

Statement of

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**“Back to School with the SHOP SAFE Act:
Protecting Our Families from Unsafe Online Counterfeits”**

Subcommittee on Intellectual Property

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Chairman Coons, Ranking Member Tillis, and Members of the Subcommittee, my name is Matt Schruers, and I serve as President of the Computer & Communications Industry Association (“CCIA”), which represents Internet, technology, and communications firms.¹ CCIA was founded in 1972 to promote open markets, open systems, and open networks in the computer and telecommunications industry. Today, the Association continues to champion the same principles across these increasingly diverse and important sectors of the global economy.

I. Introduction

Keeping consumers and communities safe online, and safe from dangerous products, is a universally shared goal. That is why CCIA and many online marketplaces and retailers supported the Integrity, Notification, and Fairness in Online Retail Marketplaces for Consumers Act (“INFORM”), enacted last year and codified at 15 U.S.C. § 45f.

S. 2934, the recently reintroduced Stopping Harmful Offers on Platforms by Screening Against Fakes in E-commerce Act (“SHOP SAFE”), however, is a highly flawed proposal that is widely opposed by industry and dozens of civil society groups, companies, associations, and trademark scholars, most of whom opposed a virtually identical bill last year.²

Fighting counterfeits is a shared mission and we advise Congress to regulate the retail market in its totality, including e-commerce, traditional brick-and-mortar, and small businesses, using a coherent regulatory approach that applies to everyone. However, American small businesses should not be expected to shoulder a disproportionate burden. Instead, the regulatory approach should also be proportional to the scale, and the scale of the problem is far from clear. A popular figure that is frequently invoked (\$500 billion) is a four-year-old, worst-case scenario that sweeps in estimated copyright and patent infringement and precedes recent legislation, and is thus not useful for this policy discussion.³

¹ CCIA is an international, not-for-profit trade association representing a broad cross section of communications and technology firms. For more than 50 years, CCIA has promoted open markets, open systems, and open networks. CCIA members employ more than 1.6 million workers, invest more than \$100 billion in research and development, and contribute trillions of dollars in productivity to the global economy. For more, visit www.ccianet.org.

² CCIA, 37 Other Companies, Organizations Ask Congress To Protect U.S. Consumers, Companies Rather Than Foreign Luxury Brands (Mar. 8, 2022), <https://ccianet.org/news/2022/03/ccia-37-other-companies-organizations-ask-congress-to-protect-u-s-consumers-companies-rather-than-foreign-luxury-brands/>; Letter to Congress Opposing SHOP SAFE Act on Behalf of 26 Trademark Academics (Mar. 8, 2022), <https://digitalcommons.law.scu.edu/cgi/viewcontent.cgi?article=3634&context=historical>.

³ OECD/EUIPO (2019), Trends in Trade in Counterfeit and Pirated Goods, Illicit Trade, OECD Publishing, Paris/European Union Intellectual Property Office, <https://doi.org/10.1787/g2g9f533-en> (“Consequently, the results presented in this study refer to the upper possible limit of trade in counterfeit and pirated goods.”).

II. SHOP SAFE Is Not Needed

a. Give INFORM Time to Work

Like SHOP SAFE, INFORM aimed to reduce the sale of counterfeit, stolen, and dangerous consumer products with updated transparency requirements and verification of third-party sellers online along with contact information for consumers. INFORM was designed to help build more trust online by providing consumers additional transparency about third-party sellers online and because CCIA supports this goal we endorsed INFORM.

This law went into effect only three months ago on June 27, 2023. The recently reintroduced SHOP SAFE contains largely the same provisions that were proposed before INFORM passed. The 117th Congress simultaneously debated both bills and Congress ultimately reached consensus around INFORM, with broad cross-sectoral support from the private sector.

Advocacy for the newly reintroduced SHOP SAFE advances the same pre-INFORM figures, lacking any learnings or conclusions about the impact of INFORM. Rather than relying on outdated numbers, Congress should obtain updated information that takes into account this newly enacted and implemented law before rushing to pass new legislation that could destroy many legitimate small businesses operating online.

The best course of action is to allow INFORM time to work. We need to see and understand its impact in the real world to judge if additional legislative responses or course corrections are required.

b. Services Are Already Combating Counterfeits

The digital sector shares the sponsors' goals of preventing unsafe counterfeit products from spreading online. Responsible services invest significant resources in protecting users from illegal or unsafe goods, enforcing their terms of service and existing law to combat unsafe products and protect consumers online. Many online intermediaries engage with brand owners extensively and have established programs that encourage information sharing to enable the identification of and enforcement against counterfeit and infringing goods.⁴ Industry also works with law enforcement to find and hold bad actors accountable and protect consumers.

⁴ See CCIA Comments to the Department of Commerce, Report on the State of Counterfeit and Pirated Goods Trafficking and Recommendations, Docket No. DOC-2019-0003 (July 29, 2019), <https://www.cciagnet.org/wp-content/uploads/2019/07/DOC-2019-0003-0001-CCIA-Comments-Counterfeiting-Pirated-Goods-Trafficking-Report.pdf>, at 2-5 (discussing current practices to address counterfeits online including examples of collaboration with brand owners); CCIA Comments to the U.S. Patent & Trademark Office, In re Future Strategies in Anticounterfeiting and Antipiracy, Docket No. PTO-C-2023-0006 (Aug. 23, 2023), <https://ccianet.org/wp-content/uploads/2023/08/CCIA-Comments-to-USPTO-on-Anticounterfeiting-and-Antipiracy.pdf>.

Some major e-commerce providers voluntarily provide legal tools for trademark or brand owners. These brand registration programs allow the service to better utilize automated tools to identify and remove confirmed counterfeit products. Through enrollment, brand owners provide relevant information to the service about their products that better enables the service to proactively address counterfeits, and to streamline brand owners' reporting process. In enforcing their strict prohibitions against counterfeiting, in many cases services will take more extensive action than merely removing content that is specifically reported to them, and are exploring ways to remove additional suspected counterfeit content on a proactive basis, with some already doing so 99% of the time.⁵ Some sites voluntarily publish data in their recurring transparency reports that detail removals on counterfeit goods, in addition to takedowns related to trademark claims.⁶

c. These Efforts Are Made Possible by Existing Trademark Law

Existing law correctly recognizes that trademark owners are in the best position to accurately and efficiently distinguish counterfeit products from authentic goods. Shifting legal responsibility to e-commerce sites, online marketplaces, or other third-party intermediaries through new liability rules would stifle innovation, reduce cooperation, and fail to prevent counterfeiting.

The current doctrine of secondary liability in trademark law achieves the proper balance, fostering a diverse ecosystem of online marketplaces that benefits small businesses and consumers. When intermediary services fail to act on specific knowledge of infringement (for example, when a brand owner has notified an online service of a counterfeit product), courts have generally held services liable. The existing regime has helped provide the legal framework to grow a robust secondary market for safe, genuine goods at competitive prices. Consumers derive enormous value from secondary markets, where they have the opportunity to resell products they no longer need, or purchase genuine products at a discount.

Historically, premium brands have disliked secondary markets because they do not afford brandowners total control over the pricing or images of their merchandise. Yet U.S. law has never afforded that. The U.S. approach to trademark is one that acknowledges your personal property rights in the goods you buy. Many brands would prefer consumers not resell what they lawfully own. To respect property rights means honoring the principle that if you bought it, you own it. If consumers buy a legitimate, lawfully manufactured luxury good, they have the right to

⁵ Amazon, Brand Protection Report, <https://brandservices.amazon.com/progressreport>; Meta's IP Transparency Report: Proactive Enforcement, <https://transparency.fb.com/reports/intellectual-property/proactive-enforcement/facebook>.

⁶ *See, e.g.*, Google Search, Content delistings due to counterfeit, https://storage.googleapis.com/transparencyreport/report-downloads/counterfeit-delistings_2021-6-1_2022-5-31_en_v1.pdf; Meta, Transparency Center, Intellectual Property: Proactive enforcement, <https://transparency.fb.com/reports/intellectual-property/proactive-enforcement/facebook/>; Amazon, Brand Protection Report, <https://brandservices.amazon.com/progressreport>.

do whatever they want with their property, including reselling that good online. Even if some prominent foreign brand owner would rather not compete against that resale market.

We must ensure that any new legislation does not undermine personal property rights, or harm the valuable resale market for consumers. Changing secondary liability rules could encourage trademark owners to engage in anticompetitive practices and pursue secondary market goods that may not be counterfeit but may be competing with the trademark owner's products. In fact we're already seeing evidence of this.⁷ Aggravating this phenomenon would result in the diminution of the secondary market, harming consumers; to avoid increased liability, e-commerce sites would allow only sellers authorized by the trademark owner.

Additionally, changes would not eliminate counterfeit goods. Infringement analysis is often too fact-specific to permit wide-scale removal by services while maintaining a fair and robust marketplace. Liability for e-commerce sites and marketplaces would instead incentivize trademark owners to go after intermediaries instead of the actual bad actors: the counterfeiters.

III. Concerns with SHOP SAFE

CCIA has significant concerns with SHOP SAFE including broad, ambiguous definitions, prescriptive and inflexible requirements to escape automatic liability, and lack of meaningful responsibilities on the brand side, which mean the bill will not successfully accomplish what it seeks to address.

a. Lack of Rightsholder Participation

SHOP SAFE's new regulatory responsibilities place enormous burdens on small businesses, of which the vast majority are operating legitimately. We should not impose an unreasonable compliance burden on small U.S. sellers, particularly if the principal beneficiaries are to be overseas luxury brands that don't care for pro-consumer retail practices in the first place.

In order for digital services to effectively protect consumers from unsafe counterfeit goods, brand owners must be required to provide detailed information to digital services about the scope of their trademark rights and licensing. "Counterfeit mark," as defined by statute,⁸ turns on non-public information about when manufacture occurred and whether it was licensed at the time. With no way of proactively determining whether a seller was licensed to manufacture a particular product at a point in the past, digital services cannot plausibly administer this definition without possessing up-to-date and comprehensive information controlled by brand owners.

⁷ Eric Goldman, *A SAD New Category of Abusive Intellectual Property Litigation*, Colum. L. Rev. Forum (forthcoming 2023), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=438182.

⁸ 15 U.S.C. § 1116.

Everyone in the retail ecosystem has an important role to play. If there are data gaps that can only be populated with non-public information then this legislation should ensure that brandowners share this data. Unfortunately SHOP SAFE does not balance burdens between digital commerce sites and brands.

Notably, the revised version also removed the cause of action for “material misrepresentations,” aimed at abusive takedown notices provided by brands.⁹ Unfortunately, this continues to demonstrate the unbalanced nature of SHOP SAFE that places all significant burdens on sellers and not brands who are best positioned to accurately identify and report counterfeit items.

The new version appears to attempt to add one new minimal obligation on brands to provide a notice of their mark and point of contact in advance of electronic commerce platforms adopting proactive measures. However, Paragraph 4(B)(iv)(III) removes any obligation of the registrant to participate. Under this language, if information about their marks is publicly available, they don’t have to participate, and information about all registered marks is publicly available through the USPTO. In addition, the legislation prevents registrants from being required to participate in any program designed by the electronic commerce platform to crack down on counterfeiting. To truly combat trademark infringement we need significantly more cooperation on the brand side.

Small and medium-sized businesses simply do not have the bandwidth and resources to spend multiple days investigating such claims and could be forced out of business for an incorrect challenge from a brand. Unfortunately SHOP SAFE does not contain any small seller exception ensuring that all sellers, no matter how small, will be bound by the terms of the law.

Under existing trademark law, it is the brand owner’s duty to police their own rights and services cannot and should not be solely responsible for enforcing rights. In order to obtain any benefit such as enhanced remedies, brand owners must be required to provide detailed information to digital services about the scope of their trademark rights and licensing. Ultimately, brand owners are best-placed to know what goods are authentic and what goods are counterfeit.

b. Compliance Burdens

SHOP SAFE is very prescriptive and inflexible, with numerous mandates to escape automatic liability (“shall be contributorily liable”) — a drastic change to existing U.S. trademark law.

⁹ Compare Eric Goldman, *The SHOP SAFE Act Is a Terrible Bill That Will Eliminate Online Marketplaces*, Technology and Marketing Law Blog (Sept. 28, 2021), <https://blog.ericgoldman.org/archives/2021/09/the-shop-safe-act-is-a-terrible-bill-that-will-eliminate-online-marketplaces.htm> with Eric Goldman, *SHOP SAFE Act Reintroduced, Because Some Congressmembers Really Want to Kill Online Marketplaces*, Technology and Marketing Law Blog (Sept. 29, 2023), <https://blog.ericgoldman.org/archives/2023/09/shop-safe-act-reintroduced-because-some-congressmembers-really-want-to-kill-online-marketplaces.htm>.

These requirements include “proactive measures for screening listings”, a three-strikes repeat infringer policy, and to “expeditiously disable or remove from the platform any listing for which the platform has actual or constructive knowledge of the use of a counterfeit mark.”

1. Requiring proactive screening measures before listings go live would take an untold amount of technological and human resources, both for smaller firms and larger services operating at scale. Under existing intellectual property law, there is no obligation on the part of online service providers to proactively monitor users for potential infringements. Rather, this is a matter of discretion and policy for each service, and should remain that way because, as discussed above, sellers are not in a good position to identify potentially infringing activity. Specifically, Paragraph 4(B)(iv)(I) should be clarified to better understand the burdens on registrants and online service providers. For example, the legislation is ambiguous as to whether online services are expected to provide screening capabilities to the registrants, and whether these provisions apply to the seller’s own goods, or goods being transacted under the first-sale doctrine. Under this regime, existing digital services would likely be disincentivized from developing new and innovative brand protection strategies, instead conforming solely to what the law required. This would benefit neither consumers nor brands. In addition, the monitoring contemplated under these provisions unnecessarily undermines user privacy.

2. Repeat infringer policies are heavily service-dependent. Any ‘repeat infringer’ policies should be left flexible for each service to apply reasonably. Requiring termination of a third-party seller for “repeated use of a counterfeit mark,” broadly defined as “three separate listings within one year,” is onerous for businesses of all sizes, and draconian given the enormous volume of goods sold or offered for sale online. This provision could invite costly, time-consuming litigation or burdensome investigations over what is considered “mitigating circumstances” and decisions about whether to reinstate.

3. There are many other provisions in the bill that explicitly invite litigation over fact-intensive decisions, several times contemplating “any other factor considered relevant by a court”. The provision on reinstating previously banned sellers includes a “verified decision” — how does a decision become verified? Another mentions “efforts the third-party seller takes to refute or resolve disputes once notified of a concern” — what constitutes “a concern” or its notification? How does one perform an “investigation” and how often must it be “periodically confirmed”?

c. Overbroad and Ambiguous Definitions and Scope

The bill’s broad, ambiguous definitions will disadvantage small and medium-sized sellers. The bill proposes an extremely ambiguous definition of “electronic commerce platform” that is far broader than traditional marketplaces, and would encompass virtually every online forum where people connect to buy and sell goods. In addition to traditional online marketplaces, the bill

would regulate all of these websites, and mandate compliance with prescriptive requirements to escape strict contributory liability.

1. The revised definition of “electronic commerce platform,” in addition to being a circular definition, now broadly covers those that “facilitate or enable” transactions. While a \$500,000 dollar value threshold appears to animate the scope of the bill, the expansion of the definition of “electronic commerce platform” to include facilitation means SHOP SAFE could cover local listservs and message boards, from Reddit to Ravelry, a knitting site. As revised, the bill no longer requires the provision of transactional infrastructure like payment processing or logistics. This is critical, because a listserv that merely facilitates transactions would not know its sale volume — the only way to acquire this information with certainty would be to process payments. In addition, the ramifications of the sub-\$500,000 threshold are also unclear. Electronic commerce platforms that facilitate less than this amount may be swept in if they receive ten notices. Does this amount reset after a period of time, or once ten notices are received a site is covered forever?

2. In addition, this legislation disadvantages small and medium-sized services in particular by shifting the burden of proof to legitimate businesses, presuming any entrant into the market is contributorily liable, and requiring it to prove its innocence. This creates a difficult upfront constraint for new services that will be forced to expend limited resources on disproving guilt merely for operating a business. As explained above, many of the proposed requirements are functionally impossible to comply with.

3. SHOP SAFE also employs an expansive definition of the term “good that implicates health and safety.” The definition includes “a consumer product, the use of which can lead to illness, disease, injury, serious adverse event, allergic reaction, or death, if the consumer product is 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.” This broad definition would encompass millions, and perhaps the majority, of products of everyday use in consumers’ homes. We appreciate the goal of the sponsors to keep Americans safe and our companies share this goal, but let’s be clear about how expansive SHOP SAFE really is. This would apply to an enormous swath of products sold online today, and large overseas brands can easily use this standard to impede the resale of luxury goods.

4. The revised version of the bill removed some of the more than a dozen “reasonable” or “reasonably” standards, but the language still lacks sufficient legal or regulatory certainty about services’ obligations. For example, the bill’s revised knowledge standard fails to describe the bounds of “constructive knowledge.” Paragraph 4(B)(v)(II) states it may be inferred by, among other things, “other circumstances, as appropriate.”

d. Inherently Flawed Structure

The liability framework under this legislation is structured backwards. Notwithstanding the claim that a genuine ‘safe harbor’ exists in SHOP SAFE, the bill cannot in any meaningful way be called a ‘safe harbor.’ Safe harbors operate by limiting liability if certain conditions are met — not presuming liability *unless* a list of obligations are satisfied. SHOP SAFE is better understood as an *unsafe* harbor, a provision that creates uncertainty and new liability by flipping intermediary liability concepts on their head in favor of a novel and untested strict contributory liability scheme if a service does not adhere to a set of legislative requirements that proponents incorrectly assert to be ‘best practices’. Determining which ‘practices’ are ‘best’ is not a question of normative preference, and requires consulting with the practitioners who implement them.

IV. Conclusion

Our members are committed to cracking down on the misuse of intellectual property under their terms of service and existing law and they are spending time and significant resources in doing so. We agree with the goal to ensure products sold are safe and the industry is continuing to work to innovate solutions. Our members want to keep their customers safe, and do not want their services to be used in transactions involving counterfeit or dangerous goods. This is why industry supported INFORM. Congress should allow time for this new law to take effect before legislating again in the same context.