

# The SHOP SAFE Act of 2021

## H.R. 5374

### *Stopping Harmful Offers on Platforms by Screening Against Fakes in E-commerce*

*Protects Consumers:* The SHOP SAFE Act sets out steps an e-commerce marketplace platform must take to avoid contributory trademark liability for a third-party seller's sales of counterfeit products sold through the platform. It addresses the increasing problem of unsafe counterfeit products sold to unwitting consumers by incentivizing platforms to engage in best practices for screening and vetting sellers and listings, addressing repeat offenders, and ensuring that consumers have accurate information.

*Facilitates Robust E-commerce:* The SHOP SAFE Act provides a safe harbor from contributory infringement for those platforms that follow the best practices set out in the statute to keep sellers of counterfeit products off their platforms. Because the steps are reasonable, and the benefit to the platforms significant—shielding from contributory trademark infringement liability—the statute does not create unworkable barriers to continued robust e-commerce. The Act supports new market entrants by exempting platforms that have not reached a certain level of sales, unless counterfeiting becomes prevalent on the platform. The Act is limited in application to goods that have a health or safety impact, goods that when counterfeited have the most potential for consumer harm.

*Takes a Balanced Approach:* The SHOP SAFE Act includes a new cause of action against people who exploit the notice-and-takedown process.

## SECTION-BY-SECTION

### Section 1. Short Title.

**Section 2. Contributory Liability for Electronic Commerce Platforms.** Amends Section 32 of the Trademark Act of 1946 (15 U.S.C. § 1114) to append a new paragraph (§ 1114(4)) that provides expressly for contributory liability for electronic commerce platforms for sales of counterfeit products that pose a risk to consumer health and safety unless certain best-practices are followed by the platform. Under *Tiffany (NJ), Inc. v. eBay*, 600 F.3d 93 (2d Cir. 2010), a platform is only liable for the activities of a third party if it intentionally induced that party to infringe or it continued to supply its services to a party that it had reason to know was engaging in trademark infringement. The SHOP SAFE Act provides a statutory scheme for assessing contributory liability that replaces the *Tiffany v. eBay* framework in covered circumstances.

- **§ 1114(4)(A)** requires that the platform undertake certain best-practice efforts for the platform to avoid liability under the commonly accepted contributory infringement theory articulated in *Tiffany*. The “best practices” the platforms must adopt are:

- Confirm the seller has a designated agent for service of process in the United States or a verified U.S. address for service of process in the United States (§ 1114(4)(A)(i)).
- Verify the seller's identity, location, and contact information, including government-issued identification to the extent possible (§ 1114(4)(A)(ii)).
- Require the seller to verify and attest that its goods are authentic unless the seller qualifies for an exemption under subparagraph (C) (§ 1114(4)(A)(iii)).
- Condition the seller's use of the platform on agreeing not to sell counterfeits, consenting to being sued in U.S. court, and designating an agent or verified address for service of process in the United States (§ 1114(4)(A)(iv)).
- Display in listings the seller's identity, location, and contact information, and the country from which the goods were originally shipped, with exceptions for personal information (§ 1114(4)(A)(v)).
- Display in listings the country of origin of the goods as identified by the seller unless the seller qualifies for an exemption under subparagraph (C) (§ 1114(4)(A)(vi)).
- Require sellers to use images that accurately depict the actual goods offered for sale (§ 1114(4)(A)(vii)).
- Use reasonable proactive measures to screen for counterfeits before a seller's goods appear on the platform, such as the size and resources of the platform, the available technological solutions at the time of screening, and what information the trademark owner may have provided to the platform. (§ 1114(4)(A)(viii)).
- Provide an electronic means for registrants and consumers to notify a platform of a suspected use of a counterfeit mark (§ 1114(4)(A)(ix)).
- Expediently remove listings selling counterfeit goods with reposting of the listing permitted if an investigation reveals such goods were not counterfeit (§ 1114(4)(A)(x)).
- Terminate sellers following a written, public termination policy that have repeatedly listed or sold counterfeit goods on the platform, with reinstatement allowed if there are reasonable mitigating circumstances, such as the seller's overall activity and efforts the seller has taken to cure supply chain problems (§ 1114(4)(A)(xi)).
- Screen sellers using reasonable measures to prevent terminated sellers from rejoining or remaining on the platform under a different alias or storefront (§ 1114(4)(A)(xii)).
- Provide a means to contact an allegedly infringing seller upon a registrant's request (§ 1114(4)(A)(xiii)).

- § 1114(4)(B) describes the two types of e-commerce platforms to which the framework established in the Act will apply:
  - (1) A platform with annual sales of \$500,000 or more; or
  - (2) A platform that has less than \$500,000 in annual sales but that has received ten notices identifying counterfeit goods that implicate health and safety. The applicable notices must reference this statutory provision and the requirement that the platform publish an attestation that its annual sales are less than \$500,000 and the aggregate count of the notices the platform has received within one month of receiving the first notice. Liability will not apply until six months after the platform receives the tenth notice.
- § 1114(4)(C) exempts platforms from requiring third-party seller compliance with 1114(4)(A)(iii) and (vi) when a listing is less than \$5,000 and the seller sells or offers for sale 5 or fewer of goods of the same type with the same mark within a one-year period on the platform.
- § 1114(4)(D) explicitly leaves undisturbed any theory of liability that is not addressed by this new paragraph, including other causes of action identified in the Lanham Act.
- § 1114(4)(E) indexes the \$500,000 amount in subparagraph (B) and \$5,000 amount in subparagraph (C) to inflation.
- § 1114(4)(F) provides the following definitions:
  - “*Counterfeit mark*” – Has the meaning given that term in section 34(d)(1)(B) (15 U.S.C. § 1116 (d)(1)(B)).
  - “*Electronic commerce platform*” – Any electronically accessed platform that includes publicly interactive features that allow for arranging the sale or purchase of goods, or that enables a person other than an operator of such platform to sell or offer to sell physical goods to consumers located in the U.S.
  - “*Goods that implicate health and safety*” – Goods the use of which can lead to illness, disease, injury, serious adverse event, allergic reaction, or death if produced without compliance with all applicable Federal, State, and local health and safety regulations and industry-designated testing, safety, quality, certification, manufacturing, packaging, and labeling standards.
  - “*Third-party seller*” – A person other than the electronic commerce platform who uses the platform to arrange for the sale or purchase of goods.

**Section 3. Material Misrepresentations in Take-Down Notices.** Establishes that any person who submits a take-down notice for a good implicating health and safety to a platform that contains a knowingly material misrepresentation can be sued by the third-party seller injured by such misrepresentation, which may elect to recover statutory damages for each such notice of between \$2,500-\$15,000, or if aggravating circumstances exist, between \$15,000 and \$75,000. A platform may bring suit against anyone who makes a material misrepresentation in 10 or more

notices under the same circumstances after obtaining written consent from the third-party seller or sellers to which the notices were directed.

**Section 4** sets the effective date of the Act one year after enactment.