

Intellectual property infringement poses a major threat to EU SMEs

- Infringement of intellectual property rights proved to be a major risk for the profitability and even survival of small businesses.
- An SME whose IP has been infringed is 34 % less likely to survive than one that did not experience IPR infringement.
- Half of the fake products seized at EU borders that infringed IP rights of SMEs were bought online.
- Electronics, clothing, cosmetics and toys remain among the most widely seized fake products.
- China is by far the most important source of counterfeits.

The European Union Intellectual Property Office (EUIPO) and the Organisation for Economic Co-operation and Development (OECD) released today a study on the impact of intellectual property infringement on small and medium-sized enterprises (SMEs).

This is the first time such research focussing on small business has been conducted and it offers new insights into the impact of counterfeiting and other types of intellectual property rights (IPR) infringement on SMEs.

The report 'Risks of Illicit Trade in Counterfeits to Small and Medium-Sized Firms' highlights that SMEs whose intellectual property is violated are **less likely (34 % lower chances) to survive** after 5 years. This is especially an issue for independent SMEs that are not part of a large corporate group and for SMEs that suffer from patent infringement.

Patents are the IP rights that most directly protect innovations. Attacks on patents are therefore particularly dangerous for the economy in general and for SMEs in particular.

According to the latest SME scoreboard, 15 % of SMEs that own a registered IP right have experienced IPR infringement. This percentage is higher among SMEs that have introduced innovations (19.4 % in the case of SMEs that have introduced innovations that are new to the world). IPR infringement is thus a particular problem for the small companies that innovate and create jobs and growth.



The study released today also looks at the countries of origin of counterfeit goods that infringe the intellectual property of small businesses. **China is confirmed by far as the largest source of counterfeits** and represents 85 % of seizures related to online sales and 51% of global seizures of offline sales.

Counterfeiters target all types of goods produced by SMEs. The most frequently targeted products are **electrical machinery and electronics** (30 % of seizures), **clothing** (18 %), **perfumery and cosmetics** (10 %), and **toys and games** (also 10 %). Moreover, many of these fake goods are substandard, often posing health and safety threats to consumers.

In terms of the method used, around half of the fake products seized at the EU borders that infringed the IP rights of SMEs were **purchased online**.

Tackling IPR infringement

According to the latest [EUIPO SME Scoreboard](#) released in September 2022, SMEs that have suffered IPR infringement consider that this has created a negative impact on their operations with loss of turnover, loss in reputation and image as well as loss of their competitive edge.

However, 40 % of the small and medium businesses acknowledge that they **do not monitor their markets for potential infringement** of their IP rights or rely only on incidental information on infringement, such as customer feedback or information from business partners.

SMEs make up the majority of businesses in the EU (99 %) and account for around two-thirds of jobs. In order to support them, the EUIPO, together with the European Commission and the national and regional IP offices of the EU, launched a set of initiatives in the field of intellectual property, including an [SME Fund](#) that provides financial support to small businesses to register their IP rights. More than 32 000 SMEs in the EU have already benefitted from the fund.

As part of the SME Fund 2023, the EUIPO is also offering an **IP Scan enforcement service**, based on the [IP Scan service](#), to provide SMEs with initial guidance on what to do if their IP rights are infringed or if they are at risk of being challenged by a third party for an alleged infringement of a third-party IP asset.

These initiatives are part of the European Commission's broader [Intellectual Property Action Plan](#), which also focusses on **fighting counterfeiting and strengthening the enforcement of IP rights**. In this area, the EUIPO is supporting the development of an [EU toolbox against counterfeiting](#) to improve cooperation and data sharing among right holders, intermediaries and public authorities.

Businesses can also access the [IP Enforcement Portal](#) free of charge. This EUIPO tool helps businesses manage the enforcement of their IP rights in the different EU Member States by facilitating the exchange of secure information between rights owners and enforcement authorities with a view to seizing counterfeit goods.



In light of the new study, the Executive Director of the EUIPO, **Christian Archambeau**, said:

This ground-breaking study confirms that innovative SMEs are more at risk from counterfeiting. These businesses, which hopefully will create the jobs and wealth of the future, are the ones whose chances of survival are reduced due to such unfair and illegal competition from counterfeiters and other IP infringers. While it is necessary for businesses to protect their IP rights, it is also critical to ensure proper enforcement and help our European legitimate players in the fight against this plague.

NOTE TO EDITORS

The EUIPO, through the European Observatory on Infringements of Intellectual Property Rights, together with the Organisation for Economic Co-operation and Development (OECD) regularly publishes studies and research on the global trade in counterfeit and pirated products. All the reports are available on the [Observatory website](#).

ABOUT THE EUIPO

The [EUIPO](#) is one of the largest decentralised agencies of the EU, based in Alicante, Spain. Ranked as the [most innovative intellectual property office in the world](#), the EUIPO manages the registration of the European Union trade mark (EUTM) and the registered Community design (RCD), both of which provide intellectual property protection in all EU Member States and can be protected online. It also carries out cooperation activities with the national and regional intellectual property offices of the EU and hosts the European Observatory on Infringements of Intellectual Property Rights.

The [European Observatory on Infringements of Intellectual Property Rights](#) was established in 2009 to support the protection and enforcement of intellectual property rights and to help combat the growing threat of intellectual property infringement in Europe. It was transferred to the EUIPO on 5 June 2012 by Regulation (EU) No 386/2012 of the European Parliament and of the Council.

More information on the [Organisation for Economic Co-operation and Development](#) (OECD).

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