

# Counterfeit products in the electrical industry

BY EARLE GOODWIN

## Our loss

When was the last time you made a financial contribution to organized crime or terrorists? You never have? Don't be so sure.

In testimony before the U.S. House of Representatives Committee on International Relations (July 16, 2003), Interpol Secretary General Ronald K. Noble warned: "The link between organized crime groups and counterfeit goods is well established. But Interpol is sounding the alarm that intellectual property crime is becoming the preferred method of funding for a number of terrorist groups." In an article in the November 2002 edition of *U.S. Customs Today* entitled "Financing Terror", Kathleen Millar writes, "New York's Joint Terrorist Taskforce reported a counterfeit T-shirt ring had used sales profits to subsidize the bombing of the World Trade Center in 1993."

That's the problem with counterfeiting: people think of it as a victimless crime, which it certainly is not. In addition to the questionable use of the profits it derives, jobs are lost and companies severely hurt every year because of it. Even worse, it's difficult for people to summon up tears when they think of the losses they might be causing some large corporation that appears to be making exorbitant profits when they pick up the 'identical' counterfeit product at a fraction of the price (not taking into account that the company that created the product has to recoup its investment in research and development).

But it isn't just T-shirts and expensive handbags that have attracted the eye of counterfeiters. Underwriters Laboratories' (UL's) director of anti-counterfeiting operations, Brian Monks says, "Anything with intrinsic value is going to be counterfeited." That includes electrical products.

### Stopping the flow of counterfeits

UL and CSA International have a vested interest in stopping counterfeiting because their certification Marks are often



## is organized crime's gain

illegally attached to the products. For example, Monks has posed as an electrical buyer at the Canton Fair—a semi-annual electrical and electronics show with about 30,000 vendors—and was asked at various booths what products he wanted and what industry names he wanted printed on them. In one case, when he investigated further, he discovered that even the name on the associated factory was counterfeit.

Monks divided the quality of the products he was offered into three categories:

- **A** level was the most expensive but, for the money, he could get good product.
- **B** quality might work for a while, but didn't contain quality components.
- **C**, he says, stands for Crap.

Which brings us to the tricky realm of determining what exactly constitutes a counterfeit product. Although we all think of counterfeits as being inferior, as Monks has pointed out, that isn't always the case. According to James Holloway, a partner at the law firm Baker & McKenzie LLP, "The word 'counterfeiting' refers to the representation of an imitation as a genuine article. Usually, this involves putting a well-known trademark on an imitation... to deceive consumers into thinking the article is genuine."

The key is deception. This can take the form of deceiving the buyer into thinking he's purchasing a specific manufacturer's product by making the product look like the original, including trademarks, logos and certification stickers. It can also take the form of misrepresenting used products as new.

Electro-Federation Canada's (EFC's) vice-president of engineering, codes and standards, Joseph Neu, has heard of flood-damaged products (mostly breakers and industrial switches) from the southern United States finding their way into the Canadian market in dumpsters being cleared through Canada customs. Insurance companies are writing

them off and tearing them out after they've been under water for weeks, maybe months. These have been going to Canadian recyclers who are cleaning them up, sometimes opening and cleaning them, then re-labelling them with the manufacturer's label. Neu also warns that no manufacturer has a rebuilding or refurbishing program, or provides replacement parts for breakers or switches.

So, how big is the problem? Holloway quotes the International Chamber of Commerce, which states that seven per cent of global trade involves counterfeit goods, and the market may be worth \$350 billion annually. Of course, that's for all goods. Electrical products account for only a small portion of that, largely because they don't appeal to the masses as do other retail products.

In Canada, we are sheltered from much of the problem, says Neu, "because of the relatively small market size. Also, our tighter distribution chain makes it more difficult. Here, distributors have signed exclusive deals with manufacturers and don't want to mess those up because it would have major implications to their profits. In the United States, however, the problems are larger because the distribution system is looser. With a tight network, it doesn't take long for someone to squeal. When it does come out, EFC is all over it."

### How to protect the market

Sheltered, however, is a long way from immune. Holloway points out that, "The quality of anti-counterfeiting measures in Canada is weak. The situation is sufficiently dire that, while Canada is not considered a hotbed of counterfeit manufacturing, the International Anti-Counterfeiting Coalition (IACC) recently asked that Canada be named a Priority Foreign Country along with China (the only two countries selected for this dubious distinction) in its most recent submission to the U.S. Trade Representative (USTR). Prior to that, Canada had been on a lower level watchlist of countries with somewhat serious counterfeiting



Always buy products bearing the Marks you know and trust

issues. While it appears as though the USTR has chosen to leave Canada on the watchlist rather than elevate it to priority status, the weak Canadian situation has clearly become very visible."

In Canada, the typical penalty for distributing counterfeit materials is a fine. However, the courts did recently give out jail time for the first time in a case where someone was convicted of copyright infringement. Unfortunately, the punishment was a mere six months to be served on weekends. Contrast this with legislation recently proposed in the United States that would put counterfeiters in the same class as drug dealers and you get a sense of the discrepancy.

Neu outlines the problems at our border: "Currently, the Canada Border Services Agency (CBSA) can't seize counterfeit product. They must call the RCMP and ask them to look at it." The RCMP has a number of days to respond, and when they miss that window of opportunity, CBSA has to release the suspect goods. "And if it's released, they can't announce it because of the Privacy Act," Neu concludes.

That doesn't mean that the two don't talk to each other. Joint task forces have been set up in major ports of entry to track and deal with suspect shipments. And because counter-

feit electrical products are considered a risk to health and public safety, these shipments always get priority treatment.

#### Be informed and verify before you buy

The recent formation of the Canadian Anti-Counterfeiting Network is another step Canada has taken to help stem the tide of counterfeit product going through our borders. The network is a coalition of individuals, companies, firms and associations that have joined in the fight against product counterfeiting and copyright piracy in Canada and internationally by lobbying the government, educating legislators and the public, and sharing information with law enforcement and the public sector. Their chair is CSA's director of corporate audits and investigations, Doug Geralde. He points out that it isn't always easy to spot a counterfeit, but offers the following advice:

- Significantly lower pricing: if it's too good to be true, it probably is. Compare pricing of similar products, as well as warranty and standard trademarks.
- Cheap production: check the 'look and feel' of the goods. Fakes are often light and flimsy.
- Look for the Mark: a system of standards has been put in

place to test and certify products. Avoid electrical products when the Mark from a recognized certification organization, such as CSA International, is missing.

- Poor spelling: look for misspellings and unclear printing on packaging, products, labels or instructions.
- Inferior packaging: counterfeit packaging often has poor design or shows only partial illustrations.
- Missing items: check for a discrepancy between the contents of the package and the item's description on the outside of the package, as well as missing product information.
- Trust no one: Even reputable retailers are subject to counterfeit goods. Take it upon yourself to ensure you purchase a legitimate product, every time.

If you're in doubt about the authenticity of a product, check with the manufacturer, contact the RCMP or visit CSA International's website. Counterfeiting is a global crime of massive proportions. Far from being victimless, we all eventually pay the price in lost jobs and lost lives as organized crime reaps the rewards. **EB**

Earle Goodwin is a Toronto-based freelance writer and marketing consultant specializing in electrical construction.

## CALENDAR//

### Canadian Electrical Code Essentials

Canadian Standards Association (CSA)  
**March 2-3, Yellowknife**  
**March 6-7, Whitehorse**  
**March 27-28, Moncton**  
**March 27-28, Regina**  
**March 30-31, Cornerbrook, N.L.**  
**March 30-31, Halifax**  
**April 6-7, Niagara Falls, Ont.**  
**April 12-13, Mississauga, Ont.**  
**April 18-19, Vancouver**  
**May 4-5, Edmonton**  
**May 8-9, London, Ont.**  
**May 25-26, Montreal (English)**  
**June 12-13, Red Deer, Alta.**  
**June 26-27, Sudbury, Ont.**  
[learningcentre.csa.ca](http://learningcentre.csa.ca)

### Work Truck Show

National truck Equipment Association (NTEA)  
**March 1-3**  
 Atlanta, Ga.  
[www.worktruckshow.com](http://www.worktruckshow.com)

### Business & Public Relations Course

Electrical Contractors Association of Alberta (ECAA)  
**March 2-3**  
[www.ecaa.ab.ca](http://www.ecaa.ab.ca)

### University of Industrial/Electrical Distribution (UID/UED)

NAED (National Association of Electrical Distributors)  
**March 5-8**  
 Indianapolis, Ind.  
[www.univid.org](http://www.univid.org)

### Credit, Collections & Construction Law

Electro-Federation Canada (EFC)  
**March 9**  
 Mississauga, Ont.  
[www.electrofed.com](http://www.electrofed.com)

### Annual Conference

Canadian Construction Association (CCA)  
**March 12-16**  
 Big Island, Hawaii  
[www.cca-acc.com](http://www.cca-acc.com)

### Healthcare Lighting

GE Lighting Institute  
**March 16-17**  
 Cleveland, Ohio  
 Call (800) 255-1200

### Design Build Course

Electrical Contractors Association of Alberta (ECAA)  
**March 16-17**  
[www.ecaa.ab.ca](http://www.ecaa.ab.ca)

### Annual Technical Conference

InterNational Electrical Testing Association (NETA)  
**March 20-23**  
 Memphis, Tenn.  
[www.netaconference.com](http://www.netaconference.com)

### Total Apprentice Conference 2006: Techniques of the Trades

Skilled Trades Alliance (STA)  
**March 25**  
 Hamilton, Ont.  
 Visit [www.skilledtrades.ca](http://www.skilledtrades.ca) and Click STA logo

### Retrofits and Other Energy Saving Strategies

GE Lighting Institute  
**March 29-30**  
 Cleveland, Ohio  
 Call (800) 255-1200

### Curling Bonspiel

British Columbia Electrical Association (BCEA)  
**March 31**  
[www.bcea.bc.ca](http://www.bcea.bc.ca)

### Mid-Canada Electrical Showcase

Manitoba Electrical League (MEL)  
**April 5-6**  
[www.meleague.net](http://www.meleague.net)

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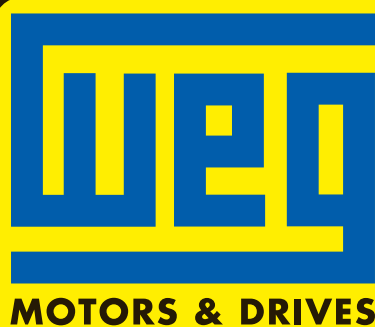
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