



Office of the Chair

UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

**Statement of Chair Lina M. Khan
Regarding the Advanced Notice of Proposed Rulemaking
on Unfair or Deceptive Reviews and Endorsements
Commission File No. P214504**

October 20, 2022

Online shopping runs on reviews. When you're in a brick-and-mortar store, you can see the inventory. If it's a couch, you can sit on it. If it's a TV, you can watch it. But when you're shopping online, it's much harder to know what you're actually buying. That's why reviews are so crucial. If 500 other people have bought something and say it works, you can have a lot more confidence.

But what if those people were paid to leave those positive reviews? Or what if they're bots? What if the seller is hiding a thousand one-star reviews?

That's the dilemma when you shop online. Reviews are essential, but it's hard to know when they can be trusted. Precisely because of the importance of reviews, firms can face powerful incentives to game the system. Businesses have been caught leaving positive reviews for their own products or services, suppressing negative ones, and boosting bad reviews of their competitors.¹ The incentives extend beyond the seller of the product itself. The platforms that host reviews may also, in some instances, benefit indirectly from fake ratings and endorsements and have financial incentives to turn a blind eye to misconduct that brings in revenue.

These practices don't only harm the consumers who place their trust in fake reviews. They also pollute the marketplace and put honest businesses at a competitive disadvantage.

The Commission has brought several enforcement actions to address this issue. In January, for example, the Commission settled allegations that the fast-fashion company Fashion Nova had suppressed negative reviews.² And in August, the Commission, along with several state attorneys general, sued Roomster for allegedly flooding its rental listing marketplace with phony reviews.³

¹ See, e.g., Sherry He, et al., *The Market for Fake Reviews*, 41 MKTG. SCI. 896 (2020) (measuring the impact of fake reviews on Amazon sales); Theodore Lappas, et al., *The Impact of Fake Reviews on Online Visibility: A Vulnerability Assessment of the Hotel Industry*, 27 INFO. SYS. RSCH. 940 (2016); Renee DiResta, *Manipulating Consumption*, MEDIUM (Jun. 29, 2018), <https://medium.com/@noupaside/manipulating-consumption-42f2e9013d0b>.

² Press Release, Fed. Trade Comm'n, Fashion Nova will Pay \$4.2 Million as part of Settlement of FTC Allegations it Blocked Negative Reviews of Products (Jan. 25, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/01/fashion-nova-will-pay-42-million-part-settlement-ftc-allegations-it-blocked-negative-reviews>.

³ Press Release, Fed. Trade Comm'n, FTC, States Sue Rental Listing Platform Roomster and Its Owners for Duping Prospective Renters with Fake Reviews and Phony Listings (Aug. 30, 2022), <https://www.ftc.gov/news->

In addition to enforcement activity, the Commission has used other authorities to try to address market-wide problems with fake reviews. Last year, the Commission put more than 700 companies on notice regarding its litigated decisions in this area, which triggered the FTC's penalty offense authority.⁴ This past May, the Commission also proposed revisions to tighten its guidelines for advertisers who use endorsements and reviews and to warn social media platforms about inadequate disclosure.

With today's Advance Notice, the Commission is seeking comment from the public on whether rulemaking would be an appropriate way to address the problem more systemically.

A rulemaking here would provide benefits beyond the agency's other powers. The Supreme Court decision in *AMG Capital Management, LLC v. FTC* substantially limited our ability to seek monetary relief for harmed consumers.⁵ A rule against fake reviews could enable us to obtain civil penalties and return money to consumers injured as a result of deceptive or unfair reviews and endorsements.

I am grateful to staff for their hard work on this ANPR. And I am happy to cast my vote in favor of beginning this process. It's critical that the Commission use all of its authorities in order to prohibit unfair or deceptive practices—and to help consumers who have been harmed by them. I look forward to hearing from the public and stakeholders as the agency embarks on the rulemaking process.

[events/news/press-releases/2022/08/ftc-states-sue-rental-listing-platform-roomster-its-owners-duping-prospective-renters-fake-reviews](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). In addition, in 2019, the FTC sued a company called Synovia for marketing a fake arthritis cure with fake testimonials and fake doctor endorsements. Press Release, Fed. Trade Comm'n, *FTC Stops Marketers from Making False Arthritis Treatment Claims* (Dec. 5, 2019), <https://www.ftc.gov/news-events/news/press-releases/2019/12/ftc-stops-marketers-making-false-arthritis-treatment-claims>. In January of this year, the Commission settled with Vision Path for, among other things, failing to disclose that one of its own senior employees posted a positive review on the BBB website. Press Release, Fed. Trade Comm'n, *Vision Path, Inc., Online Seller of Hubble Lenses, Settles Charges it Violated the Contact Lens Rule and FTC Act to Boost Sales* (Jan. 28, 2022), <https://www.ftc.gov/news-events/news/press-releases/2022/01/vision-path-inc-online-seller-hubble-lenses-settles-charges-it-violated-contact-lens-rule-ftc-act>.

⁴ Fed. Trade Comm'n, *Penalty Offenses Concerning Endorsements*, <https://www.ftc.gov/enforcement/penalty-offenses/endorsements>.

⁵ *AMG Capital Mgmt. v. FTC*, 141 S. Ct. 1341 (2021).