

# The SHOP SAFE Act of 2020

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

*Protects Consumers:* This Act defines steps an e-commerce platform must take to avoid contributory trademark liability for selling counterfeit goods on behalf of third-party sellers. It addresses the increasing problem of unsafe counterfeit products sold to unwitting consumers by incentivizing platforms to engage in best practices for screening sellers and their listed items.

*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 the 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 also applies only to goods that have a health or safety impact, thereby tailoring its application to those situations with the most serious consequences for consumers.

### SECTION-BY-SECTION

#### Section 1. Short Title.

**Section 2. Contributory Liability for Electronic Commerce Platforms.** Section 2 amends Section 32 of the Trademark Act of 1946 (15 U.S.C. § 1114) to provide 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.

- **§ 1114(4)(A)** requires that the third-party seller be subject to service of process in the U.S. and that the platform undertake certain best-practice efforts for the platform to avoid liability under the commonly-accepted contributory infringement theory articulated in *Tiffany (NJ), Inc. v. eBay*, 600 F.3d 93 (2d Cir. 2010). Under *Tiffany*, 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. This statutory scheme replaces that theory of contributory liability when the statutory requirements are met.

The “best practices” the platforms must adopt are:

- Verifying the seller’s identity, location, and contact information (§ 1114(A)(ii)(I)).
- Requiring the seller to verify and attest that its goods are not counterfeit (§ 1114(A)(ii)(II)).
- Conditioning the seller’s use of the platform on agreeing not to sell counterfeits and consenting to being sued in U.S. court (§ 1114(A)(ii)(III)).

- Displaying the seller’s identity, location, and contact information; where the goods are made; and from where the goods will be shipped (§ 1114(A)(ii)(IV)).
  - Requiring sellers to use images that accurately depict the actual goods offered for sale and that the seller owns or has permission to use (§ 1114(A)(ii)(V)).
  - Using technology to screen for counterfeits before a seller’s goods appear on the platform (§ 1114(A)(ii)(VI)).
  - Implementing a timely takedown process for removing listings for counterfeit goods (§ 1114(A)(ii)(VII)).
  - Terminating sellers that have listed or sold counterfeit goods three times (§ 1114(A)(ii)(VIII)).
  - Screening sellers to prevent terminated sellers from rejoining or remaining on the platform under a different alias or storefront (§ 1114(A)(ii)(IX)).
  - Sharing an infringing seller’s information with law enforcement and, upon request, the owner of the registered trademark (§ 1114(A)(ii)(X)).
- § 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) leaves undisturbed any theory of direct liability for trademark infringement by online platforms. The contributory liability theory discussed in *Tiffany* relies on the premise that the platform is providing only a service to the third-party seller. In other words, the platform itself is not, under the *Tiffany* model, the direct-to-consumer seller of goods listed by third parties, and thus is not liable for direct infringement. The Act expressly reserves the question of whether direct infringement can lie against a platform regardless of whether the “best practices” steps are undertaken, or not.