

The SHOP SAFE Act of 2021

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

Protects Consumers: This 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: This 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.

SECTION-BY-SECTION

Section 1. Short Title.

Section 2. Contributory Liability for Electronic Commerce Platforms.

Section 2(a) 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 (§ 1114(4)(A)(ii)).

- Require the seller to verify and attest that its goods are authentic (§ 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 will be shipped, with exceptions for personal information (§ 1114(4)(A)(v)).
- Display in listings the country of origin of the goods (§ 1114(4)(A)(vi)).
- Require sellers to use images that accurately depict the actual goods offered for sale and that the seller owns or has permission to use (§ 1114(4)(A)(vii)).
- Use technology to screen for counterfeits before a seller’s goods appear on the platform (§ 1114(4)(A)(viii)).
- Expediently remove listings selling counterfeit goods (§ 1114(4)(A)(ix)).
- Terminate sellers that have repeatedly listed or sold counterfeit goods on the platform (§ 1114(4)(A)(x)).
- Screen sellers to prevent terminated sellers from rejoining or remaining on the platform under a different alias or storefront (§ 1114(4)(A)(xi)).
- Provide a means to contact an allegedly infringing seller upon a registrant’s request (§ 1114(4)(A)(xii)).
- **§ 1114(4)(B)** 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, purchase, payment, or shipping 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, purchase, payment, or shipment of goods.
- **§ 1114(4)(C)** 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. For the latter, the applicable notices must reference this provision and liability will not apply until six months after the platform receives the tenth notice.

- § 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.

Section 2(b) sets the effective date of the Act one year after enactment.