

Preventing Counterfeit Components

Within your manufacturing organisation, your employees work with a wide range of product parts and components each day. And although these small pieces may seem insignificant to the average person, your workforce possesses the unique skillset to manufacture these separate parts into a unified, high-quality product for consumer use. But what would happen if one of those parts was a fake?

Indeed, the risk of receiving fake or counterfeit parts from your suppliers is on the rise, generating the risk of ineffective or potentially hazardous final products landing in the hands of customers. Counterfeiting now accounts for more than 2 per cent of global economic output, totalling a price tag of nearly £1.3 trillion, according to a joint report from the Organisation for Economic Cooperation and Development and the European Union Intellectual Property Office.

At a glance, allowing fake components to end up in your organisation's final products can result in costly ramifications. Especially for electronics manufacturers, the smallest faulty component in a final product can injure or even kill someone. Between product liability claims, legal expenses and reputational downfall, your business can't afford to ignore the risk of counterfeit components. Use the following guidance to protect your organisation from fake parts and ensure continued product quality.

Secure Your Supply Chain

Preventing counterfeit components from sneaking into your final products starts with establishing a safe and secure supply chain. It's crucial to ensure your suppliers are trustworthy and genuine, or you could end up partnering with counterfeit companies.

Consider these tips to find safe suppliers:

- Always exercise extra caution when working with foreign suppliers, as their countries' working regulations and product quality standards could differ from your organisation's requirements.

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What's more, countries such as China are known for selling counterfeit materials. If possible, only work with suppliers that are regularly audited by an independent third party, and choose components which have already been tested and certified, and have compliance documentation to prove it.

- When searching for suppliers, be sceptical of parts that have a severely reduced price. These 'too good to be true' offers are often a fraud.
- Before creating an agreement with a supplier, ensure that their organisation is legitimate and has a good reputation by using business information agencies and reviewing [Companies House](#) records.
- Establish a clear, written contract that outlines exactly what you expect from suppliers and emphasises that you will only accept genuine parts from them. The contract should also include termination clauses and conditions for the return of faulty or unsuitable parts.

Provided by Blackfriars Insurance Brokers Ltd

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- If the supplier is foreign, be sure that they understand how their parts must comply with your organisation's local standards. In addition, ensure suppliers from overseas implement proper packaging practices when they ship parts. Packages and containers should be secure, sealed and tamper-proof.
 - Conduct scheduled quality control checks to ensure suppliers continue providing quality parts. Be sure to save proper documentation for these assessments, as well as the invoices for each shipment.
 - Rely on anti-counterfeiting technology, such as blockchain, track and trace, and holograms or marking to protect the integrity of your final product.
 - Perform risk assessments and audits on all suppliers, or at least on those who supply you with safety-critical parts such as fuses or electrical cables.
- Missing packaging items (eg sensitive items not wrapped or protected properly)
 - Part replication errors, such as evidence of 'blacktopping' (using a counterfeit process to replicate product parts with cheaper alternatives, often detectable through unexpected indents, scratches or bumps on the fake part)
- **Further testing**—Depending on the product part, your organisation can conduct further testing with the following methods if you suspect a fake component:
 - X-ray inspections—This process can help you identify issues below the surface of a product part by scanning its internal contents and looking for issues such as faulty wiring, delamination or incorrect die sizes.
 - Electrical testing—Specifically for electronic components, you can conduct electrical testing on potentially counterfeit parts to ensure the component possesses the same tolerance levels as those recorded by the model part.

Inspect Product Parts

Even if you have secured a seemingly safe supply chain for your product parts, it's important to carry out robust inspections on the components your organisation receives to ensure they are proper quality. Use these tips:

- **Visual examination**—When your organisation first receives product parts, conduct a visual assessment that compares the physical qualities of the part you received to the part you expected (eg compare the part received to a model part). Ideally, these qualities should match. Pay special attention to differences such as:
 - Incorrect size measurements
 - Incorrect or faulty logos
 - Misspelt text, different font or incorrect information (eg dates, codes or country of origin) on labels
 - Missing labels or logos altogether

Ensure Safe Distribution

The risk of counterfeit exposure continues even after final products have been prepared for distribution. Be sure that your organisation's products remain safe and secure during distribution with this guidance:

- Similar to that of suppliers, conduct proper research on distributors' reputations before working with them. Establish a clear contract that outlines what you expect of your distributors to make sure product parts aren't stolen or switched, and all shipments arrive safely.
- Use an anonymous shopping method to purchase products back from your distributors. This way, you can ensure the products have been packaged, labelled and sent correctly.

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- Be sure that your customers are legitimate by reviewing their outlets for selling and distributing your products. Look out for irregular purchasing patterns to prevent becoming a victim of distributor counterfeit schemes.
- If you find that rogue websites or faulty third-party sellers are attempting to sell counterfeit versions of your products, be sure to warn customers and give them top tips to ensure genuine products.

Purchase Robust Cover

Apart from using these risk management methods to prevent counterfeit concerns, you can ensure ultimate peace of mind with proper cover, such as **products liability insurance**. Be sure to understand how your insurance responds to counterfeiting risks and recall procedures. For more information, contact Blackfriars Insurance Brokers Ltd today.