

Government Contracts Alert

Proposed Counterfeit Parts Rule Would Expand Coverage to Commercial Products Sold to Any Federal Agency

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On June 10, 2014 the federal government [proposed](#) to expand the coverage of the rule designed to weed out counterfeit electronic parts in products sold to the Government. The new rule, if adopted in the form proposed, would expand coverage of the anti-counterfeit parts rule in three significant ways:

- Coverage would apply to any product, not just electronic products, delivered to the Government, acquired by a contractor for use in performing services for the Government, or furnished by a contractor for use by or for the Government;
- Coverage of the agencies concerned would expand from the Department of Defense to all federal agencies; and
- Coverage would expand to all federal contractors and subcontractors, not just those who are subject to the federal cost accounting standards.

Under the proposal, prime contractors and subcontractors would be required to check a government database, the Government/Industry Data Exchange Program database operated by the Department of Defense, as part of their quality assurance in acquiring electronic components for items sold to the Government, whether or not those end-items were commercial items or specially designed for government use. Prime and subcontractors also would be required to report suspected counterfeit items they encounter in the course of performing their federally funded work.

Manufacturers and suppliers of products that include electronic components and that make their way into the federal government through prime contractors should be paying attention to this rule because their customers will be passing its requirements down to their suppliers.

It is expected that the proposed rule will receive extensive comments, and will be modified in its final form, but expanded coverage beyond the Department of Defense and to some classes of commercial items undoubtedly will survive.

Comments on the proposed rule will be received until August 11, 2014 at www.regulations.gov.



Jonathan Cain, Member

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