



Wednesday, April 11, 2012

## **Counterfeit Product Warning Statement**

### **Overview: Counterfeiting Electronic Components**

The incidence and detection of counterfeit electronic and semiconductor components has been on the rise over the last few years. Companies doing business in emerging economies are especially prone to this problem, since, in part, enforcement of laws regarding counterfeiting and theft of intellectual property (IP) is poor. Emerging economies have been rapidly building up electronics manufacturing infrastructure over the past few years. This increasing capability to produce competitive products implies an improved capability to produce counterfeits.

"Buyer Beware" has never been more important in the electronics industry. Counterfeiting is illegal and punishable in civil and/or criminal courts.

### **Definition of counterfeit products:**

A counterfeit electronic component is one whose material, performance or characteristics are knowingly misrepresented by the vendor, supplier, distributor or manufacturer.

### **Why counterfeiting occurs:**

- As of 2008, the global counterfeiting business has revenue greater than \$650B/yr.
- Electrical goods and components 2<sup>nd</sup> largest category of counterfeiting, behind pharmaceuticals.
- Financial gain of unauthorized companies:
  - Use alternate materials without agency approvals.
  - Do not build products according to specifications.
  - Charge premium prices at low cost.
- Financing of organized crime.

### **Impact to our economy:**

- Increased social costs.
- Missed revenue.
- Job losses.
- Lost tax revenue.

### **Impact to you:**

- Product failure, fire and in extreme cases, injury and/or death.
- Extreme financial liability
- Void product warranties
- Unforeseen costs:
  - Product support
  - Product replacement
  - Recall
  - Litigation
  - Decreased customer satisfaction
  - Unknown number of years to flush counterfeit products from supply chain.

#### **How to determine if electrical component may be counterfeit:**

- **Unusually low price as compared to other suppliers.**
- Packaging and labeling
  - Strange use of language, grammar, odd layout, unusual fonts, lack of certification stamps/labels.
  - Check test certificates and documentation that arrives with goods.
  - Visual inspection of component, along with part numbers, and discrepancies with documentation.
- External visual inspection:
  - Touch and feel of the product (e.g. thickness of wire, cord, weight, shape)
  - Quality and accuracy of logos
  - Legible, sharp and clear information on label, including date codes.
  - Inspect for physical alteration (e.g. sanding, label replacement).
- Ensure traceability to ROHS compliance.
- Unusual claims of product performance versus authentic manufacturer.
- Abnormal sales conditions compared to commerce (e.g. payment terms, price dumping).

#### **What can you do to avoid risk of counterfeit components:**

- Improved inventory management
- Stringent procurement procedures:
  - Complete products and material traceability.
  - Purchase directly from manufacturer or authorized agency.
- Work closely with your standards agency to ensure continued compliance of component.
- Improved inspection protocol (e.g. testing for ROHS compliance).
- Join relevant agencies to remain informed and share communications:
  - Chamber of commerce of your country.
  - International trademark association ([www.inta.org](http://www.inta.org)).
  - International Ant counterfeiting Coalition ([www.iacc.org](http://www.iacc.org)).

#### **When fake products are found:**

- Contact relevant safety agencies.
- Contact someone at IEC Conformity Assessment for further assistance.
  - [www.ansi.org](http://www.ansi.org)
  - [www.iecee.org](http://www.iecee.org)
  - [www.iecex.com](http://www.iecex.com)
  - [www.iecq.org](http://www.iecq.org)
- Determine product and inventory risk/exposure.
- Consider warning to customers and/or recall.

**Sources:**

- <http://www.designchainassociates.com/counterfeit.html>
- [http://www.avcom-dmsms.com/resources\\_docs/Avoiding\\_Counterfeit\\_Electronic\\_Components.pdf](http://www.avcom-dmsms.com/resources_docs/Avoiding_Counterfeit_Electronic_Components.pdf)
- <http://www.ors-labs.com/pdf/MASH07CounterfeitDevice.pdf>
- [http://www.iec.ch/about/brochures/pdf/conformity\\_assessment/IEC\\_Counterfeiting\\_brochure\\_LR.pdf](http://www.iec.ch/about/brochures/pdf/conformity_assessment/IEC_Counterfeiting_brochure_LR.pdf)