

U.S. House of Representatives Committee on the Judiciary
Subcommittee on Courts, Intellectual Property, and the Internet

Hearing on The SHOP SAFE Act: Stemming the Rising Tide of Unsafe Counterfeit
Products Online on May 27, 2021

Written Statement

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Chairman Johnson, Ranking Member Issa, and Members of the Subcommittee, thank you for inviting me to testify on the problem of the sale of counterfeits by third party sellers on online marketplaces. I am representing myself at today's hearing. The views I express are my own.

I am the Assistant Director for Education and Outreach at the Center for Anti-Counterfeiting and Product Protection ("the A-CAPP Center) at Michigan State University and an adjunct professor of law at MSU College of Law, where I teach intellectual property courses, including one of the only classes in the country on trademark counterfeiting law. I research and publish about trademark counterfeiting, as well as work with brand protection practitioners in the field focusing on the Center's outreach and education. My remarks draw on our recent and ongoing research on trademark counterfeiting in the online space.

1. The Center for Anti-Counterfeiting and Product Protection at Michigan State University

My colleagues and I at the A-CAPP Center focus our work upon the complex global issues of anti-counterfeiting and brand protection of products, across all industries, in

all markets.¹ We seek to provide multi-disciplinary academic research on this ever-growing problem of trademark counterfeiting, of which there is little research. I also work closely with our industry advisory board, made up of multinational brands from a variety of industries, and a Homeland Security Liaison, the Director of the National Intellectual Property Rights Center (the IPR Center). In addition to intellectual property rights owners and government, I also work with online marketplaces, social media platforms, service and technology providers, law firms, investigators and other professionals in the field of brand protection with my colleagues so that we can examine the problem from a neutral academic perspective.

I also focus on the practical impact of the Center's research, translating it into best practices for industry, through outreach and education to enable the sharing of information with students, industry professionals and the public. I oversee our executive education trainings and the first online professional brand protection certificate.²

2. Problem of Trademark Counterfeiting on Online Marketplaces

The sale of goods in online marketplaces, both licit and illicit goods has grown exponentially in the past decade³ and particularly since the onset of COVID-19, consumers have increased online shopping.⁴ With virtual storefronts and online transactions, online marketplaces give businesses of all sizes opportunity for global profits and reach consumers they might not have been able to access previously, as well

¹ Center for Anti-Counterfeiting and Product Protection, <https://a-capp.msu.edu>; We rely on our academic expertise with Michigan State University's College of Law, the School of Criminal Justice, the School of Packaging, the Department of Supply Chain, the Department of Engineering, the International Business Center, the Department of Advertising and Public Relations, the Forensic Chemistry lab, and the Media, Advertising and Psychology lab at MSU, as well as academic partners across the country and world to research counterfeiting and its impact on brands and consumers.

² Brand Protection Professional Certificate, <https://a-capp.msu.edu/bp-certificate/>. We also run a digital industry journal highlighting best practices, Brand Protection Professional Journal, <https://a-capp.msu.edu/outreach/brand-protection-professional-bpp/>

³ Kari Kammel, Jay Kennedy, Daniel Cermak, and Minelli Manoukian, *Responsibility for the Sale of Trademark Counterfeits Online: Striking a Balance in Secondary Liability While Protecting Consumers*, 49 AIPLA Q. J. 221, 224 (Spring 2021); Saeed Fayyaz, *A Review on Measuring Digital Trade & E-Commerce as New Economic Statistics Products*, STATISTIKA (2019),

https://www.czso.cz/documents/10180/88506450/32019719q1_057.pdf/37dfdce8-0aca-4859-b774-641d7c9c40f3?version=1.0

⁴ Jay Kennedy, *COVID-19 is driving consumers online and illicit pharmacies are waiting*, Forbes.com (2020).

as giving consumers access to products delivered to their door that they would not have previously. Counterfeiters also take advantage of the opportunity online marketplaces provide them and they rely on the brands' goodwill and products to reach often unwitting consumers. Their sale of counterfeit goods remains low risk to the sellers-- much lower risk than selling in a brick-and-mortar venue. Counterfeit items previously sold in flea markets and on the street or in bodegas are now sold in volume on online marketplaces, social media pages and the dark web.⁵

The volume of counterfeits is staggering but also difficult to measure for a variety of reasons. First, it is an illicit activity that is often focused on deception. Second, the most accurate data we have is from seizure data. The size of the problem is often calculated based on seizure data, or takedown data, which does not reflect the universe of counterfeit goods.⁶ Third, data sharing between brands, platforms, law enforcement and academia has always been a struggle. Brands may have their own investigatory data; platforms may have their take down data; but this data is usually not shared, even with researchers. One major online marketplace reported that its proactive efforts have removed over one million suspected bad actors before these individuals could publish a listing for even a single product, while blocking an additional three billion suspected counterfeit listings.⁷

Still, counterfeiting remains a growing threat as consumers have been increasingly moving online, placing them at heightened risk for interacting with counterfeiters on third-party marketplaces.⁸ Additionally, online marketplaces have varying levels of proactive and reactive efforts to deal with counterfeits as reported by marketplaces and brands who deal with counterfeits of their marks, in particular, Small, and Medium Enterprises (SMEs).

⁵ Kammel et al, *supra* note 3, at 226; Jay Kennedy, *Counterfeit Products Online*, 1-24 in THE PALGRAVE HANDBOOK OF INTERNATIONAL CYBERCRIME AND CYBERDEVIANCE (eds. Thomas J. Holt & Adam Bossler 2019).

⁶ Jay P. Kennedy, Matthew R. Maher, and Asia Q. Campbell, *Citizens' Support for Local Law Enforcement Anti-Counterfeiting Activities*, 44 AM. J. CRIM. JUST. 914-937 (2020).

⁷ Department of Homeland Security, *Combating Trafficking in Counterfeit and Pirated Goods: Report to the President of the United States* 5 (2020).

⁸ DHS Report 2020, *supra* note 7; Jay P. Kennedy, *Consumers should take notice: Counterfeiters don't take holidays!* Forbes.com (2020); Alliance for Safe Online Pharmacies, *New Survey Reveals Dangerous Disconnect in American Perceptions of Online Pharmacies: More Consumers Buy Medicine Online Despite Not Knowing the Risks of Illegal Internet Drug Sellers* (2020), available at <https://buysaferx.pharmacy/oct-19-survey-release/>.

Financially, counterfeit goods impact national economies, as well as companies of all sizes. Counterfeit goods have been estimated to have displaced roughly \$509 billion worth of global sales in 2016.⁹

From a business standpoint, from the moment an intellectual property rights owner exposes itself to sales benefits of the online marketplace, the brand also faces increased challenges related to illicit online actors. Even if a brand owner does not intend to sell online or may be in the early stages of a start-up, it may find that its products or counterfeit versions of its products are already being sold online, filling consumer demand for their products. Online marketplaces can foster a perception of legitimacy from the consumer perspective, shielding, albeit possibly unintentionally, counterfeit goods from consumer scrutiny, removal, and punitive action.¹⁰

We are seeing this frustration manifested at the consumer level, as well. Consumers often are unaware that they are buying counterfeit, struggle to be able to report counterfeit to an online marketplace (as opposed to just general dissatisfaction with a purchased good or seller interaction), or cannot find the third-party seller for service of process for a lawsuit if they are injured or killed by a product, which has led to a series of strict liability cases being filed against marketplaces in the past 2 years.¹¹

Additionally, the impact of counterfeiting is not accurately reflected due to the lack of information and research on this phenomenon. A 2017 report estimated the retail value of the global illicit trade in counterfeit and pirated goods at \$923 billion to \$1.13 trillion, by comparison the global drug trafficking market was estimated at \$426 to \$652 billion.¹² Despite this relative scale, there is a paucity of information and research on the issue of counterfeit goods and response efforts as compared to what is available on drug trafficking and other social and economic problems, resulting in policymaking and creation of best practices in an information deficient environment.

⁹ Kammel, et al, *supra* note 3, at 225; OECD, TRENDS IN TRADE AND COUNTERFEIT GOODS (2019).

¹⁰ See Kammel et al, *supra* note 3, at 228; Kennedy, *supra* note 5, at 7, 14.

¹¹ See Kammel et al, *supra* note 3, at 256-61; 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).

¹² Channing May, *Transnational Crime and the Developing World* (Global Financial Integrity 2017) <https://gfintegrity.org/report/transnational-crime-and-the-developing-world/>

3. Current State of Secondary Liability for Trademark Counterfeiting and Opportunity Structure

In an article that highlights our multidisciplinary efforts that I authored with Jay Kennedy,¹³ Daniel Cermak,¹⁴ Minelli Manoukian,¹⁵ we discuss the legal landscape that currently exists in respect to secondary liability for trademark counterfeiting and why it does not apply to the current state of sales of counterfeit goods by third party sellers online.¹⁶ First, secondary liability for trademark infringement was initially created to address infringement in a brick-and-mortar setting. The current doctrine of secondary liability is based on *Inwood Labs v. Ives*¹⁷ and was later applied to other cases involving “service providers”, such as flea markets.¹⁸

Here, in our research, we introduce social science theory related to the opportunity structure of persistent risky activities to understand where secondary liability for trademark counterfeiting should apply.¹⁹ Applying this theory, we explain how the opportunity structure for counterfeiting occurs when consumers and counterfeiters potentially interact in spaces where guardianship to protect the consumer, and by extension the brand, is weak.

¹³ Jay P. Kennedy is the Assistant Director of Research for the Center for Anti-Counterfeiting and Product Protection and an Assistant Professor in the School of Criminal Justice at Michigan State University.

¹⁴ Daniel Cermak, Esq. is Court Officer/Research Clerk for the 30th Circuit Court in Michigan and is a recent graduate of Michigan State University College of Law and previously worked as a Legal Researcher for the Center for Anti-Counterfeiting and Product Protection.

¹⁵ Minelli E. Manoukian, Esq., is a Deputy Prosecuting Attorney in Allen County Indiana, is a recent graduate of the Michigan State University College of Law, and previously worked as a Legal Researcher for the Center of Anti-Counterfeiting and Product Protection.

¹⁶ See Kammel et al, *supra* note 1(acknowledging the research assistance of Deepu Karchalla (MSU, BA expected 2021); Joseph Longo (MSU, BA 2020), and Tyler Armstrong (J.D. expected 2022)).

¹⁷ *Inwood Labs. v. Ives Labs.*, 456 U.S. 844 (1981) (discussing “if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.” *Id.* at 854.

¹⁸ Kammel et al, *supra* note 3, at 237 (discussing *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1143 (7th Cir. 1992)).

¹⁹ Kammel et al, *supra* note 3, at 229.

a. Brick-and-Mortar Space: Guardians

In the brick-and-mortar space, the entity that is best suited for guardianship is the place manager, since they control the physical space of the flea/market or mall.²⁰ Others of course can help educate consumers, or report counterfeiting, but secondary liability here should rest with the entity that should have the most responsibility for control in this space.

b. Brick and Mortar Space: Disrupting Opportunity

When viewed as an opportunity structure, disruption of a counterfeiting scheme requires that only one leg of the triangle be removed in order to substantially decrease the likelihood that the counterfeiter will be successful in their scheme.²¹ Disruption can be done through guardians either protecting the consumer (through education/awareness), protecting the brick-and-mortar location such as the flea market/mall (through monitoring, walk throughs, surveillance, responses to complaints) or protecting against the counterfeiters (through pre-screening, monitoring for repeat counterfeiters, checking IDs or other activity).²² However, in spite of high levels of guardianship, some motivated offenders will continue to persist with their schemes.²³

It does not mean that every instance of a counterfeit in a flea market or mall equates to secondary liability for trademark counterfeiting, but this concept sets a standard for the brick-and-mortar marketplace to take care to protect registered marks and consumers. The example of this application to the case law can be seen in *Hard Rock Cafe v. Concessions Services*.²⁴

²⁰ *Id.* at 239.

²¹ *Id.* at 239-240.

²² *Id.*

²³ *Id.*

²⁴ *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1143 (7th Cir. 1992) (using the Restatement of Torts to note that the flea market owners would be liable for torts committed on their property when they knew or had reason to know that someone on the property was using it tortiously) at 1148–49 (citing RESTATEMENT (SECOND) OF TORTS § 877(c), cmt. d (AM. LAW INST. 1979)).

c. *The Tiffany v. eBay Case*

In 2010, the Second Circuit decided the *Tiffany v. eBay* case.²⁵ In *Tiffany*, the court noted the extension of the *Inwood* test to service providers, such as the flea market owners in *Hard Rock*, and then also noted that they were the first to apply this test to an online marketplace.²⁶ The standard set here for secondary liability for an online marketplace was if the service provider “[c]ontinues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement” —and “[s]ome contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary —”²⁷ otherwise known as the contemporary knowledge requirement.²⁸ The e-commerce platform eBay was found not liable for secondary trademark infringement.²⁹

d. Practical Impact of *Tiffany*

From a legal liability perspective under the current state of the law, there is no obligation on any party to proactively address sellers’ listings online. Some online marketplaces understand that there is a problem and remove postings that are reported to them or found through internal self-investigation by technology or otherwise, what we would refer to as a reactive response. A few may proactively vet sellers or postings, but these are not the majority, nor is this required by the law. However, under the *Tiffany* standard, they must only remove them reactively, or when they have “specific knowledge.”

A brand owner, however, does not want injury to its reputation, or injury to its consumers,³⁰ so practically they must monitor and notify the online marketplace to

²⁵ *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010); *see also* Kammel et al, *supra* note 3, at 241-44 (discussing *Tiffany v. eBay*).

²⁶ *Tiffany*, 600 F.3d at 105; Kammel, et al, *supra* note 3, at 243.

²⁷ *Tiffany*, 600 F.3d at 107; Kammel, et al, *supra* note 3, at 243.

²⁸ *Tiffany*, 600 F.3d at 106 (citing *Inwood Lab’ys, Inc. v. Ives Lab’ys, Inc.*, 456 U.S. 844, 854 (1982)), 108-09; Kammel, et al, *supra* note 3, at 243

²⁹ *Tiffany*, 600 F.3d at 109.

³⁰ Kammel, et al, *supra* note 3, at 252 (citing See Stefanie Wood Ellis, *Brand Protection in the Digital World*, WORLD TRADEMARK REV. (Apr. 23, 2020), <https://www.worldtrademarkreview.com/anti-counterfeiting/brand-protection-in-the-digital-world> [<https://perma.cc/V8DY-7K4E>] (describing how counterfeit products can negatively affect a brand when an inferior product is thought to be the real product, and the lower quality is now associated with the brand or when an unsafe counterfeit hurts individuals).

remove a suspicious listing or a seller that could be selling an illicit or unauthorized product, even though the counterfeit product is not theirs. For every listing that a brand owner successfully petitions to have removed from an online marketplace, many more illicit listings will likely take its place³¹—leading to what is called in the industry the “whack-a-mole” problem. Because this has become so time consuming but needs to be addressed, an entire industry of online anti-counterfeiting providers selling their services and technologies to brands, as well as law firms expanding their practices, has developed to search the web, e-commerce sites, and social media platforms for counterfeits using artificial intelligence, machine learning, or other technologies and skills.³² Finally, transparency is lacking in regard to seller identification and location, details on systems for vetting sellers, products, removals of listings, where counterfeits go after they have been reported or taken down, how repeat sellers of counterfeit are removed, how warehousing might work and other details that are important for both the intellectual property rights owner, law enforcement, and an informed consumer, as they have not been required by law.

Many platforms have created extensive tools for brands to register their marks, work to identify counterfeit listings for take down efforts, participate in joint efforts with the IPR Center and other law enforcement agencies, and some have even begun to partner in joint lawsuits and referrals for criminal prosecution.³³ These are all positive steps and should continue in conjunction with any legislation.

d. Disrupting Counterfeiting Opportunity in an Online Marketplace

We revisit the opportunity structure to see how it can apply to the online marketplaces and can shift given technology’s impact. The opportunity structure for trademark counterfeiting on an online marketplace consists of trademark counterfeiters in the role of motivated infringers, consumers in the role of suitable targets/potential victims, and

³¹ Kammel, et al, *supra* note 3, at 254 (citing Daniel C.K. Chow, *Alibaba, Amazon, and Counterfeiting in the Age of the Internet*, 40 NW. J. INT’L L. & BUS. 157, 161 (2020).

³² Kammel, et al, *supra* note 3, at 252.

³³ Zacharia & Kammel, *supra* note 11, at 107-109 (discussing recent initiatives IPR Center E-Commerce initiative, available at <https://www.iprcenter.gov/file-repository/ipu-e-commerce.pdf/view>; <https://press.aboutamazon.com/news-releases/news-release-details/ipr-center-amazon-launch-operation-fulfilled-action-stop>); *Amazon Establishes Counterfeit Crimes Unit to Bring Counterfeiters to Justice*, BUSINESS WIRE (June 24, 2020), <https://www.businesswire.com/news/home/20200624005161/en/Amazon-Establishes-Counterfeit-Crimes-Unit-Bring-Counterfeiters>.

the platform itself as the place wherein infringer and target meet and interact.³⁴ The motivated counterfeiter operates as an “unseen competitor” to legitimate companies, using the e-commerce platform as a place to hide from detection and reap illicit economic benefits.³⁵

In the opportunity structure triangle, e-commerce platforms have varying levels of influence over product counterfeiting schemes by de-motivating sellers of counterfeits on their sites, protecting consumers by deterring potential infringers or assisting consumers in protecting themselves from victimization, and controlling the conditions that allow illicit actors and consumers to come together and interact.³⁶ As a result, when one or more of these three roles are not undertaken and fulfilled in an online marketplace, the opportunity for interaction between the counterfeiter and consumer increases, via the offered sale of a counterfeit good, thereby making counterfeit transactions more likely.³⁷

The operators of online marketplaces can significantly mitigate opportunities for the sale of counterfeit goods on their platforms by acting as guardians or controllers, engaging in proactive activities and implementing policies that target motivated sellers of counterfeit goods and suitable targets.³⁸ With regard to addressing motivated sellers of counterfeits, platforms have the ability to identify potentially infringing listings and proactively embargo or reject these listings.³⁹ These activities can disrupt the opportunity for third party sellers to sell counterfeits to consumers. See Figure 1.

³⁴ See generally Kammel et al, *supra* note 3, at 248.

³⁵ Kammel et al, *supra* note 3, at 30 (citing Jeremy M. Wilson & Rodney Kinghorn, *A Total Business Approach to the Global Risk of Product Counterfeiting*, 10 GLOBAL EDGE BUS. REV. No.1, 1-6 (2016)).

³⁶ Kammel, et al, *supra* note 3, at 231.

³⁷ *Id.*

³⁸ *Id.* at 248-249 (citing to John E. Eck et al., *Risky Facilities: Crime Concentration in Homogeneous Sets of Establishments and Facilities*, 21 CRIME PREVENTION STUDS. 225, 240 (2007); Jay P. Kennedy, *Sharing the Keys to the Kingdom: Responding to Employee Theft by Empowering Employees to Be Guardians, Place Managers, and Handlers*, 39 J. CRIME & JUST. 512, 519 (2015)).

³⁹ *Id.* at 249.

Figure 1. Disruption of Opportunity Structure for Counterfeit Goods in E-Commerce



However, these activities alone will not entirely prevent counterfeiters from listing their illegal goods online as many counterfeiters have adopted a strategy built around inundation – posting a large volume of listings to hedge against takedown efforts. It is not reasonable to expect a platform to possibly know every legitimate mark for every product of every brand possibly sold on the sites it operates. Accordingly, brands will need to be responsible for some type of recordation of marks in a way that is made available to the platform.

Consumers play a large part in the success of product counterfeiting schemes as well.⁴⁰ Because consumer decision making is something outside of the platform’s full control, place management strategies designed to make websites less conducive to counterfeit trade are also essential.⁴¹ Many of these strategies have been implemented in traditional brick and mortar stores or markets and can be adapted to e-commerce platforms. The challenge for e-commerce platform operators is to remain cognizant of, if not ahead of, the curve being set by trademark counterfeiters by taking active steps to protect consumers, engaging in place management strategies designed to make their sites less

⁴⁰ *Id.* at 255.

⁴¹ *Id.*

conducive to counterfeit trade, and remaining aware and ahead of the ever-changing curve set by trademark counterfeiters, which any legislation should seek to encourage.

4. Law Disruptive Technology

As I have described the online marketplace phenomena as law disruptive technology,⁴² I believe it is important that the proposed legislation needs to take this into account in several ways. First, we should anticipate rapid, exponential, technological growth and change. Second, sizes of online marketplaces will vary, grow, expand, and may even look very different ten years from now with what we see today. Their profits, access to technology and how much they proportionally decide to invest in it to deter counterfeiters will also vary widely. Most importantly, any new laws should take this into consideration, so online marketplaces can respond with iterative changes in protecting consumers and brands using appropriate current technology and other methods, as to not simply become a compliance check.

5. SHOP SAFE Addresses Many Issues Regarding Secondary Liability; Some Suggestions for Improvement.

In an article that I co-authored with John Zacharia⁴³ in late 2020, we compared the recent legislation addressing the sale of counterfeits in e-commerce, namely SHOP SAFE of 2020, INFORM Consumers of 2020 and the SANTA Act.⁴⁴ SHOP SAFE helps to address (1) how to identify third party sellers of counterfeit, and (2) how to require a proactive approach to prevent counterfeiters from posting their goods on online marketplaces.⁴⁵

⁴² Kari Kammel, *Examining Trademark Counterfeiting Legislation, Free Trade Zones, Corruption and Culture in the Context of Illicit Trade: The United States and United Arab Emirates*, 28 MICH. STATE INT'L L. REV. 210-235 (2020); William Sowers, *How do you Solve a Problem like Law-Disruptive Technology?*, 82 L. & CONTEMP. PROBS. 193-214 (2019); Zacharia & Kammel, *supra* note 11, at 121.

⁴³ John H. Zacharia is the Founder of Zacharia Law PLLC, a law firm dedicated to helping victims of intellectual property crimes and cybercrimes protect their rights and is a Professorial Lecturer in Law at the George Washington University Law School. He is also a member of the A-CAPP Center's Brand Protection Professional Editorial Board.

⁴⁴ Zacharia & Kammel, *supra* note 11.

⁴⁵ *Id.* at 117

Positive Parts of the Bill Include:

In my opinion, positive parts of SHOP SAFE of 2021 include:

1. Proactive activities for online marketplaces to prevent counterfeiter by expeditiously disabling or removing listings from even placing ads at no cost to brand owners; three strikes rule for sellers of counterfeits;⁴⁶
2. Requirement for marketplaces to investigate and periodically confirm that a “third-party seller designated a registered agent in the U.S. for service of process” or if U.S. based, has a verified address for service of process;⁴⁷
3. Display of sellers’ information, location, identity;⁴⁸
4. Proactive steps by e-commerce marketplaces to proactively screen and verify authenticity of the goods offered for sale;⁴⁹ screening to address the whack-a-mole issues;⁵⁰ and
5. Imposition of secondary liability for trademark counterfeiting if these actions are not taken in a reasonable time and manner.⁵¹

Suggestions to Strengthen the Bill:

In my opinion, I would suggest the following to strengthen SHOP SAFE of 2021:

1. **Harmonize Type of Goods-** SHOP Safe is limited to goods that implicate health and safety⁵² and I recommend that the type of goods be harmonized.⁵³ It is not clear from the language as to who will be the determiners of whether a good implicates health and safety. I would advocate that the classification be removed and be applied to the sale of any counterfeit goods for several reasons, and if it cannot be removed that a broad interpretation of ‘goods that implicate health and safety’ is adapted.

⁴⁶ SHOP SAFE Act of 2021, at (4)(A)(ix); Zacharia & Kammel, *supra* note 11, at 116.

⁴⁷ SHOP SAFE Act of 2021, at (4)(A)(iv), (4)(A)(x); Zacharia & Kammel, *supra* note 11, at 115.

⁴⁸ SHOP SAFE Act of 2021, at (4)(A)(v); Zacharia & Kammel, *supra* note 11, at 115.

⁴⁹ SHOP SAFE Act of 2021, at (4)(A)(viii); Zacharia & Kammel, *supra* note 11, at 116.

⁵⁰ SHOP SAFE Act of 2021, at (4)(A)(x), (4)(A)(xi); Zacharia & Kammel, *supra* note 11, at 117.

⁵¹ SHOP SAFE Act of 2021, at (4)(A); Zacharia & Kammel, *supra* note 11, at 115.

⁵² SHOP SAFE Act of 2021, at (4)(A), (4)(B)(iii); Zacharia & Kammel, *supra* note 11, at 117.

⁵³ Zacharia & Kammel, *supra* note 11, at 120.

- a. **Determination by Online Marketplaces-** First, it appears that this would require marketplaces to determine whether each individual product that is posted for sale implicates 'health and safety'. This could become incredibly onerous,⁵⁴ and inconsistent, instead of applying it across the board to any product to which a trademark is affixed.
 - b. **Two Classes of Goods Under the Lanham Act-** Second, it would create two classes of types of counterfeit goods for liability under the Lanham Act. The provisions of the Lanham Act regarding trademark and service marks are protecting the intellectual property rights' holders' goodwill and reputation. This would give a message that many mark holders, including SMEs who are already struggling with this issue, are not entitled to the same level of protection on e-commerce sites and may create a prioritization system within e-commerce sites.
 - c. **Drive Counterfeiting to Certain Industries-** Third, in addition to possibly creating classes of goods on the e-commerce platforms, it may also drive counterfeiters to certain industries that do not implicate health and safety; thus, potentially increasing the counterfeit problem for certain industries.
 - d. **If the Language is Adopted, Interpret 'Health and Safety' Broadly-** In the space of counterfeits, a good that might not normally implicate health and safety may in fact implicate it due to construction with materials not appropriate for intended use, or poor quality materials. Although we know that there is immediate and high risk from counterfeit goods that implicate health and safety (pharmaceuticals, food, etc.), we also know that the absolute lack of regulation, safety standards, working standards, sanitary and hazardous work conditions can make any counterfeit risky to use.
2. **Verification and Identification Requirements.** Additionally, the verification of seller's identities can be strengthened beyond a governmental ID, or other documentation, which might be challenging to verify with overseas sellers. I suggest some additional forms of identifications⁵⁵ and even suggest open general language for the online marketplace to be able to adjust and iterate their policies as the counterfeit sellers' behaviors change to avoid detection at this stage and as

⁵⁴ Zacharia & Kammel, *supra* note 11, at 117.

⁵⁵ Zacharia & Kammel, *supra* note 11, at 118.

technology continues to change, keeping in mind that the point is to provide consumers, brand owners and law enforcement with information needed to pursue counterfeiters and for marketplaces to avoid secondary liability.

3. **Location from Where Goods are Shipped.** I suggest that if the goods are first shipped to a platform warehouse, which is now sometimes the case, they still are required to note the country where the goods originated before shipment to the platform's warehouse. Many counterfeiters hide behind the platform warehouse's veil of legitimacy and the consumer cannot tell the difference.
4. **Technology Neutral.** As we have described the online marketplace phenomena as law disruptive technology,⁵⁶ we believe that the proposed legislation needs to take into account by not requiring technology or specific technology, but instead requiring "proactive measures, including technological" to encompass any current best practices or iterative solutions that can address ever changing technology as well as rapidly changing counterfeiter behavior. In a similar vein to the verification of seller's identities above, such measures should take into account the rapidly changing practical landscape to ensure that the law will remain effective in the time to come and not just a compliance effort.
5. **Definition of Third-Party Seller-** Should include: "person, persons, and entities"⁵⁷
6. **Focus on Consumers-** One of the primary purposes of this bill is protecting consumers from purchasing counterfeits online, in addition to the protection of mark holders. However, seemingly absent are some actions that can be taken to disrupt the opportunity triangle on the consumer side. I would suggest perhaps required consumer education and awareness of counterfeiting sales by third party sellers—what to look for, how to protect yourself when online shopping. Additionally, a required clear, easy to access mechanism for consumers to report suspected counterfeit goods, in the way they might currently be able to complain about a billing problem, or a shipment that never arrived.

⁵⁶ Kammel, *Examining Trademark Counterfeiting Legislation*, *supra* note 42; Sowers, *supra* note 42; Zacharia & Kammel, *supra* note 11, at 121.

⁵⁷ SHOP SAFE Act of 2021, at (4)(B)(iv).

Recommendations

My recommendations are to:

1. Support the SHOP SAFE Article with essential changes:
 - a. Harmonize the types of goods to not create two classes of counterfeit marks;
 - b. Keep verification and identification requirements general as to encompass the latest best practices in verifying sellers; and
 - c. Keep the language as technology or task neutral to encourage modeling practices that are iterative and not merely for compliance but with a focus on protecting the brand and the consumer;
2. Support continued and expanded collaborations regarding data sharing between marketplaces, brands, IPR Center and academia and develop methods of data sharing that share the burdens related to the exchange of information; Support efforts to share data that support legislative initiatives; and
3. Expand knowledge on the trade in counterfeit goods and anti-counterfeiting responses. A critical need exists to support 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. Such research has overlapping interest for multiple government agencies, including the Departments of Commerce, Homeland Security, Justice, State and Health and Human Services.

Thank you for the opportunity to participate in this hearing on this very important issue for intellectual property rights holders and U.S. consumers.