

# Counterfeit Article

## A Safety Issue

Think counterfeiting is something that mostly happens in the movies or your favorite cop show on TV? Or only applies to paper currency or luxury consumer brands like Rolex and Gucci? Think again. Even in the relatively unglamorous world of auto parts, counterfeiting is a growing trend.

Suffice it to say that where there's a trusted brand, there's likely to be a counterfeiter close at hand. GM Genuine Parts or ACDelco brands are no different. However, the key difference between fake Coach handbags and fake ACDelco brakes is safety. That's where this trend takes a dangerous turn.



## Defining the Problem

A counterfeit good is a product that closely resembles a genuine item – often so closely that it cannot be distinguished without complex analysis. Imitation goods are manufactured, packaged and represented to intentionally mislead the public. Imitators often duplicate a trademark exactly or alter it just enough so that the average customer won't notice the difference. They also use other recognizable characteristics, such as similar packaging, to market their counterfeits.

Beneath the surface, though, it's often an entirely different story. These products are usually inferior in quality and performance.

Unfortunately, sometimes consumers might know they're buying a knockoff but choose to do so anyway. But either knowingly or unknowingly purchasing fake merchandise causes serious losses to a reputable brand, the economy, and encourages even more counterfeiting. And now, thanks to technological advances and good old-fashioned criminal perseverance, counterfeiters are churning out fakes at record levels.

## Just How Big?

Just how big a problem is counterfeiting? In general, counterfeiting consumer goods is one of the largest underground industries in the world, and it is growing rapidly. The impact on the global economy is in the billions of dollars.

It's hard to pinpoint just how much money and goodwill counterfeiters are stealing from legitimate brands, distributors, retailers and shops because they don't all provide earnings guidance to Wall Street or file paperwork with the Securities & Exchange Commission (SEC). However, numerous government agencies and industry sources estimate the entire global counterfeit problem at around \$1.2 trillion in 2017 (\$323 billion lost to online counterfeit sales specifically that year) ([Research and Markets, 2018](#)), and that figure is expected to grow to \$1.95 trillion by 2022 ([Frontier Economics, 2016](#)). It has been estimated that automotive suppliers lost \$45 billion to counterfeiting in 2011 itself ([Chow, 2011](#)).

According to the [U.S. Customs and Border Protection \(CBP\) Office of Trade's Fiscal Year \(FY\) 2017 Seizure Statistics](#), Intellectual Property Rights (IPR) related seizures increased 8% year-over-year compared to FY 2016.

MEMA – the Motor and Equipment Manufacturers Association — which created a special Intellectual Property Council to address counterfeiting, intellectual property violations and other “gray market” activity — says the majority of counterfeit auto parts in North America are imported. A large number come from China, accounting for more than 80 percent of the goods seized at U.S. borders. However, other countries such as Taiwan, Russia, India, Pakistan and Uruguay also have been reported as major producers and exporters of counterfeit goods.

## Injury or Worse

Counterfeiting auto parts is not a victimless crime when one considers:

- Safety and Satisfaction – Counterfeit auto parts pose safety risks to unsuspecting consumers and technicians,
- Brand Integrity – Counterfeiting destroys the brand reputation of legitimate companies and poses product liability claims,
- Profitability – Counterfeiting can adversely impact the profitability and viability of installers and legitimate parts suppliers.

### Safety

“When motorists and repair technicians unknowingly buy these readily-available counterfeit parts, they likely have no idea that what they are installing is inferior and potentially dangerous,” said Bill Long, President and CEO of MEMA.

Because fake auto parts are a serious problem, GM has a Brand Protection team in Global Security and CCA that works diligently to protect our brands from being counterfeited. Counterfeit GM Genuine Parts and ACDelco parts can harm our customers. For example, counterfeit brake pads may have decreased stopping power or wear quicker, bogus spark plugs can overheat and may lead to fire, counterfeit oil filters can cause sudden engine failure, and fake airbags may not deploy or deploy with shrapnel causing injury or worse.

### Brand Integrity

In North America, counterfeit parts have a harder time getting into GM’s distribution channels because they are run so tightly. But that doesn’t mean the pipelines are completely free of fakes. For ACDelco and GM Genuine Parts distributors, counterfeiters are unfair competitors who steal customers and sales. In addition, counterfeit parts undermine the trust consumers place in a business. Bad word-of-mouth that a facility uses substandard or fake parts scares away customers and can kill a business.

### Profitability

Imitation parts are also usually less reliable, so they need to be replaced more often, tying up technicians and service bays. Counterfeit parts can cause mechanical problems and system breakdowns, as well as put people at risk for serious injury or death. And in the same way shoplifters end up costing honest customers more money at the checkout line, counterfeiting can result in more costly parts for honest service providers because of lost revenue.

The impact doesn’t stop there. Go up another level to the suppliers of legitimate parts brands and, although estimates vary, it is safe to say counterfeiting steals tens of thousands of good manufacturing jobs in the U.S. alone.

## Most Commonly Counterfeited Parts

Once produced, most counterfeit auto parts are redistributed from key trans-shipment points, many of which are in the Middle East. While no parts are immune from the entrepreneurial pursuits of the counterfeiters, most tend to be frequently replaced service parts. Even though the industry estimates millions of counterfeit parts enter the U.S. every year, only a fraction of them are ever detected by U.S. Customs. Parts and packaging are usually shipped separately to avoid detection, which also stymies enforcement.

Internet commerce has provided counterfeiters with new sales channels. Online auctions and other sites that link sellers with buyers have made the counterfeit parts trade an international problem of epic proportions.

Here are just a few examples of what GM’s Global Brand Protection team and authorities have uncovered:

- Oil filters with “filtering” elements consisting of old rags and perforated food cans, or some melt when heated to a certain temperature
- Transmission fluid that was really a cheap grade of crude oil dyed red for appearance
- Counterfeit grilles that discolor and fade rapidly, and are made of cheap materials that may impact crash performance in a collision
- Brake pads made of paper and pressed wood, or even grass

According to ACDelco, the most commonly produced counterfeit parts are maintenance and high-volume items such as oil and air filters, shock absorbers, fan belts, disc brake pads and shoes, air conditioning compressors, starters, spark plugs and oxygen sensors.

Other popular fakes include:

- Valves and valve lifters
- Distributor caps
- Gasoline filters
- Rocker arms and camshafts
- Antifreeze/coolant and transmission fluids
- Bearings
- Alternators and generators

### Spotting a Fake

In addition to seizing counterfeit goods, GM has invested in training law enforcement and Customs personnel on what to look for when confronted with suspected counterfeit products, as well as educating the public and private sectors on the seriousness of the issue. General Motors is a member of the Automotive Anti-Counterfeiting Council (A2C2), a group of several OEMs whose mission is to eliminate counterfeit automotive parts that could harm U.S. consumers. In conjunction with public and private partner organizations, GM and the A2C2 provide training, outreach and investigative support to accomplish this mission. Officially formed as a non-profit organization in 2015, more information about the A2C2 can be found at [www.a2c2.com](http://www.a2c2.com).

Additionally, third-party organizations, like MEMA, work with Association members and law enforcement to raise awareness, provide training, and try to remediate a growing economic threat.

It isn't easy to spot a fake. That's because the really good counterfeiters work long and hard to fool consumers.

Here are tips to help you tell a phony from the genuine article:

- If you're not installing the part yourself, ask the person who is if you can see the part and package.
- Inspect the packaging. If it appears flimsy, lacks the name brand or logo or has graphics or a name that is like, but not quite the same as, those you're used to seeing (such as AZDelco instead of ACDelco), it could be counterfeit. Counterfeiters often use colors, artwork and type fonts on their packaging that are similar to the original.
- A competitive market drives variation in price among reputable manufacturers; however, extremely large differences in price should make you suspicious.
- Because counterfeiters have become very sophisticated as technology has improved, a visual inspection of the product may not be enough to distinguish genuine parts from the fake. **Always insist on GM Genuine Parts or ACDelco parts from authorized retailers.**

As counterfeiters get smarter and more sophisticated, GM is staying a step ahead with high-tech identifiers that distinguish genuine products yet are invisible to would-be fakers. But outsmarting a global network of counterfeiters can be the enforcement equivalent of the old carnival game of Whack-a-Mole: Stop one counterfeiter and another pops up somewhere else.

### Avoid Getting Burned

According to Dale Tripp, Brand Protection Manager at General Motors, sometimes, the easiest antidote to counterfeiting is common sense: "If you're offered parts at a price that seems too good to be true, it probably is. The best way for dealers, independent repair shops and consumers to avoid getting burned is to always buy products from authorized and reputable manufacturers, distributors, retailers and repair facilities."

General Motors encourages customers who suspect a part they purchased is fake to save the part, the packaging, the invoice and receipt and contact the GM Global Brand Protection Team at [gm\\_global\\_brand\\_protection@gm.com](mailto:gm_global_brand_protection@gm.com).