

A thick black L-shaped frame surrounds the text. The top-left corner is a horizontal bar extending to the right, and the bottom-right corner is a vertical bar extending upwards. The text is centered within the open space of the frame.

Counterfeit Awareness Training

March 1, 2022

Introduction

- **Counterfeiting has been an issue for years and continues to grow** at an exponential rate with products being counterfeited, industries being affected, and **consequences caused by counterfeits.**
- **Attention to the Counterfeit issue** and threat requires **everyone in the Industry and Supply Chain to support in combating and preventing.**
- If not adequately addressed, **counterfeit product carries a high risk** and potential to **seriously compromise the safety, operational effectiveness,** and **integrity** of our products.
- **Counterfeit parts can cause personal injury, mission failure, reduce the reliability of products, potential loss of contracts/business, shutdown our manufacturing lines/cells, negative cost/schedule impacts, penalties/fines at the company/individual level, and damage to our Corporate name/image.**
- Raising **awareness through training** of our Suppliers/Partners is critical to **mitigating the risks and impacts of counterfeit parts infiltrating the Supply Chain.**

Supplier Awareness through Training is Imperative!

Definitions

Suspect Part / Assembly

A part in which there is an indication by visual inspection, testing, or other information that it may have been misrepresented by the supplier or manufacturer and may meet the definition of counterfeit part.

Counterfeit Part / Assembly

A part that is a copy or substitute without legal right or authority to do so or one whose material, performance, or characteristics are knowingly misrepresented by a supplier in the supply chain.

Fraudulent Product Transaction

Items that are deliberately altered in such a way as to misrepresent the actual quality of the item with intent to defraud or deceive the purchaser. Any information omitted or means taken to mislead the purchaser to believe that such items are authentic or lawful.

Supplier Awareness and Communication are Key

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Examples of Counterfeit Part / Assembly

Examples for Counterfeit Parts may include, but are not limited to:

- Parts which do not contain the proper internal construction (die, manufacturer, wire bonding, etc.) consistent with the ordered part.
- Parts which have been used, refurbished or reclaimed, but represented as new product.
- Parts which have different package style or surface plating/finish than the ordered parts.
- Parts sold as tested parts, which have not successfully completed testing.

Supplier Awareness and Communication are Key

Examples of Counterfeit Part / Assembly

Examples for Counterfeit Parts may include, but are not limited to:

- **Parts which have not successfully completed the Original Equipment Manufacturer's (OEM's) full production and testing but are represented as completed product.**
- **Parts sold with modified labeling or markings intended to misrepresent the parts form, fit, function, or grade.**

Supplier Awareness and Communication are Key

The Threat of Counterfeit Parts Real?

- **Counterfeit parts** often have the **appearance of being authentic and genuine** but can later be **discovered that they were not**:
 - Manufactured by the **original component or material manufacturer**
 - **Built to the same level of quality standards or tested as strictly** as an authentic/genuine
- Many types of **counterfeits** are **difficult to detect visually** and can be made such that they **seem to be authentic, functional, and can even pass early levels of testing**

Yes; Counterfeiting is Real with Increasing Trends

What Is Different Today?

- Industry Engagement to Combat Counterfeiters
- **Industry Standard for Counterfeit Parts**; Avoidance, Detection, Mitigation, and Disposition
- **Requirements and Increased Testing**
- **Increased Testing** of Counterfeit Avoidance Requirements
- **Increasing Capabilities of Counterfeiters** – Harder to Detect



Government Involvement, Industry Standards, and Customer Testing Requirements

Strategies to Eliminate Counterfeit

Avoidance – Detection – Mitigation – Disposition.....and Communication!!



Avoidance

Procuring from
**Authorized
Sources**



Detection

**Making Sure
Counterfeits
are Stopped**
prior to
integration in
higher level
assembly



Mitigation

**Minimizing Risk
and Damage to
our Programs &
Reputation**



Disposition

Decide on
**Proper Action
and Resolution**
through
Disposition



Communication... Open and continuous communication between
Customers and Suppliers

Avoidance Strategies



Counterfeit Avoidance Strategies include:

- **Procurement Processes** requiring exclusive utilization of OEM/OCM or their authorized distributors
- **Chain of Custody** requires a documented and unbroken chain of custody from the original source of manufacturer for all components either directly or indirectly and parts included in assemblies delivered to the customer
 - Purchase order requires that suppliers obtain prior written approval and provide traceability back to the OEM/OCM if not procuring directly from these sources.
- **Supply Chain Management** includes the testing of counterfeit avoidance, including requirements to use OEM/OCM authorized sources throughout the supply chain.
- **Obsolescence Management** includes processes of determining obsolescence issues in time to initiate actions such as lifetime buys or redesign efforts.
- **Counterfeit Awareness Training for all employees**
This training is performed yearly with a sign off Training Record

Detection Strategies



- Look for “warning flags” that could indicate to either your sourcing, receiving, inspection, and testing teams that there could be a counterfeit issue.
- Review the warning flags listed below.



Warning Flags



- Price is low or significantly different** than price history
- Obsolete part**
- Part/component coming from source other than the OEM/OCM** or authorized sources; **suspect locations such as China**
- Unknown supplier**
- Unable to identify the chain of ownership**
- No certificate of conformance**
- Scarce items suddenly become available**
- Item marking issues such as lot/date code issue, quality differences, alterations/resurfacing, wrong size/location**
- Packaging issues such as poor quality, evidence of repair/rework, resurfacing, size/shape/color/finish of materials**

Supplier Awareness and Communication are Key



Mitigation Strategies

If you suspect that a counterfeit part may have infiltrated your supply chain, the following items must be addressed immediately as an effort to minimize the impact.

- **Quarantine affected parts and clearly identify/mark as nonconforming**
 - This includes all parts in stock and on assemblies.
 - Identify any suspect parts that may have already left your facility.
- **Collect all traceability documentation, chain of custody information, and authenticity testing records associated with the suspect part.**
 - This may include the Purchase Order, Certificate of Conformance, Inspection Records, and Test Data
- **Verify that the part is or is not suspect counterfeit by conducting additional testing**
 - This may include engaging the manufacturer of the part for their assistance and technical expertise.
- **Remedy / Corrective Actions (for Suspect Counterfeit Parts)**
 - If applicable, plan for rework/replacement/repair and testing of fielded part shall be coordinated with the Buyer.

Always Test if you Cannot Provide Solid Traceability

Disposition



- Decide on proper actions and resolution to reduce the risk
- Proper dispositioning protects the supply chain, ourselves, and customers
- Counterfeiting customarily involves fraud which can be an upstream supplier that can be several tiers removed, therefore it is important to coordinate with appropriate officials prior to making any disposition of counterfeit parts.

What are “Best Practices” that should be taken if suspect parts are contained in your facility?

- Maintain suspect counterfeit parts in a segregated quarantine area separate from non-conforming product; clearly identify as non-conforming/counterfeit product that is pending review by your organization’s management and legal team.
- Counterfeit parts must not be returned to the supplier to avoid being reintroduced into the supply chain to thus be sold to another victim.
- Legal authorities may be contacted to initiate an investigation into counterfeiting activities; thus, parts may be required as evidence and should not be returned to the supplier.

- **Keep Parts *Do Not Throw Away***
- **Protect , *Do Not Return* or Put Back into the -Supply Chain,**
- ***Investigation May be Required***

Conclusion / Summary



- **Counterfeiting of parts is a serious threat** and can **compromise the integrity** of the highly visible and important products we provide in the industry.
- **Using OEMs/OCMs (Original Equipment and Component Manufacturers)** and their **Authorized/Franchised sources** will result in the **least amount of risk** for introducing counterfeit parts into our products.
- **If unable to obtain parts** from OEM/OCM and their authorized Distributors in order to meet the requirements of the customer purchase order, **immediately notify your customer Buyer in writing.**
 - **Parts must be authenticated** in accordance with your **customer Quality Requirements** as referenced on your Purchase Order.
- **Counterfeit Risk must be controlled** throughout the **entire Supply Chain by all** to ensure counterfeit components do not infiltrate our supply chains.

Thank-You!

