Table of Contents

Executive Summary vii

Chapter 1. The Nature of Counterfeit Electronic Parts 1

Introduction 1
What Is an Electronic Part? 1
What Is a Counterfeit Electronic Part? 2
Why Should We Be Concerned About Counterfeit Electronic Parts? 7
Counterfeit Electronic Parts Can Drive Up Program Costs 7
Counterfeits May Not Always Be Detected by Testing 8
Counterfeits May Not Meet "Markings" 8
Availability of Counterfeit Electronics 8
Counterfeit Electronic Parts in the DoD Supply Chain 9
Senate Armed Services Committee Investigation 18
IHS Numbers on Counterfeit Electronic Parts 19
Customs and Border Protection Statistics 19
Number of Incidents Involving Counterfeit Electronic Parts 21
Where Do Counterfeit Electronic Parts Come From? 22

Chapter 2. Counterfeit Electronic Parts Manufacturing and the Supply Chain 27

Introduction 27
How Are Legitimate Electronic Parts Manufactured? 27
How Are Counterfeit Electronic Parts "Manufactured"? 30
What Is a Supply Chain? 32
How Are Electronic Parts Purchased by the Supply Chain? 32
Purchasing from the Original Component Manufacturer 33
Purchasing from the Authorized Distributor 33
Purchasing from the Independent Distributor 34
Life Cycle of Electronic Parts 34
Life Cycle of Aviation, Spacecraft, and Defense Products 35
How Do Counterfeit Electronic Parts Enter the Supply Chain? 36

Chapter 3. Keeping Counterfeit Electronic Parts Out of the Supply Chain 43
Introduction 43
What Is the Solution to Keeping Counterfeits Out of the Supply Chain? 43
Solutions, Best Practices, and Recommendations 44
Legislation 44
Standards 46
SAE International 46
Independent Distributors of Electronics Association 47
International Electrotechnical Commission 47
International Organization for Standards 47
Testing 50
Reporting 51
Government Industry Data Exchange Program 52
Electronic Resellers Association Incorporated 53
National Intellectual Property Rights Coordination Center 53
Federal Aviation Administration Suspected Unapproved Parts Program 54
Authentication or Marking 55
Training 56
E-Waste 57
Other Best Practices 59
The Solution to Keeping Counterfeits Out of the Supply Chain? 62

Chapter 4. The Future of Combatting Counterfeit Electronic Parts 67
Introduction 67
A Continuing Decrease in the Department of Defense Budget 68
DARPA SHIELD Program 68
Trusted Foundry 69
Trusted Supplier 71
Conflicting Contracting Regulations 73
No Fault Found 74
The Supply Chain Not Working Together 75

Chapter 5. Conclusion: The Way Forward 79
Defining Counterfeit Electronic Parts 79
Manufacturing Counterfeit Electronic Parts 80
Counterfeit Electronic Parts Entering the Supply Chain? 80
Keeping Counterfeits from the Supply Chain 81
Reducing the Proliferation of Counterfeit Electronic Parts 82
Elimination of Electronic Waste to Reduce Counterfeits 83
Reaction by Industry and Government 83