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TECH

Fake Goods on Alibaba Hurt U.S. Small Businesses

Despite Jack Ma's pledge to champion U.S. small firms, many struggle to get counterfeits removed from Taobao, which landed back on U.S. 'notorious' list



Donald Trump stands with Alibaba's Jack Ma after a meeting at Trump Tower on Jan. 9. PHOTO: ASSOCIATED PRESS

By Kathy Chu in Hong Kong and Liza Lin in Shanghai

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Chinese billionaire Jack Ma was praised by President Donald Trump in January after the internet tycoon pledged to create American jobs by helping a million U.S. businesses sell goods on Alibaba Group Holding Ltd.'s [BABA 0.34%▲](#) online shopping platforms in Asia.

Indiana artist Michel Keck says the platforms have been more hindrance than help.

Ms. Keck, whose work has been featured in TV shows, movies and department stores, never sold her mixed-media collages of dogs and abstract paintings on Alibaba's platforms. But she says counterfeit copies are available on the company's Taobao Marketplace for as little as 3% of the price of her authentic works.

Alibaba said it has removed hundreds of links reported by Ms. Keck. But more soon pop up, she said, sapping her time and creativity. "Why would a U.S. small- or medium-size business want to put their original creations, their entire livelihoods into the same arena where counterfeiters are ready to steal any original concept or idea?" she said.

Alibaba's Taobao was reinstated on a list of notorious marketplaces for fakes in December due in part to "the challenges right holders experience in removing and preventing illicit sales and offers of such goods," said the U.S. Trade Representative's office, which maintains the list.

The list, which includes file-sharing platform The Pirate Bay and physical marketplaces such as Beijing's Silk Market, names and shames those that are seen as not doing enough to fight counterfeiting and piracy. While Taobao's inclusion on the list doesn't have a direct impact on its business, it could lead some investors to shy away from the stock, said Muzhi Li, an analyst at Arete Research.



Left, counterfeit artwork that Michel Keck said she bought on Alibaba's platforms. Right, her authentic artwork. PHOTO: MICHEL KECK

Alibaba said in December it was disappointed in the USTR move because the company is "far more effective and advanced" in protecting intellectual property rights than a few years ago. Taobao was first dropped from the list in 2012. In the 12 months through August, Alibaba said it removed more than 380 million infringing product listings and closed 180,000 stores on

Taobao. The company said more than 1,100 brands now qualify for an expedited takedown process, through which suspect listings are removed in an average of half a day.

The USTR, in its December report, said the expedited takedown program “reportedly remains out of reach,” especially for small- and medium-size businesses, because of stringent eligibility requirements. To be eligible, brands must submit 100 takedown requests over a three-month period from Taobao and have a 90% accuracy ratio, according to Alibaba.

Alibaba said it is funding a separate initiative with an anticounterfeiting group to help small businesses remove infringing listings more quickly.

Some 10 million businesses sell on its platforms, a company spokesman said.

Unlike some e-commerce platforms such as eBay Inc. and Amazon.com Inc., Alibaba doesn’t necessarily automatically remove listings reported as problematic, instead conducting an investigation, a process that brands say can take days or weeks.

Alibaba says it needs to investigate complaints of infringement because nearly a quarter of such reports turn out to be false. Amazon.com and eBay say they typically take brands at their word and remove reported listings within a day, putting the onus on the seller to prove to the platforms that the goods are authentic.

“The majority of infringing listings are taken down within hours,” an eBay representative said. Amazon said suspected counterfeit items are removed “as soon as we become aware of them.”

While fakes exist on any e-commerce platform, the problem is “minuscule” on other sites compared with Alibaba’s Taobao market, according to Dean Arnold, the Shanghai-based director of the Intellectual Property Group, which works with brands to fight counterfeits.

The problem is exacerbated by the sheer volume of sales on Alibaba: Its Chinese marketplaces processed \$485 billion in transactions in fiscal 2016, more than eBay and Amazon combined.

Wayne Hung, Asia-Pacific sales director for Urban Armor Gear, a Laguna Niguel, Calif., maker of phone and tablet cases, said Alibaba has been supportive of the company’s efforts to tackle fakes since it opened an online store on Tmall, Alibaba’s marketplace for mostly larger retailers and established brands.

“They will make sure when people search, our brand will come up” rather than fakes, Mr. Hung said.



Left, counterfeit artwork that Michel Keck said she bought on Alibaba's platforms. Right, her authentic artwork. PHOTO: MICHEL KECK

Not all companies feel that way, said Stephen Lamar, executive vice president of the American Apparel & Footwear Association, a trade group representing more than 1,000 companies.

The group was one of several U.S. business associations that last year campaigned to get Alibaba put back on the notorious-markets list.

Kinon Surface Design, a Boynton Beach, Fla., maker of resin surfaces, says its business supplying luxury hotels and restaurants in Asia dried up as counterfeits began circulating on Alibaba's sites.

"I would never sell anything" on Alibaba's sites, said Kinon President Richard Satz.

Regular monitoring of Alibaba's platforms has made a dent in the problem but has been time-consuming and expensive, Mr. Satz said.

"We've gone from horrendous to really, really bad" in terms of fakes on the sites, said Joel Rothman, the company's attorney.

An Alibaba spokesman said that while the e-commerce company is responsible for taking down counterfeit listings when notified, "it's a brand's responsibility to protect its own brand." Alibaba has removed 241 listings of 246 reported by Kinon since January 2016, he said.

Many entrepreneurs don't have designated personnel to deal with counterfeit goods nor an understanding of regulatory processes in China, said Mr. Arnold of the Intellectual Property Group.

Ms. Keck, the Indiana artist, says she feels she is playing Whac-A-Mole with online shops selling fakes. She has created art and posted videos on social media that document her fight with Alibaba.

“I don’t just tell a story for myself,” she said. “I tell a story of what is happening to many small and medium-size business owners.”

—*Kate O’Keeffe in Washington contributed to this article.*

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