

117TH CONGRESS  
1ST SESSION

# H. R. 5374

To amend the Trademark Act of 1946 to provide for contributory liability for certain electronic commerce platforms for use of a counterfeit mark by a third party on such platforms, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 26, 2021

Mr. NADLER (for himself, Mr. ISSA, Mr. JOHNSON of Georgia, and Mr. CLINE) introduced the following bill; which was referred to the Committee on the Judiciary

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## A BILL

To amend the Trademark Act of 1946 to provide for contributory liability for certain electronic commerce platforms for use of a counterfeit mark by a third party on such platforms, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Stopping Harmful Of-  
5 fers on Platforms by Screening Against Fakes in E-com-  
6 merce Act” or the “SHOP SAFE Act”.

1 **SEC. 2. CONTRIBUTORY LIABILITY FOR ELECTRONIC COM-**  
2 **MERCE PLATFORMS.**

3 Section 32 of the Act entitled “An Act to provide for  
4 the registration and protection of trademarks used in com-  
5 merce, to carry out the provisions of certain international  
6 conventions, and for other purposes”, approved July 5,  
7 1946 (commonly known as the “Trademark Act of 1946”)  
8 (15 U.S.C. 1114), is amended by adding at the end the  
9 following:

10 “(4)(A) An electronic commerce platform shall  
11 be contributorily liable in a civil action under para-  
12 graph (1) for a case in which a third-party seller  
13 uses in commerce a counterfeit mark in connection  
14 with the sale, offering for sale, distribution, or ad-  
15 vertising of goods that implicate health and safety  
16 on the platform, unless the platform demonstrates  
17 that the platform took each of the following steps to  
18 prevent such use on the platform before any infring-  
19 ing act by the third-party seller:

20 “(i) Determined after a reasonable inves-  
21 tigation, and reasonably periodically con-  
22 firmed—

23 “(I) that the third-party seller des-  
24 ignated a registered agent in the United  
25 States for service of process; or

1 “(II) in the case of third-party seller  
2 located in the United States that has not  
3 designated a registered agent under sub-  
4 clause (I), that the third-party seller has  
5 designated a verified address for service of  
6 process in the United States.

7 “(ii) Verified through reliable documenta-  
8 tion, including to the extent possible some form  
9 of government-issued identification, the iden-  
10 tity, principal place of business, and contact in-  
11 formation of the third-party seller.

12 “(iii) Except as provided for in subpara-  
13 graph (C), required the third-party seller to—

14 “(I) take reasonable steps to verify  
15 the authenticity of goods on or in connec-  
16 tion with which a registered mark is used;  
17 and

18 “(II) attest to the platform that the  
19 third-party seller has taken reasonable  
20 steps under subclause (I) to verify the au-  
21 thenticity of the goods.

22 “(iv) Imposed on the third-party seller as  
23 a condition of participating on the platform  
24 contractual requirements that—

1 “(I) the third-party seller agrees not  
2 to use a counterfeit mark in connection  
3 with the sale, offering for sale, distribu-  
4 tion, or advertising of goods on the plat-  
5 form;

6 “(II) the third-party seller consents to  
7 the jurisdiction of United States courts  
8 with respect to claims related to participa-  
9 tion by the third-party seller on the plat-  
10 form; and

11 “(III) the third-party seller designates  
12 an agent for service of process in the  
13 United States, or, in the case of third-  
14 party seller located in the United States,  
15 the third-party seller designates a verified  
16 address for service of process in the United  
17 States.

18 “(v) Displayed conspicuously on the plat-  
19 form the verified principal place of business,  
20 contact information, and identity of the third-  
21 party seller, and the country from which the  
22 goods were originally shipped from the third-  
23 party seller, except the platform shall not be re-  
24 quired to display any such information that  
25 constitutes the personal identity of an indi-

vidual, a residential street address, or personal contact information of an individual, and in such cases shall instead provide alternative, verified means of contacting the third-party seller.

“(vi) Except as provided for in subparagraph (C), displayed conspicuously in each listing the country of origin and manufacture of the goods as identified by the third-party seller, unless such information was not reasonably available to the third-party seller and the third-party seller has identified to the platform the steps it undertook to identify the country of origin and manufacture of the goods and the reasons it was unable to identify the same.

“(vii) Required each third-party seller to use images that accurately depict the goods sold, offered for sale, distributed, or advertised on the platform.

“(viii) Implemented at no charge from the platform to the registrant reasonable proactive measures for screening goods before displaying the goods to the public to prevent the use by any third-party seller of a counterfeit mark in connection with the sale, offering for sale, dis-

1           tribution, or advertising of goods on the plat-  
2           form. The determination of whether proactive  
3           measures are reasonable shall consider the size  
4           and resources of a platform, the available tech-  
5           nological and non-technological solutions at the  
6           time of screening, the information provided by  
7           the registrant to the platform, and any other  
8           factor considered relevant by a court.

9           “(ix) Provided reasonably accessible elec-  
10          tronic means by which a registrant and con-  
11          sumer can notify the platform of suspected use  
12          of a counterfeit mark.

13          “(x) Implemented at no charge from the  
14          platform to the registrant a program to expedi-  
15          tiously disable or remove from the platform any  
16          listing for which a platform has reasonable  
17          awareness of use of a counterfeit mark in con-  
18          nection with the sale, offering for sale, distribu-  
19          tion, or advertising of goods. Reasonable aware-  
20          ness of use of a counterfeit mark may be in-  
21          ferred based on information regarding the use  
22          of a counterfeit mark on the platform generally,  
23          general information about the third-party seller,  
24          identifying characteristics of a particular list-  
25          ing, or other circumstances as appropriate. A

1 platform may reinstate a listing disabled or re-  
2 moved under this clause if, after an investiga-  
3 tion, the platform reasonably determines that a  
4 counterfeit mark was not used in the listing. A  
5 reasonable decision to reinstate a listing shall  
6 not be a basis for finding that a platform failed  
7 to comply with this clause.

8 “(xi) Implemented a publicly available,  
9 written policy that requires termination of a  
10 third-party seller that reasonably has been de-  
11 termined to have engaged in repeated use of a  
12 counterfeit mark in connection with the sale, of-  
13 fering for sale, distribution, or advertising of  
14 goods on the platform. Use of a counterfeit  
15 mark by a third-party seller in 3 separate list-  
16 ings within 1 year typically shall be considered  
17 repeated use, but a platform may allow a third-  
18 party seller to remain active after repeated use  
19 of a counterfeit mark when reasonable miti-  
20 gating circumstances exist. The determination  
21 of whether reasonable mitigating circumstances  
22 exist shall consider the overall activity of the  
23 third-party seller, efforts the third-party seller  
24 has taken to cure supply-chain concerns, efforts  
25 the third party takes to resolve disputes once

1 notified of a concern, and any other factor con-  
2 sidered relevant by a court. A platform may re-  
3 instate a third-party seller if, after an investiga-  
4 tion, the platform reasonably determines that  
5 the third-party seller did not engage in repeated  
6 use of a counterfeit mark or that reasonable  
7 mitigating circumstances existed. A reasonable  
8 decision to reinstate a third-party seller shall  
9 not be a basis for finding that a platform failed  
10 to comply with this clause.

11 “(xii) Implemented at no charge from the  
12 platform to the registrant reasonable measures  
13 for screening third-party sellers to ensure that  
14 sellers who have been terminated do not rejoin  
15 or remain on the platform under a different  
16 seller identity or alias. The determination of  
17 whether screening measures are reasonable  
18 shall consider the size and resources of a plat-  
19 form, the available technological and non-tech-  
20 nological solutions at the time of screening, and  
21 any other factor considered relevant by a court.

22 “(xiii) Provided a verified basis to contact  
23 a third-party seller upon request by a registrant  
24 that has a bona fide belief that the seller has  
25 used a counterfeit mark in connection with the



1 sale, offering for sale, distribution, or adver-  
2 tising of goods on the platform except that the  
3 platform is not required to provide information  
4 that constitutes the personal identity of an indi-  
5 vidual, a residential street address, or personal  
6 contact information of an individual (in such  
7 case, the provider shall provide an alternative  
8 means of contacting the third-party seller).

9 “(B)(i) This paragraph shall apply—

10 “(I) to an electronic commerce platform  
11 that has sales on the platform in the previous  
12 calendar year of not less than \$500,000; or

13 “(II) to an electronic commerce platform  
14 with less than \$500,000 in sales in the previous  
15 calendar year, 6 months after the platform has  
16 received 10 notices, in aggregate, that qualify  
17 under clause (ii).

18 “(ii) To count toward the aggregate 10-notice  
19 threshold under clause (i)(II), a notice shall—

20 “(I) include a reference to this paragraph;

21 “(II) include an explicit notification of the  
22 10-notice limit and the requirement of the plat-  
23 form to publish the information in clause (iii);  
24 and

1           “(III) identify a listing on the platform  
2           that reasonably could be determined to have  
3           used a counterfeit mark in connection with the  
4           sale, offering for sale, distribution, or adver-  
5           tising of goods that implicate health and safety.

6           “(iii) Within 1 month of receiving the first no-  
7           tice under clause (ii), a platform with less than  
8           \$500,000 in sales in the previous calendar year shall  
9           publish publicly an attestation that the sales on the  
10          platform in the previous calendar year were less  
11          than \$500,000, and an aggregate count of notices  
12          that qualify under clause (ii). The aggregate count  
13          of notices should be updated as additional notices  
14          are received.

15          “(C) Notwithstanding clauses (iii) and (vi) of  
16          subparagraph (A), a platform is exempt from the re-  
17          quirements of such clauses for goods, on or in con-  
18          nection with which a registered mark is used, sold,  
19          offered for sale, or advertised by a third-party seller  
20          for less than \$5,000 if the third-party seller sells, of-  
21          fers for sale, or advertises on the platform 5 or  
22          fewer goods of the same type in connection with the  
23          same mark in a 1-year period.

24          “(D) This paragraph may not be construed to  
25          limit liability in contexts other than those described

1 in this paragraph, including any cause of action  
2 available under any other provision of this Act, not-  
3 withstanding that the same facts may give rise to a  
4 claim under this paragraph.

5 “(E) For each fiscal year commencing after De-  
6 cember 31, 2023, the amounts in subparagraphs (B)  
7 and (C) shall be increased each year by an amount  
8 equal to the percentage increase, if any, in the Con-  
9 sumer Price Index.

10 “(F) In this paragraph:

11 “(i) The term ‘counterfeit mark’ has the  
12 meaning given that term in section 34(d)(1)(B).

13 “(ii) The term ‘electronic commerce plat-  
14 form’ means any electronically accessed plat-  
15 form that includes publicly interactive features  
16 that allow for arranging the sale or purchase of  
17 goods, or that enables a person other than an  
18 operator of the platform to sell or offer to sell  
19 physical goods to consumers located in the  
20 United States.

21 “(iii) The term ‘goods that implicate  
22 health and safety’ means goods the use of  
23 which can lead to illness, disease, injury, serious  
24 adverse event, allergic reaction, or death if pro-  
25 duced without compliance with all applicable

1 Federal, State, and local health and safety reg-  
2 ulations and industry-designated testing, safety,  
3 quality, certification, manufacturing, packaging,  
4 and labeling standards.

5 “(iv) The term ‘third-party seller’ means a  
6 person other than the electronic commerce plat-  
7 form that uses the platform to arrange for the  
8 sale, purchase, payment, or shipping of goods.”.

9 **SEC. 3. MATERIAL MISREPRESENTATIONS IN TAKE-DOWN**  
10 **NOTICES.**

11 (a) AMENDMENT.—The Trademark Act of 1946 is  
12 amended by inserting after section 32 (15 U.S.C. 1114),  
13 the following new section:

14 **“SEC. 32A. MATERIAL MISREPRESENTATIONS IN TAKE-**  
15 **DOWN NOTICES.**

16 “(a) CIVIL LIABILITY.—Any person who knowingly  
17 makes any material misrepresentation in a notice to an  
18 electronic commerce platform that a counterfeit mark was  
19 used in a listing by a third-party seller for goods that im-  
20 plicate health and safety shall be liable in a civil action  
21 for damages by the third-party seller that is injured by  
22 such misrepresentation, as the result of the electronic  
23 commerce platform relying upon such misrepresentation  
24 to remove or disable access to the listing, including tem-  
25 porary removal or disablement.

1       “(b) ACTION BY ELECTRONIC COMMERCE PLAT-  
2 FORM.—

3           “(1) AUTHORITY TO BRING ACTION.—If a  
4       third-party seller who otherwise could bring an ac-  
5       tion under subsection (a), consents and declines to  
6       file suit, an electronic commerce platform may bring  
7       an action under subsection (a) against a person who  
8       knowingly made a material misrepresentation in 10  
9       or more notices to the platform alleging that a coun-  
10      terfeit mark was used in a listing by a third-party  
11      seller for goods that implicate health and safety.

12          “(2) CONSENT BY THIRD-PARTY SELLER RE-  
13      QUIRED.—Consent shall be obtained in writing from  
14      each third-party seller to which the notices covered  
15      by the civil action were directed.

16          “(3) CONTENTS OF CONSENT.—The consent by  
17      a third-party seller shall be made in specific ref-  
18      erence to a particular notice after the notice has  
19      been filed with the electronic commerce platform and  
20      removal or disablement has occurred.

21          “(c) STATUTORY DAMAGES.—Any person who brings  
22      a claim under this section may elect, at any time before  
23      final judgment is rendered by the trial court, to recover,  
24      instead of actual damages, statutory damages in the  
25      amount of—

1 “(1) not less than \$2,500 or more than  
2 \$15,000 per notice containing a knowing, material  
3 misrepresentation; or

4 “(2) if aggravating circumstances exist, not less  
5 than \$15,000 or more than \$75,000 per notice con-  
6 taining a knowing, material misrepresentation.

7 “(d) DEFINITIONS.—In this section:

8 “(1) COUNTERFEIT MARK.—The term ‘counter-  
9 feit mark’ has the meaning given that term in sec-  
10 tion 34(d)(1)(B).

11 “(2) ELECTRONIC COMMERCE PLATFORM;  
12 GOODS THAT IMPLICATE HEALTH AND SAFETY;  
13 THIRD-PARTY SELLER.—The terms ‘electronic com-  
14 merce platform’, ‘goods that implicate health and  
15 safety’, and ‘third-party seller’ have the meaning  
16 given those terms in section 32(4)(F).”.

17 (b) TECHNICAL AND CONFORMING AMENDMENT.—  
18 Section 35(a) of The Trademark Act of 1946 (15 U.S.C.  
19 1117(a)) is amended by inserting after “under section  
20 43(a) or (d),” the following: “a violation under subsection  
21 (a) or (b) of section 32A,”.

1 **SEC. 4. EFFECTIVE DATE.**

2       This Act, and the amendments made by this Act,  
3 shall take effect on the date that is 1 year after the date  
4 of the enactment of this Act.

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