AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 5374
OFFERED BY MR. NADLER OF NEW YORK

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the “Stopping Harmful Offers on Platforms by Screening Against Fakes in E-commerce Act of 2021” or the “SHOP SAFE Act of 2021”.

3 SEC. 2. CONTRIBUTORY LIABILITY FOR ELECTRONIC COMMERCE PLATFORMS.

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

5 “(4)(A) An electronic commerce platform shall be contributorily liable in a civil action under paragraph (1) for a case in which a third-party seller uses in commerce a counterfeit mark in connection with the sale, offering for sale, distribution, or ad-
vertising of goods that implicate health and safety on the platform, unless the platform demonstrates that the platform took each of the following steps to prevent such use on the platform before any infringing act by the third-party seller:

“(i) Determined after a reasonable investigation, and reasonably periodically confirmed—

“(I) that the third-party seller designated a registered agent in the United States for service of process; or

“(II) in the case of third-party seller located in the United States that has not designated a registered agent under subclause (I), that the third-party seller has designated a verified address for service of process in the United States.

“(ii) Verified through reliable documentation, including to the extent possible some form of government-issued identification, the identity, principal place of business, and contact information of the third-party seller.

“(iii) Except as provided for in subparagraph (C), required the third-party seller to—
“(I) take reasonable steps to verify the authenticity of goods on or in connection with which a registered mark is used; and

“(II) attest to the platform that the third-party seller has taken reasonable steps under subclause (I) to verify the authenticity of the goods.

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

“(I) the third-party seller agrees not to use a counterfeit mark in connection with the sale, offering for sale, distribution, or advertising of goods on the platform;

“(II) the third-party seller consents to the jurisdiction of United States courts with respect to claims related to participation by the third-party seller on the platform; and

“(III) the third-party seller designates an agent for service of process in the United States, or, in the case of third-party seller located in the United States,
the third-party seller designates a verified address for service of process in the United States.

“(v) Displayed conspicuously on the platform the verified principal place of business, contact information, and identity of the third-party seller, and the country from which the goods were originally shipped from the third-party seller, except the platform shall not be required to display any such information that constitutes the personal identity of an individual, 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 ori-
gin 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, distribution, or advertising of goods on the platform. The determination of whether proactive measures are reasonable shall consider the size and resources of a platform, the available technological and non-technological solutions at the time of screening, the information provided by the registrant to the platform, and any other factor considered relevant by a court.

“(ix) Provided reasonably accessible electronic means by which a registrant and consumer can notify the platform of suspected use of a counterfeit mark.
“(x) Implemented at no charge from the platform to the registrant a program to expeditiously disable or remove from the platform any listing for which a platform has reasonable awareness of use of a counterfeit mark in connection with the sale, offering for sale, distribution, or advertising of goods. Reasonable awareness of use of a counterfeit mark may be inferred based on information regarding the use of a counterfeit mark on the platform generally, general information about the third-party seller, identifying characteristics of a particular listing, or other circumstances as appropriate. A platform may reinstate a listing disabled or removed under this clause if, after an investigation, the platform reasonably determines that a counterfeit mark was not used in the listing. A reasonable decision to reinstate a listing shall not be a basis for finding that a platform failed to comply with this clause.

“(xi) Implemented a publicly available, written policy that requires termination of a third-party seller that reasonably has been determined to have engaged in repeated use of a counterfeit mark in connection with the sale, of—
fering for sale, distribution, or advertising of goods on the platform. Use of a counterfeit mark by a third-party seller in 3 separate listings within 1 year typically shall be considered repeated use, but a platform may allow a third-party seller to remain active after repeated use of a counterfeit mark when reasonable mitigating circumstances exist. The determination of whether reasonable mitigating circumstances exist shall consider the overall activity of the third-party seller, efforts the third-party seller has taken to cure supply-chain concerns, efforts the third-party takes to resolve disputes once notified of a concern, and any other factor considered relevant by a court. A platform may reinstate a third-party seller if, after an investigation, the platform reasonably determines that the third-party seller did not engage in repeated use of a counterfeit mark or that reasonable mitigating circumstances existed. A reasonable decision to reinstate a third-party seller shall not be a basis for finding that a platform failed to comply with this clause.

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

“(xiii) Provided a verified basis to contact a third-party seller upon request by a registrant that has a bona fide belief that the seller has used a counterfeit mark in connection with the sale, offering for sale, distribution, or advertising of goods on the platform except that the platform is not required to provide information that constitutes the personal identity of an individual, a residential street address, or personal contact information of an individual (in such case, the provider shall provide an alternative means of contacting the third-party seller).

“(B)(i) This paragraph shall apply—

“(I) to an electronic commerce platform that has sales on the platform in the previous calendar year of not less than $500,000; or
“(II) to an electronic commerce platform with less than $500,000 in sales in the previous calendar year, 6 months after the platform has received 10 notices, in aggregate, that qualify under clause (ii).

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

“(I) include a reference to this paragraph;

“(II) include an explicit notification of the 10-notice limit and the requirement of the platform to publish the information in clause (iii); and

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

“(iii) Not later than 1 month after the date on which a platform described in clause(i)(II) receives the first notice described under clause (ii), the platform shall make publicly available an attestation that the sales on the platform in the previous calendar year were less than $500,000 and an aggregate count of the notices that qualify under clause
(ii). Such count shall be updated upon receipt of additional notices.

“(C) Notwithstanding clauses (iii) and (vi) of subparagraph (A), a platform is exempt from the requirements of such clauses for goods, on or in connection with which a registered mark is used, sold, offered for sale, or advertised by a third-party seller for less than $5,000 if the third-party seller sells, offers for sale, or advertises on the platform 5 or fewer goods of the same type in connection with the same mark in a 1-year period.

“(D) This paragraph may not be construed to limit liability in contexts other than those described in this paragraph, including any cause of action available under any other provision of this Act, notwithstanding that the same facts may give rise to a claim under this paragraph.

“(E) With respect to fiscal year 2024, and each fiscal year thereafter, the amounts in subparagraphs (B) and (C) shall be increased each year by an amount equal to the percentage increase, if any, in the Consumer Price Index.

“(F) In this paragraph:

“(i) The term ‘counterfeit mark’ has the meaning given that term in section 34(d)(1)(B).
“(ii) The term ‘electronic commerce platform’ means any electronically accessed platform that includes publicly interactive features that allow for arranging the sale or purchase of goods, or that enables a person other than an operator of the platform to sell or offer to sell physical goods to consumers located in the United States.

“(iii) The term ‘goods that implicate health and safety’ means 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.

“(iv) The term ‘third-party seller’ means a person other than the electronic commerce platform that uses the platform to arrange for the sale or purchase of goods.”.
SEC. 3. MATERIAL MISREPRESENTATIONS IN TAKE-DOWN NOTICES.

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

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

“(a) Civil Liability.—Any person who knowingly makes any material misrepresentation in a notice to an electronic commerce platform that a counterfeit mark was used in a listing by a third party seller for goods that implicate health and safety shall be liable in a civil action for damages by the third-party seller that is injured by such misrepresentation, as the result of the electronic commerce platform relying upon such misrepresentation to remove or disable access to the listing, including temporary removal or disablement.

“(b) Action by Electronic Commerce Platform.—

“(1) Authority to bring action.—If a third-party seller who otherwise could bring an action under subsection (a), consents and declines to file suit, an electronic commerce platform may bring an action under subsection (a) against a person who knowingly made a material misrepresentation in 10 or more notices to the platform alleging that a coun-
terfeit mark was used in a listing by a third party
seller for goods that implicate health and safety.

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

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

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

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

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

“(d) DEFINITIONS.—In this section:
“(1) COUNTERFEIT MARK.—The term ‘counterfeit mark’ has the meaning given that term in section 34(d)(1)(B).

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

(b) TECHNICAL AND CONFORMING AMENDMENT.—

Section 35(a) of The Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended by inserting after “under section 43(a) or (d),” the following: “a violation under subsection (a) or (b) of section 32A,”.

SEC. 4. EFFECTIVE DATE.

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