Computer & Communications
Industry Association
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September 28, 2021

The Honorable Jerrold Nadler Chairman House Committee on the Judiciary Washington, DC 20515	The Honorable Jim Jordan Ranking Member House Committee on the Judiciary Washington, DC 20515

Re: Statement for the Record for the Markup of H.R. 5374

Dear Chairman Nadler and Ranking Member Jordan:

On behalf of the Computer & Communications Industry Association (CCIA),[1] I write to share the following concerns regarding H.R. 5374, the "Stopping Harmful Offers on Platforms by Screening Against Fakes in E-Commerce" (SHOP SAFE) Act, and request that this statement be included in the record of the markup scheduled for Wednesday, September 29, 2021.

CCIA members invest significant resources in enforcing their terms of service to combat counterfeit goods online, above and beyond what U.S. trademark law requires, including voluntary initiatives to protect consumers against unsafe counterfeit products, such as brand registry and other initiatives. H.R. 5374 is not only unnecessary, but as drafted would harm industry and users, create confusion in the trademark liability regime, and result in endless litigation.

CCIA members do not permit, and indeed have no tolerance for, the use of their platforms for any unlawful activity, including the sale of counterfeit goods. The distribution of counterfeit goods through e-commerce sites reduces the confidence of consumers in e-commerce. Accordingly, e-commerce companies have a strong incentive to eliminate counterfeit goods from their services, and they invest heavily in anti-counterfeiting measures, working closely with brand owners.[2]

The existing doctrine of secondary trademark infringement liability 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 secondary liability rules would reduce cooperation and fail to prevent counterfeiting.

[1] CCIA is an international, not-for-profit trade association representing a broad cross section of communications and technology firms. For nearly fifty 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] *See* CCIA Comments to the Dep't of Commerce, Report on the State of Counterfeit and Pirated Goods Trafficking and Recommendations, Docket No. DOC-2019-0003 (July 29, 2019), https://www.ccianet.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).

Furthermore, trademark law and intermediary liability are ill-equipped to address issues of consumer safety. H.R. 5374 flips intermediary liability concepts on their head by creating strict liability if a service does not adhere to a set of legislative requirements that are misnomered as 'best practices.' A provision that creates uncertainty and new liability cannot in any meaningful way be called a 'safe harbor.'

While CCIA shares the sponsors' underlying goals of preventing counterfeits from proliferating online and harming consumers, the bill as drafted will not achieve these goals and could create a new regulatory framework that could harm bona fide sellers and fuel litigation rather than innovative tools to detect and deter counterfeits. Digital services already take responsible action when it comes to counterfeit goods that are harmful to consumers. However, H.R. 5374 is not sufficiently carefully tailored in how it defines online marketplaces and their proposed responsibilities.

For example, this legislation proposes an extremely broad and ambiguous definition of "electronic commerce platform." The proposed requirements are highly specific and burdensome for marketplaces in particular, but would broadly regulate many other types of digital services. As drafted, the bill would create a trademark liability regime for "goods that implicate health and safety" and one for all other goods, which rather than add clarity would invite confusion, litigation, and dual trademark regimes.

Similarly, the country of origin provision is problematic and difficult to verify. Indeed, there is no unified industry or business standard for determining country of origin. For both large and small volume sellers, the standard would be impracticable. Additional concerns regarding H.R. 5374 lie with requiring termination of a third-party seller for "repeated use of a counterfeit mark," broadly defined as "use of a counterfeit mark by a third-party seller in three separate listings within one year". This provision is impracticable for large businesses that sell thousands of products.[3]

Many of the proposed requirements are, in effect, impossible to comply with. Requiring "proactive measures for screening goods" to be taken before listings go live would take an untold amount of technological and human resources to accomplish. H.R. 5374 would also lower the knowledge standard from specific notice of specific instances of infringement to general knowledge, enabling brand owners to generally allege there are counterfeit products on a service, and then the burden would shift to the service to police them.

Legitimate brand holders, entrepreneurs, and other affected "third-party sellers" would also not have a meaningful mechanism to defend themselves from foreign squatters and unscrupulous competitors, providing overwhelming power to rights owners without any recourse for legitimate entrepreneurs or new brands. While Section 3 of H.R. 5374 addresses material misrepresentations in takedown notices, it does not meaningfully cure these concerns.[4]

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[3] "Counterfeit mark" as defined by 15 U.S.C. § 1116(d)(1)(B) turns on non-public information about (a) when manufacture occurred and (b) 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 information controlled by brand owners.

[4] Eric Goldman, *The SHOP SAFE Act Is a Terrible Bill That Will Eliminate Online Marketplaces* (Sept. 28, 2021), https://blog.ericgoldman.org/archives/2021/09/the-shop-safe-act-is-a-terrible-bill-that-will-eliminate-online-marketplaces.htm.

Ultimately, only brand owners know what goods are authentic and what goods are counterfeit. It is difficult for digital services of all sizes to detect and confirm the authenticity of goods. Although digital services like online marketplaces are committed to working with brands to implement strong anti-counterfeiting measures and protect consumers from unsafe products, brand owner cooperation is needed to make the enforcement tools effective at the detection of counterfeit products.

Sincerely,

Arthur D. Sidney
VP Public Policy, CCIA