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INFORM Act Addresses Online Marketplace Transparency With Harsh Penalties for Noncompliance



Key Update:

- The [Integrity, Notification, and Fairness in Online Retail Marketplaces for Consumers Act](#) (INFORM Act or the Act) aims to increase transparency in online transactions and discourage the sale of stolen, counterfeit, or unsafe items through online marketplaces.
- Online marketplaces must comply with key requirements in the Act by June 27, 2023, to avoid penalties for noncompliance.

Under the Act, online marketplaces that allow third-party sellers must collect and verify specific financial and identifying information from high-volume third-party sellers ("Seller" or "Sellers") who makes 200 or more discrete sales and earns \$5,000 or more in gross revenue within a 12-month period during the previous 24 months. Key requirements of the Act include the following:

- **Collection.** Online marketplaces must collect a Seller's bank account information, contact information, tax ID, email addresses, and phone numbers. This data must be submitted within 10 days of being approved as a Seller.
- **Disclosure.** Online marketplaces must require Sellers to disclose information such as full name, company name, address, and contact information either on the product listing page or through post-purchase communication. This rule specifically applies to Sellers who generate \$20,000 or more in annual gross revenues on the platform.
- **Verification.** Online marketplaces must verify Seller information within 10 days of receipt. Sellers must keep their information up to date and certify its accuracy at least once a year.
- **Suspension.** Sellers who fail to provide the required information must be suspended from online marketplaces. A 10-day grace period is provided after the online platform sends a written notice to comply. Noncompliant sales activity must end until the Seller provides the necessary information. Online marketplaces must verify Seller information within 10 days of receipt.

- **Data security.** To protect the collected data, marketplaces must also implement reasonable security procedures and practices. These security measures should be appropriate for the data's nature and intended use.
- **Penalty.** The law may be enforced by the FTC, and each infraction carries civil fines of \$50,120. State attorneys general also have the power to enforce the Act.

Online markets must be in compliance with the Act by June 27, 2023. It is crucial for online marketplaces to understand and comply with the provisions of this Act to avoid penalties and maintain consumer trust in the rapidly evolving world of e-commerce.

Authors

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