

October 11, 2022

The Honorable Lina Khan  
Chair  
Federal Trade Commission  
600 Pennsylvania Avenue NW  
Washington, DC 20580

The Honorable Merrick Garland  
Attorney General  
Department of Justice  
950 Pennsylvania Avenue NW  
Washington, DC 20530

**Re: Protecting consumers and businesses from fraudulent reviews**

Dear Chair Khan and Attorney General Garland,

The trustworthiness of user reviews is a critical component of modern commerce. Millions of consumers use these tools every day to inform their decisions to make billions of dollars in purchases from both online and offline businesses. It is difficult—if not impossible—for consumers to accurately judge the quality of goods and services advertised or sold online without trust that reviews are genuine.

Consumer trust is eroding because of the rapid rise in organized reviews fraud activities perpetrated by reviews brokers; companies that facilitate buying and selling fake reviews.<sup>1</sup> Once consumers lose trust in online reviews, it will be very difficult for that trust to be regained. The undersigned consumer rights and business organizations urge you to make investigating and acting against reviews brokers a priority for your respective agencies.

We believe that the behavior of reviews brokers constitutes unfair and deceptive practices under Section 5(a) of the Federal Trade Commission Act, state consumer protection and false advertising laws.

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<sup>1</sup> McCluskey, Megan. "Inside the War on Fake Consumer Reviews," *Time*. (July 6, 2022) Online: <https://time.com/6192933/fake-reviews-regulation/>

The Federal Trade Commission’s recent action against Roomster and AppWinn is an encouraging first step in protecting consumers against fake reviews.<sup>2</sup> To ensure that this action has the desired chilling effect against other entities that seek to harm consumers with fake reviews, we urge you to continue and expand these efforts.

The price of marketplace distortions caused by fake reviews is significant. Fraudulent reviews cost consumers an estimated \$152 billion globally in 2021, with \$28 billion in losses from the U.S. economy alone.<sup>3</sup> Fake reviews result in consumers purchasing lower quality and potentially unsafe products.<sup>4</sup> By one estimate, fake reviews lead to \$0.12 of consumer welfare lost for every \$1 spent online.<sup>5</sup>

Fake reviews also harm honest businesses as well. Sellers and service providers that do not use fake reviews are likely to appear lower in online marketplace listings and search engine results. The threat of fake negative reviews is also being used to extort honest businesses.<sup>6</sup> Smaller businesses especially may lack the resources to overcome competitors that employ fraudulent positive reviews or purchase negative reviews.

While platforms that host user reviews can and do take action to crack down on fake reviews, those efforts will not alone solve the problem. Reviews brokers quickly adapt to countermeasures put in place by these platforms. Absent collaboration between federal

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<sup>2</sup> Federal Trade Commission. “FTC, States Sue Rental Listing Platform Roomster and its Owners for Duping Prospective Renters with Fake Reviews and Phony Listings.” Press release. (August 30, 2022) Online: <https://www.ftc.gov/news-events/news/press-releases/2022/08/ftc-states-sue-rental-listing-platform-roomster-its-owners-duping-prospective-renters-fake-reviews>

<sup>3</sup> University of Baltimore, CHEQ. *The Economic Cost of Bad Actors on the Internet, Fake Online Reviews 2021*. (2021). Online: <https://f.hubspotusercontent00.net/hubfs/5228455/Research/Fake%20Online%20Reviews%202021.pdf>

<sup>4</sup> Which?. *The real impact of fake reviews*. (2020). Online: <https://www.which.co.uk/policy/consumers/5860/realfakereviews>

<sup>5</sup> Jesper Akesson, Robert W. Hahn, Robert D. Metcalfe, Manuel Monti-Nussbaum. *The Impact of Fake Reviews on Demand and Welfare*. (2022). Online: [https://conference.nber.org/conf\\_papers/f166391.pdf](https://conference.nber.org/conf_papers/f166391.pdf)

<sup>6</sup> Morales, Christina. “Restaurants Face an Extortion Threat: A Bad Rating on Google,” *New York Times*. (July 11, 2022) Online: <https://www.nytimes.com/2022/07/11/dining/google-one-star-review-scam-restaurants.html>

law enforcement and the private sector, ethical businesses and platforms will be forced to play a never-ending game of “whack-a-mole” that leaves consumers vulnerable.

Reviews brokers present a particularly pernicious problem in that the misconduct happens off of the websites on which the fake reviews appear, making it difficult both to detect the misconduct and identify the perpetrators. While companies have dedicated considerable resources to identifying and removing fake reviews, even filing private litigation against reviews brokers<sup>7</sup>, these bad actors have proven to be an Internet-wide problem<sup>8</sup> that necessitates more robust private and public sector collaboration and information-sharing, as well as public sector enforcement.

Enforcement actions by your agencies should prioritize cracking down on reviews brokers. The FTC’s ongoing proceeding to clarify guidance on fake reviews and strengthen its enforcement against intermediaries like reviews brokers is a welcome development.<sup>9</sup> However, we believe more can and should be done by your agencies specifically to hold the purveyors of organized reviews fraud accountable.

Sincerely,

Center for Data Innovation

Chamber of Progress

Consumer Action

Connected Commerce Council

Licensing International

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<sup>7</sup> See, e.g., Amazon. *Amazon targets fake review fraudsters on social media*. (2022). Online: <https://www.aboutamazon.com/news/policy-news-views/amazon-targets-fake-review-fraudsters-on-social-media>

<sup>8</sup> Marciano, Jonathan. “Fake online reviews cost \$152 billion a year. Here’s how e-commerce sites can stop them.” (August 10, 2021) World Economic Forum. Online: <https://www.weforum.org/agenda/2021/08/fake-online-reviews-are-a-152-billion-problem-heres-how-to-silence-them/>

<sup>9</sup> Federal Register. *Guides Concerning the Use of Endorsements and Testimonials in Advertising*. (2022). Online: <https://www.federalregister.gov/documents/2022/07/26/2022-12327/guides-concerning-the-use-of-endorsements-and-testimonials-in-advertising>

National Consumer Law Center (*on behalf of its low-income clients*)

National Consumers League

National Restaurant Association

TechNet

Women in Toys, Licensing & Entertainment/W I T Foundation