

Consequences of Counterfeits

Risk of counterfeit product remains an industry hot button, and getting even hotter in the aerospace and medical sectors. ECIA is actively engaged in the government's effort to mitigate the risks by defining new parameters for the term "authorized". Learn what's happening and how you can participate.

In a perfect world, the remainder of this paragraph would probably be an adequate description for the purposes of the marketplace. Conformity Assessment (CA) directly relates to the development of standards. It includes the assurance that products, processes, services, personnel, systems, or bodies meet specified requirements. This can, for example, be accomplished through inspection, testing, evaluation, auditing, certification, accreditation, declaration, verification or validation.

However, in today's complex business environment, we must also seriously consider one more major component; that of RISK.

Strategies to manage risk are often categorized into four basic options:

- Transferring the risk to another party
- Avoiding the risk
- Reducing the negative effect of the risk, and
- Accepting some or all of the consequences of a particular risk

When manufacturing an electronic product, one really must understand the ramifications if a certain component were to fail. This is not only an exercise in financial 'crystal balling' for the company, but more so it necessitates understanding any product performance degradation and the resulting consequences. If a product designed for an inexpensive, disposable, one-time application were to fail, at most, it might slightly inconvenience the user. But if the product failure were to result in a life-threatening incident or, for example, loss of a major piece of critical or costly space equipment, the consequences would necessarily carry a heavier weighting factor in the risk calculation.

G19 Counterfeit Electronic Parts Committee

Today the possibility of counterfeit parts entering into the supply chain of a manufactured electronic product has increased significantly and this simply adds an additional variable to the risk management calculation. In 2007, SAE International, in its Aerospace Council, chartered the G19 Counterfeit Electronic Parts Committee to begin to address the issue. Just recently, this activity has received intensive participation. Needless to say, a major program to deal with Counterfeit Mitigation is developing. If you plan to become or remain a player in the Aerospace Industry supply chain or following in that program shortly thereafter the Medical Equipment and Instrumentation field, you will be facing additional performance requirements. This usually implies additional manufacturing and distribution cost.

It would be prudent for the entire electronics industry to monitor what is transpiring here, since this program, once implemented, has the potential to flow over into additional markets. As stated earlier, other products manufactured may not be as adversely affected by the consequences of some counterfeit products

entering the supply chain, that being a business risk assessment decision. There may be less costly ways of managing that risk for some of these other markets. For example, the most basic recommendation would be to either buy directly from the manufacturer or through one of its Authorized Distributors. That would significantly reduce the risk of encountering counterfeit product in your supply chain without adding potential increased cost or risk. It is one thing to claim the term Authorized Distributor, but it does not mean much until it is clearly defined as to what is meant by the term.

ECIA Continues Leadership Role in Anti-Counterfeit Efforts

ECIA is actively engaged in multiple activities not only within this SAE program but also within other organizations that are currently attempting to deal with the entire subject of counterfeit. The timing is opportune for our ECIA members because within the SAE project, one key activity that should be highly noted here is that which is currently taking place in the G19 Subcommittee G-19AD. This Authorized Distribution Counterfeit Mitigation committee is now standardizing practices and counterfeit mitigation procedures required for an organization performing Authorized Distribution.

ECIA had already been working on a definition as to what specifically constitutes an Authorized Distributor. So as to not confuse the industry with multiple definitions, ECIA is currently working this SAE project by not only contributing what it had already independently drafted in our committees, but additionally Robin Gray, COO of ECIA volunteered to chair this SAE Subcommittee. This will provide requirements and guidance for transactions operating under an Authorized Distribution agreement between the Distributor and the Original Component Manufacturer (OCM) and the end-user/customer. This project based upon the ECIA prior work will define procedures for:

- Determining minimum requirements for transactions to be considered within authorized distribution
- Counterfeit avoidance procedures and traceability requirements
- Inventory controls
- Packaging & Repackaging
- Verification of Authorization & Disclosures
- OCM warranty flow-down
- Returns, Stock Rotations, Excess Inventory & Scrap
- Documentation & Record Retention
- Relevant terms and definitions
- C of C requirements
- Purchasing Controls
- Internal Audit

ECIA's Electronic Components Council and its EIA Standards Council facilitate the trade and commerce for our industry. We encourage your participation. Those who are participating are the first to know and the first to react.

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