US, EU crack down on counterfeit components

Suzanne Deffree - February 22, 2008

The United States and European Union seized more than 360k fake ICs and components in a joint operation at the end of 2007, according to reports out this morning.

The ICs and components included more than 40 trademarks from the likes of Intel and Philips and were worth more than $1.3 billion. The reports gave little further detail, except making note of China as the major source for the counterfeit goods. That’s no surprise. Besides the country’s weak stance on intellectual property, as Newark pointed out last year, China ROHS regulations increased the associated risk.

According to Margaret Peterlin, deputy under secretary of Commerce for intellectual property and deputy director of the US Patent and Trademark Office, counterfeiting and piracy drain about $250 billion out of the US economy each year and some 750,000 jobs. So the severity of counterfeiting should hardly be taken lightly. In fact, NEDA (National Electronic Distributors Association) last May at the Electronics Distribution Show pointed to counterfeiting as the number one threat the electronics supply chain faces. It will be interesting to see what the group has to say at this year’s EDS after this cross-Atlantic investigation.

While that $250 billion number includes counterfeiting across all product categories, retail, entertainment, etc., items from the electronics world have become a much higher risk on the US government’s radar, with some even claiming electronics counterfeiting as terrorist action.

Although the retail and entertainment industries have their own rights to complain about how much money they lose on the fake “Pucchi” bags on New York’s 7th Avenue or the dubbed copy of “Shrek” sold out of a trunk, these rip-offs have little impact beyond on society overall beyond the financial consequences for the vertical markets. The deep extension of electronics, however, into all verticals causes a ripple effect, hurting both the electronics industry and the vertical in which the electronic was used. Plus, when the Pucchi bag falls apart because of the poor workmanship, spilling its contents, what’s the worst thing that happens? You collect your belongs and toss them in a new purse. When an IC fails, say in a heart monitor or in an automobile, you’ve got a bigger issue.

“Traffickers and counterfeiters have become much more sophisticated. ... They are no longer confining themselves to trafficking in some of the traditional goods we used to see them in, such as footwear or handbags,” US Customs and Border Protection Assistant Commissioner Dan Baldwin was quoted as saying in reports. “There are increasing numbers with high-tech goods, goods that impact our critical infrastructure.”

There’s been no word yet as to if importers busted by the US/EU operation knew they were trading counterfeit products or if the problem was widespread or local to a handful of factories. My only
thoughts on the operation overall are that the $1.3 billion worth of ICs is just a drop in the bucket compared to what’s being trafficked out there and, with the cost of counterfeit electronics clearly established, what took the US and EU so long to team up on this?

Share you comments on the operation and counterfeiting below. For more on the topic see “Forgeries in Silicon,” an EDN special issue on component counterfeiting, and “The battle over counterfeit goods,” an EDN Q&A with Peterlin.