

# Compliance Lessons From 1st-Ever Product Safety Sentences

By **Daniel Grooms, Elliot Kaye and Matt Howsare** (July 18, 2025)

The recent sentencing of two corporate executives over violations of the Consumer Product Safety Act is a reminder that CPSA claims can result in not only civil penalties, but also criminal prosecution of individual executives and employees.

In 2023, in *U.S. v. Simon Chu*, two corporate executives and part-owners of Gree USA Inc., which imported and sold dehumidifiers manufactured in China by Gree Electric Appliances Inc. of Zhuhai, were convicted by a Los Angeles federal jury of conspiracy and failure to report defective dehumidifiers in violation of the Consumer Product Safety Act.

This groundbreaking prosecution in the U.S. District Court for the Central District of California was the first-ever criminal conviction of corporate executives for failure to report under the CPSA.[1]

On June 16, U.S. District Judge Dale S. Fischer sentenced Simon Chu to 38 months and Charley Loh to 40 months in prison. Both sentences also included three years of supervised release. The court also ordered the defendants to pay fines of \$5,000 and \$12,000, respectively.

The sentencing followed a yearslong series of civil and criminal enforcement actions relating to the recalled dehumidifiers. Both defendants have appealed their convictions and sentences to the U.S. Court of Appeals for the Ninth Circuit.

In light of these developments, companies should consider evaluating and enhancing their regulatory compliance and CPSA reporting programs, as well as training their employees and executives on CPSA reporting obligations.

U.S. companies should keep in mind that CPSA reporting obligations apply not only to manufacturers, but also retailers, importers and distributors.

Companies and executives involved in any of these activities should take note, therefore, and be mindful of both civil and criminal liabilities. Developing a companywide culture of compliance — including a specific focus on obligations and internal reporting protocols under Section 15(b) of the CPSA — will help ensure that expectations are aligned across the organization.

## Background

Section 15(b) of the CPSA imposes an affirmative reporting requirement on manufacturers, retailers, importers and distributors of consumer products.

Companies must promptly notify the U.S. Consumer Product Safety Commission when they obtain information that reasonably supports the conclusion that a product contains a defect



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that could create a substantial product hazard or poses an unreasonable risk of serious injury or death.

Failure to timely report the information can result in civil penalties, for knowing violations, as well as criminal penalties for willful violations.

According to the U.S. Department of Justice press release about the sentencing, evidence presented in court showed that the defendants had received multiple reports that the dehumidifiers they imported were "defective, dangerous and could catch on fire."

The U.S. Department of Justice alleged that despite knowing that they had a reporting obligation under CPSA Section 15(b), the defendants failed to report the information to the CPSC for at least six months, continuing to sell the hazardous products during that period.

The defective dehumidifiers were later subject to multiple recalls, with more than 450 reported fires and millions of dollars in property damage attributed to the recalled units. Recent CPSC warnings also have linked at least four deaths to the recalled products.

In addition to the individual sentences, the Gree companies paid \$91 million in total monetary penalties, including \$15.5 million in civil penalties to the CPSC.

Gree USA also pled guilty to willfully failing to notify the CPSC, and the other companies entered into a deferred prosecution agreement related to the same charge.

### **The CPSC's Continued Focus on Products That Harm Americans**

Regardless of recent political developments at the CPSC — three Democratic commissioners were removed in May and then ordered reinstated by U.S. District Judge Matthew J. Maddox of the U.S. District Court for the District of Maryland on June 13 — the agency has remained committed to compliance and enforcement.

According to a May 15 announcement, the agency issued 28 product safety recalls and warnings during the week of May 12 — "a new agency record and more than double the agency's previous weekly high for safety warnings."

In its May 15 announcement, the CPSC emphasized its focus on foreign violators, stating that "the Commission will not hesitate to warn Americans about dangerous products, particularly in cases involving foreign firms that are unreachable when problems arise."

CPSC Acting Chairman Peter Feldman reiterated that message in his comments on the Gree executives' sentencing, stating that, "[t]hese Chinese-made products were hazardous, and the defendants knew it. Today's sentences are a clear message that the CPSC will take a hard line against executives who break American laws and endanger families."

Similarly, Bill Essayli, U.S. attorney for the Central District of California, emphasized that the U.S. Department of Justice will continue to enforce product safety laws, stating that, "[c]orporate executives who choose to ignore the law will be held accountable — especially when death and serious injuries result."

### **Key Takeaways**

The DOJ and the CPSC have demonstrated their willingness to pursue not only civil and criminal liability against corporate entities, but also criminal prosecution of individuals who

fail to report product safety hazards under the CPSA.

The risks are not hypothetical — individuals who are found to have willfully violated the CPSA could face up to five years in prison.

Section 15(b) of the CPSA imposes reporting obligations not only on manufacturers, but also on retailers, importers and distributors. Therefore, American companies and executives should remain alert to civil and criminal liabilities for failing to report product safety issues of imported goods.

Companies should consider strengthening their Section 15(b) reporting and compliance programs, including regular training for employees on Section 15(b) obligations and internal reporting protocols. A robust internal reporting system that allows issues to be escalated quickly may help mitigate risks.

An effective compliance program requires ongoing evaluation, including periodic audits focused on high-risk areas and real-time reviews of recent product safety incidents for lessons learned.

A culture of compliance — driven by leadership and reinforced throughout the organization — can help ensure that compliance expectations are understood and met at every level.

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[1] Landmark Product Safety Prosecution May Signal Sea Change, Law360 (Jan. 12, 2024), <https://www.law360.com/articles/1785217/landmark-product-safety-prosecution-may-signal-sea-change->.