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INTERNATIONAL ALIBABA GROUP INC.

There's no end in sight for Alibaba's counterfeit problem

by Scott Cendrowski @scendrowski MAY 18, 2015, 7:17 AM EDT



Kering-owned brands Gucci and Yves Saint Laurent have accused Alibaba of profiting from fakes in a new lawsuit.

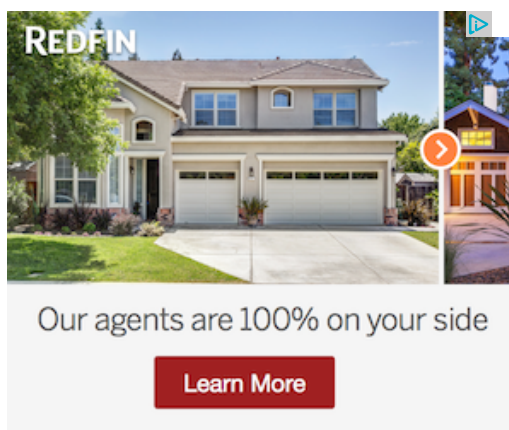


News that luxury goods brands are **again suing** Alibaba for counterfeits sold on its e-commerce platforms is evidence that

the Chinese giant is moving too slowly to clean up counterfeits for Western brands' liking.

Paris-based Kering ([PPRU](#) ▲ 2.32%), the owner of Gucci and Yves Saint Laurent among others, said in the lawsuit that Alibaba's search engines steered customers who input keywords like *cucci* to fake products and counterfeit Gucci bags selling on Alibaba's platforms for \$2 to \$5, compared to the listed \$795 price.

The lawsuit itself doesn't appear damaging to Alibaba. The same luxury goods brands under Kering sued Alibaba last July for hosting counterfeit goods before withdrawing the claims two weeks later.



What is damaging is the perception that Alibaba has made so little progress in nearly a year that the brands decided rather than continuing discussions, they would sue—again.

As part of the lawsuit withdrawal last year, Alibaba and Kering announced in a [statement](#) “constructive dialogue” and had “agreed to work together in good faith through the normal business process on ways to enhance intellectual property protection.”

Kering's new complaint in U.S. federal court at best indicates a breakdown of dialogue; at worst, it shows Alibaba is failing to strictly police counterfeits and fakes products on its platforms. An Alibaba spokesperson told [news outlets](#) the company thinks the lawsuit has no basis.

It's not just Western brands complaining. In January, China's State Administration for Industry And Commerce (SAIC) accused Alibaba of selling fake goods and misleading customers on its biggest shopping platform Taobao.com.

The regulator proved, as the lawsuit does in New York, that Alibaba is vulnerable. Its Taobao.com platform hosts 8-million-plus small sellers, and policing them is a big part of its duty to public shareholders.

The Kering suit in the coming months may provide a window for investors who **lopped \$30 billion off** Alibaba's public market value earlier this year when SAIC released a report criticizing Alibaba's handling of counterfeit goods, whether Alibaba is now fighting fakes vigorously enough.

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