coalition](#) represents a diverse group of responsible retailers, consumer groups, manufacturers, intellectual property advocates and law enforcement officials who support efforts at all levels of government to protect consumers and communities from the sale of counterfeit and stolen goods.

We are a diverse coalition that includes Pennsylvania-based companies like Dick's Sporting Goods and Lutron Electronics; manufacturers with operations in Pennsylvania like Philips; and national brands that employ over 1 million workers in the state of Pennsylvania.

At the outset let me make one thing clear. Retailers believe wholeheartedly in free markets and fair competition. We do not seek to tilt playing fields in favor of one type of retailer over another, one size over another, or one channel over another. In fact, in most instances, we prefer the government to stay out of the way and allow everyone to compete, and those that innovate, attract good employees, and provide value for their customers will ultimately be successful. We don't view it as our role to pick winners and losers in the marketplace, and we don't ask governments to do that either.

But every so often, it is incumbent upon government to fix problems in the market. That is why we are here today, to urge the state of Pennsylvania to address the rampant increase in counterfeit and stolen goods sold online, specifically on large marketplace platforms like Amazon and Facebook, which have become a haven for con artists and criminal networks to move billions in stolen and counterfeit products.

A quick google search will show you how badly this problem has gotten in recent years, but especially during the pandemic as more Americans shopped online. Retailers are being targeted by criminal networks who know exactly how to slide under felony thresholds and go from store to store, county to county, piling up tens of thousands of dollars of stolen product in a single afternoon. A generation ago, a haul of this magnitude would be difficult to unload quickly and inconspicuously. Pawn shop laws and cooperation between retailers and law enforcement made it difficult to operate a business of this type for very long without being caught. Today, the criminals can easily hide behind a screenname, and sell stolen goods 24/7 from an online marketplace.

The problem with counterfeit goods mirrors the issue with stolen goods, and the common denominator is the ability to move fake products behind a screen name and a bogus business account. The American marketplace is now flooded with billions of dollars of counterfeit products—much of it coming from China—and much of it for sale, appearing legitimate, on an online marketplace.

It is simply too easy to anonymously sell stolen and counterfeit product online for a huge profit. As one law enforcement official recently put it in the [Wall Street Journal](#), Amazon may be the largest unregulated pawn shop on the face of the planet.

Law enforcement is aware of this problem and is working with us to solve it. Retailers are spending billions collectively on loss prevention. From human asset protection professionals in stores, to technology-based solutions that [render stolen products inoperable](#), retailers are investing heavily to combat the problem in the store. Consumer groups actively warn families about the dangerous of buying products from marketplaces that could be fake, tampered, expired or dangerous.

But this is a problem that is getting worse. And it all comes back to the ease of selling these illicit goods quickly and anonymously online:

- [Used medical equipment](#), stolen from hospitals and sold on eBay and Amazon
- \$300,000 in [stolen baby formula](#) sold on eBay
- [Fake vaccine cards](#) and counterfeit [N-95 Masks](#)
- [Counterfeit batteries](#) that pose a serious fire risk
- [Counterfeit car seats](#) that don't meet safety guidelines

Examples of [counterfeit and stolen goods](#) sold on leading online marketplaces are more than anecdotal, they illustrate a disturbing pattern of inaction on the part of these platforms.

In addition to the harm that can befall a consumer from buying something illicit, thieves targeting local retailers have become increasingly brazen and more violent. They are brandishing guns and knives, using mace, threatening, and assaulting employees. And in a few tragic incidents, the most violent offenders have killed employees that stood in their way.

This is not petty shoplifting. This is not an individual stealing because they are hungry, or desperate to feed their family. These are increasingly hardened criminals, and in many cases, criminal syndicates using addicts as pawns to steal. And law enforcement and asset protection professionals in retail will explain in great detail, these syndicates are moving millions of dollars of stolen goods online, with little to nothing being done to proactively stop, or at least thwart, this illegal activity. It's only after criminal rings are thoroughly investigated and charges are filed that most marketplaces get involved—its not by choice.

I know my counterparts in the tech community will talk about their advance AI systems, algorithms, Project Zero and the millions of dollars and man hours they supposedly invest in stopping the sale of illicit products on their websites. But I would draw you to a story published a few days ago on the website The Verge, that detailed just [how easy it was for banned Chinese sellers to hop right back on Amazon's platform](#) by making a quick alteration to their name. One seller dropped a single letter from their name and was back in business. So, let's be clear: whatever Amazon and other marketplaces say they are doing—it isn't working.



Retailers and the Buy Safe America coalition support House Bill 1594 as a common-sense solution to a growing consumer threat and public safety issue. The aim is rather simple, make it harder to anonymously sell illicit products online. Our coalition of retailers and manufacturers believes transparency is the key. Making it harder to sell knockoffs or stolen goods online means fewer con artists and criminals will attempt to build a business duping consumers and stealing from local merchants. And those that do will be unable to hide behind screennames, and will be easier for retailers, law enforcement and consumers to track. As we often say, sunlight is the best disinfectant and the best way to deter this criminal activity.

Importantly, HB 1594 does not interfere with any Pennsylvania business from growing its footprint online or selling on a marketplace. Despite rhetoric from the tech community, this bill would not impose hurdles for any legitimate seller. It would require businesses to provide basic pieces of business information, something every legitimate business can do quickly and easily.

What it would do, is remove the ability to sell anonymously—to hide behind a screenname—and sell stolen or counterfeit goods to unsuspecting Pennsylvania consumers. It would require marketplaces to finally do some due diligence, verify the people selling on their platform, and keep off the con artists and criminals who have been caught selling illicit goods.

The excuses from Amazon, Facebook and other marketplaces that this is too hard or too complicated have piled up for long enough. The problem is getting worse. The evidence is plain to see. Yet, when left to their own devices, online marketplaces are simply unwilling to change their operations despite the harm it is causing.

In this instance, we need the legislature to intervene. We urge the legislature to support HB 1594 so that we can reverse the alarming trend of organized retail crime targeting local businesses and stem the flow of stolen and counterfeit goods sold to unsuspecting Pennsylvania consumers.

