

Witness for the Senate Committee on the Judiciary Subcommittee on Intellectual Property
Hearing “Back to School with the SHOP SAFE Act: Protecting Our Families from Unsafe
Online Counterfeits”

**1. How are product liability and trademark liability for platforms being treated globally?
How does the U.S. compare with other countries?**

Compared to the EU, which is more progressive than the U.S. in regard to intellectual property rights owners’ ability to pursue action against a platform for an IP violation, The European Enforcement Directive ensures that rights holders can apply for an injunction against intermediaries whose services are used by third parties to infringe intellectual property rights.¹ Additional EU cases have shown that EU court are willing to extend secondary liability to e-commerce platforms when they go beyond a neutral role of just providing a space for third party sellers to sell.²

2. Do online marketplaces profit from the sale of counterfeits? What are the incentives for online marketplaces to remove counterfeits?

Theoretically, yes, I believe that they can, depending on their revenue system and refund policy. If they receive a portion or percentage of a sale from each transaction on their platform, and the posting of a counterfeit good was to make a sale, then by the logic of their normal business

¹ Corrigendum to Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (European Enforcement Directive), Art. 23 (stating: “Without prejudice to any other measures, procedures and remedies available, rightholders should have the possibility of applying for an injunction against an intermediary whose services are being used by a third party to infringe the rightholder’s industrial property right. The conditions and procedures relating to such injunctions should be left to the national law of the Member States.”). *See e.g.* SA Louis Vuitton Malletier v. eBay Inc., Cour de cassation [Cass.] [supreme court for judicial matters], May 3, 2012, *aff’g*, Cour d’appel [CA] [regional court of appeal] Paris, Pole 5, ch. 2, Sept. 3, 2010, and Tribunal de commerce [TC] [court of trade] Paris, June 30, 2008 (Fr.) (noting that eBay was liable for a violation of LVMH’s exclusive rights, because they played an essential role in the commercialization and profit from the sale counterfeit products).

² *See e.g.* CJUE, 22 décembre 2022, Christian Louboutin c. Amazon, C-148/21 et C-184/21: curia.europa.eu (noting: “the operator of an online sales website integrating, in addition to its own offers for sale, an online marketplace, is likely to be considered as itself using a business sign identical to a European Union trademark of a third party for goods identical to those for which this trademark is registered, where third-party sellers offer for sale, on this marketplace, without the consent of the owner of the said trademark, such products bearing this business sign, if a normally informed and reasonably attentive user of this site establishes a link between the services of this operator and the sign in question, which is particularly the case when taking into account all the elements characterizing the situation in question, such a user could have the impression that it is the said operator who markets itself, in its name and for his account, the products bearing the said sign. In this regard, relevant are the facts that this operator uses a uniform method of presentation of the offers published on its website, displaying at the same time the advertisements relating to the products which it sells in its name and for its account and those relating to products offered by third-party sellers on the said marketplace, as well as the fact that the operator displays its renowned distributor logo on all of these advertisements and offers to third-party sellers, within the framework of the marketing of products bearing the sign in question, additional services consisting in particular in the storage and dispatch of these products.”). *Id.*

model, they would receive revenue for each transaction (whether counterfeit or not). I have not heard of any online marketplace acknowledging this or taking what they know to be revenue from the sale of these goods and for example, putting it in a fund to educate consumers. If they give acknowledge that the good is a counterfeit and notify the consumer and give them a full refund, it would seem in this case they would not profit from the sale of the counterfeit.

3. Why is it important for foreign sellers to be subject to jurisdiction in the U.S? What would happen if a foreign seller was not subject to U.S. jurisdiction?

It is important for a foreign seller to be subject to U.S. jurisdiction so both an IP rights holder and a consumer can serve process to them if there is an issue that needs to be addressed legally (i.e. sale of counterfeit, injury, etc). This was an issue in a series of strict liability cases filed by plaintiffs against Amazon, when they or their property were injured and they could not find the seller of the goods they purchased on Amazon, so the only entity left in the supply chain that they could sue was Amazon, with varying results.³ If the foreign seller is not subject to U.S. jurisdiction, it will continue to be difficult for IP rights holders as well as consumers to reach them for legal enforcement or tort claims.

4. Once a brand owner notifies an online marketplace of a counterfeit sale and a listing is removed, does the online marketplace return the profits of the illicit sale to the brand owner? Who keeps the profit?

I do not have specific information on this practice for platforms as it is not made public.

5. To your knowledge, are there any practices that are more current than the practices listed in the SHOP SAFE Act or that should be sufficient to avoid secondary liability that are not covered by the bill?

I do not know of any.

6. Should platforms be required to notify consumers when they remove a listing because it appeared to be selling counterfeit products?

In my opinion, yes, they should, particularly to consumers who have already purchased that good. A similar standard on notification should be made, similar to other types of criminal activity in other venues, as the sale of counterfeit goods is a criminal activity in the U.S. under both federal and state law.

³ See John H. Zacharia & Kari Kammel, Congress's Proposed E-Commerce Legislation for Regulation of Third-Party Sellers: Why It's Needed and How Congress Should Make It Better, 21 U.C. DAVIS BUS. L. J. 91, 97-102 (discussing recent strict liability cases).

7. Should any revisions be made to the definition of “goods that implicate health and safety?”

The current language in the bill reads:

“(iv) The term ‘good that implicates health and safety’ means a consumer product, the use 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.”

I believe this current version of the definition encompasses a good, counterfeit or genuine, that implicates health and safety if it not produced in compliance, which could cover all counterfeits. This is important, because often a genuine good may not implicate health and safety, but the counterfeit of it will.

8. Are there any additional best practices platforms should implement to help prevent infringing use by third party sellers on their platforms?

One additional best practice is transparency about criminal activity occurring on the platform and perhaps a required reporting mechanism for this type of activity on the platform that is available to the public, focused on statistics and not the release of personal information, but so consumers and others can see what the type, scope and size of the sale of counterfeit goods is occurring on a given marketplace.

9. Are there any additional changes that you would like to see made to the SHOP SAFE Act and why?

a. I would recommend a narrowing of the definition of Third-Party Seller.

Currently it reads:

“(v) The term ‘third-party seller’ means any seller, independent of an electronic commerce platform, that sells, offers to sell, or contracts to sell a consumer product in the United States through an electronic commerce platform.”

This definition would seem to encompass even the manufacturer in it, since it is “anyone” that is not the platform. I would recommend that it be narrowed down to a seller of the product that is “not the manufacturer.”

b. I would expand and separate information regarding reporting and transparency in this section, which currently states:

“(iii) Provided accessible electronic means by which a registrant and consumer can notify the electronic commerce platform of suspected use of a counterfeit mark.”

Here, I would suggest that:

1) there is an accessible electronic means by which a registrant can notify the e-commerce platform of suspected use of a counterfeit mark, and

2) there is an accessible electronic means by which a consumer can notify the e-commerce platforms of a suspected use of counterfeit mark that is not conflated with other consumer complaints about product. Further, it should be easy for consumers to understand what and how they can report this and is obvious in consumer complaint spaces. Additionally, the e-commerce platform should be transparent about the risk of counterfeit goods and be required to report how many complaints they receive and how many they take action on (since this is suspected criminal activity). In consumer messaging about counterfeit postings that have been removed, consumers should be notified that the good they purchased is counterfeit, what exactly that means, and that they should dispose of it immediately. Such messaging should be clear to the consumer.

10. What more can Congress do to help stem the sale of counterfeit goods online?

Congress can continue to support research and knowledge expansion on the trade in counterfeit goods, brand protection, and anti-counterfeiting responses in order to address the critical gap in research on the global trade in counterfeit goods, including the nature and scope of the sale of counterfeit goods on the online marketplace, to better inform policy.