

**2014 Counterfeit Report Press Conference
Speech By Jonathan Lu, CEO of Alibaba Group
Hangzhou, China, December 23, 2014**

Ever since the founding of Alibaba Group in 1999, it has been our mission to make it easy to do business anywhere. This ease of doing business must be facilitated by trust. We believe that trust is the basis for wealth and that trust is an important currency that makes our e-commerce platforms tick. All the work that we have done over the past 15 years underscores this belief.

Since the establishment of Taobao in 2003, Alibaba Group has constantly fought to protect the interests of consumers in the Internet space and together with our valued government partners, we have made great strides in addressing this issue.

However counterfeiting is a global problem and one that we need to face together as a society. From Alibaba Group's perspective, we bear a serious responsibility in this fight against counterfeits. Jack Ma said yesterday – if e-commerce does well in China, that may have little to do with Alibaba Group, but if counterfeits in society are not tackled effectively, it has a lot to do with Alibaba Group.

In our years of combating this problem, we have built cooperative relationships with various government bodies to combat counterfeiting at its source in order to safeguard the interests of consumers. We have built systems and services like Alipay that are based on trust and are there to protect the consumer because in the end, counterfeiting hurts Alibaba Group as consumers who receive fake goods may no longer want to shop on our platforms.

Thankfully, Internet technology has made it easier for transactions to be traced. This means that by analyzing transaction data we can trace counterfeiters who sell online. Through the analysis of big data, online sources of counterfeit products can be tracked offline, making it easier to enforcement authorities to do their work.

Secondly, we believe that protecting customer rights and combating counterfeits should be a long-term and persistent goal. To achieve that, support needs to come from all levels of society. Through the years, Alibaba Group has become more effective at protecting consumer rights and combating counterfeits. According to the latest data available, only 3.5 transactions in every 10,000 transactions received customer complaints, 22% decline from last year.

Effectively combating the counterfeiting issue requires the active involvement from different government agencies and authorities, as the root of the counterfeit problem is offline. By collaborating with China's Public Security Bureau, the General Administration of Quality Supervision, China's State Intellectual Property Office and State Administration of Press, Publication, Radio, Film and Television and leveraging new tools such as the Internet and big data, Alibaba hopes that these measures will be impactful in combating fakes in the real world. We hope that by exposing counterfeiters and supporting the fight in a long-term fashion, fakes can be eliminated one day.

We would like to thank the various government ministries and the "Office of the National Leading Group on the Fight Against IPR Infringement and Counterfeiting" for their guidance as we know the battle against counterfeits is not easy. It is our hope that with these efforts, consumers will no longer feel worried about buying counterfeits online and brands are no longer plagued by fake goods and that the market will become one where honest people get to take a larger share of the market.

FACT SHEET: Alibaba Group 2014 IPR Initiatives

Overview

Alibaba Group, the world's largest online and mobile commerce company, is committed to the protection of intellectual property rights (IPR) and the fight against counterfeiting. We have a zero-tolerance policy toward counterfeits on our platforms and we work together with brands, associations and government agencies to create visible and significant results in the intellectual property enforcement space.

Over the years we have made very good progress in the space of intellectual property rights protection, including the setting up of legal precedents with law enforcement. We have also established cooperative relationships with more than 1,000 major brand owners and several industry associations to enhance the effectiveness of our take-down procedures and other anti-counterfeiting measures.

This year we increased our information sharing initiatives with various Chinese government agencies and continued to work with brands to bring about effective enforcement against counterfeiters who operate offline. Additionally, we continue to refine and harness technological tools at our disposal to track and trace counterfeiters who sell on our platforms, in order to assist enforcement authorities in tackling the problem at its source.

A report issued by China's State Administration for Industry and Commerce showed that counterfeiting is still rampant offline, constituting the majority of trademark-infringing and counterfeit cases investigated. According to the report, of the 83,000 counterfeit and trademark-infringing cases investigated by the SAIC last year, online counterfeit cases constituted about 300 cases.

2014 IPR Highlights

Key Achievements:

- From the beginning of 2013 till end of November this year, Alibaba Group has invested over RMB1 billion (\$160.7 million) focusing on tackling counterfeit and enhancing consumer protection.
- A task force of over 2,000 is spearheading the counterfeit effort with the plan to add another 200 people next year. The Group has also enlisted around 5,400 volunteers to assist with daily online surveillance and selective inspection.

Collaboration with law enforcement authorities to eliminate the source of counterfeit goods:

- Alibaba Group cooperated with Chinese law enforcement agencies in over 1,000 counterfeiting cases this year. As a result of this collaboration, 400 suspects from 18 counterfeiting rings were arrested while 200 brick and mortar stores, factories or warehouse involved in production and selling of counterfeits were closed.
- Since 2010, Taobao Marketplace has worked with Zhejiang Intellectual Property Office in 3,000 IPR-infringing cases.

Working closely with brand owners:

- As of September this year, Alibaba Group cooperated with 1,137 brand owners and to identify and remove IP-infringing goods from our marketplaces.

Widened our coalition of international associations dedicated to IPR protection:

- Alibaba Group has signed MOUs with major international associations to protect IP rights. These include the Korean Intellectual Property Protection Association, China-Britain Business Council and Business Software Alliance. This year, Alibaba Group in conjunction with China's Public Security Bureau, the General Administration of Quality Supervision, China's State Intellectual Property Office and State Administration of Press, Publication, Radio, Film and Television formed an "Intellectual Property Protection Working Group". Alibaba Group's Chief Executive Officer Jonathan Lu will be the Working Group's Chairman.

2014 IPR Case Studies

- Alibaba Group passed information and leads gathered online to the Shanghai police and the Shanghai Public Security Bureau of Economic Crime Investigation Corps that led to the investigation of 41 counterfeiting cases and the arrest of 103 suspects involved in counterfeiting brands such as Nike, Jordan, 3M, UGG, Prada, Chanel, etc. A highlight of the cooperation with Shanghai authorities was that it led to the smashing of four regional 3M face masks counterfeiting rings in Shanghai, Guangzhou, Shijiazhuang and Suzhou. The crackdown on fake 3M goods saw the arrest of 12 suspects and the destruction of over 3,000 boxes of fake 3M face masks with a street value exceeding RMB 31.1 million (\$5 million).
- Alibaba Group worked with the Fujian Provincial Public Security Bureau to gather clues and crack down on over 200 online stores selling counterfeit shoes and luxury goods. Brands involved include Nike, Adidas, Louis Vuitton, Gucci, etc. A total of 89 suspects were arrested and RMB 45 million (\$7.2 million) worth of counterfeit goods were seized.
- An Alibaba Group IPR report found that 90 percent of all counterfeit goods were distributed from 10 regions in China. The top three regions were cities in China's Pearl River Delta region, Yangtze River Delta region, Southeast China.
- By using transaction data and mapping technology Alibaba Group found that more than 60 percent of counterfeit watches and jewelry originate from Southern China, while 60 percent of counterfeit outdoor sporting goods are from Southeast China region and 50 percent of counterfeit apparel originates from Eastern China.

Methodology

Alibaba Groups adopts a zero-tolerance policy toward counterfeit goods sold on our platforms. To protect consumers, brand owners and legitimate sellers and to maintain the integrity of our marketplaces, we have a broad range of measures to prevent counterfeit and pirated goods from being offered and sold on our marketplaces.

- We use data mining technology to analyze and track transactions of IPR-infringing products and identify hotspots for counterfeit distribution and sales.
- Alibaba Group will continue to work with Chinese public security, copyright, quality inspection, the intellectual property agencies to take the online fight against counterfeits offline.
- We provide an online complaint platform for brand owners to report infringements.
- We conduct random checks by using third parties to purchase suspected counterfeit products on our marketplaces.
- We have established cooperative relationships with over 1,000 major brand owners and several industry associations in connection with intellectual property rights protection to enhance the effectiveness of our take-down procedures and other anti-counterfeiting measures.

Penalties

When we receive complaints or allegations regarding infringement or counterfeit goods, we follow well-developed procedures to verify the nature of the complaint and the relevant facts before de-listing the items. Generally, we give sellers who have been accused of posting or selling counterfeit products up to three days to refute the allegations and provide evidence of the authenticity of the product.

If allegations of posting or selling counterfeit products have not been refuted or fictitious activities have been confirmed, we penalize the parties involved through a number of means including:

- immediately delisted products
- arranging for the seller to reimburse the buyer
- assessing penalty points against the seller or limiting its ability to add listings for a certain period
- adopting a "name and shame" policy

- closing down storefronts and for Tmall.com sellers, confiscating the consumer protection security deposits paid. The seller is also banned permanently from establishing another storefront on our marketplaces.

To learn more about our efforts to combat IPR infringement on our platforms, please visit:
<http://www.alizila.com/fight-against-online-sale-fakes-goes-alibaba-group>

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