August 25, 2020

The Honorable Jerrold Nadler
Chairman
Committee on the Judiciary
U.S. House of Representatives
2138 Rayburn House Office Building
Washington, D.C. 20515

Honorable Hank Johnson
Chairman
Subcommittee on Courts, Intellectual
Property and the Internet Committee on
the Judiciary
U.S. House of Representatives
2138 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Jim Jordan
Ranking Member
Committee on the Judiciary
U.S. House of Representatives
2138 Rayburn House Office Building
Washington, D.C. 20515

Honorable Martha Roby
Ranking Member
Subcommittee on Courts, Intellectual
Property and the Internet Committee on
the Judiciary
U.S. House of Representatives
2138 Rayburn House Office Building
Washington, D.C. 20515

Re: H.R. 6058 - SHOP SAFE Act of 2020

Dear Chairman Nadler, Ranking Member Jordan, Congressman Johnson and Congresswoman Roby:

I write on behalf of the American Bar Association Section of Intellectual Property Law (the “Section”) to express our support for the Stopping Harmful Offers on Platforms by Screening Against Fakes in E-Commerce (“SHOP SAFE”) Act of 2020, H.R. 6058 (116th Congr., introduced 3/20/2020). The views expressed herein are presented on behalf of the Section, have not been approved by the House of Delegates or the Board of Governors of the American Bar Association, and accordingly should not be construed as representing the positions of the Association.

Since 1894, the Section has advanced the development and improvement of intellectual property laws and their fair and just administration. As the forum for rich perspectives and balanced insight on the full spectrum of intellectual property law, the Section serves within the ABA as a highly respected voice within the intellectual property profession, before policy makers, and with the public.
The SHOP SAFE Act Will Provide Important and Necessary Protections for American Consumers and Brands

The Section commends the introduction of the SHOP SAFE Act, which addresses the critically important needs of protecting both American consumers who purchase goods from e-commerce platforms, and the trademarks that may be infringed through those sales. The Section agrees that trafficking in counterfeit goods is a widespread and serious problem impacting the health and safety of American consumers, but particularly in online marketplaces, which give third parties a forum to conduct transactions with relative anonymity and low accountability, warranting Congress’s attention. The Section believes that the SHOP SAFE Act will be valuable in filling a void in policing counterfeits to provide greater safety for American consumers and more brand protection.

To highlight the crisis and need for action, one needs to look no further than the current COVID-19 pandemic, which created an influx of millions of dangerous counterfeit products into the United States marketplace, including counterfeit safety equipment and medical devices, unapproved COVID-19 test kits, unapproved medicines and substandard hygiene products. The vast majority of these products were sold online, corresponding with quarantined Americans’ desire to conduct as much shopping online as possible. Indeed, in a single week in March, Interpol shut down more than 2500 web links featuring such counterfeit items, including websites, social media pages, online marketplaces and online advertisements for illicit pharmaceuticals. See Global Operation Sees A Rise in Fake Medical Products Related to COVID-19, Interpol (March 19, 2020), available at https://www.interpol.int/en/News-and-Events/News/2020/Global-operation-sees-a-rise-in-fake-medical-products-related-to-COVID-19. This example illustrates that counterfeit sales of goods impacting health and safety pose a great danger to the American public. Dangerous counterfeits are rampant, and the Section is pleased that Congress is taking steps to address this problem.

While the SHOP SAFE Act is unlikely – and not intended – to address the entire counterfeiting problem, the Section believes the Act is a step in the right direction toward combating counterfeiting more broadly. In fact, it may already be incentivizing e-commerce platforms to take action designed to proactively prevent all counterfeit sales—not just sales of goods that impact health and safety. For example, in the last month alone, Amazon introduced a new Counterfeit Crimes Unit in an effort to remove all counterfeit listings from its platform and hold counterfeiting sellers accountable. See Press Release, Amazon Establishes Counterfeit Crimes Unit to Bring Counterfeiters to Justice, Amazon (Jun. 24, 2020), available at https://press.aboutamazon.com/news-releases/news-release-details/amazon-establishes-counterfeit-crimes-unit-bring-counterfeiters. Amazon also announced that the names and addresses of all listing sellers will now be displayed on the sellers’ profile pages, leading both to more transparency for customers and brand owners, and more accountability for the sellers. See Advanced Notice: Business name and address to be displayed on the seller profile page starting September 1, 2020, Amazon News (Jul. 8, 2020), available at https://sellercentral.amazon.com/forums/t/advance-notice-business-name-and-address-to-be-displayed-on-the-seller-profile-page-starting-september-1-2020/658140. Other e-commerce platforms should look to Amazon as an example and similarly adopt proactive programs designed to combat counterfeiting.
The SHOP SAFE Act Requirements Are Likely to Facilitate Robust E-Commerce Platforms

The Section supports Congress’s intention to hold e-commerce platforms liable for contributory liability for the sale of counterfeit goods impacting health and safety unless the platforms adopt a series of steps that have been deemed “best practices.” These “best practices” fall broadly into four categories. The Section offers comments on each below:

- **Mandates designed to address and resolve seller anonymity:** Sections 1114(4)(A)(ii)(I) and (IV) importantly seek to reduce seller anonymity by mandating that the sellers’ names and addresses be verified and publicly disclosed. The Section strongly supports these provisions because they help to protect consumers, brands and the e-commerce platforms themselves. Unlike brick and mortar stores and standard e-commerce websites, which must apply and register for government licenses and, by their very nature, provide consumers with information about their locations, goods and how to contact them, e-commerce platforms facilitate sales by third parties who often are effectively anonymous. Consumers do not know or cannot confirm, among other information, where sellers are located and whether they will be able to contact the sellers after the sales are completed. The anonymity of sellers also hinders brand owners from quickly and effectively policing and stopping these counterfeit sales because the sellers often cannot be located; even if a listing is removed, another one from the same seller may pop up with no additional recourse. Requiring e-commerce platforms to demand and verify this information will bring a new transparency to the process and lead to greater protections. The Section believes these measures are something that all e-commerce platforms should be required to implement. These provisions are so important that the Section sees this proposed legislation as incredibly valuable, even looking at these particular mandates alone.

- **Mandates requiring e-commerce platforms to quickly remove and report counterfeit products:** Sections 1114(4)(A)(ii) (VII), (VIII) and (X) require e-commerce platforms to expeditiously terminate both listings and sellers’ ability to list if counterfeiting is “reasonably” determined, and to report such products to law enforcement and brand owners. The Section strongly supports these provisions and finds them also to be critically important to the protection of consumers, brand owners and e-commerce platforms because, if done properly, they will rid the e-commerce platforms of dangerous counterfeit listings. The Section acknowledges that what products “reasonably could be determined to have used a counterfeit mark” could be subject to varying interpretation and believes this analysis will likely have to be decided by courts on a case-by-case basis. The Section further acknowledges that Congress has stated that the SHOP SAFE Act is intended to replace the theory of contributory liability set out under Tiffany (NJ), Inc. v. eBay, which held in part that an e-commerce platform is liable only if it had knowledge of particular counterfeit listings. 600 F.3d 93 (2d. Cir. 2010). The Section thus assumes that Congress does not intend what “reasonably could be determined to have used a counterfeit mark” to be defined narrowly by using the Tiffany standard requiring knowledge of particular listings to apply. The Section believes it
would be helpful for Congress to clarify the definition of “reasonably could be determined to have used a counterfeit mark” so that there is no confusion on this point.

- **Mandates designed to seek admissions from sellers that they have the rights they claim and will consent to jurisdiction in the United States:** Sections 1114(4)(A)(ii)(II), (III) and (V) largely require e-commerce platforms to seek admissions from sellers that the products they are selling are authentic, the sellers have the right to sell them, the listings consist of images the sellers have the right to use and that adequately depict the products, and the sellers consent to jurisdiction in the United States. The Section believes these are important provisions that should be included in the bill. Requiring these admissions should not be burdensome to e-commerce platforms and may be helpful to consumers, brand owners and government enforcement agencies, to the extent they seek to pursue legal action against any sellers found to be trafficking in counterfeit goods.

- **Mandates regarding enhanced technology:** Sections 1114(4)(A)(ii)(VI) and (IX) mandate that e-commerce platforms “[i]mplement[ed] at no cost to the registrant” “proactive technological measures for screening goods” and “technological measures for screening third party sellers.” While the Section broadly supports encouraging online platforms to take advantage of technological advancements to fight counterfeits, before it can assess and comment on this mandate, the Section would need additional information regarding what would qualify as “proactive technological measures” and “technological measures for screening third party sellers” (and whether there is a difference between the two). The Section believes it is critically important for e-commerce platforms to consistently apply advanced technology in the fight against counterfeits and, without expressing a view at this time on these particular requirements, supports the idea of mandating such action. For example, if new technologies provide new ways to determine the authenticity of an item by reviewing a scan of a photograph of the item, the Section believes there should be an adequate incentive for e-commerce platforms to adopt those technologies. The Section commends Congress’s general efforts to incentivize the adoption of new technological measures designed to combat counterfeiting, but would support adoption of the SHOP SAFE Act even if it did not specifically require, and instead only incentivized, such measures.

**Congress Should Amend the Service of Process Requirement**

A strict reading of Section 1114(4)(A)(i) appears to provide that an e-commerce platform will not be entitled to realize the benefits of compliance unless “[t]he third-party seller is available for service of process in the United States.” In other words, if the seller lists a counterfeit product on an e-commerce platform and is not available for service of process in the United States, the e-commerce platform will be contributorily liable for the infringement regardless of whether it meets all of the other requirements set out in the Act. This is particularly problematic because the majority of counterfeit products originate in foreign countries, and a significant number of the online sellers are based in these countries. The likely result is a framework whereby e-commerce platforms will be faced with two undesirable options: (1) they will be inundated by counterfeiting infringement lawsuits arising out of sales by foreign sellers, or (2) they will have to mitigate the risk of contributory liability arising from foreign counterfeits.
by barring foreign sellers from their platforms. The Section does not believe this is a fair result for e-commerce platforms that otherwise comply with the Act. It is also not fair to American consumers who may be negatively impacted (e.g., with limited purchasing choices) if e-commerce platforms are forced to bar sales by foreign sellers.

Congress can easily remedy these issues by amending the text of the SHOP SAFE Act to mandate that the e-commerce platforms require third-party sellers to state that they consent to the jurisdiction of the Federal District Court for the judicial district in which the third-party is located, or if the third-party seller is outside the United States, for any judicial district in which the e-commerce platform may be found, and that the third-party will accept service of process from any trademark owner whose marks are counterfeited on the third-party seller’s products or an agent of such person or entity. This will mimic the approach that has been successful in the copyright context through the Digital Millennium Copyright Act of 1998.

The Section believes that Congress should not base potential liability of the e-commerce platform in any way on whether or not a seller is actually available for service of process in the United States. While the Section of course believes that the best result is one in which the seller is in fact available for service of process, even if that is not the case, the SHOP SAFE Act provides critically important protections by requiring e-commerce platforms to take steps to identify and route out the dangerous counterfeit listings on their platforms, which – as described above – will protect American consumers, lessen the burden on brands, and make e-commerce platforms more robust and transparent. E-commerce platform liability should not turn on whether or not the seller is available for service of process.

**Congress Should Broadly Define “Health and Safety”**

Section 1114(4)(B)(iii) defines the term “goods that implicate health and safety” as:

> [G]oods 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.

The Section understands that it is Congress’s intent to construe this definition broadly to encompass all goods that may impact health and safety in any way. For example, an item of clothing containing harmful chemicals or materials should fall under the purview of the proposed legislation. Similarly, if a children’s toy contained lead or was packaged in material including kerosene (e.g., as was the case with certain fake Cabbage Patch Dolls in the early 1980s), sale of the toy on an e-commerce platform should fall under this definition. The Section supports the broad definition, believes it will be helpful to protect American consumers, and suggests this broad intent be expressly made clear in either the Act itself or legislative intent.

It is important to acknowledge that there will be a gray area of goods that do not fall clearly into the category of “goods impacting health and safety,” such as the clothing and toy examples mentioned above, which are not goods generally assumed to be a threat to health or safety. This is likely to cause confusion, which would be especially problematic for e-commerce
platforms that must determine at the outset whether to apply these best practices to such goods. The practical impact might be that e-commerce platforms must apply the best practices more broadly to all products to ensure they will not be held liable for contributory infringement, which the Section would view as a positive result.

Congress Should Consider Future Expansion of the Act to All Goods If Results Are Positive

If the SHOP SAFE Act proves to be an effective mechanism for reducing the importation and sale of counterfeit goods in the United States, the Section believes that Congress should consider expanding it to formally cover all goods – not just those impacting health and safety. To adequately measure success, the Section suggests that the legislation be amended to require annual reporting from relevant government agencies and e-commerce platforms regarding the impact of the SHOP SAFE Act on third party sales of counterfeit goods on e-commerce platforms.

Congress Should Affirmatively State That E-Commerce Platforms Will Not Be Contributorily Liable If the Act’s Requirements Are Met

The text of the Act provides that an e-commerce platform “shall be contributorily liable for infringement by a third-party seller participating on the platform for use in commerce of a counterfeit mark in connection with the sale, offering for sale, distribution, or advertising of goods that implicate health and safety, unless the following requirements are met.” While this language has been referred to as a “safe harbor,” the text does not expressly provide that an e-commerce platform will not be liable for contributory trademark infringement if the platform meets the requirements enumerated in the Act. The Section suggests that Congress amend the language to expressly clarify this point, which will provide a further incentive for e-commerce platforms to comply.

Congress Should Consider Requiring Third-Party Sellers to Provide Beneficial Owner Information

While the Section believes that the measures outlined above will provide robust protections, one issue it has identified is that third-party sellers may use shell companies to hide the actual seller, which would thwart the purpose of prohibiting seller anonymity and ultimately make it difficult to rid e-commerce platforms of these bad actors or hold them legally liable. One potential way this could be avoided is by requiring, in addition to the information outlined above, the ultimate beneficiary owner of the seller to be listed. With the European Union directive on beneficiary ownership reporting, this information is already publicly available (or should be soon) in all EU countries. To the extent that beneficiary ownership information is provided, this would assist in dissuading fraudulent sellers from undertaking counterfeit sales and then changing the listing to avoid complaints. The availability of beneficiary ownership information would also assist in avoiding illegitimate foreign companies (shell companies) from evading accountability for fraudulent sales, even though they have agreed to service of process. In other words, if the seller provides beneficiary ownership information in addition to the seller’s name and address to the e-commerce platform, there would be a stronger likelihood of being able to effectively provide service of process where the seller is fraudulent.
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We appreciate the opportunity to offer these comments. The Section supports the SHOP SAFE Act and would be happy to work with Congress to help secure passage of the bill. Should you have any questions or would like to discuss these issues further, please do not hesitate to contact me.

Sincerely,

June M. Besek
Chair
ABA Section of Intellectual Property Law