

Auto Piracy - Problems & Solutions

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Introduction:

When it comes to intellectual property theft and piracy, most people think of movies and high-end handbags- but what if the brakes on your car were fake? Clearly, the auto parts industry has a piracy problem. The FBI estimates that the auto industry loses \$12 billion in annual sales due to counterfeiting. China accounts for \$9 billion of counterfeit auto parts loses.

What are fake parts?

Counterfeit Auto Parts is the selling of unauthorized parts to be used in repair and maintenance of an automobile. Virtually every automotive part has turned up in counterfeit trade, including windshield glass, brake fluid, brakes, headlights, taillights, emissions components, tires, belts, hoses, alternators, sheet metal and suspension parts. The extent of it being that an entire car was copied, manufactured and sold not as a Chevy but as a "Chery QQ," with plans for export.

What's different now is the sophistication of the industrialization taking place in emerging economies-while manufacturing in these areas has developed, the concept of intellectual property has not. With counterfeit auto parts, the concern goes beyond monetary losses. Fake parts are cheaper for a reason- they cut corners and use poor quality materials, and the consumer pays the price in the end. The physical dangers and risks involved in using these parts, is a grave concern. It is frightening to know, that authorities have found brake linings made of compressed grass, sawdust or cardboard that wear out quickly; spark plugs that overheat and can lead to fires; and gas caps that can leak after rollover accidents.

What should be done?

While the trade of counterfeit parts has dramatically increased, tackling counterfeits is not impossible. Counterfeiting is a problem that needs to be addressed quickly and decisively. Ideally, as a first move, more effective partnerships should be built between law enforcement agencies and the private sector with focus on intelligence sharing, awareness and product identification training. However, the involvement of all segments of the automotive and heavy-duty industries cannot be undermined.

Manufacturers:

Manufacturers should create a team that focuses on anti-counterfeiting strategy. This should include registration of trademarks and copyrights, and strategy for enforcement of intellectual property rights. Also, anticounterfeiting technology should be employed, to ensure that genuine products are readily identifiable. Use of various markings and anti-theft devices (holograms, RFID tags, etc.) is essential, that would distinguish a genuine product from a fake one. Security features designed for public recognition should be simple, memorable and eye-catching.

For eg. Hyundai Mobis, one of the largest auto parts manufacturers in the country, learned imitated parts are being made and sold in the market. In case of auto parts, the consequence of forgery not only leads to

loss of income but also may lead to loss of life if the consumer bought the imitated item unknowingly. Hyundai Mobis after a long contemplation discovered about hologram and decided apply it to protect its buyers from the counterfeits. The company has been using holograms on the inspection certificates since 1993. Holograms for Hyundai Mobis, if forcefully removed from the product, self-destructs and points up the word MOBIS; on the product, efficiently demonstrating its level of security. Since the introduction of hologram, Hyundai Mobis was able to expose the organization responsible for the forgery and distribution of fake parts, and even further, was able to earn even higher customer reliance and increased sales. Enker, a Bosnian manufacturer of sparking plugs, employed De La Rue Holography Company to produce a sophisticated hologram, which is now successfully authenticating its products. Auto industry should work to educate suppliers, distributors and employees on how to detect counterfeit parts.

Distributors, retailers and technicians

Distributors, retailers and technicians in the aftermarket play a slightly different role in the fight against counterfeiting. While they may not be able to stop fake products from being made, they should prevent them from making it in to the supply chain.

Customers

Customers should visually inspect the product and learn to spot fakes. If the part looks different from the one being replaced, it is a sure sign that it is a counterfeit. In addition, the packaging should be checked carefully for signals like odd shaped pack, mismatched logos, absence of anti-theft devices like holograms. Anything out of the ordinary should raise a red flag. Counterfeiting has surely exploded in recent years to become a serious threat. The automotive industry needs to stand up and fight this growing economic crime. This fake auto-part trade is like cancer - a problem that nobody can solve quickly- It has to be an effort sustained over many years.

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The Hologram Manufacturers Association of India (HOMAI) is a non-profit organisation established in 1998 to represent and promote the interest of hologram industry in India as well as to fight against counterfeiting.

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