



# Mitigating Counterfeit and Fraudulent Items

*an Update*

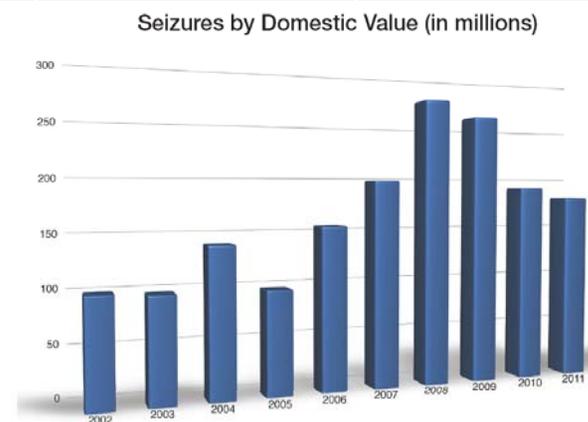
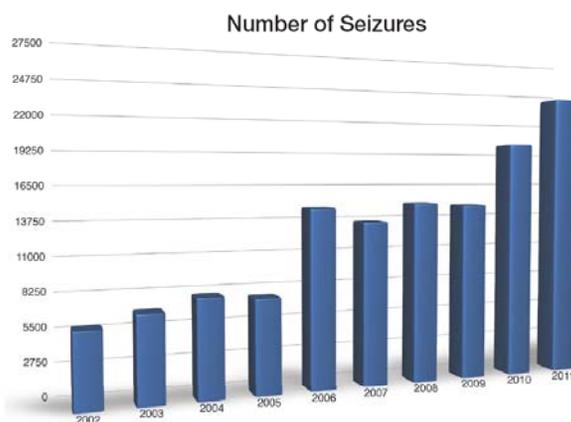
**Marc H. Tannenbaum**  
Project Manager

**Regulatory Information Conference**  
March 13, 2012

# The big picture

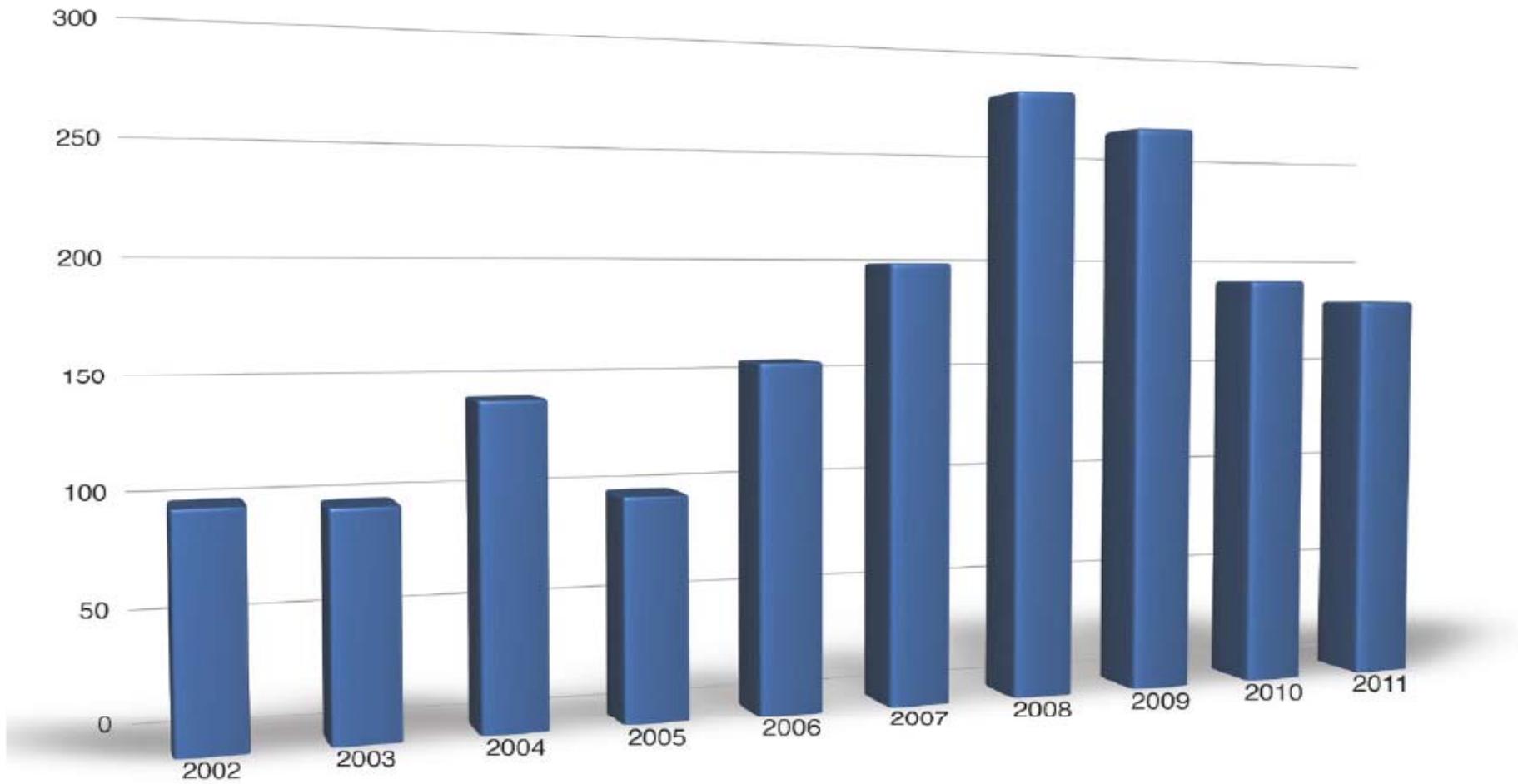
- According to U.S. Immigrations and Custom Enforcement / U.S. Customs and Border Patrol <sup>[1]</sup>

	2009	2010	2011
Number of Seizures	14,841	19,959	24,792
Value of Shipments – US dollars	\$ 260,600	\$188,100	178,300
Value at MSRP- US dollars	\$2,065,000	\$1,413,000	\$1,110,000

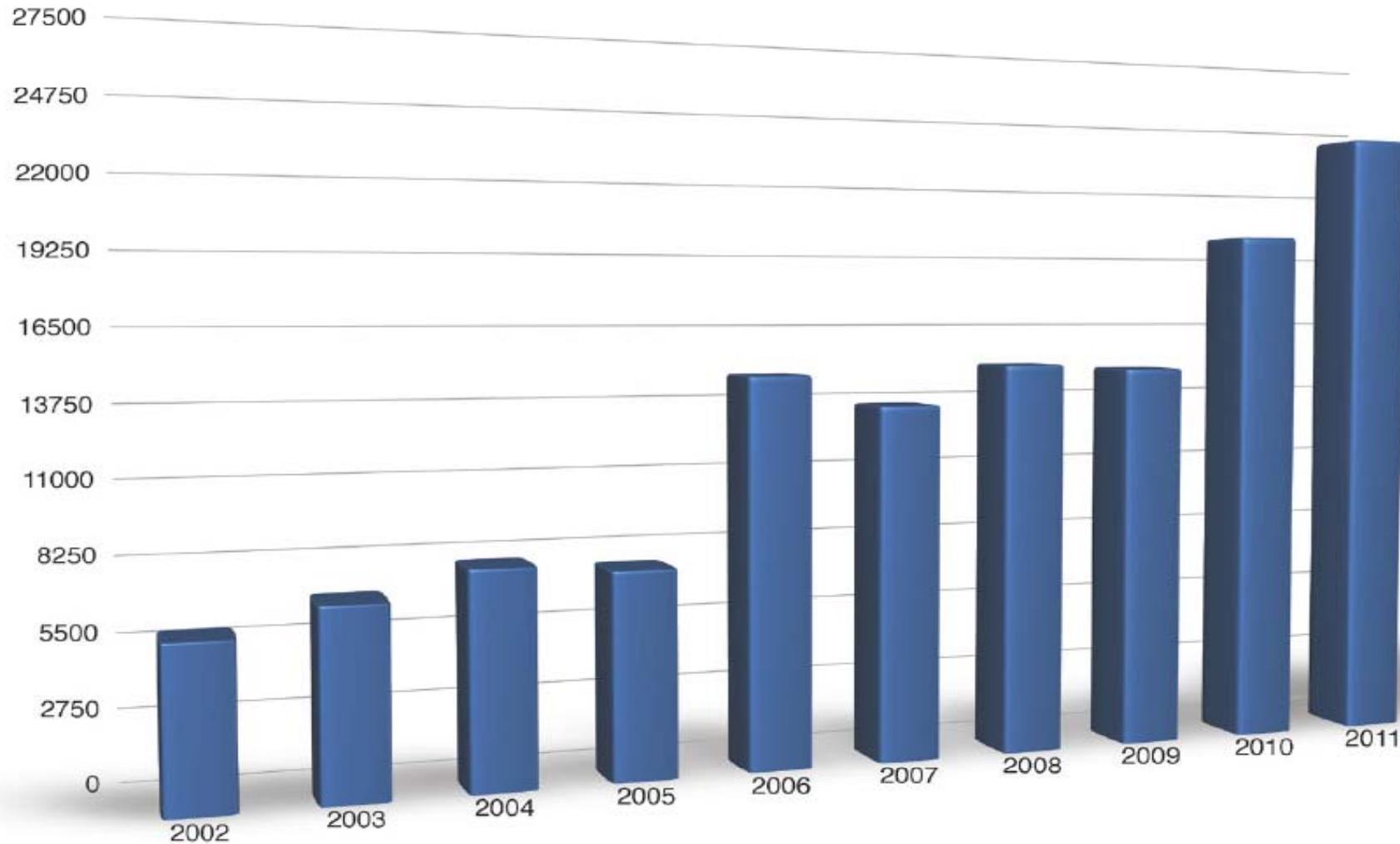


[1] Intellectual Property Rights, Fiscal year 2011 Seizure Statistics, CBP Office of International Trade, CBP Publication #0153-0112

## Seizures by Domestic Value (in millions)



## Number of Seizures



## Good News?

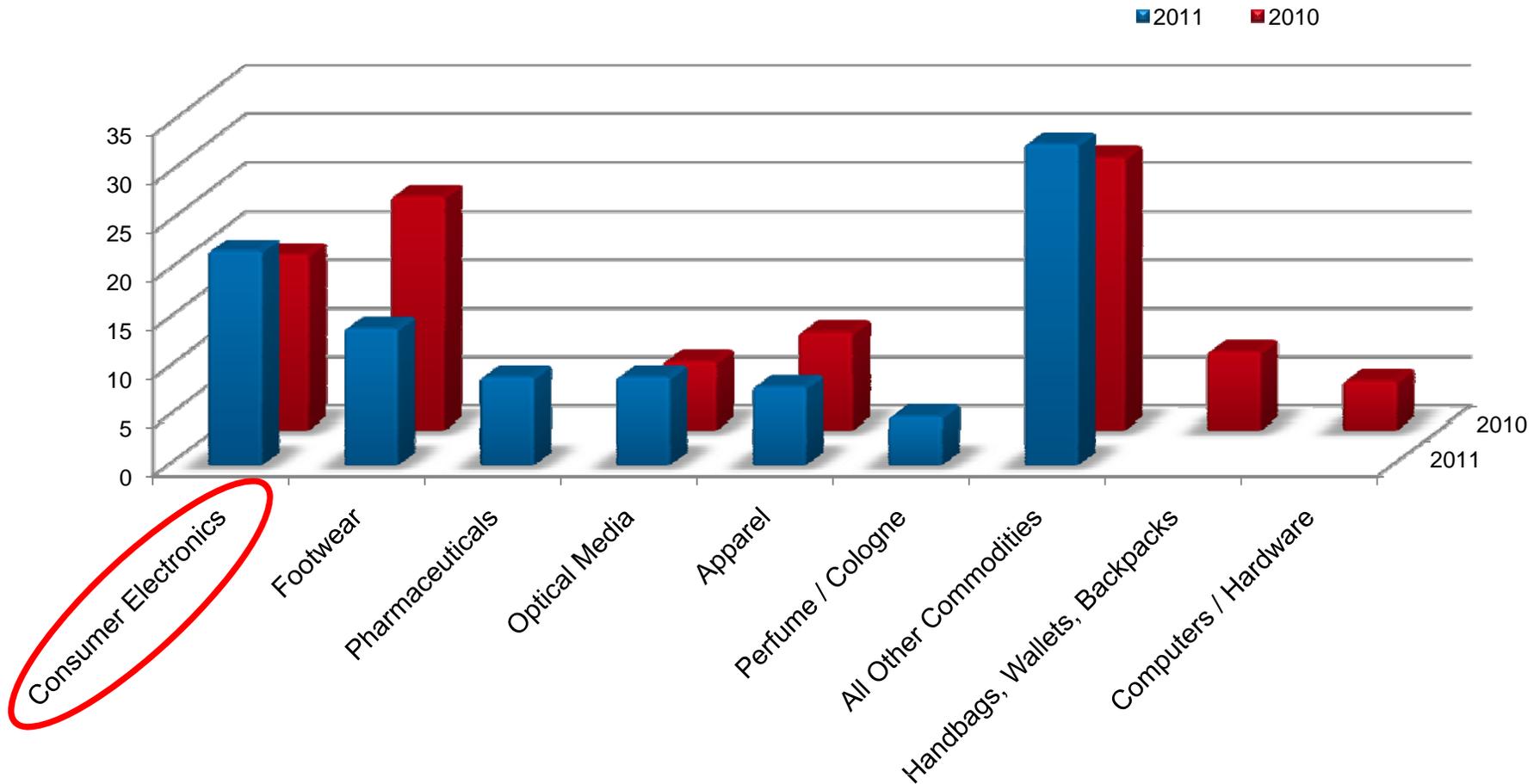
- Overall number of seizures increased
- Overall value of goods seized decreased
  - The number of low-value seizures increased (< \$1,000)
- Consumer electronics was the top commodity seized in 2011 (replacing
- The number of consumer safety and critical technology seizures increase by 41% in 2011
- Method of transportation is shifting toward international mail and express courier services
  - Shipments are HIGH VOLUME/LOW VALUE

# A word about motive . . .

- What is the motive behind counterfeiting?

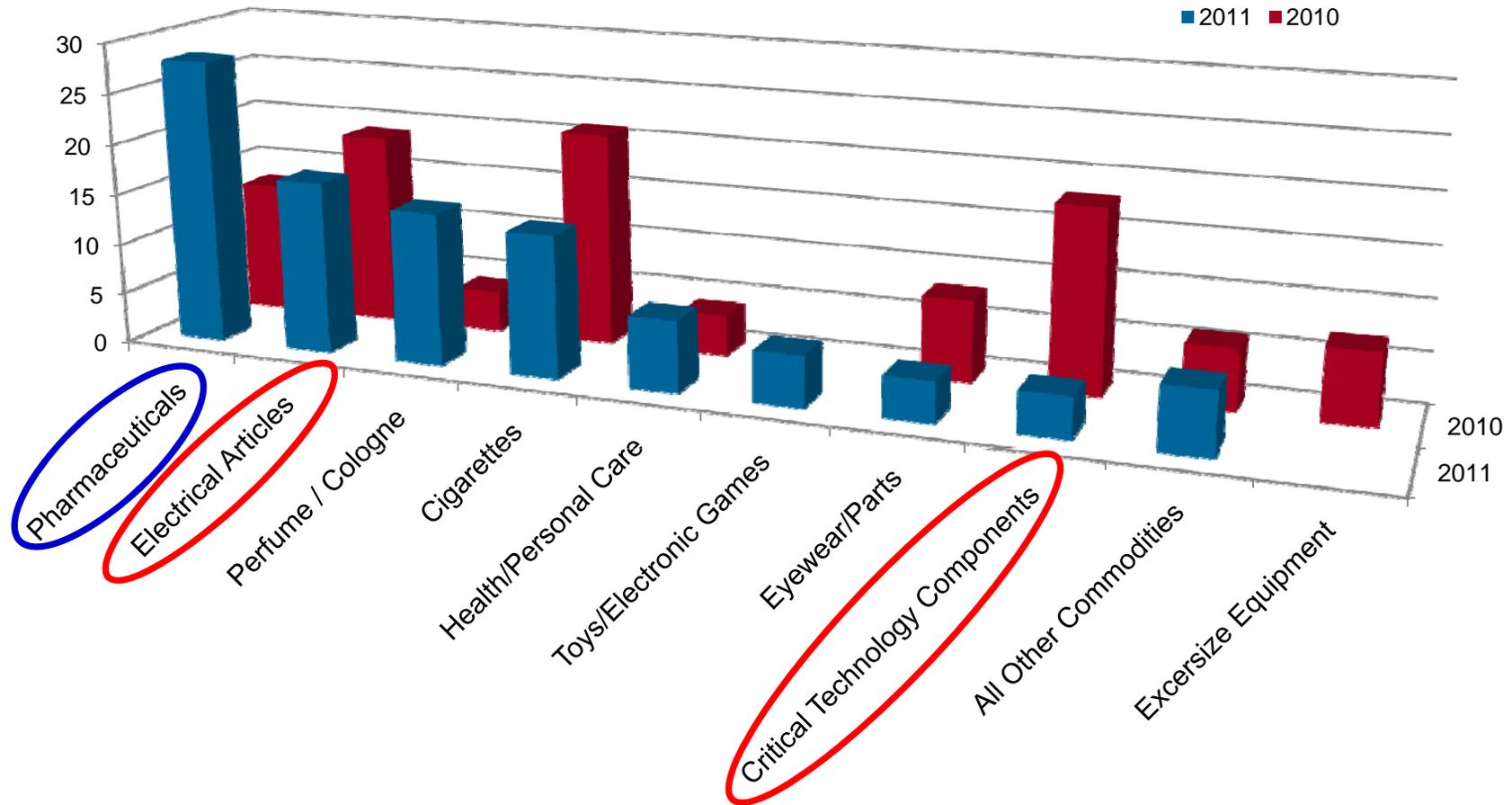


# Top Commodities Seized

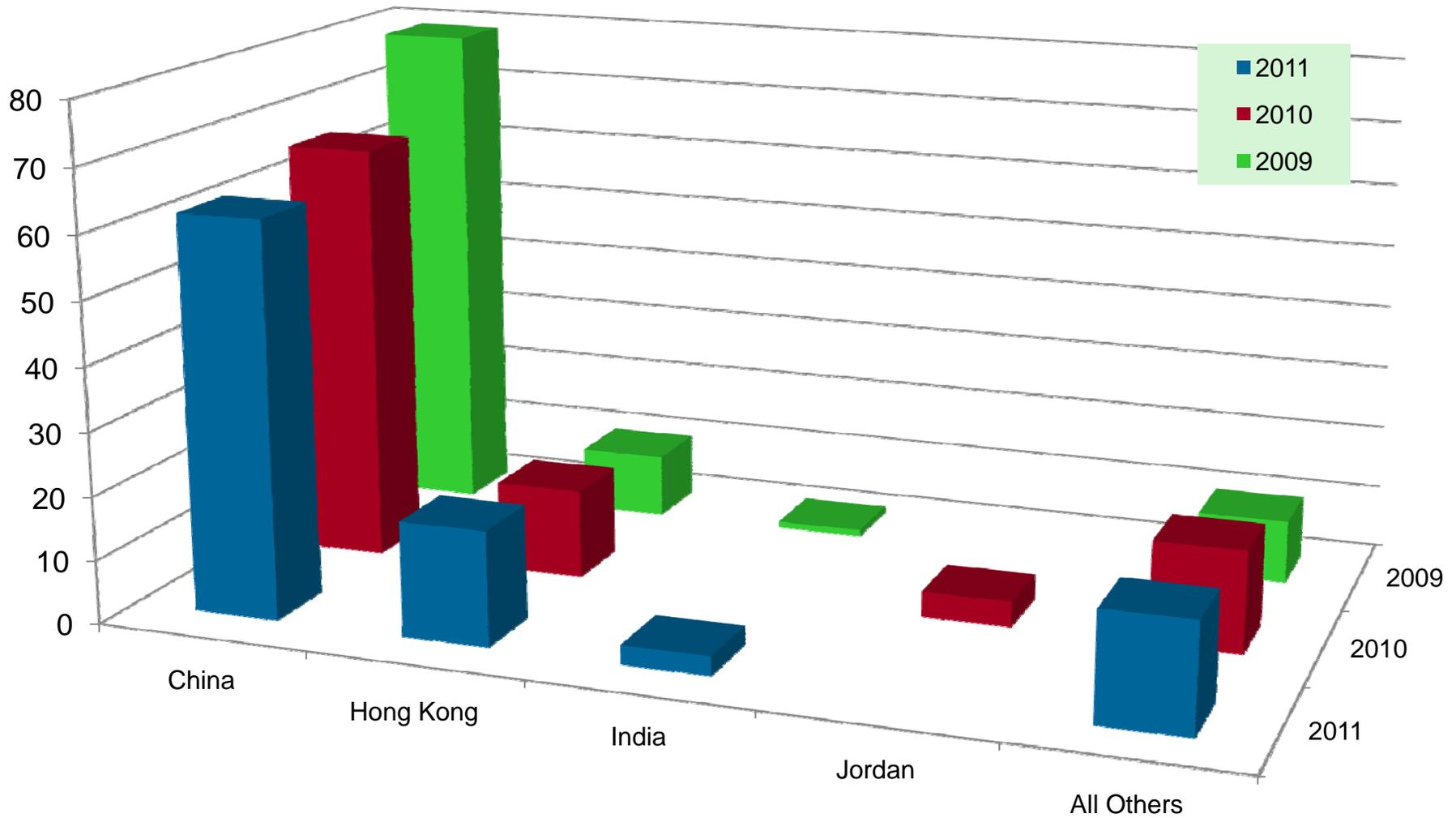


# Percentage of Seizures by Item Type

## Consumer Safety and Critical Technology



# Percentage of Seizures Domestic Value by Source Country



# Is industry impacted?

- Industrial manufacturers tend to:
  - Develop long-term relationships with their suppliers
  - Be familiar with the goods they purchase
  - Be reasonably capable of taking precautions against counterfeit and fraudulent items
  
- However, we have seen:
  - Infringing networking equipment find its way into industrial applications as well as:
    - Counterfeit and used electronics
    - Counterfeit raw materials

# Looking beyond the first tier of supply . . .

## Consider

- Raw materials
  - Discrete electronic components like diodes and IC's
  - Items furnished “installed” or “skid-mounted”
- What do these types of items have in common?
    - They are procured several levels down the supply chain
    - The entity assembling the final product may have limited influence over the entity supplying the raw materials and parts
    - Controls may not be in place to ensure authenticity

## Don't be an uninformed buyer

- Perform a self-assessment
  - EPRI 1021493, Counterfeit and Fraudulent Items: A Self-Assessment Checklist ([www.epri.com](http://www.epri.com))
- Identify and build on existing good practices
- Identify areas for opportunity
  - Take advantage of the opportunity to improve
  - Take the opportunity to impact the operation and safety of your plant and products away from the counterfeiters

# Staff Awareness Training

- Buyers
- Warehouse staff
- Receipt Inspectors
- Craftspeople

# Communicate Expectations to Suppliers

- Impose contractual requirements
  - Communicate expectations
  - Define specific consequences if infringing items are supplied
  - Address applicability of requirements to suppliers farther down in the supply chain

# Know your suppliers and their pedigrees

- Buy from the original manufacturer or authorized distributor whenever possible
- Identify procurements that are from unauthorized sources
  - Impose appropriate precautions
- Implement criteria for evaluating new suppliers
  - Impose appropriate precautions
- Find and share information on counterfeits in your markets
  - Commercial databases are available

## Keep an eye on U.S. CBP and ICE Statistics

- U.S. Customs and Border Protection (CBP)
- U.S. Immigration and Customs Enforcement (ICE)
  - Website offers insightful information
    - Seizure totals
    - Top commodities seized
    - Source countries
    - Shipping environments
  - Information can be used to check and adjust your anti-counterfeiting measures
  - Targets for enhanced procurement and inspection practices

## Keep an eye on NRC initiatives

- NRC is considering mandatory requirements as described in SECY 11-0154
- Requirements will likely be located in 10CFR21 and/or associated regulatory guidance
- Insights may be gleaned from NRC Staff review of CFSI dated November 28, 2011
  - Identifies 19 planned actions
- Public meeting was held February 16, 2012



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