

ALIBABA GROUP 2018 INTELLECTUAL PROPERTY RIGHTS PROTECTION ANNUAL REPORT

MAY 2019

Preface

Alibaba Group has shown dedication and commitment to intellectual property rights (IPR) protection throughout its history, and each year Alibaba strives to build upon the prior year's success. As reflected in Alibaba's culture – the best performance of today is the minimum requirement of tomorrow. Thanks to the combined efforts of Alibaba and other IPR stakeholders, each of Alibaba's major IPR protection metrics showed marked improvement in 2018.

Alibaba proactively removes many times more listings annually than those flagged by rights holders. Through the use of real-time scanning technology, 96% of the listings proactively removed by Alibaba in 2018 were eliminated before a single sale took place. Alibaba's 2018 efforts to proactively identify and remove potentially problematic listings again contributed to a reduction in rights holder takedown requests with a 32% year over year decline in submissions. Consumers likewise reported finding fewer suspect listings last year, and the number of listings removed in response to consumer reports dropped 70% from the previous year. This decline was particularly impressive given the year over year growth in Alibaba's active user base, which saw nearly 700 million monthly mobile active users as of December 2018. Alibaba also continued its industry-leading offline collaboration with brand owners and law enforcement in 2018, which resulted in more arrests and the closure of more illicit facilities than the preceding year.

These accomplishments were not only the result of Alibaba's commitment and technical innovation, but also a true testament to collaboration among all stakeholders - rights holders, industry associations, government officials, law enforcement and Alibaba's e-commerce platforms. In 2018, membership in the Alibaba Anti-Counterfeiting Alliance (AACA) increased to 121 rights holders from around the world, up from 30 when the AACA was founded the previous year. Such growth not only demonstrates Alibaba's commitment to collaboration with rights holders in the digital era, but also the increasing recognition by industry stakeholders of the AACA's role as an important and effective community for IPR protection.

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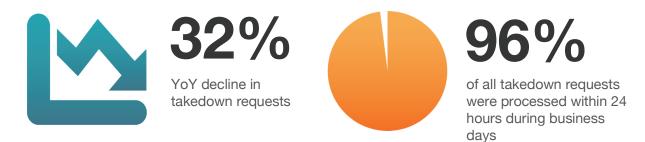
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Alibaba Group 2018 IPR Protection Statistical Overview

2018 data shows that Alibaba's model for protecting IPR and consumers, through a combination of deep partnerships with key stakeholders and the deployment of state-of-the-art technology, continued to deliver results.

Rights Holder Removal Requests Declined for Second Consecutive Year

Continued Rapid Processing of Takedown Requests



Alibaba's proactive efforts to identify and remove potentially problematic listings in 2018 contributed to a 32% decline, compared to 2017, in the number of notice and takedown requests submitted by rights holders. This was the second consecutive year that Alibaba saw a reduction in the number of takedown requests submitted by rights holders. Due to Alibaba's use of technology, 96% of the removal requests submitted through Alibaba's Intellectual Property Protection Platform (IPP Platform) during business days were processed within 24 hours. In 2018, with the help of technology, Alibaba's IPP Platform firmly established 24-hour processing as the norm.

Impressive Decline in Suspect Listings

of proactive takedowns were removed before a single sale



67% decline in suspect listings

Alibaba's ability to proactively screen potentially problematic listings remained one of its most powerful enforcement mechanisms in 2018. Each year, Alibaba builds upon the state-of-the-art technology used to proactively identify and remove potentially problematic listings, and each year the number of listings proactively removed by Alibaba is many times greater than the number of listings removed as a result of rights holder requests. Importantly, 96% of Alibaba's proactive removals in 2018 occurred before a single sale took place, protecting consumers and brand owners alike.

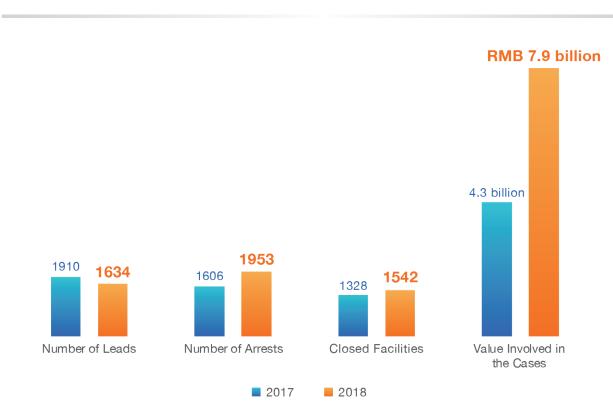
The effects of Alibaba's sustained efforts in IPR protection were evident in 2018 when Alibaba employed its most sophisticated and comprehensive proactive detection technology to date, but found that fewer problematic listings existed for removal. As a result, Alibaba identified for removal 67% fewer, year over year, potentially problematic listings in 2018. Moreover, Alibaba's ability to effectively identify potentially problematic listings continued to improve in 2018 through its enhanced collaboration and exchange of information with rights holders. The reduction of potentially problematic listings in 2018 demonstrated that Alibaba's IPR-protection efforts are delivering results.



The Number of Suspect Products Continued to Decline

Alibaba strives to create a positive environment for all stakeholders in the protection of IPR, including consumers. For this reason, Alibaba provides functionality on its platforms that allows consumers to easily report listings they suspect are counterfeit or otherwise problematic. The number of suspected counterfeit listings removed in 2018 in response to consumer reports dropped 70% from the previous year, even as Alibaba saw a 119 million increase in its community of monthly mobile active users during the year. In cases where the sale of counterfeit goods is determined, the merchant is subjected to platform penalties. Alibaba also analyzes such cases to identify useful information, which further improves Alibaba's algorithms and proactive capabilities.

Not only did the number of counterfeit product reports from consumers decrease in 2018, but consumer satisfaction increased as evidenced by the total refund rate on Taobao due to suspected counterfeit products, which declined by 26%. This metric has steadily decreased since 2015.



Alibaba 2018 Offline Investigations

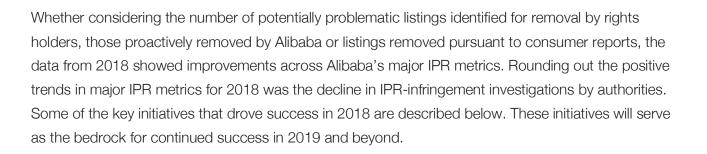
In 2018, Alibaba supported local police in 31 provinces, regions and cities across China as part of its efforts to crack down on the sale of fake goods. During the course of the year, Alibaba referred 1,634 IP-related leads to law enforcement, which led to the arrest of 1,953 criminal suspects and the closure of 1,542 facilities. These cases involved goods worth an estimated RMB 7.9 billion.



64% administrative law enforcements While Alibaba's offline investigation team achieved even greater year over year results in 2018, the number of IPR-infringement cases investigated on Alibaba platforms by administrative law enforcement authorities dropped 64% from the previous year.

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Alibaba Group 2018 IPR Protection Key Initiatives



A Enhanced Notice and Takedown

In 2018, 96% of the takedown requests submitted by rights holders through the IPP Platform during business days were processed within 24 hours. Given the scale of Alibaba's platforms, it simply would not be possible to process takedown requests within this timeframe without innovative technology and processes.

The IPP Platform, available at https://ipp.alibabagroup.com/, is where rights holders register their accounts and submit notices across Alibaba platforms to protect their IPR. Alibaba has invested heavily in the IPP Platform to ensure it offers easy-to-use notice and takedown functionality, including the ability to track the full complaint process and counter-notices submitted by merchants. As part of Alibaba's ongoing efforts to increase the efficiency of the IPP Platform, and continue to provide an industry-leading user experience, last year Alibaba introduced expanded telephone and email support for those needing assistance. In addition, automated chat functionality ensures a basic level of support for rights holders outside normal business hours in China. Alibaba also added tutorials and other English language educational resources within the IPP Platform, such as FAQs, case studies and video instructions.

Alibaba expanded its Good Faith notice and takedown program in 2018. The Good Faith program is designed to assist rights holders in protecting their IPR on Taobao by drawing upon their history of diligent and accurate reporting to permit reduced evidentiary requirements for their takedown requests.

The result is a more-simplified submission process for the rights holder and faster processing for Alibaba. Beginning in August 2018, rights holders who met the program's criteria *automatically* qualified for the program – an invitation from Alibaba and the submission of an executed, written declaration were no longer required.

In addition to automatic qualification, the program's threshold requirements were relaxed as follows: 100 or more takedown requests in the previous three months, a successful takedown rate at or above 90% and a successful counter-notice rate by merchants of no more than 5% (the counter-notice rate previously was 1.5%). As a result of the relaxed threshold requirements and automatic qualification, the number of participants in the Good Faith program grew by more than 44% year over year as of October 2018.

The reduced evidentiary requirement is not the only benefit of Alibaba's Good Faith program. For example, standard IPP Platform accounts offer two metrics in the account holder's dashboard: the rights holder's takedown success rate and the successful counter-notice rate by merchants. However, eight metrics are now available for accounts in the Good Faith program: the number of takedown submissions, number of accepted submissions, number of submissions withdrawn by the complainant, resulting takedown success rate, number of counter-notices, number of successful counter-notices, number of automated withdrawals (e.g., due to lack of response to counter-notices within the required period) and the resulting success rate for counter-notices. The dashboard for Good Faith accounts also offers the ability to customize statistics for the previous one-, two- and three-month periods.

B. Cutting-Edge Technology for Proactive Monitoring

Alibaba does not limit its state-of-the-art technology to the notice and takedown functionality detailed above. Because of the size and scale of Alibaba's e-commerce platforms, state-of-the-art technology also remains indispensable for Alibaba's proactive IPR-protection efforts. Product intelligence, image and semantic recognition algorithms, real-time monitoring and interception, bio-identification, and algorithms to detect abnormal merchant behavior had previously been developed and implemented by Alibaba. In the 2018 fight against counterfeiting, Alibaba built upon those measures and pioneered the application of the following new technologies:

Analysis of Emotions and Semantics:

Through the analysis of user data, such as comments and feedback, Alibaba seeks to determine the "emotion" behind feedback to identify negative sentiments that may serve as leads for further investigation.

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Full View of Merchants:

Alibaba's counterfeit-identification system analyzes not only data and information related to products and product listings, but also data related to merchants. In 2018, Alibaba implemented enhancements to its technology to analyze user traffic and merchant transactions to better detect suspicious activity. Algorithms and technology search for anomalous traffic data and unusual transactions, which when identified, trigger deeper analysis technologies and additional investigation. If counterfeit-selling activities are determined to have taken place, Alibaba imposes penalties, including permanent merchant suspension and referral to law enforcement for criminal prosecution.

For example, in January 2018, Alibaba's offline investigation team assisted Jiangsu police in dismantling a counterfeiting operation in Fujian province, where 18 suspects were arrested. The perpetrators had opened over 50 online stores using the identities of friends and family (the youngest, a 19-year-old student, and the oldest, a 66-year-old grandmother). Alibaba's "full view of merchants" identified suspect merchant relationships and closed the stores. The matter was referred to local police, and Alibaba assisted in the subsequent dismantling of the illicit operation.

Live Broadcasting Controls:

Live broadcasting is a valuable and growing marketing tool that allows merchants to connect with consumers, provide product demonstrations to their followers, and share product information in real time. In 2018, Alibaba established a live broadcasting monitoring system, which uses technologies, such as voice and semantic recognition algorithms and image and character recognition algorithms, to monitor the live broadcasting process. If counterfeiting activity is identified, the merchant likewise is subjected to penalties.

C. Continued Success Working with Law Enforcement

Because online counterfeiting sales are a reflection of offline counterfeiting activities, Alibaba continues to complement its online governance with offline investigations. Alibaba's offline investigation team uses technology-enabled capabilities in detecting potentially infringing activity, supporting brand owners and law enforcement in identifying counterfeit manufacturing and distribution facilities, and supporting the prosecution of criminals. In 2018, Alibaba expanded its active engagement with law enforcement authorities to 31 provinces, regions and municipalities across China and provided 1,634 IP-related leads, each of which exceeded the criminal threshold in China of RMB 50,000. This support by Alibaba contributed to the arrest of 1,953 criminal suspects and the closure of 1,542 facilities

involved in the manufacturing and distribution of illicit goods. The total value of these cases was estimated at RMB 7.9 billion.



To help ensure the success of offline counterfeiting cases, Alibaba continually explores ways to respond more quickly to law enforcement requests. In 2018, Alibaba implemented additional technologies to better support requests for evidence and further aid the criminal prosecution of counterfeiters. Alibaba's support for law enforcement yielded greater year over year results in offline investigations in 2018 while the number of requests by Chinese administrative law enforcement authorities for support in online IPR-infringement investigations related to Alibaba platforms decreased 64%.

D. Consumers as Key Stakeholders in IP Protection

Alibaba had 699 million monthly mobile active users on its retail marketplaces at the end of 2018, and the company believes this enormous community is a key stakeholder in the protection of IPR. For example, listings on Alibaba's platforms include a "report" button, which allows any user to report a listing he or she believes is counterfeit or otherwise problematic. In this way, Alibaba empowers its users to become active members of the IPR-protection community. Last year, the number of suspected counterfeit listings removed due to such user reports dropped by a remarkable 70% from the previous year. The decline was particularly striking given the increase in Alibaba's active users in 2018.

The online community's contributions to IPR protection are not limited to reporting specific listings on a platform. The community can also provide valuable "crowd-sourced" style support in counterfeit cases. The case of the one-time Chinese livestreaming internet celebrity Maoniang, who achieved notoriety posting fashion-related content on Weibo (a leading social media platform), from which she drove interested consumers to her Taobao store, provides an illustrative example.

In May of last year, Maoniang made a limited-time offer of sunglasses by the Korean brand, Gentle Monster. Maoniang's followers snatched up 3,000 pair of the sunglasses in minutes, which resulted in RMB 1.94 million in sales for Maoniang. However, complaints and criticism poured in from the community that the sunglasses were counterfeit. Alibaba took swift action to close her online store and report the case, with related evidence, to law enforcement authorities who began an investigation. By this time, Maoniang had already deleted her Weibo posts, withdrew RMB 7 million from her bank accounts and fled the country with her husband. Police also found she had destroyed sales records, computer hard drives and dismissed employees.

While the lack of records and the celebrity's extraterritorial status created challenges for local police in Shenzhen, Alibaba, members of the Weibo community and the brand owner collaborated to assist law enforcement. Alibaba's offline investigation team assisted authorities with the investigation, and online followers found ways to contact victims of Maoniang's counterfeiting to help reconstruct missing evidence. As pressure mounted, the celebrity and her husband, who had hidden overseas for 48 days, returned to China and surrendered themselves to police. Following the apprehension of the couple, the investigation by Alibaba's offline investigation team assisted police in identifying and destroying Maoniang's counterfeit production and sales network. Gentle Monster personnel traveled to China and confirmed that the products were counterfeit. Thanks to the efforts of Alibaba, the brand owner and the online community, authorities were able to successfully investigate the case, dismantle the counterfeit operation, and bring the counterfeiters to justice.

The Maoniang case was selected as one of the "Top 10 Most Influential Social Joint Governance Cases in the Public Security Sector for 2018." It also received a "Top 10 2018 Annual Quality Events" award at the 2018 Glory of Quality Gala organized by the Chinese State Administration for Market Regulation. According to the ceremony organizer, it was the first cross-border anti-counterfeiting case of its kind.

E Stakeholder Collaboration and Outreach

In 2018, Alibaba continued to strengthen international relationships and engage with dozens of industry associations representing the interests of thousands of companies. In May of last year, Alibaba held an IPR Protection Summit in Seattle, Washington that was attended by over 230 IPR specialists, including brand owners, IPR experts, industry associations, government officials and law enforcement. Attendees learned about Alibaba's latest IPR-protection initiatives and exchanged ideas on efforts to jointly improve online and offline IPR protections. Similarly, Alibaba hosted an IPR-protection event in Sydney, Australia to help engage directly with rights holders and share Alibaba's direction and initiatives related to IPR protection. At each of these events, and throughout the year, Alibaba held one-on-one meetings with brand owners and their representatives to support their enforcement efforts, answer questions regarding IPR protection and help address any challenges or difficulties.

At the invitation of EUROPOL's Intellectual Property Crime Coordinated Coalition, in April of last year, Alibaba conducted an IPR offline investigation training workshop in The Hague for law enforcement representatives from multiple EU member states. In June, at the invitation of the European Union Intellectual Property Office, Alibaba participated in the inaugural EU Blockathon competition to develop IPR protection solutions based on blockchain technology.

Also in June, Alibaba participated in the Second Annual EUROPOL IP Crime Conference in Budapest, Hungary. In 2018, for the third year in a row, Alibaba sponsored Interpol's International Law Enforcement IP Crime Conference, which was held in Dubai. The conference convened rights holders, law enforcement and regulatory bodies to explore ways to combat the global trade of IPR-infringing goods, such as through the use of open-source intelligence tools to conduct IPR-related online investigations.

Alibaba also hosted and participated in international IPR-protection events in China during 2018. In August, for example, Alibaba along with Interpol executives arranged for more than 40 senior business officials from 13 countries to visit Alibaba for an exchange of information and IPR-protection experiences. In November, Alibaba was invited to attend the China-EU Conference on Innovation and Online IP Protection, where the company shared its IPR-protection experiences.

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F. Helping Small Businesses

The small and medium-sized enterprises (SMEs) on Alibaba's e-commerce platforms have strong innovative capabilities and tremendous market potential. Empowered by Alibaba and the internet, these SME brand owners and merchants have been growing rapidly and attracting consumers with their distinctive products. In order for these creative and innovative brands and merchants to realize their full potential, they require support for their IPR protection efforts. In 2018, Alibaba continued to offer programs and IPP Platform enhancements tailored to help meet the unique needs of SMEs.

MarketSafe Expansion Program

In 2018, Alibaba continued to partner with the International AntiCounterfeiting Coalition (IACC) to offer Good Faith program privileges through the MarketSafe® Expansion (MSE) program. Alibaba provided the funding necessary to allow rights holders, including SMEs, to access the MSE program without charge. Through the MSE program, participants were educated about Alibaba's IPP Platform and IPR-protection practices, and enjoyed the reduced evidentiary requirements and faster takedown processing of the Good Faith program. MSE participants represented a wide range of industries, including apparel and fashion, cosmetics, baby products, pharmaceuticals, toys, electronics, sporting goods, publishing, stationary and luxury goods. More information about the MSE program is available at: https://www.iacc.org/iacc-marketsafe-expansion.

USPTO Road Shows

In 2018, Alibaba again participated in road shows across the United States that were organized by the U.S. Patent & Trademark Office (USPTO). Alibaba participated in USPTO-organized road shows in Las Vegas, Phoenix, Iowa City, Austin, Boise, Baltimore, New Orleans and Kansas City. In each of these cities, Alibaba made its personnel available to U.S. businesses, including SMEs, to educate them on Alibaba's IPR-protection resources and practices.

Specific Measures Tailored for SMEs

Last year, Alibaba continued to implement and promote enhancements to its IPP Platform that were intended to help provide a positive IPP Platform experience for SMEs, including:

- A simple online form for submitting takedown requests
- Expedited takedown requests for all users
- Video instruction to guide rights holders in filing requests
- Expanded telephone and email support for those needing assistance
- Live-stream training and case studies to assist rights holders

G. Striving for Best and Fair Practices

In governing its e-commerce platforms, Alibaba strives to implement best practices that respect and protect IPR while allowing merchants to leverage the power of the internet to engage in lawful commerce. Alibaba will continue to advocate for positive change within and outside its e-commerce platforms.

Judicial Standards

Alibaba has advocated for the adoption of judicial standards that will better allow for the admission of electronic evidence, such as online sales data. The admissibility of electronic evidence would better support the criminal prosecution of counterfeiters. There is also existing guidance supporting the admissibility of such electronic evidence. In 2015, the provincial high court and PSB of Zhejiang released the "Meeting Summary for Several Issues on Zhejiang's Applicable Laws for Criminal IP Infringement Cases." The summary determined that, with regard to the sale of counterfeit products, actual selling prices, sales amounts and other electronic transaction records routinely maintained by e-commerce platforms should be available as evidence. Moreover, the summary suggested that the burden should rest with criminal suspects to prove that any portion of the sales transactions should be excluded.

Notwithstanding this guidance, the treatment and weight given to electronic evidence can vary among regional courts. For example, Alibaba has experience where electronic evidence of online sales was not recognized by a local court. As a result, the case failed to reach the threshold requirement for criminal prosecution and the suspects avoided criminal sanctions (though the suspects received fines from the local industry and commerce department). Ultimately, Alibaba would support the integration of criminal, civil and administrative IPR cases into IP-specific courts or tribunals.

Malicious Notice and Takedown Submissions

Alibaba has also experienced what could be described as "IP trolls" who harm legitimate merchants, particularly SMEs, by making false statements and/or forging documents to abuse notice and takedown mechanisms. According to Alibaba's data, nearly a quarter of all IPR complaints received through its IPP Platform in 2018 were suspected of being malicious. The prevalence of malicious takedown submissions underscores the importance of platform diligence in vetting notice and takedown requests before taking action to remove listings. It also explains why Alibaba chooses to remain involved in the process, rather than pushing the responsibility for such decisions outside of its ecosystem or to third parties.

Even cases involving registered trademarks can involve malicious behavior. In one well-documented instance, an individual, Li Qing, registered two logos featuring Bayer Consumer Care Holdings LLC's "Surfer Boy" and "Sun, Rainbow and Waves" trademarks, which were used in their Coppertone consumer-care products. Based on the trademark registrations, Li Qing filed complaints through Alibaba's IPP Platform, alleging infringement by Bayer's distributors and sub-distributors. In total, Li Qing filed 249 complaints against 121 merchants. Complaints were also lodged with various Administrations for Industry and Commerce. Li Qing hoped to leverage the enforcement actions to sell the trademarks to Bayer. While Alibaba was sympathetic to Bayer's situation, Li Qing's trademarks registrations were legally enforceable.

Ultimately, Bayer filed a lawsuit in the Yuhang District People's Court of Hangzhou, Zhejiang province, which determined that Li Qing had maliciously registered the marks to profit from Bayer's achievements and business reputation. The court determined that Li Qing's conduct amounted to unfair competition, and ordered him to compensate Bayer. While the case ultimately was resolved in Bayer's favor, the company was required to initiate formal legal proceedings, and Alibaba was required to honor takedown requests by Li Qing until the matter was adjudicated by relevant legal authorities and his trademark registrations were invalidated.

The above illustrates the challenges online platforms have in developing and implementing policies that protect valid IPR, guard against abuses, and allow for legitimate commerce. Alibaba will continue to undertake theoretical and legal research regarding internet-based IPR protection practices and work closely with the Alibaba Intellectual Property Research Institute to explore policy-based approaches to issues, such as malicious IPR complaints.

H. Alibaba Anti-Counterfeiting Alliance

"By joining the AACA, we have confidence that through our collaboration with Alibaba, we can take the protection of our brand to a new level and continue to minimize infringers of our brand."

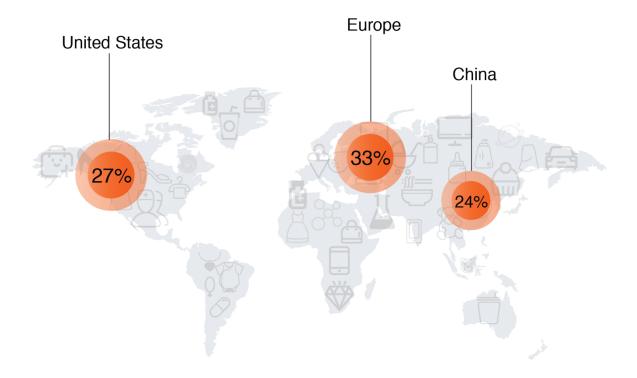
- Leona Xie, Legal Director China of Daniel Wellington

The AACA is a collaborative effort by Alibaba and rights holders, and it is the first alliance of its kind anywhere in the world. At the first Joint Governance Summit for Market Regulation in December 2018, the AACA was selected by nearly 300 representatives from Chinese market regulatory departments, industry associations, enterprises and academics as number one in the Top 10 Joint Governance Cases.

In 2018, the AACA grew from 30 founding members to 121 rights holder members, including those below. For the complete list of AACA members please visit: <u>https://www.alizila.com/wp-content/uploads/2019/03/AACA-Members-as-of-03282019.pdf</u>.



Even while experiencing substantial growth, AACA membership has maintained balance, both geographically and across industries. In 2018, AACA membership represented 16 countries from multiple regions. European, American, and Chinese brands accounted for 33%, 27%, and 24% of AACA membership, respectively.



When founding the AACA, Alibaba and the rights holder members identified industry collaboration as a core focus. To further this directive, AACA membership was organized into 12 industry working groups (IWGs) in 2018, namely, clothing and footwear, home and electronics, personal care, food and beverage, computers and smart devices, entertainment and publishing, industrial and automotive, pharmaceutical, jewelry and accessories, sportswear and sports equipment, alcohol and tobacco, and luxury goods. These 12 IWGs have become leading industry forums for discussing new trends in online enforcement practices, offline investigations, litigation strategies and tactics, and IPR-protection efforts. Each AACA member participates in an IWG to advance efforts not just on behalf of their brand, but for their entire industry. To establish an efficient and effective channel for receiving IWG input and suggestions, an Advisory Board, which included the chairs of the 12 IWGs, was implemented to receive significant IPR policy and enforcement-related recommendations and consider them for the AACA as a whole.

Through the organization and structure described above, the effectiveness of the AACA was improved in 2018. Through the initiatives detailed below, the accomplishments of the AACA were enhanced.

Introducing the Queqiao Program to Enhance Proactive Measures

One of the major focuses in any online IPR-protection effort is the rapid identification and removal of counterfeit product listings. In 2018, the AACA launched the innovative "Queqiao" project, through which AACA members shared their valuable knowledge in counterfeit-detection techniques, which

helped Alibaba incorporate relevant information to more-effectively utilize its proactive technologies. Alibaba also provided timely feedback to brand members about the effectiveness of Alibaba's proactive-monitoring controls.

Improving the IPR Protection Experience

Notwithstanding the rapid removal of listings reported through the IPP Platform, Alibaba continually works to improve its IPR-service capabilities and enhance efficiencies through technological optimization and product upgrades. Through the AACA, members have a forum for sharing suggestions with Alibaba for IPP Platform enhancements.

Improving Authentication Efficiency

Alibaba also coordinated with AACA members to conduct test purchases, authenticate whether the purchased products were counterfeit and pursue merchants determined to be selling counterfeits. AACA members targeted sellers identified through their enforcement efforts while Alibaba used its big data analytics to independently identify potential targets. This two-pronged approach expanded the number of sellers targeted, and improved the ability to identify counterfeiters. Test purchase expenses were shared, which made for an effective and efficient process for zeroing in on sellers for investigation and, where appropriate, referral to law enforcement for offline criminal action. In 2018, Alibaba generated leads which allowed 42 different AACA member companies to conduct joint test purchases. Working with authorities, Alibaba and AACA members resolved 104 offline IPR-infringement cases.

Public Education

In 2018, the AACA engaged in joint media outreach to educate consumers about the damage caused by counterfeit products, including with respect to health, the environment and safety. The joint outreach utilized multiple channels such as Taobao Headline (Taobaotoutiao.com), Qianniu Headline (Qianniutoutiao.com) and Taobao University. Working with brand owners, the AACA-produced articles and live-streamed Q&As sessions to assist consumers in selecting genuine products and educate them about the dangers of buying counterfeit products. At the AACA's 2018 Autumn Conference, it was announced that Alibaba was selected by Business Action to Stop Counterfeiting and Piracy (BASCAP) as the exclusive partner in China for its global "I Buy Real" campaign. BASCAP's "I Buy Real" campaign gives consumers access to educational material on the dangers of purchasing counterfeit goods and the societal harms caused by counterfeit goods.

Litigation

Alibaba's Taobao platform was the first e-commerce company in China to bring lawsuits against

counterfeiters for misusing e-commerce services for the sale of counterfeit goods. The Taobao terms of use clearly prohibit counterfeit sales, and the resulting civil suits have included claims for breach of those terms as well as harm to Taobao's goodwill and reputation. By the end of 2018, Alibaba had filed 83 civil proceedings against sellers of counterfeits, including concurrently filed lawsuits with AACA members, such as Bioderma, Dazzle, and Western Digital. Such lawsuits are designed to place additional pressure and costs on counterfeiters to further discourage the misuse of Alibaba's e-commerce platforms by counterfeiters.

Alibaba is committed to continued civil actions against counterfeiters, and likewise encourages other brand owners, merchants, and consumers to commence or join similar such litigation to increase the risk and cost of this unlawful activity. In addition, Alibaba encourages legal institutions and social organizations, including consumer associations, to explore public-interest litigation to deter counterfeiting.

AACA Case Studies

Case Study: Bioderma

In 2018, Alibaba's Taobao platform and AACA member, Bioderma, filed civil lawsuits in the Hangzhou Internet Court and the Pudong New Area People's Court of Shanghai, respectively, against a former Taobao merchant and counterfeiter of Bioderma makeup remover products. The civil lawsuits followed a successful offline investigation of the merchant that was supported by Alibaba, and which resulted in his arrest, a four-year prison sentence and an RMB 300,000 fine. Following the criminal conviction, Taobao filed a civil lawsuit seeking damages of more than RMB 530,000 for the merchant's breach of the Taobao service agreement, which explicitly prohibits IPR infringement, as well as for damage to Taobao's reputation. Bioderma's lawsuit sought compensation of more than RMB 410,000 for the merchant's counterfeiting activities.

Case Study: Counterfeit Alcohol

In 2018, Alibaba's offline investigation team joined forces with well-known Chinese liquor brands such as Moutai and Wu Liang Ye to break up a counterfeit liquor operation. Alibaba and the brand owners were able to use Alibaba's technology and data analysis to investigate the operation and successfully build a case to refer to authorities. Under the supervision of the Economic Crime Investigation Bureau of the Ministry of Public Security, in January 2018, police from Yibin, Sichuan province, seized nearly 20,000 bottles of finished and semi-finished liquor products, 7,250 kilograms of bulk liquor, and more than 50,000 pieces of packaging materials for well-known liquor products which, in addition to Moutai and Wu Liang Ye, included Lu Zhou Lao Jiao, Niulanshan, and Jiannanchun. Police captured nine separate groups of counterfeiters in raids of 10 counterfeit-production facilities. The total case value

was estimated at RMB 10 million. Both the brand owners and law enforcement authorities expressed their gratitude for Alibaba's contributions and lauded the synergies and resource efficiencies achieved through Alibaba's joint anti-counterfeiting system.

"Our brand-protection efforts saw a breakthrough, thanks to Alibaba's help."

- Mr. Zou Tao, the Deputy Party Secretary of Wu Liang Ye Group

Case Study: Counterfeit Wheel Hubs

At the China IP Criminal Protection Forum in July of 2018, Zhang Wei'an, chairman of the Brand Protection Committee of the China Foreign Investment Association, announced a successful action against a large-scale counterfeit wheel hub production and sales operation. With the help of Alibaba's offline investigation team, the Economic Investigation Bureau of the Ministry of Public Security, in coordination with the Henan Public Security Bureau, broke up a criminal ring selling fake and inferior wheel hubs, including those recovered from scrapped vehicles and vehicles involved in accidents. The wheel hubs were subsequently refurbished and sold with the branding of automotive manufacturers, such as Mercedes-Benz, BMW, Rolls-Royce, Land Rover, Volkswagen and Nissan. The inferior and salvaged automotive components represented not only harm to the brand owners, but also a significant safety risk to consumers. The case value was estimated at RMB 280 million.

Law Enforcement Case Study: Dyson's Inaugural Offline Raid

Following a four-month investigation, in December of last year, Alibaba assisted Dyson and the Shanghai PSB in the destruction of two facilities producing counterfeit Dyson hair dryers. The PSB, in cooperation with police in Guangdong and Fujian, eliminated counterfeit production sources that not only harmed the Dyson brand, but also represented potential health and safety risks to consumers. The counterfeit-production, wholesale and e-commerce retail operation sold the fake hair dryers in Guangdong, Fujian, Jiangsu, Zhejiang and Shanghai, and had estimated sales of more than RMB 10 million in 2018. The successful action resulted in 36 arrests, and the seizure of nearly 2,000 finished and semi-finished products along with more than 200,000 spare parts. According to Dyson, the AACA facilitated the company's first successful effort in tracing and destroying counterfeits at their source.





Alibaba believes that one of the most effective weapons in the protection of IPR is meaningful collaboration and dialogue. In 2018, as in each year, Alibaba actively collaborated with rights holders, trade associations, academia, government authorities and industry leaders to create an inclusive and comprehensive community for the protection of IPR. As a result of its collaboration with this broad range of stakeholders, Alibaba has created and supported a number of industry-leading, and first-of-their-kind, programs such as the AACA and IACC's MSE program.

These collaborative efforts by Alibaba have led to meaningful and lasting success in IPR protection, as evidenced in 2018, when every major metric used by Alibaba to track online IPR protection efforts showed marked improvement. It will require ongoing collaboration and unity among all stakeholders to continue to combat the increasingly global and sophisticated nature of modern-day counterfeiters, but Alibaba is committed to working together and innovating to develop state-of-the-art technical solutions.

As a global leader in commerce, Alibaba understands that the protection of IPR is critical for technological innovation and economic viability. Alibaba also understands that trust is essential for the health and sustainability of its businesses. Quality and authentic products will always be at the heart of that trust, and in its role as a global technology leader, Alibaba remains committed to the protection of IPR.

