



International Law Enforcement: Working With Brand Owners to Protect IP

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Definition: Counterfeit Product

- A counterfeit product is designed/ dressed / branded/ packaged/ in a manner intended to distinguishable from genuine/ original. It has been manufactured and distributed without the approval of the legal manufacturer.

GLOBAL ISSUES



**Counterfeits
up 1700%
since 1993**



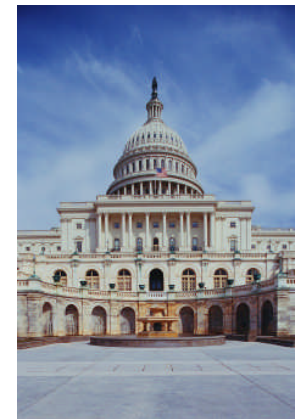
50% Counterfeit



**Samples
from trade
shows. Fakes
can hit stores
first!**

**\$600B in
2006**

**Up from
\$5.5B in 1982**



Sources: IACC 2006, WHO 2006



Counterfeiting/ Diversion: A Global Problem

- **Counterfeiting and diversion are significant and growing problems**
 - **Counterfeiting is a \$500 Billion global problem and growing**
 - **10% of world trade is counterfeit; growing at 20%/year (WTO - 2006)**
 - **Drugs & medical devices- 3rd most counterfeited items (International Chamber of Commerce 2006)**
 - **5% of medical devices imported to US are counterfeit (Mergent Industry Report 2/1/06)**
- **Diversion enables counterfeiters**
 - **Diversion is how counterfeit is inserted into legitimate channels**
 - **Counterfeiters take path of least resistance**
 - **Diversifiers quickly react to market controls**
 - **Significant economic loss**



Counterfeit Business

- Criminals see counterfeiting as a way to make a lot of money with little risk. The business of counterfeiting is continually growing because there is high demand of cheap products around the world. According to industry estimates over 25 million people work in counterfeiting industry

Counterfeiters

Counterfeiters are

- Highly funded
- Highly motivated
- Organized
- Technologically savvy

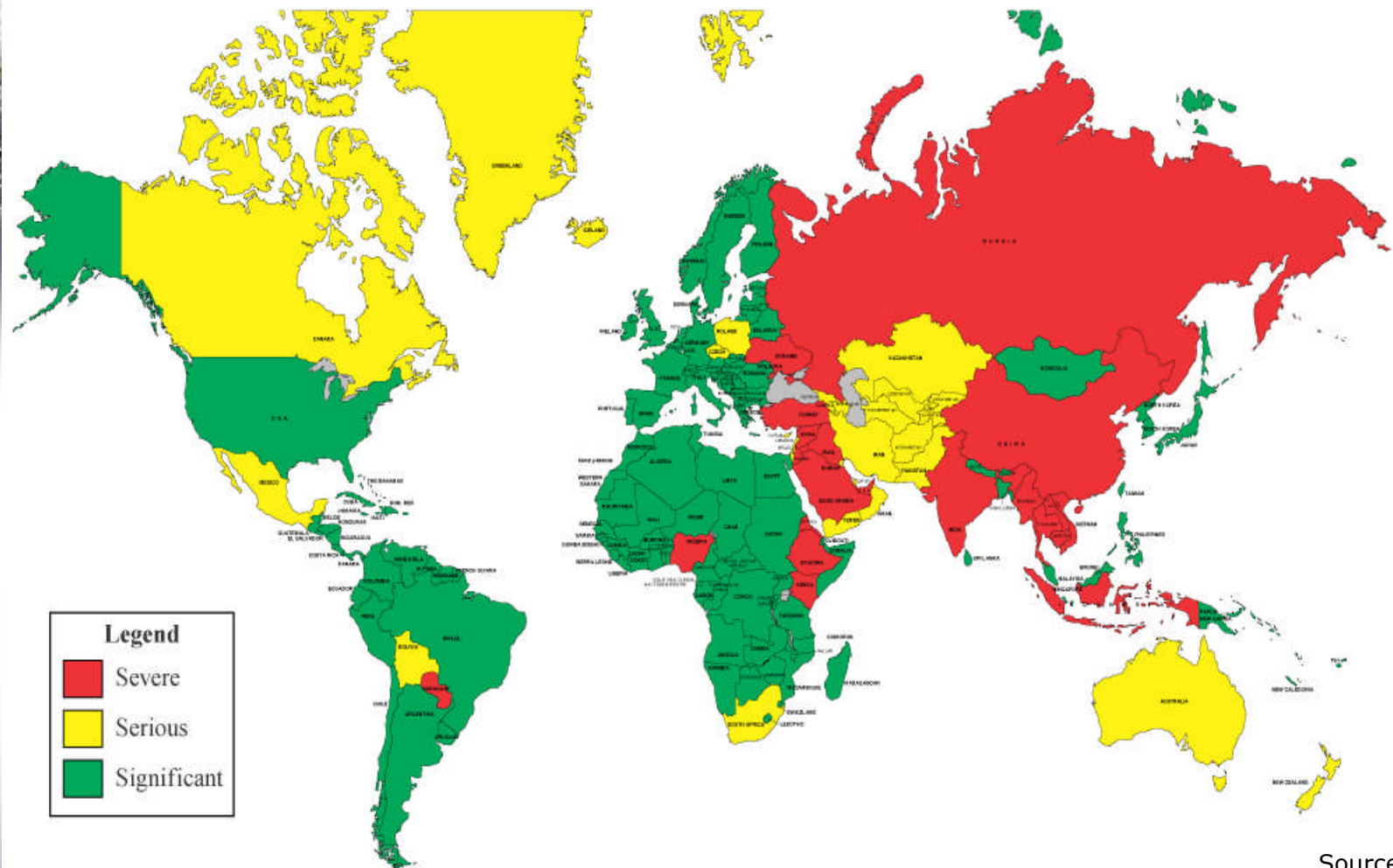
In countries where

- Enforcement is poor
- Labor is cheap
- Costs are low
- Government oversight is poor
- Infrastructure is weak



INTERPOL Data

Global Counterfeiting Hotspots

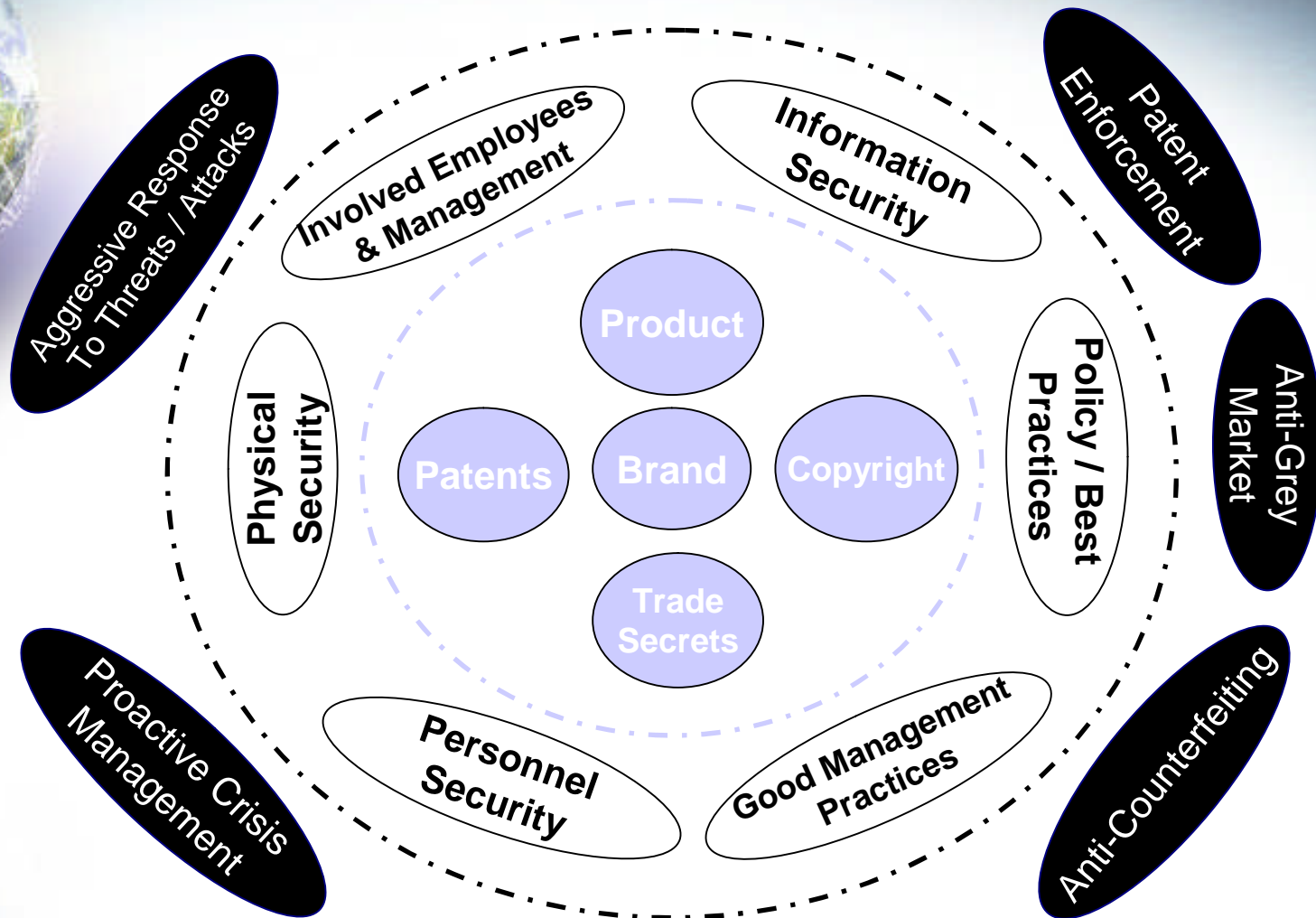


Source: Interpol

What products are sold in the secondary market/ counterfeited?



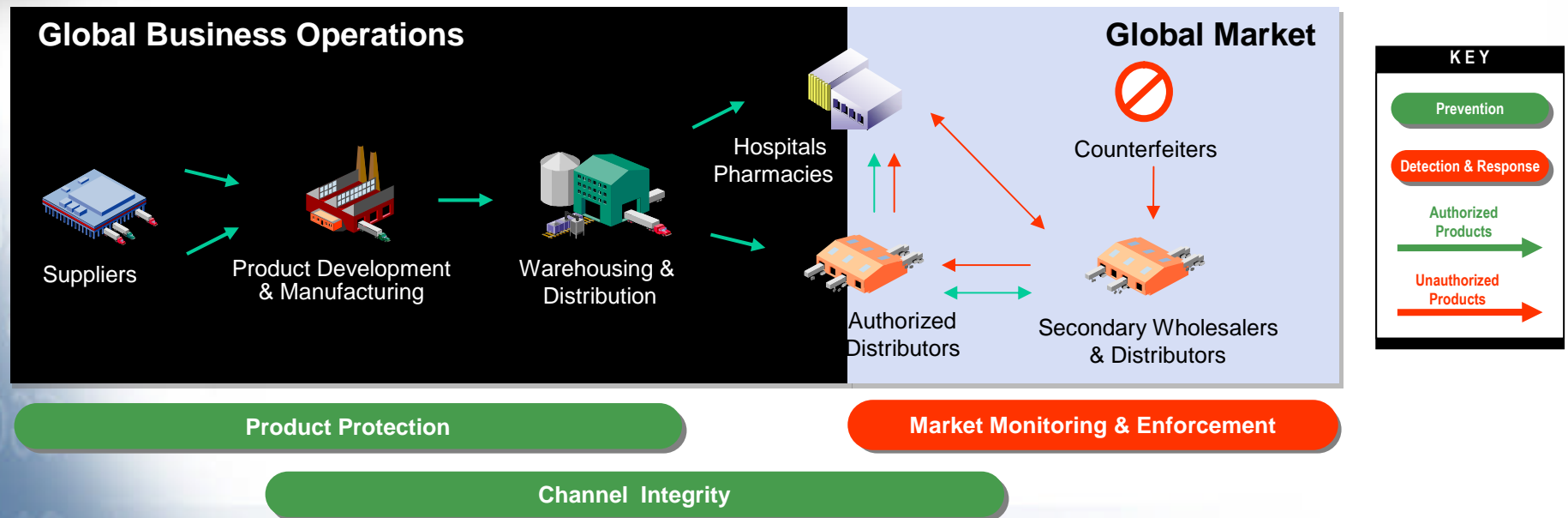
The Layers of Brand Integrity



Brand Integrity Program Approach

- Charter

- Help ensure the safety of the end-users and customers we serve
- Structure the handling of risk and threats to our products and brands
 - Counterfeit
 - Grey market or secondary markets
 - Repackaging & re-manufacturing
 - Unauthorized production and misuse of intellectual property
- Provide the right product at the right price in the right place to the right customer – over time
- Provide our customers with a secure channel in which to buy our products





Brand Integrity Program

- Product Protection
 - Assessing the risk to each product from counterfeiting and grey market activity
 - Protecting products and packaging with overt/covert authentication programs
 - Developing product protection standards for use in protecting products
 - Deployment of product protection features with minimum impact to the OpCo
- Supply Chain and Channel Integrity
 - Providing a secure channel for customers to buy genuine product
 - Right product, right place, right customer, right price
 - Secure supply chain- to include suppliers and 3P manufacturing
- Market Monitoring
 - Proactive insight into the market
 - Identification of risk areas that require remediation

Key Strategies- Multi-pronged approach

Make it more difficult to counterfeit

Reduce the opportunity to divert

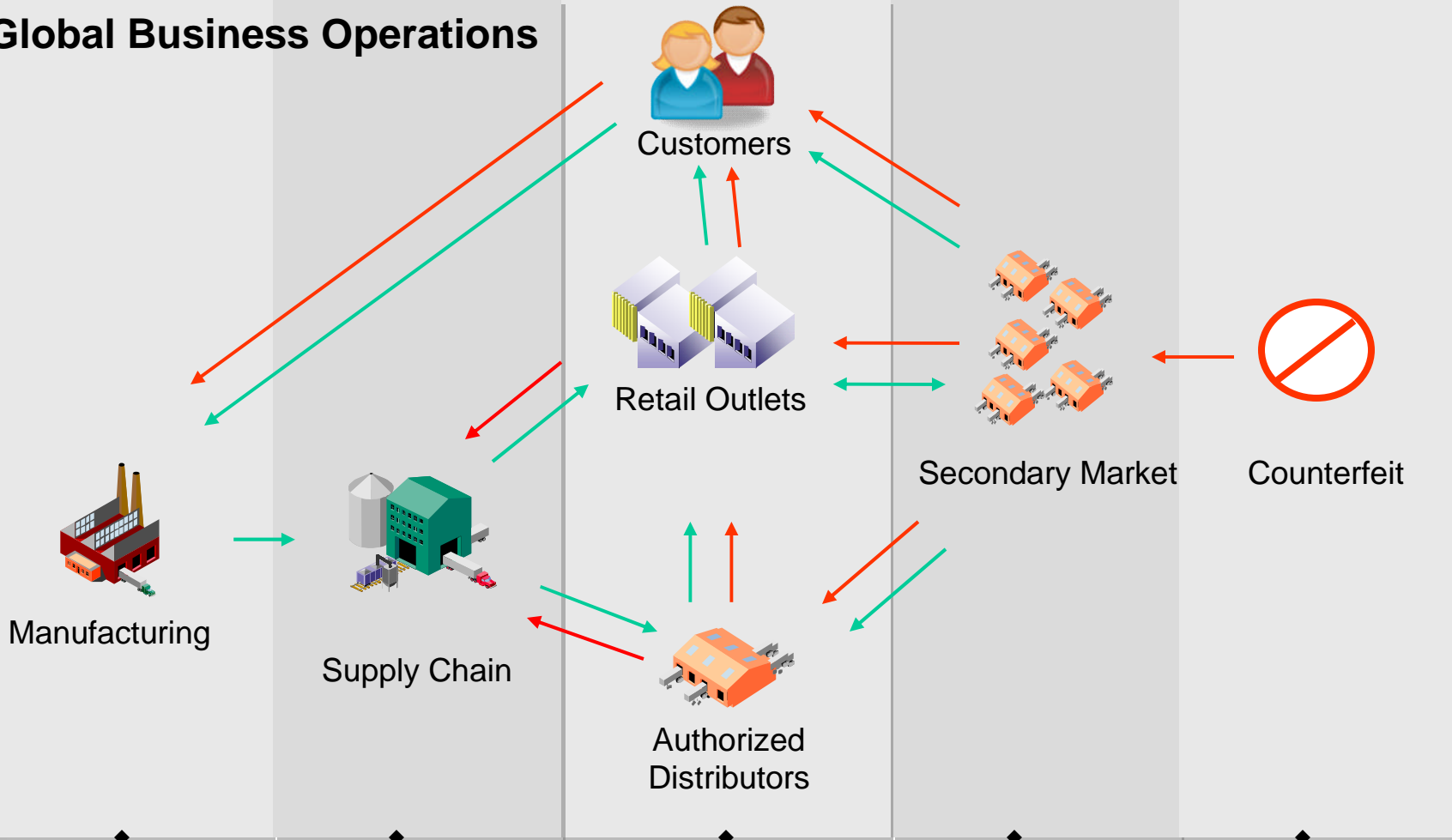
Gain proper oversight of external manufacturers

Train employees

Engage customers

- **Marketing**
- **Operations**
- **Packaging**
- **Channel**
- **Supply Chain**
- **Sourcing**
- **Sales & Marketing**
- **Discussion w/customers**

Global Business Operations



Product Complaints

Returned Goods

Distribution Reviews
Field Monitoring

Buy Programs
Field Monitoring

Investigations
Customs

Brand Integrity Initiatives

Product, plant, and market assessment

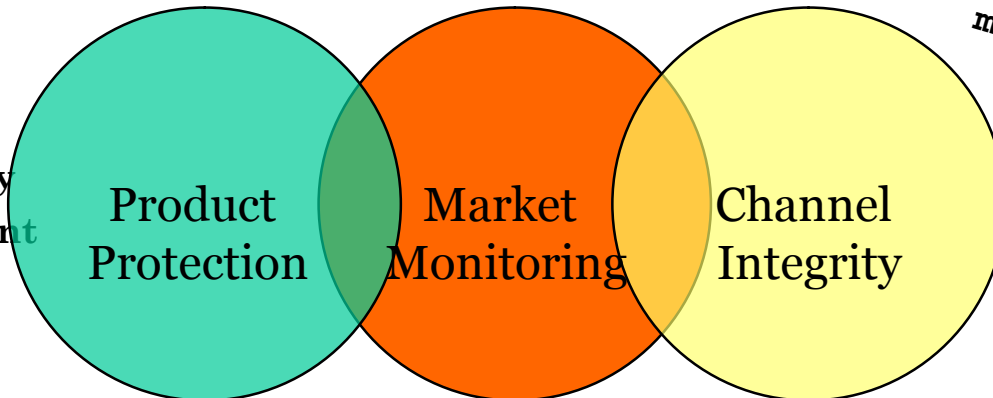
contract assessments

Regional orientations

IPP forensic testing

WWBP preferred supplier contract development

Market reviews



Counterfeit incident management toolkit

Current security feature assessment

BP Awareness training module

Initial product purchases

eBay strategy and monitoring

New plant readiness assessments

Customs program plan

Product protection technology selection

Safe mark program

Incident reporting

Application and control of security features

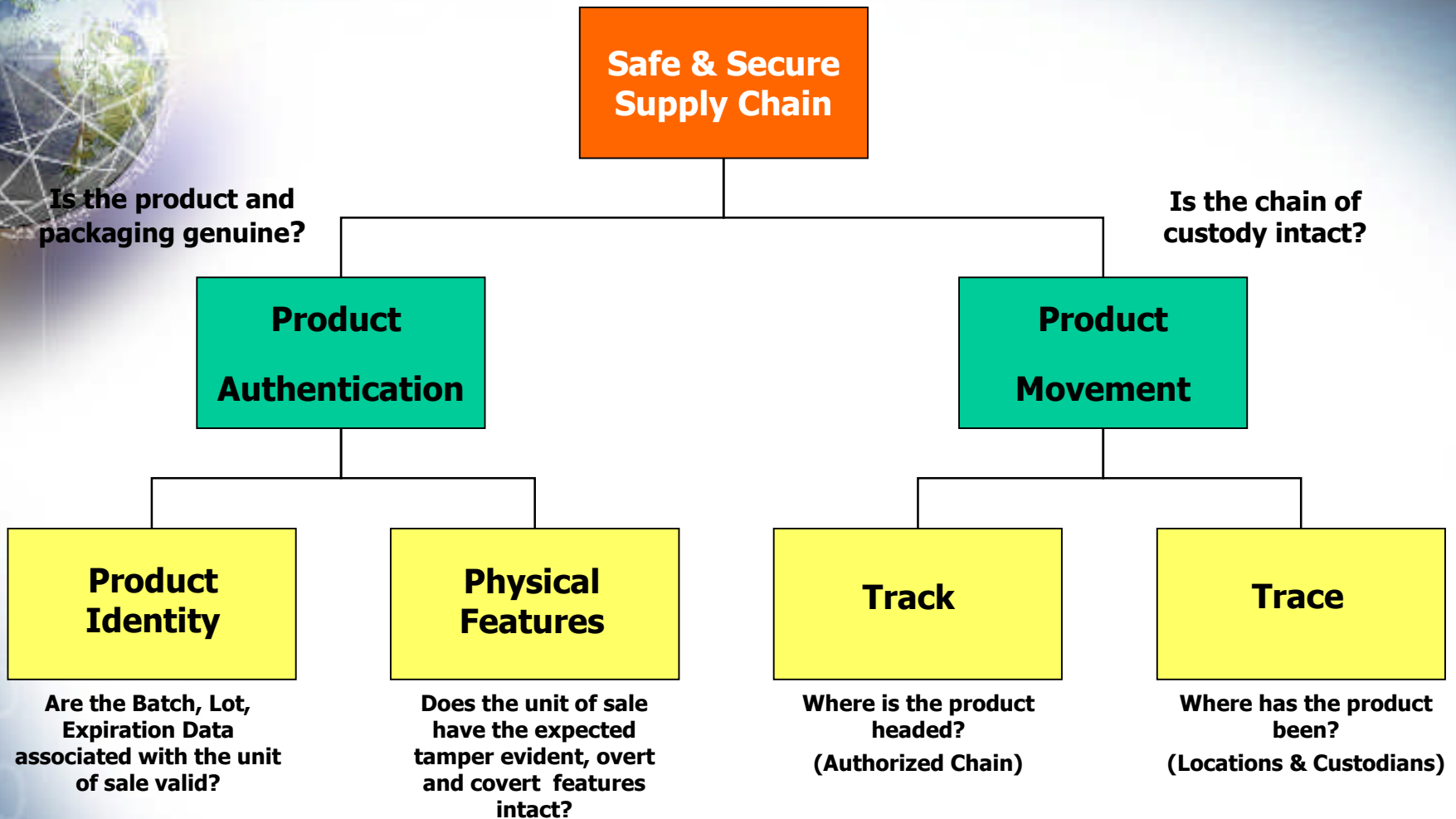
Product protection and field authentication protocol

Digital print program

Raised awareness

Track & Trace learnings

Framework for Product Protection



Framework for Securing Supply & Channel

Framework Structure

Suppliers

- Develop and implement due diligence standards
- Develop and implement standardized agreement terms
- Develop and implement supply chain/channel standards
- Develop and implement a compliance program

Distributors

3P Manufacturers

Framework for Market Monitoring

Market Monitoring is proactive insight into the market...
...identification of risk areas that require remediation



Product Protection

1. Conduct Product Risk Assessments
2. Develop Action Plans
3. Select Overt Product and Packaging Features
4. Select Covert Product and Packaging Features

Supply & Channel Integrity

1. Return Goods Verification
2. Serialization Strategy
3. Serialization Portal
4. Track and Trace Strategy

Efforts at Johnson & Johnson Operating Companies

Global Brand Integrity



**Low risk,
high
profit,
small
penalties**



Johnson & Johnson
HEALTH CARE SYSTEMS INC.

***Global
Brand Integrity
launched,
leading patient
safety efforts***



**Device identification:
product tracing/
recalls**



**Enters supply
chain through
diversion**



**Education
is key**



Thank You