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**! DANGER**

**STOP USING  
COUNTERFEIT  
PRODUCTS !**


[www.says-it.com/safety](http://www.says-it.com/safety)



## Counterfeit Products Session Objectives


**Learn to:**

- **Recognize** the growing problem for manufacturers, distributors and consumers
- **Identify** how counterfeit products can affect your organization
- **Develop** prevention strategies to reduce your exposure from counterfeit products



## Polling Question


- Does your organization import components or products from overseas?
  - Yes
  - No
  - Don't know



## What is a counterfeit product?



- “all products made to closely imitate the appearance of the product of another as to mislead consumers. This includes the unauthorized production and distribution of products that are protected by intellectual property rights, such as copyright, trademarks, and trade names... The term ‘counterfeiting’ therefore addresses piracy and related issues, such as copying of packaging, labeling, or any other significant features of the goods.”\*\*

\*\* “The Economic Impact of Counterfeiting”, Organization for Economic Co-operation and Development, 1998





## Counterfeit Products – Real Problem?

- Worldwide counterfeit product sales exceed \$650 billion annually
- Growing by 25% each year
- Department of Defense – 1,800 cases of suspected counterfeit parts used in military equipment
- FAA - 2 % of the 26 million parts installed on airplanes are counterfeit.
- FBI – crime of the 21<sup>st</sup> century



 

## Counterfeit Products – Real Problem?

- Poor quality
- Unreliable
- Malfunction
- Dangerous



  

NHTSA Test, Video of Counterfeit Air Bags

## Counterfeit Products – Dangerous?

- Electrocutions
- Fires
- Explosions
- High Failure Rate

**Fake Gameboy Charger Kills 7 year old Boy**

## Counterfeit Products – Real Problem?

- Life Safety Products
  - Smoke detectors
  - Fire alarms



## Counterfeit Products – Real Problem?

- Fire Safety
  - Sprinkler heads
  - Fire Extinguishers



## Counterfeit Products – Real Problem?

- Electrical Products
  - Surge protectors
  - Phone chargers
  - Game chargers
  - Circuit breakers






 

## Counterfeit Products – Real Problem?

- Pharmaceuticals
  - Cancer drugs
  - Diabetic strips
  - Internet sales (60%)







## Polling Question

- Has your product been counterfeited or are you aware of any counterfeit components that you have received from your suppliers?
  - Yes
  - No
  - Don't know



## Counterfeit Products – Real Problem?

- Automotive Products
  - Airbags
  - Brakes



## Counterfeit Products – Real Problem?


- Industrial Products
  - Piping
  - Bolts and fasteners
  - Control systems



**Good Bolt**      **Bad Bolt**







 

## Counterfeit Products – Real Problem?

- Chinese Steel
  - I beams
  - Flanges
  - Gas valves














## Counterfeit Products – Real Problem?



- Electronics
  - Cheap
  - Easily copied or recycled as new
  - Hard to detect problems – standard QC
  - Everywhere – every product is susceptible

## Counterfeit Products – Real Problem?




- Electronic Components
  - Microchips
  - Transistors
  - Diodes
  - Power sources
  - Resistors
  - capacitors

## Counterfeit Products – Real Problem?

- Lifting Hooks






## Counterfeit Products – Real Problem?


- Counterfeit Cranes!
  - Blend of new and old parts
  - Poor weld quality
  - Inferior steel structures
  - Improperly fitted tracks
  - Used cranes
  - Special email address



## Other Counterfeited Products

- Alcohol
- Botox
- Cigarettes
- Computers
- Ferraris
- Golf clubs
- Toys (lead!, small parts)
- Medical equipment
- Spinal fusion hardware
- Ketchup
- Razor blades
- Chainsaws
- Guns
- Lighters



## Why The Sudden Increase?

- Globalization of Economy
  - Reducing costs
- Complex supply chains
- Internet companies – is this a U.S. company?

OCM


Franchised Distributor

Contract Manufacturer

Independent Distributor or Stocking Distributor








Broker Distributor

Unknown Source



## Why The Sudden Increase?

- Counterfeiters can copy anything
  - Trademarks
  - UL labels
  - Test lab certifications
- Technology has made it easy











## Recycling of discarded parts

Start off as US e-waste


- Shipped to China
- Disassembled by hand
- Washed in the river
- Dried on the sidewalk
- Marking sanded off
- Relabeled as new





## Legal Liabilities


- Products liability
- Negligence
  - Failure to properly inspect incoming parts
  - Inadequate Quality Assurance
- Strict liability
  - Manufacturing defects



## Costs To Organizations


- Insured costs
  - Product liability claims and suits
  - Defense costs - litigation
- Uninsured costs
  - Product recalls
  - Negative publicity
  - Loss of reputation
  - Increased insurance premiums






## Prevention Strategies

- Buy your parts/components from:
  - OEMs (original equipment manufacturer)
  - Authorized and established suppliers with excellent, long-standing reputations
- Beware of new suppliers or internet companies that offer incredible deals – it's likely they're too good to be true



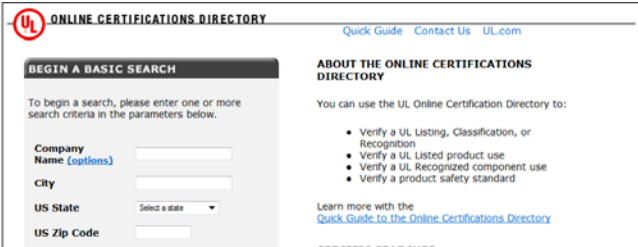
## Prevention Strategies

- Investigate your suppliers before doing business with them
  - Determine who they buy from and what procedures they have in place to ensure safe, reliable parts
  - Buy only from suppliers based in the U.S. – will reduce your chances of becoming a victim of counterfeiters




## Prevention Strategies

- If using UL products or parts, check a sampling of the products on the UL Online Certifications Directory website to be sure they are legitimate




The screenshot shows the UL Online Certifications Directory website. It features a search form on the left with fields for Company Name, City, US State, and US Zip Code. To the right, there is a section titled 'ABOUT THE ONLINE CERTIFICATIONS DIRECTORY' which lists several verification points: Verify a UL Listing, Classification, or Recognition; Verify a UL Listed product use; Verify a UL Recognized component use; and Verify a product safety standard. There are also links for 'Quick Guide', 'Contact Us', and 'UL.com'.



## Prevention Strategies


- **Quality Control:** conduct quality control testing on a sampling of products from each shipment you receive
- **Education:** instruct employees to notify management of any changes in product quality, such as increased failures or installation difficulties



## Prevention Strategies


### Recalls and Warnings


- Closely monitor product recalls and reports of counterfeit products – check your industry publications
- UL Notifications – counterfeit markings
- For residential/consumer products, visit the Consumer Product Safety Commission website or subscribe to the CPSC's recall e-mail service



## Prevention Strategies


- Train your employees to recognize counterfeit products
- Visit UL's website for tips on how to identify a genuine UL mark

 <p>1: UL trademark 2: LISTED 3: CLASS 2 POWER SUPPLY 4: #####</p>	<p>1: UL trademark 2: "LISTED" in capital letters 3: Product identity (optional for molded Marks) 4: Control or issue number</p>
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## Prevention Strategies

- Authentic products will have:
  - Quality packaging that clearly identifies the manufacturer's name and address
  - Product manuals and appropriate documentation.
- The lack of any of these features should be a warning sign that a product may be counterfeit



## Prevention Strategies

- Maintain records of any complaints, injuries or damage reported from your customers
- Report these to the manufacturer and supplier when they pertain to product performance



## Prevention Strategies

### Risk Transfer Strategies

- Request to be named as an “additional insured” under the manufacturer’s or importer’s insurance policy
- Request to be notified of insurance cancellation
- Obtain a hold harmless (defense and indemnity) agreement from the manufacturer or importer



## Fighting Back?


- Government
- Industry groups
- Consumer groups
- Consumer behavior






## Government

- **Anti-Counterfeiting Trade Agreement (ACTA) 2011**
  - 8 countries signed agreement to protect trademarks and copyrights
- **US Customs**
- **NASA**
- **FAA**
- **Department of Defense**
- **Laws and Regulations**
  - Anti-counterfeiting Consumer Protection Act (ACPA) 1996
- **Working with Other Countries (China)**



## Department of Defense


### National Defense Authorization Act for 2012 – Sec 818

- Suppliers to DOD must:
  - Purchase components from the OEM or OCM's or their authorized distributors
  - Perform due diligence of suppliers
  - Implement a Counterfeit Detection and Avoidance system
    - Purchasing and contract management
    - Receiving and inspection
    - Control of nonconforming materials
    - Reporting of suspected counterfeit materials




## Industry Groups

- NEMA
- UL
- WHO
- International Trademark Association
- International Anti-Counterfeiting Coalition
- Global Anti-Counterfeiting Network
- The Center for Anti-Counterfeiting and Product Protection(A-CAPP)
- Counterfeit Avoidance Program Accreditation



## Polling Question

- Has your industry association addressed the counterfeit problem?
  - Yes
  - No
  - Don't know



## Consumers

- Education
- Behavior
- Demands



## Conclusion

- Any manufacturer, supplier or distributor is liable if their products contain counterfeit component parts
- Adopt a strategy to ensure that your supply of goods or product components is counterfeit-free
- Quality Assurance and Anti-Counterfeiting programs
- Visit our web site at [www.everestgroup.com](http://www.everestgroup.com) for more information



## Helpful Links

Visit the following websites for further information:

- The Consumer Product Safety Commission – [www.cpsc.gov](http://www.cpsc.gov)
- Coalition Against Counterfeits and Piracy (CACCP) – [www.thecacp.com](http://www.thecacp.com)
- Combat Counterfeiters – [www.combatcounterfeits.com](http://www.combatcounterfeits.com)
- Underwriters' Laboratories – [www.UL.com](http://www.UL.com).
- NEMA – Anti-counterfeiting Pages – [www.NEMA.org](http://www.NEMA.org)
- NASA Academy of Aerospace Quality (AAQ)