

# Putting a stop to product piracy

By Horst Wildemann

Most people consider counterfeiting a problem of fake, low-quality T-shirts sporting well-known brand names, or fake Rolexes sold at street markets in Asia or Southern Europe. However, very little is known about counterfeit spare parts, pharmaceuticals, software, and consumer goods.

**D**oes counterfeiting affect your company? Today, counterfeiting is a problem for any kind of manufactured product. Sometime copies of complete machine tools are sold even before the original is available on the market. Globalization of world trade increases the scope and scale of product counterfeiting. As counterfeiters become more skilled, companies including plastics processors need to protect themselves better.

Though various laws are already in place, legal measures alone are not enough. Comprehensive strategies that combine legal, management, and technical measures are necessary to fight counterfeiting. According to recent surveys, annual losses attributable to product piracy equal about €660 billion (\$882 billion) globally, almost 10% of all world trade—and it may be even higher than that.

Our own studies show that the impact on affected companies exceeds 11% of their annual volume of sales, 8% in direct loss of sales, and 3% additional costs for patents, legal measures, and technical features to make counterfeiting more difficult.



## What can your company do?

The first step in combating counterfeiting is to conduct an analysis of what you know about counterfeits of your products. Sources to use are Internet research, your customers, trade shows, and other indicators. For example, an unexpectedly high number of sales of spare parts or requests for spare parts from unknown customers may be an indication that your product has been counterfeited. If you find an unexpectedly low number in sales of spare parts, then there may be counterfeiters copying these. Second, find out if your competitor's products and products similar to your own have been copied. This research provides an impression of the extent of counterfeiting in your market and the possibility that your products will be affected.

The next step is to inform your employees about these problems. Everyone in your company has to know what counterfeiting means for them and what impact it already has or can have. Often employees are not aware how serious the counterfeiting threat is to their company, and how they can help protect the company's knowledge.

To define a specific strategy, further analysis is necessary to determine how significant a product is for your company, and the impact counterfeit products would have for your company. Based on this analysis, measures to protect know-how can be defined.

These measures should include steps in product design, such as making reverse

engineering much more difficult by using black boxes that can not be disassembled by a counterfeiter, or using intelligent parts that authenticate each other when put in operation. To protect the supply chain, identification and proof of original technologies suitable for each product can be selected. Further solutions include selection of safe distribution channels and measures in after-sales.

For the plastics industry, two views of counterfeiting must be considered. First, ensure that your company protects its own knowledge. Second, help your customers fight counterfeit products. This can be achieved by offering them your expertise in including identification and proof of originality in your products, for example by using special materials that have unique features for each of your customers.

## What can governments do?

Governments are key players in fighting counterfeiters. They have to make sure that legal and administrative frameworks are sufficient to protect intellectual property rights with penalties large enough to dissuade criminals from counterfeiting. However, the weakness of most countries is not the legal framework, but insufficient enforcement due to the low priority placed on protecting intellectual property. The situation can only be improved if combating counterfeiting is a priority for all governments. This can be achieved if industrialized countries find the right balance between pressure and incentives for governments in source countries. 🌐

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