

Remarks by Juanita Duggan
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All of us in this room work on intellectual property issues, and we all know that the importance of IP protection is obvious

But it's not obvious to everyone. In fact, it surprises me that even those that should know, don't.

Let me share a story.

A few years ago, I was speaking with a newly retired Member of Congress who was preparing to go to Asia. He was telling me about the trip and how his wife really wanted a particular handbag. An expensive one. But he didn't want to spend that much.

He researched it and told me that he could get the bag in Asia for a better price. How? Fakes. In fact, he described the various levels of fakes that were available.

This was someone who should've known better, and I reminded him that fakes are not acceptable. They are never acceptable.

The conversation reminded me that people should know better, but don't.

My association, the American Apparel & Footwear Association, represents more than 1,000 brands – they are the companies that make and sell clothing, shoes, and accessories including items like handbags, sunglasses, and phone and computer cases.

If there is anyone in this room who is not wearing shoes and clothes, please raise your hand. I would like to tweet your photo.

The design of these products that we wear are at the core of our businesses.

These items are the most seized counterfeit items by U.S. Customs.

Our estimate is that IP theft cost our industry at least \$68 billion dollars in 2013.

This is serious damage both in resources and reputation.

You probably know the frustration of buying what you think is a real product by a trusted brand, only to see it fall apart soon after. **That** hurts brand reputation.

And it also places the onus on companies to enforce the law and police counterfeits.

And the problem is getting worse.

In the last several years, the rise of online retailing globally has made it easier for counterfeiters to sell their wares.

AAFA has been engaged on the issue of counterfeits for years. And each year, we submit comments for the Notorious Markets report. This report, released by the Office of the U.S. Trade Representative, identifies physical and online marketplaces that facilitate the sale of fakes. Last month, we submitted our comments for the 2015 report. With the input of our members, we identified 101 marketplaces, 13 of which are online.

This is the largest submission we've ever made.

The sheer size of our submission indicates that the real and serious problem of counterfeits is growing.

At AAFA, we've taken a stand on the issue, and we've been particularly dissatisfied with one online retailer's response.

As you can probably guess, I'm talking about Alibaba.

Alibaba is the world's largest online retail company, with multiple ecommerce platforms including one called Taobao.

It's one of the largest technology companies in the world, as well as one of the fastest growing ecommerce platforms. Last year, the company was listed on the New York Stock Exchange.

Alibaba is also, unfortunately, synonymous with counterfeits.

That causes grave concern for our members. And it's even worse when we heard Alibaba's Executive Chairman Jack Ma, during a U.S. tour last summer, announce ambitious plans to grow Alibaba's reach, including to the U.S.

What that means is if the problem isn't fixed, and it hasn't been—despite more than four years of trying to work with them—Alibaba's growth will result in the growth of counterfeits worldwide.

AAFA has repeatedly requested that Alibaba develop a transparent, comprehensible, and fast system to take counterfeit products down. Permanently.

All there is now—and all they will continue to offer— is an opaque, convoluted, Catch-22 process that puts the onus on the brands.

Think about it. Counterfeiters have a much easier and faster route to get fake goods to market than legitimate brand owners have to protect them. That's unacceptable.

And we have received no assurance from Alibaba that any of its trap-door-and-booby-trap-filled system will change.

That's why this year we recommended that Alibaba be placed back on the Notorious Markets list.

In response, Alibaba has said that we are unreasonably asking them to change "fundamental aspects" of their business.

Well, that's only true if counterfeits ARE a fundamental aspect of their business.

We want our brands to sell on ecommerce sites like Alibaba. But we want those sites to offer ONLY legitimate goods.

People ask me all the time, why are you engaged in David and Goliath battle? Alibaba is so much bigger has unlimited resources and is a \$200 billion company— so how could little ol' AAFA possibly make a difference?

My answer: It needs to be done and it's the right thing to do.

We need the message out there. People that rip off brands need to understand that we are watching, and we will bring it to the attention of U.S. regulators and legislators.

This is the role of a trade association—to be bold and to speak for our brands, when they can't.

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