

**EIP**

# Alibaba case highlights importance of filing trademarks in China

Alibaba is the largest e-commerce platform in China, and one of the biggest in the world. Its co-founder, Jack Ma, is the richest man in China; he is often compared to Bill Gates and Steve Jobs by his Chinese counterparts, for his entrepreneurial success. Recent news stories concerning Alibaba have focussed on its stock market debut in September 2014, which broke records with the largest initial public offering (IPO) in US history. Alibaba is now in the news again, after the luxury goods group Kering (owner of brands including Gucci, Saint Laurent, Boucheron, Puma and Balenciaga) filed a second court action against Alibaba in the space of a year, claiming that the platform enables trademark infringers to distribute counterfeit goods on a global scale, to the detriment of intellectual property rights holders.

The law suit highlights some key points of interest for brand owners with concerns in China, a country that still challenges overseas traders with its huge cultural barriers and notorious connection with intellectual property rights infringement.

## **The Proceedings**

In the case of Gucci America Inc. v. Alibaba Group Holding Ltd., 15-cv-03784, U.S. District Court, Southern District of New York (Manhattan) filed in May 2015, Kering claimed that Alibaba were aware of counterfeiting practices taking place on their website, have profited from such practices, and do not take appropriate measures to properly tackle the sale of counterfeit goods. Unofficial "Gucci" bags were available for sale on the website for as little as US\$2, and Kering claimed that sellers from Alibaba's website had shipped counterfeit products as far as New York. Buyers are encouraged to look for counterfeit goods on the website, with search suggestions such as "cucci", "guchi" and

“replica”.

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A press statement by Alibaba disclosed that they find it difficult to monitor all the goods being sold on the platform, due to the immense size of the online market, but that they intend to fight the lawsuit. The Chinese company claim that they work closely with many brands, governmental bodies and chambers of commerce worldwide, with positive results for brand owners. They listed their joint work with Nike and Adidas in 2014, which culminated in the removal of many thousands of infringing sellers of counterfeit trainers and other related sports goods from the platform.

### **Alibaba’s Intellectual Property Rights Protection Policy**

Alibaba does have policies in place for the protection of Intellectual Property Rights (IPRs) for brand owners, and has set up an online “Infringement Claims” system which is similar to those set up by other companies such as eBay and Facebook. Successful use of the system may lead to substantial penalties for infringement, such as the confiscation of security deposits paid by traders, the removal of listings, and a permanent ban from the Alibaba marketplace.

Some statistics released by Alibaba show their attempts to protect IPR holders. In 2013-2014 more than US\$160 million was invested in fighting piracy and consumer protection. A task force of more than 2,000 Alibaba employees is currently spearheading a major anti-counterfeiting effort and over 5,000 volunteers assist with daily online surveillance. This has resulted in more than 400 arrests by Chinese authorities and the closure of over 200 online stores selling counterfeit goods worth more than US\$7 million.

### **Problems for Brand Owners**

Brand owners feel that Alibaba’s policy does not extend far enough and is far behind the pace of infringers. Having opted to file a lengthy and costly law suit, one may assume that Kering had already filed an unsuccessful complaint via Alibaba’s website, and that they have registered trademark protection in place. Their litigation against Alibaba may also be seen as a strategic and perhaps educative statement to the public against counterfeiting activities of any kind.

Nevertheless, past experience has shown that co-operation with Alibaba can result in the successful removal of illegal content, as long as the owners strictly follow their online Intellectual Property Rights Protection Policy guidance, and clearly demonstrate the existence and validity of their ownership of the allegedly violated rights.

### **Be Proactive**

IPR owners with an interest in China should work to improve their understanding of the Chinese market, and the mechanisms of the Alibaba website.

If you are filing a complaint via the Alibaba website, it is preferable that the documents are sent in Chinese via a local attorney as according to Alibaba, most of their staff are non-English speakers. A complaint filed in Chinese usually leads to a more rapid resolution. Be ready to provide proof of trademark registrations both in China and worldwide; documents related to your company's business operations in China might also be relevant.

The existence of trademark registrations in China is not mandatory but has been proven to be essential to the chances of success in these disputes. It is important to note that China adopts the first-to-file principle in trademarks, over any prior user rights. This highlights the importance of having proper legal support in place, by filing trademarks in China and engaging in watching services to monitor third party activity.

### **Comments**

Whilst for Kering, commencing litigation may be a last resort and an attempt to show the marketplace that they will not tolerate counterfeit activity, for brand owners in general, policing the Alibaba website, strictly following Alibaba's complaint procedure in the event that counterfeits are found for sale online, and having trademark registrations in China might be the safest route to tackle online infringement pending the results of the US litigation.

By Cassio Mosse