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AGMA URGES MANUFACTURERS TO TAKE STEPS TO PROTECT PRODUCTS FROM COUNTERFEITERS

Leading Industry Advocate Offers Tips and Strategies to Help OEMs More Effectively Address Growing Global Counterfeiting Problem

FREMONT, Calif., October 3, 2007 – Most information technology (IT) companies consider counterfeiting to be one of the most challenging issues for their industry, as illegal replicas of brand name high technology products penetrate the global marketplace. According to interviews conducted with electronics industry executives, as many as one in ten IT products sold may actually be counterfeit.

The Alliance for Gray Market and Counterfeit Abatement (AGMA) recommends that all vendors, regardless of size, take proactive steps to address counterfeiting issues by securing the supply chain, educating authorized channel distributors and arming resellers with tools to ensure the brand integrity of genuine goods.

“Counterfeiting has a number of negative effects on our industry, such as reducing the value of intellectual capital, damaging brand image, eroding profitability, stifling innovation and depriving customers of the quality they expect from a brand,” said AGMA’s president, Ram Manchi. “That’s why one of AGMA’s charters is to educate brand owners on best practices that can be employed to identify, combat and prevent the sale and distribution of counterfeit products. The collective experience and proven strategies of AGMA members can help IT vendors to protect their customers from inferior goods, as well as preserve the integrity of their brands.”

Many of the world's leading IT companies have developed and implemented successful security measures and counterfeiting deterrents that other vendors can learn from. Continuing its efforts to educate the industry about the issues raised by the counterfeiting of technology products, AGMA has collected insights and advice from its experienced membership to identify practices that help combat counterfeiting issues.

The challenges raised by counterfeiting can be considerable. Implementing a multi-prong strategy is more likely to yield successful results than relying on a single tactic to address the issue. In order to help manufacturers build an effective prevention, detection, and response strategy to mitigate counterfeiting, AGMA offers the following "Keys to Addressing the Counterfeit Issue":

- 1. Design Security Measures into Product Technology and Packaging**
 - Design and employ copy-resistant and anti-counterfeit technologies on high risk products, making them difficult to copy
 - Frequently evaluate anti-counterfeit technologies, including radio frequency identification (RFID), security labeling, and other packaging technologies and techniques
 - Layer anti-counterfeiting controls into product and packaging designs, as well as into manufacturing, sales, order processing, services, and warranty processes
- 2. Educate Stakeholders: Employees, Channel Partners and End Users**
 - Develop and implement anti-counterfeit education, training and communication programs for internal and external stakeholders, including end users, channel distribution partners, and service and sales employees
 - Build an anti-counterfeiting organization by evaluating potential areas of risk, establishing clear work methods for employees, setting solid boundaries with regard to activities that can increase counterfeiting, and adhering to company security policies
- 3. Secure Supply Chains and Authorized Channels**
 - Work very closely with and monitor contractors, the supply chain and distributors, relying on auditing processes and contractual safeguards

- Sign product distribution agreements that contain specific language protecting the brand, including provisions for auditing and enforcement
 - Monitor potential distribution streams of counterfeit products, such as Internet brokers and trade web sites where identities and sales origin are easy to mask
 - Identify geographical “hotspots”, including countries where counterfeiting is likely to be a problem
- 4. Develop and Deploy Processes to Fight Counterfeiting**
- Create an internal anti-counterfeiting task force, including stakeholders from finance, sales, and service organizations from all “hotspot” regions in the world
 - Create a global brand protection function to manage the anti-counterfeiting program for the company
 - Provide a simple means by which suspected product, website or other infringements can be reported
- 5. React Swiftly to Suspected Illegal Activity**
- Take enforcement action through the legal system against counterfeiting and other illegal operations
- 6. Use Law Enforcement and Trade Alliances to Your Advantage**
- Coordinate with U.S. and international organizations and trade alliances in responding to counterfeiting issues
 - Partner with international law enforcement and customs agencies to research and monitor the traffic in counterfeit IT products, and to pursue infringers
 - Be prepared to actively help local law enforcement and other authorities by providing information and tools it cannot afford to buy, such as transportation for local authorities that plan to “raid” a suspected manufacturer or distributor

By implementing these best practices, an IT company can build a strategy that provides valuable benefits to its consumers, internal and external stakeholders and the IT industry as a whole.

To view AGMA's most recent whitepapers that address the issue of IT counterfeiting, as well as the Gray Market, please visit their website at www.agmaglobal.org.

About AGMA

AGMA is a non-profit organization comprised of influential companies in the technology sector including founding members 3Com Corporation [NASDAQ: COMS], Cisco Systems, Inc. [NASDAQ: CSCO], HP [NYSE, Nasdaq: HPQ] and Nortel [NYSE/TSX: NT]. Incorporated in 2001, AGMA's mission is to mitigate the gray marketing and counterfeiting of technology products around the globe. The organization's goals are to protect the authorized distribution channels and intellectual property of authorized goods to improve customer satisfaction and preserve brand integrity. AGMA is open to any technology manufacturer that owns a branded IT product. For more information, please visit www.agmaglobal.org.

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