



Crossing Borders and
Sectors: Exploring Robust
Anti-Counterfeiting
Solutions



Counterfeits and the U.S. Industrial Base

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Survey Overview

- ❑ Study sponsored by Naval Air Systems Command
- ❑ Goal to assess the impact of counterfeit electronics on U.S. supply chain integrity and gather best practices
- ❑ 5 separate but related surveys targeting:
 - Microchip & discrete electronic manufacturers – 83
 - Electronic board producers/assemblers – 32
 - Distributors and brokers of electronic parts – 98
 - Prime contractors and subcontractors – 121
 - DOD arsenals, depots, and DLA – 53
- ❑ 39 percent of 387 survey respondents encountered counterfeits from 2005-2008.

Counterfeit Electronics Study

General Findings

- Lack of dialogue between all organizations in the U.S. defense supply chain.
- Assumption that others in the supply chain are testing parts.
- Lack of traceability in the supply chain.
- Insufficient chain of accountability within organizations.
- Record keeping on counterfeit incidents by organizations is very limited.
- Stricter testing protocols and quality control practices are needed.

Counterfeit Electronics Study

General Findings

- Most organizations do not know what authorities to contact in the federal government regarding counterfeit parts.
- Most organizations are not aware of legal requirements and liabilities regarding counterfeits.
- Most DOD organizations do not have policies in place to prevent counterfeit parts from infiltrating their supply chain.
- No type of company or organization has been untouched by counterfeit electronic parts.
- Ultimately, everyone must work together to solve the problem of counterfeit parts.

Counterfeit Electronics Study

Best Practices

- Increase communication within and across organizations
- Institute counterfeit part identification training programs
- Establish clear written policies and procedures
- Ensure physical destruction of all defective, damaged, and substandard parts
- Inspect all returns and buy-backs to verify authenticity
- Buy parts from Original Component Manufacturers (OCMs) and authorized distributors when possible
- Require traceability of parts back to OCMs

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Best Practices

- Establish lists of trusted and unapproved suppliers
- Use employees to procure parts instead of computers
- Be wary of suppliers with extremely cheap prices and short production lead times
- Implement contract requirements for counterfeit avoidance policies and practices
- Use an escrow payment service to allow time to test parts
- Verify parts meet purchase order requirements and documentation
- Conduct visual inspections on all parts
- Conduct component testing

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Best Practices

- Use internal testing capabilities or approved third-party testing facilities
- Establish strict inventory controls
- Remove counterfeits from regular inventory, quarantine
- Do not return counterfeit parts to supplier
- Maintain internal database to track counterfeits
- Report counterfeits to industry associations/databases
- Report counterfeits to law enforcement
- Increase awareness throughout all procurement entities

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