

WHY IS INTELLECTUAL PROPERTY (IP) SO IMPORTANT?

The contribution of IP industries to the EU – EUIPO and EPO

In October 2019 a [joint report](#) by the EU Intellectual Property Office (EUIPO) and the European Patent office, published an Industry-Level Analysis Report, on the contribution of IP intensive industries This included the UK.

It clearly illustrated that IP industries directly generate and support around 63 million jobs (20%) in the EU. If those companies that rely on IP industries are added the employment figure rises to 84 million (39% of all jobs).

Of these 58% of companies rely solely on trademarks to protect their products. IP industries also contribute 45% to the total **EU GDP** (6.6 trillion Euro)

UK industries using trademarks to protect their products, alone, contribute 37% (890 million euros) to our overall GDP; providing 21% of all jobs.

THE TRADE IN COUNTERFEIT GOODS (WORLD AND EU)

In March 2021 the EUIPO and the OECD published a joint study which updates the previous 2016 analysis on the value, scope and scale of the global trade in counterfeit goods.

The work concluded that the World trade in fake goods is as much as \$464 billion USD (*Up from \$461 in 2013 and up from 200 billion in 2008*)

These figures do not include domestically produced counterfeit products (physical) or digitally pirated products (music film, games etc.)

The figures reveal that the trade in counterfeit goods equates to 2.5% of World trade.

The value of the trade is equivalent to the GDP of Austria or Belgium.

The results reveal that the problem of fakes in world trade has become more serious. For example, the worldwide trade in fake pharmaceuticals is now estimated to be over £4 billion

The [study](#) also proves that the major source countries for fake product are China and Hong Kong (over 83%)

EU RELATED FIGURES

Almost 6% of EU-wide imported products are fake, which corresponds to EUR 119 billion per year and [16% of the articles detained by EU Customs are potentially dangerous](#) to consumers.

UK RELATED FIGURES

The most recent [report on the overall UK market in fake products is that it is worth GBP 16.2 billion and equivalent to 3.3% of UK manufacturing sales](#).

The figures also highlight that counterfeit goods were 4% of all UK imports.

The combination of trade in fake British products and UK imports of counterfeit goods damaged public finances and resulted in lost tax revenues from the retail and wholesale sector plus UK rights holders is GBP 4 billion.

But fake products are also being found in a growing number of industries and originate from an increasing range of countries.

CUSTOMS SEIZURES - EUROPEAN COMMISSION REPORT (2020 STUDY BASED ON 2019 SEIZURES)

Maritime container transport from East Asia, China and Hong Kong account for 80% of the total value of fakes seized worldwide.

The most recent EU Customs' report (covering the 28 member states including UK) was published in 2020. It reveals that:

- Almost 92,000 detention cases registered by EU Customs and
- 41 million articles detained.
- Total value of detentions estimated over 759 million Euros.
- 16% of the total amount of detained articles were potentially dangerous to the health and safety of consumers. These included food and beverages, body care articles, medicines, electrical household goods and toys

Unfortunately, the reduction in customs resources over the past 6 years and the range of competing priorities they face has resulted in a fall in the number of seizures made at our borders.

Courier and postal traffic accounted for 85% of all detention cases. Only 1.93% see traffic detentions but rendered 71% of goods.

In addition, between 2009 and 2019 the over 50% reduction in funding fall for Trading Standards in local government budgets and a 56% reduction Trading Standards staff.

TRADE AND LINKS TO OTHER CRIMINALITY ETC.

Evidence is increasing of the [links between IP crime and other criminality](#) such as drug trafficking force labour cybercrime money laundering and fraud. Why? High profit returns, lower risks of detection and lighter punishments.

Clearly the trade in counterfeit goods has expanded into more dangerous sectors, including machines, chemicals, auto parts, toys, pharmaceuticals, cosmetics and foodstuffs joined traditional high-end consumer fakes such as watches, perfumes and leather goods.

- [Europol](#)
- [Interpol](#)
- [UNICRI](#)
- [UNDOC](#) and
- the World Customs Organisation (WCO)

have all produced clear evidence and reports that have acknowledged the links between counterfeiting and organised crime and the massive profits from fake products that are being channeled into the trafficking of drugs and human beings and related financial crimes such as money laundering and corruption.

SOURCE COUNTRIES

The EUIPO OECD report reveals that there are 180 primary source countries across the world. 83% still come from China and Hong Kong which are the largest producing economies. Others in the top ten are Turkey (risen to 12%) UAE, Singapore, Malaysia, Taipei, Thailand, Iran, Russia and Vietnam. But Bangladesh, Bosnia and Herzegovina, Cambodia, Ukraine and Georgia have become important.

HOW DO THEY GET HERE?

It has been recently calculated that 56% of all fake goods arrive by sea in large containers. However, the most recent [EU Customs Report](#) confirms that 71% of seized items worldwide are from small postal parcels, arriving by air, (5%), express courier post, rail and road (total 29%)

This indicates that more and more small parcels of fakes are being sent directly to consumers and businesses, presumably via internet orders from the convenience of their offices and homes.

WHY SMALL PARCELS - LINKS TO E-COMMERCE?

There is clearly more convenience in ordering small number of items online nowadays. In addition, the products are likely to arrive far more quickly by air etc.

The internet offers counterfeiters anonymity and they are more difficult to detect behind sophisticated looking sales sites, where they use fake trademarks, brands, emblems, certification labels etc. so customers think they are buying genuine, safe, products.

In 2021 Red Points carried out research which confirmed that 56% of consumer bought fakes online in the past year. 62% because they were cheaper and 18% thought the quality was as good.

48% of consumers knew or suspected the goods were fake.

Consumer admitted to buying Cosmetics and toiletries (53%) Cleaning products 52% and medicines 49%.

The worry is that consumers admitted that they are likely to increase spending on cleaning, cosmetics and medicines in 2021.

44% of consumers look for medicines on e-commerce and social media.

In 2018, Ecommerce Foundation extensive study [report](#) about British ecommerce market revealed:

- Continuing growth of ecommerce in the UK - 16.4% of total retail sales coming from the internet (*compared to 14.7% in 2016*).
- The B2C ecommerce turnover grew to 13,739 (millions of GBP).
- Estimate set to rise in 2019, with forecasted turnover of 15,698 (millions of GBP) and a growth rate of 14.3%.
- Clothing is the top choice when it comes to online purchases within the EU.
- Amazon is by far the biggest player. 91% of consumers stated that they use the marketplace in comparison to just 56% globally.

A recent analysis highlighted the misuse of social media. In a [review](#) of millions of discussions on Facebook, Twitter, Instagram, etc 35 % of conversations related to piracy and 11% about physical products.

Online sales of fakes sent by express mail are likely to rise accordingly.