Background

• Task Group formed May 2006
• Decision was made to generate a Standard
  – Admittedly, a comprehensive Standard is outside of our charter
  – Evolved into an Engineering Bulletin (EB)
• Meetings held to investigate problem
• Draft EB out for ballot “imminently”
Findings, 1

• Scope of counterfeit activities not widely appreciated
  - In 2004 estimate was 5-7% of sales = $512B
  - Counterfeit goods seized by DHS = $140M
    • 70% originated in China
  - In 1991, 192,000 people in China died from consuming counterfeit medicine.
  - 750,000 jobs lost in US due to counterfeiting
  - Problems with wine, consumer goods, and software overshadow other items
  - Searching for “Counterfeit Parts” on Yahoo yields over 1.65M hits
  - Counterfeit parts usually sell for 50% or less of genuine parts, creating intense pressure
  - ITAR restrictions have increase the demand for counterfeit parts
  - 46% of suppliers on the DKSP are “independent distributors” i.e. “brokers”
Findings, 2

• Multiple ways to Counterfeit
  - Reclamation (Citiraya)
  - Joint ventures (make more than license allows)
  - Remarking (100MHZ part becomes 200MHZ)
  - Reverse counterfeiting
  - Underground (literally) and mobile operations
  - Theft (and threats)

• Organized Crime and Terrorist links not publicized
Findings, 3

Case Study

• 2004 J S Enterprise in Philippines
  - Over 10M ICs seized
  - Many (Most? All?) were stolen
  - Semiconductor manufacturer manager(s) targeted for assassination
  - More details on G-12 website, January 2007 minutes:
    http://66.34.169.103/sstc/G12/g12p/#minutes
    • (Login = G12, Password = EIA5962)
DEFINITION:

A counterfeit item is one whose identity or pedigree has been deliberately altered or misrepresented by its supplier.

- **Identity:** Original manufacturer, part number, date code, lot number, testing, inspection, documentation, or warranty, etc.

- **Pedigree:** Origin, ownership history, storage, handling, physical condition, previous use, etc.
Three Sections:

1. Prevention:
   - Actions recommended for procuring parts and materials with a full warranty.
   - Actions recommended for minimizing risks and protecting your Program from counterfeiting.
   - Actions recommended when buying from a non-authorized supplier.

2. Detection:
   - Actions recommended when procuring parts from an unauthorized supplier or otherwise suspect that a part or material at risk of being counterfeit has been procured.

3. Risk Mitigation
   - Actions recommended when no reasonable alternatives exist (e.g. a redesign is required, an unacceptable schedule delay will result, the program or customer cannot bear the additional cost) and the decision has been made to procure from a non-authorized supplier.
The Team’s Recommendation:

The G-12 Counterfeit Task Group has unanimously agreed that:

• The only control or safeguard is to only procure from the Original Equipment Manufacturer (OEM) or their designated franchisees. All other procurement approaches offer significant risk.

• Any part or material that has been out of the OEM’s authorized supply chain has some risk of not fulfilling its intended mission objectives.
Future

• FAR problems
  – Ownership and return
  – (removed) offered to help
• GIDEP Reporting in its infancy
• Engineering Bulletin in ballot
• G-12 has no intention of continuing effort
• G-12 willing to support other anti-Counterfeit efforts and rescind EB when replaced by an Industry Standard