

Supply Chain Roadblocks

Due to U.S. Customs Seizures of Imports.



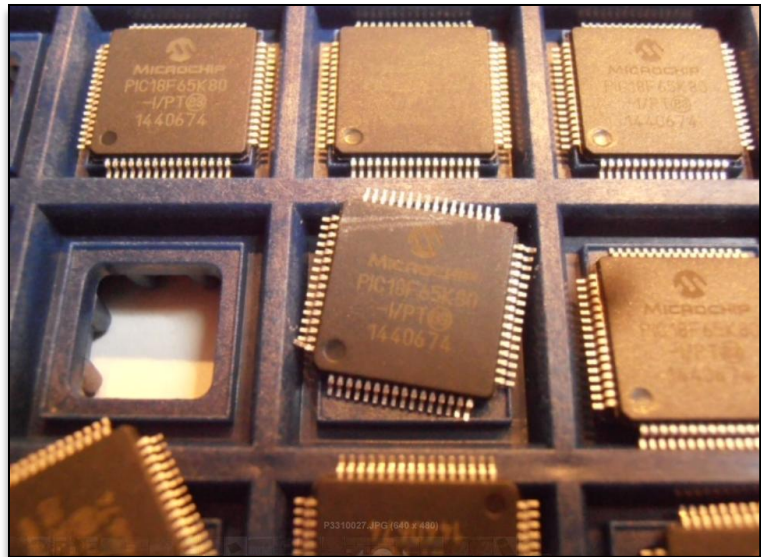
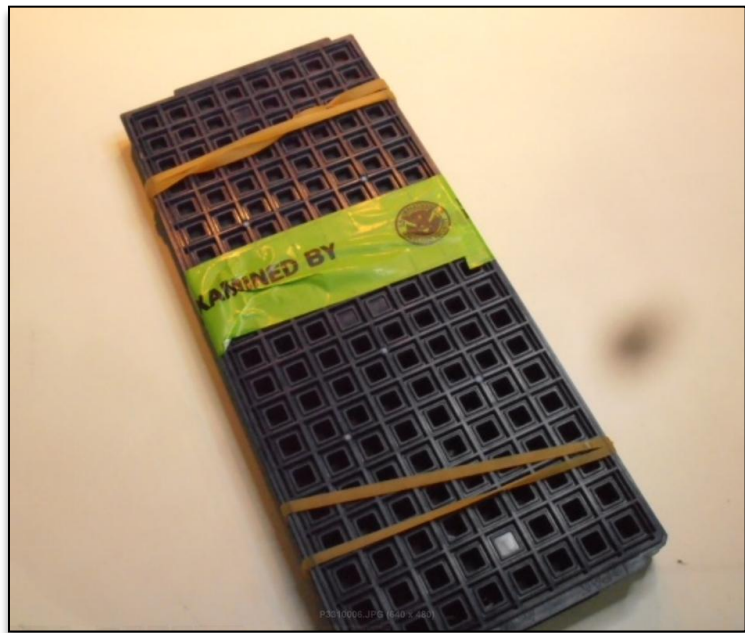
What I will cover

- What the problem is
- How it effects YOU
- An example of how a real seizure transpired
- What to do if it happens to you

How Customs Seizures Effect You

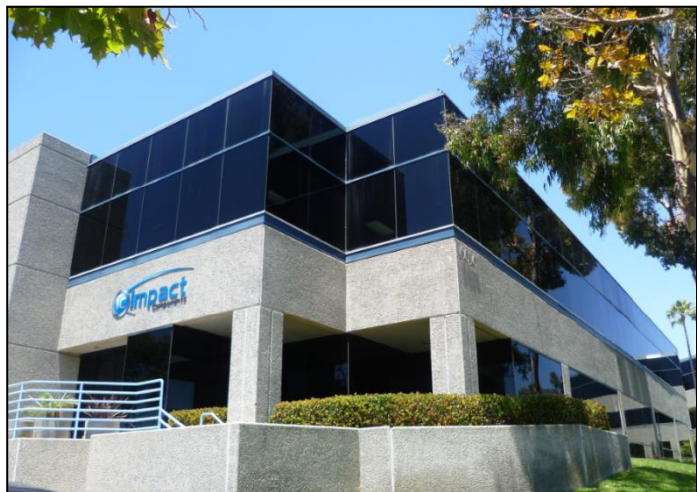
Even if you are Not an Importer

- Delay or Loss of Badly needed Parts.
- Late delivery or Line Stoppage
- Loss of Investment \$\$\$
- Loss of Vendor relationship
- Potential Fines and Penalties
- Potential Damage to Parts ESD/MSL/Handling and re-packing

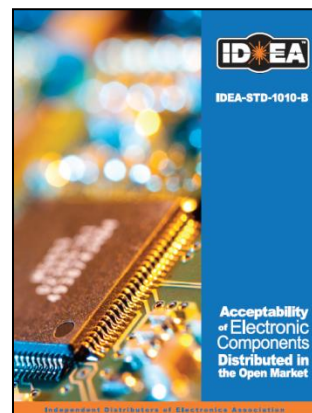


Who Are We?

“ If it exists on this planet, we will track it down TM ”



- In Business since 1987 (**28 Years**)
- ISO-9002-2008 Certified TUV
- ANSI/ESD S20.20-2007 Certified
- ERAI Member Since 1996
- IDEA Member Since 2003
- ICE-3000 Certified Inspectors



*In House De-cap
X-Ray and XRF*



The Process

- Notification by the Carrier of Customs Seizure.
- Little or no Specific Information provided as to Reason for Seizure at this time
- Case number will be referenced



- In 14-17 days CBP letter will come via mail
- Official CBP letter will state a reason, but no details, photos or explanation
- Decision is in the hands of the IP holder (OCM)



MAY 15 2014

NOTICE OF SEIZURE AND INFORMATION TO CLAIMANTS FORM AF

6010 Cornerstone Court West, Ste 201
San Diego, CA 92121

Re: Case Number 2014 3195 000 395

This is to officially notify you that U.S. Customs and Border Protection (CBP) seized the property described below at the Anchorage, Alaska, Federal Express Facility, on April 29, 2014:

4,018 integrated circuits bearing a counterfeit trademark of Analog Devices, Inc. This trademark consists of the "Analog Devices and Design" trademark located on the circuits. The "Analog Devices and Design" trademark is registered with the United States Patent and Trademark Office under Registration Number 4363194 and recorded with United States Customs and Border Protection under Recordation Number TMK 13-00993.

The appraised domestic value of the property is \$6,710.

The property was seized, **prohibited from importation**, and is subject to forfeiture under the provisions of 19 U.S.C. § 1526(e) for violation of 19 C.F.R. § 133.21(b). 19 C.F.R. § 133.21(b) of the Customs Regulations states: Any article of domestic or foreign manufacture imported into the United States bearing a counterfeit trademark shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violation of the Customs laws.

You may contact the owner of the subject protected trademark via IPRS. IPRS is a searchable database containing public versions of U.S. Customs and Border Protection (CBP) intellectual property rights recordings and is located here: <http://iprs.cbp.gov/>. By querying the Trademark Recordation number (TMK-...) noted above you will have access to contact information for the owner of the protected trademark. This is beneficial if you feel that the seized property is not counterfeit but is properly licensed and therefore legitimate. This website only provides information for trademarks recorded with CBP.

Sophie's Choice

NOTE: PLEASE READ THE LETTER "NOTICE OF SEIZURE AND INFORMATION FOR CLAIMANTS" BEFORE YOU FILL OUT THIS FORM. THIS FORM SHOULD BE COMPLETED AND RETURNED TO THE U.S. CUSTOMS AND BORDER PROTECTION (CBP) AT THE ADDRESS STATED IN THE LETTER.

I understand that property in which I have an interest has been seized by Customs and Border Protection Service (CBP) under Case Number 2014 3195 000 395 01

Check **ONLY ONE** of the five following choices:

I REQUEST THAT CBP CONSIDER MY PETITION ADMINISTRATIVELY. My petition is attached. By making this request, I understand that I am giving up my right to begin administrative forfeiture proceedings immediately, as provided by title 19, United States Code (U.S.C.), section 1607 and title 19, Code of Federal Regulations (CFR), section 162.45, or (2) immediate referral of the case to the U.S. Attorney for court action, as provided by 19 U.S.C. 1608 and 19 CFR 162.47. If administrative forfeiture has begun, it will be stopped until my petition is considered. However, I understand that *at any time* I can request, in writing, that you begin administrative forfeiture proceedings, and you will continue to consider my petition. I also understand that *at any time* I can file a claim and bond with your office and CBP's consideration of my petition will stop and the case will be sent to the U.S. Attorney for court action.

I REQUEST THAT CBP CONSIDER MY OFFER IN COMPROMISE ADMINISTRATIVELY. My offer is attached. By making this request, I understand that I am giving up my right to begin administrative forfeiture proceedings immediately, as provided by title 19, United States Code (U.S.C.), section 1607 and title 19, Code of Federal Regulations (CFR), section 162.45, or (2) immediate referral of the case to the U.S. Attorney for court action, as provided by 19 U.S.C. 1608 and 19 CFR 162.47. If administrative forfeiture has begun, it will be stopped until my offer is considered. However, I understand that *at any time* I can request, in writing, that you begin administrative forfeiture proceedings, and you will continue to consider my offer. I also understand that *at any time* I can file a claim and cost bond with you and CBP's consideration of my offer will stop and the case will be sent to the U.S. Attorney for court action.

I ABANDON THE PROPERTY AND I REQUEST THAT CBP BEGIN ADMINISTRATIVE PROCEEDINGS TO FORFEIT THE PROPERTY. Please immediately begin publication of the notice of seizure and intent to forfeit. I abandon any claim or interest in the property.

I REQUEST THAT CBP SEND MY CASE FOR COURT ACTION. Please immediately refer the case to the U.S. Attorney for a court decision. I am filing/will file a claim and cost bond with you.

I REQUEST THAT CBP BEGIN ADMINISTRATIVE PROCEEDINGS TO FORFEIT THE PROPERTY. Please immediately begin publication of the notice of seizure and intent to forfeit the property, and consider my petition or offer in compromise, if any. I understand that within thirty (30) days of the first publication of the notice, I can request that you send the case to the U.S. Attorney for



To Lawyer up or Not to Lawyer up?

The appraised domestic value of the property is \$6,710.

The property was seized, **prohibited from importation**, and is subject to forfeiture under the provisions of 19 U.S.C. § 1526(e) for violation of 19 C.F.R. § 133.21(b). 19 C.F.R. § 133.21(b) of the Customs Regulations states: Any article of domestic or foreign manufacture imported into the United States bearing a counterfeit trademark shall be seized and, in the absence of the written consent of the trademark owner, forfeited for violation of the Customs laws.

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Upon completion of the forfeiture proceeding, a civil penalty equal to the Manufacturers Suggested Retail Price (MSRP) (MSRP for this case is \$16,796) may be assessed pursuant to the authority of 19 U.S.C. § 1526(f) for seizures made pursuant to the provisions of 19 U.S.C. § 1526(e).

- Appraised Value (according to Notice) \$6,710.00
- P.O. Value - \$9,643.20
- Potential Civil Penalty - \$16,796.00



This is Awkward...

IMPACT COMPONENTS PURCHASE ORDER TERMS & QUALITY CLAUSE CONDITIONS

A. PRODUCT: 1) All goods must be new and unused, and neither reconditioned, repaired, or modified from the Original Component Mfg's (OCM) design. 2) All parts must be prime, unused, un-pulled and un-programmed. 3) Parts must not have bent or formed leads, test dots or other 3rd party markings. 4) All parts must be contained in original manufacturers' packaging. 5) No substitutions or changes are allowed without written approval from Buyer. 6) Prior to shipment, Supplier shall notify Impact Components if a non-conformance condition exists with the product and obtain approval for nonconforming product disposition. 7) Supplier shall notify Impact Components of any changes in product definition or process. 8) Quantity variances and / or partial shipments are not permitted unless prior written authorization is received from the Buyer.

B. COUNTERFEIT / SUSPECTED PARTS POLICY: 1) Counterfeit parts have no value. For example, any Limitation of Warranties provision contained in the Supplier's Terms and Conditions will be declared null and void if it is later determined that counterfeit parts or suspect counterfeit parts were received by Impact Components from Supplier. Supplier and Impact Components hereby agree that if Impact Components or a testing laboratory chosen by Impact Components determines that the goods supplied are suspect counterfeit or counterfeit, then Supplier and Impact Components have the right to: A) Agree with Impact Components' findings and the transaction will be voided; or B) Verify Impact Components' findings by contracting with an Impact Components' approved and Supplier recognized test laboratory (hereinafter referred to as "lab"). 2) If Supplier accepts Impact Components' findings and chooses to immediately void the transaction, the suspect electronic parts will not be returned to Supplier unless and/or until an independent lab agreed to by both Supplier and Impact Components determines that the electronic parts are not suspect counterfeit or counterfeit. Under these circumstances, Impact Components shall retain possession of the suspect electronic parts for a time period at least as long as the applicable statute of limitations under the appropriate Authority(ies) Having Jurisdiction following the date upon which Supplier received notification from Impact Components that it was choosing to immediately void the transaction between them. Once this period has expired, then Impact Components shall have the absolute right to destroy the suspect electronic parts. If Supplier exercises their rights to have an independent lab determine whether the suspect electronic parts are counterfeit and the lab verifies the findings that the subject electronic parts are either suspect counterfeit or counterfeit, then Supplier must issue an immediate refund of all monies paid by Impact Components. Impact Components and Supplier agree that whether or not Supplier refunds all monies paid by Impact Components, Impact Components shall have the absolute right to reacquire possession of the subject electronic parts from the lab in order to prevent the subject electronic parts from being offered for sale through any channels of distribution. In the event that Supplier pursues its Supplier, either in civil or criminal proceedings, Supplier shall have the right upon request to receive and use a mutually agreeable sample quantity of the parts sold for the purpose of pursuing its remedies. Upon completion of testing, samples will be returned to Supplier who will then return them to Impact Components. Impact Components and Supplier agree that Impact Components shall have the right to destroy the suspect electronic parts after expiration of the applicable statute of limitations under the appropriate Authority(ies) Having Jurisdiction. Notwithstanding the above, if Impact Components and Supplier agree in writing that the parts can be immediately destroyed, the parts will be destroyed per their agreement so long as all civil or criminal actions, in which the suspect electronic parts are the subject of the action have been completed. 3) If prior to receipt of the subject parts from Supplier, the United States Customs Service or any related agency ("USCS") seizes the subject parts, then Impact Components' obligations to pay for the subject parts is tolled until the subject parts are released from USCS. If Impact Components has already paid Supplier for the subject parts and the subject parts are then seized by USCS, then Supplier shall reimburse Impact Components all of the monies that it has received from Impact Components and Impact Components shall not be required to pay for the subject parts until they are released by USCS.

C. DEFINITION OF SUSPECT, FRAUDULENT, AND COUNTERFEIT PARTS: Impact Components defines: 1) Suspect Part- A part in which there is an indication by visual inspection, testing or other information that it may have been misrepresented by the supplier or manufacturer and may meet the definition of fraudulent or counterfeit part. 2) Fraudulent Part- Any suspect part knowingly misrepresented to Impact Components as meeting Impact Components requirements. 3) Counterfeit Part- A fraudulent part that has been confirmed to be a copy, imitation or substitute that has been improperly represented, identified or marked as genuine, and/or altered by a source without the legal right to do so with intent to mislead, deceive or defraud.

D. INSPECTION: 1) All goods provided by the seller are subject to inspection and approval. 2) The original manufacturers' markings, labels and date codes must be legible and not altered in any way. 3) Buyer and authorized representatives of Buyer's Customers and / or Regulatory Authorities shall have direct access to all applicable areas of all Seller's and Seller's Subcontractor's Plants (at any level of the supply chain) where work under this P.O. is being performed, to review progress, records and witness testing of the items related to this P.O. Seller shall include this clause in all of Seller's subcontracted Purchase Orders. 4) If Government Source Inspection is required, it shall be performed at Supplier's facility prior to shipment as directed by Impact Components/ "GSI" any in process inspection is also mandated by this clause. Supplier shall provide evidence of Government Source Inspection with each shipment if applicable



Terms and Conditions

- Specifically State:
 - Parts MUST be New, Original Unused
 - In Original Manufacturer's Packaging
 - Counterfeits are deemed to have No Value
 - If determined Counterfeit they will Not be returned
 - No payment will be made

What we Did

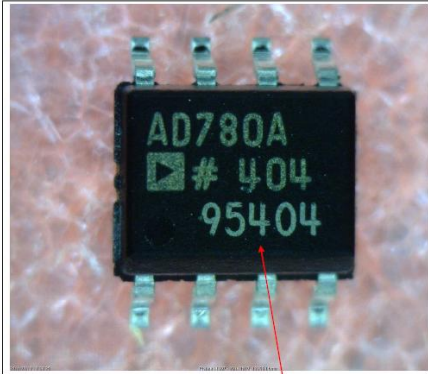
- Purchased remaining parts from same lot from Overseas supplier. Shipped to O/S test house
- Engaged Overseas Test house to validate the parts and create a report
- We purchased samples of the same part from US Distributor
- Produced an in house Analysis using our counterfeit detection tools

Parts from Authorized Distributor

Component Inspection Analysis

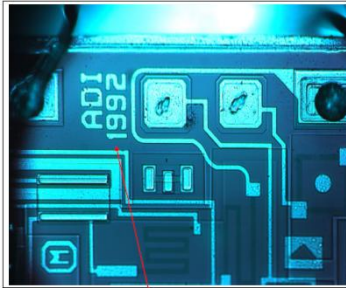


TOP MARKINGS



CLEAR AND CONSISTENT PART MARKINGS.

DIE MICROSCOPY



UNDER MAGNIFICATION THE MANUFACTURER NAME, LOGO, AND COPYRIGHT DATE ARE CLEARLY VISIBLE ON THE DIE. THESE MARKINGS ARE IN THE CORRECT LOCATION AS SHOWN ON THE MANUFACTURERS DIAGRAM.

Component Inspection Analysis



Purchase Order#

Device Information	
Date	6-11-2014
Part Number	AD780ARZ
Manufacturer	ANALOG DEVIC INC
Package	SOIC 8
Date Code	1404
Lot Code	95404

Job Summary

	Pass	Fail	Inconclusive
Visual Inspection	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marking Permanency	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Completed			
X-Ray	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decap	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Completed			
Die Verification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Conclusion

No component abnormalities were detected during any of the test procedures performed. Parts have passed visual inspection showing no signs of prior use, counterfeiting, or poor handling. Permanency and scratch tests were performed with no indication of remarking or resurfacing. Leads appear to be in good condition with no indication of insertion or prior use with exposed base metal on top of leads. No signs of trimming and stress marks that usually occur during manufacturing. This indication of leads not being re-tinned. No signs of oxidation or flaking were observed. X-rays of the component showed no anomalies or variations in the sample. The completion of chemical decapsulation internal die markings and layout was match to the specification diagram provided by the manufacturer. X-ray fluorescence test performed showing parts are pb-free. These parts have passed inspection and are considered to be factory original manufactured parts.

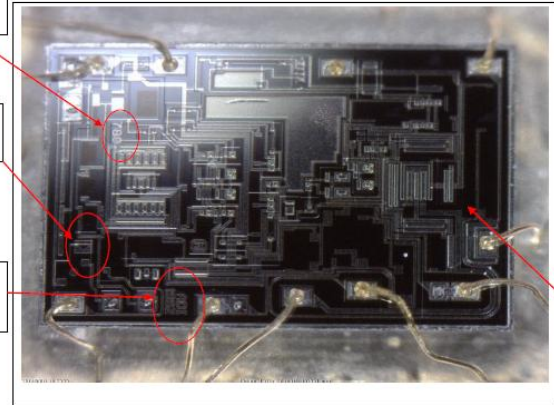
Brian Pieper - Certified Inspector

Impact Components: 6010 Cornerstone Court West Suite 200 San Diego, Ca 92121
Tel: (858) 634-4800 Fax: (858) 292-5561

Component Inspection Analysis



DECAPSLATION



MARKING "780"

ADI MANF LOGO

MARKING "ADI 1992"

EXACT SAME DIE LAYOUT INCLUDING DIE MARKINGS.

MARKING "780"

ADI MANF LOGO

MARKING "ADI 1992"

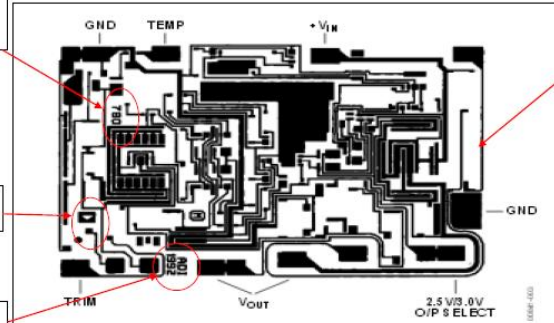


Figure 3. Die Layout

Impact Components: 6010 Cornerstone Court West Suite 200 San Diego, Ca 92121
Tel: (858) 634-4800 Fax: (858) 292-5561

Lot in Question (Seized)



VISUAL INSPECTION REPORT

WO Number	095002	Quantity Received	2
Customer	Impact Components/Wycom	Quantity Inspected	2
Supplier	Wellpoint Electronics Co.,Ltd	Date Inspected	2014-6-10
Requestor	N/A	Inspector	Bi Shuhe
PO Number	N/A	Reviewer	John Harvey Austria

PRODUCT INFORMATION

Part Number	AD780ARZ-REEL7	Package Type	SOIC-8
Manufacturer	Analog Devices		
Product Description	Ultrahigh Precision Band Gap Reference Voltage		
Datasheet Reference	http://www.analog.com/static/imported-files/data_sheets/AD780.pdf		

REPORT SUMMARY

Classification

2 pieces from Date Code 1349+ of Analog Devices AD780ARZ-REEL7 were received for analysis. 2 pieces were used for External Visual Inspection (EVI) and, decapsulation and die analysis. Parts arrived in cut tapes without sealed MSL and ESD packaging.

Part Number summary: "AD780" refers to device type (unverified), "A" refers to initial error (± 5.0 mV, unverified, ± 1.0 mV and ± 1.5 mV available), "R" refers to package type (SOIC-8, verified), "Z" refers to RoHS compliant (Lead-free, unverified), "REEL7" refers to packaging (Reel, unverified).

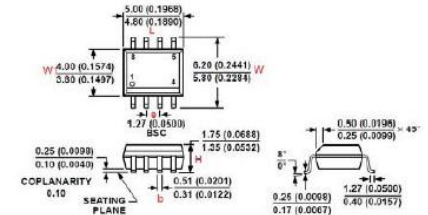
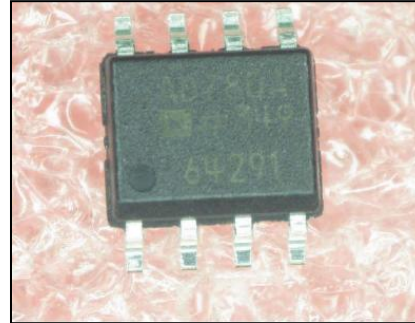
Decapsulated samples show "ADI", "1992", Analog Devices logo, and "780" die markings, verifying that parts are authentic Analog Devices parts. "780" is the die designator for AD780 device. Decapsulated samples reveal identical die markings, size, shape, orientation and topography. Samples do not exhibit scratches on die.

The parts passed chemical solution and scrape tests for remarking and resurfacing. The parts exhibit exposed base metal on pin tips from trimming and stress marks from forming, indicating that parts were not re-tinned. Parts exhibit scratches and peeled plating on pins. The parts do not exhibit solder remnants on pins or any indication of prior use.

Dimensions H, L, W, W1, b, and e were measured and were within manufacturer specifications. The devices have the same exterior configuration as shown on the Package Outline Drawing (POD).

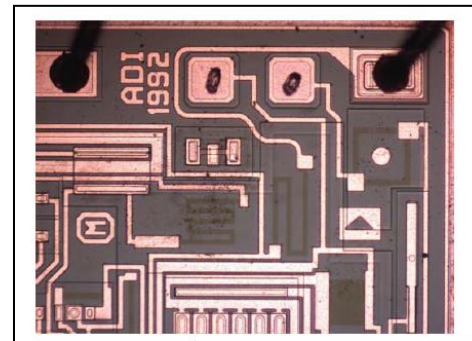
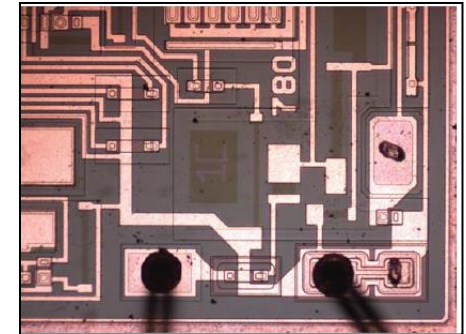
The parts are classified "Authentic Analog Devices parts in Unused".

Address: White Horse Laboratories Ltd. Phone Number: 86-755-8374-1887 URL: <http://whitehorselabs.com>
 Suite 809, 8/F, Dynamic World, Zhongnan Rd., Futian District, Shenzhen
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 Form# FM3013.8



COMPLIANT TO JEDEC STANDARDS MS-012-AA
 CONTROLLING DIMENSIONS ARE IN MILLIMETERS; INCH DIMENSIONS (IN PARENTHESES) ARE ROUNDED-OFF MILLIMETER EQUIVALENTS FOR REFERENCE ONLY AND ARE NOT APPROPRIATE FOR USE IN DESIGN.

Figure 26.8 Lead Standard Small Outline Package (SOIC_M) Narrow Body (R-8)
 Dimensions shown in millimeters and (inches)



Epilog

- Here's a summary:

- Lost order: \$9643.20
- Legal Fees: \$3,650.00
- Overseas Chip Testing: \$250.00
- 2% CBP "Remission Fee" \$193.00
- Storage URS \$235.55

Total : **\$13971.20**

- *Seizure Date April 23rd – Release Date Sept 5th*

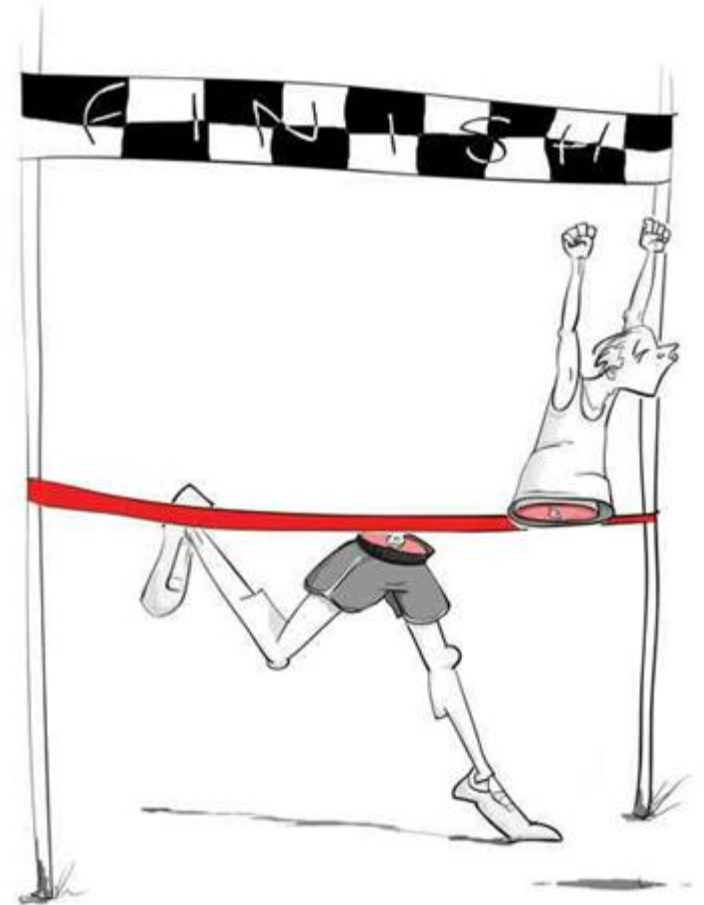
Hit Finish line but still don't know...

What determines entry seizures?

How can us “good guys” help CBP solve this problem?

Can CBP act as the arbiter since current decision made is a conflict of interest?

Can CBP address handling concerns including ESD/MSL/ Package integrity?



Precautions to take when Importing

- Clearly state your Counterfeit/Suspect parts Policy up front
- Use an Escrow service to effect payment
- NEVER agree to undervalue!
- Get PHOTOS prior to issuing Purchase Order
- Use a qualified intermediary (Independent disti)
- Traceability is your friend
- If suspect parts get through CBP- Do NOT put back in the supply chain by returning them. Make an ERAI report and consider GIDEP as an additional venue

Thank You !

