

BrandSecure™ News

Inspired by Technology. Proven by Experience® | Spring 2009



The Case for Brand Protection in Today's Economy

I'd like to welcome our clients and readers to the first issue of BrandSecure News, our brand protection quarterly newsletter. I want to extend a special "Willkommen" to clients from our recent acquisition of P4M GmbH based in Munich, Germany. The synergies between P4M and our existing Online Brand Protection business has broadened and strengthened OpSec's position in the digital space. OpSec is the only provider of integrated physical and digital brand protection solutions. In addition to our capabilities in anti-counterfeiting and online brand protection, we have added offerings for anti-piracy, online buzz and business intelligence, and e-channel management. Beyond that, we have added the intellectual capital of the P4M team to extend OpSec's technology development capabilities and global service footprint. I am very proud of the high caliber of our global team, and their dedication to our clients' success.

As you are well aware, every company is coping with the reality of today's economy. However, I want to assure you that OpSec is well-positioned to weather the current storm, and has taken the opportunity to improve internal efficiencies. Indeed, in many respects, our customer-centric service approach allows us to support businesses as they cut back on internal resources. As companies scrutinize

the impact of every sale to the bottom line, they recognize the importance of going after counterfeits, gray market goods, unauthorized distributors, and attacks on their brand. The value of anti-counterfeiting and brand protection solutions has never been clearer. OpSec's BrandSecure solutions address the brand protection challenges of your business.

As we forge ahead in 2009, we are clear on our priorities. Our focus remains on our clients. Our dedication is shown in our 97% client retention rate. We want to support your efforts in combating counterfeiting, uncovering illicit channels, and securing your supply chain. We have expanded our local support offices in the Americas, Europe, and Asia. You can count on OpSec as your global partner in brand protection.

Counterfeiters, illegal sellers, and harmful entities are working hard to steal your brand revenues. OpSec contin-

ues to innovate new physical and digital security technologies to keep you several steps ahead. An example of leading edge technology that we launched last year includes Major League Baseball's red stitch authentication label, the first introduction of a tactile element on a product authentication device. In addition, our cyberlocker (or one-click hoster) services have gained



Jeffrey Unger
President, Brand Protection

In This Issue

- 60% of the most popular audio books illegally available on the Internet
- Lawsuit against "The Pirate Bay"
- Online piracy on an international level
- GM Europe Deploys BrandSecure™ Solutions for Supply Chain Security
- MLB Properties stays ahead of counterfeiters with state-of-the-art product authentication

rapid market recognition in fighting digital piracy. Other forefronts include new security technologies, "green" authentication products, and new capabilities for managing online channels and capturing online market intelligence. We remain committed in our industry-leading investment in R&D to innovate new capabilities in brand protection.

OpSec stands ready to help secure your brand. In today's economy, every counterfeit seized, every supply chain leakage plugged, every illegal seller stopped translates to additional sales revenue. Please let us know how we can support your brand protection endeavors.

Yours truly,

Jeffrey Unger
President, Brand Protection



60% of the most popular audio books illegally available on the Internet

Not only do the film, software and music industries face the challenges of counterfeiting on the Internet, the book sector has been increasingly affected by the illegal distribution of their products.

While digitization provides numerous advantages, it also raises complex issues of copyright protection for the book industry. On a positive note, the popularity of audio books on the Internet has increased. Unfortunately, however, the illegal distribution of numerous copyrighted audio books and e-books on sharing networks and special websites has also increased. Whether they are audio books, fiction, non-fiction, calendars, comics, magazines or illustrated books – digital versions of almost every product category are available illegally on the world wide web.

A recent analysis conducted by OpSec Security revealed that counterfeits of 15 to 25 of the most popular audio books (60%) on Amazon Germany are also illegally available on the Internet. The illegal copies span all genres – from detective stories to fantasy to comedy.



The study also analyzed the availability of illegal e-books. The investigation was based upon the Spiegel bestseller list (a notable German news magazine), and included the top 25 paperback fiction and non-fiction books. Among the bestselling fiction books, OpSec detected 11 novels (44%) were available as illegal e-books or audio books on the Internet. The novels that were available as counterfeits included books of German as well as international authors. The situation with non-fiction is slightly better. However, here too, of the 25 books tested, roughly one-third (32%) was available through unauthorized channels on the Internet. The research covered Sharehoster, P2P file sharing networks and Usenet-Server. OpSec detected the same book and audio book copies in all three segments.

Source: OpSec Security

Lawsuit against "The Pirate Bay"

Just recently, the lawsuit against the Swedish BitTorrent portal "The Pirate Bay" ended in Stockholm. The portal which has attracted worldwide notoriety was accused of copyright infringements of digital content. The verdict which is expected on April 17, is eagerly anticipated by the entertainment industry. The defense pleaded for acquittal, expressing the opinion that The Pirate Bay did not infringe on any copyright, since the platform did not offer the copyright-protected titles directly. The Public Attorney's Office demanded a one-year prison sentence for the four accused Pirate Bay operators plus €10 million in damages. With up to 25 million users, the so-called BitTorrent tracker is supposed to be the largest provider of its kind and thus the biggest enemy of the music and film industry.

Source: stern.de

Online piracy on an international level

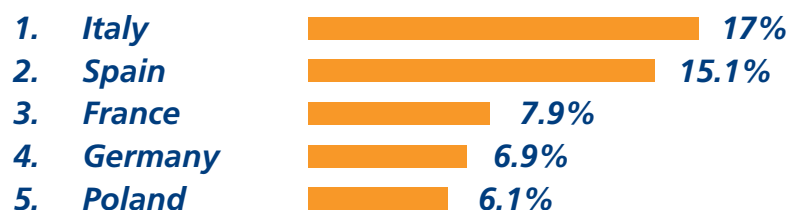
In Western Europe, games are the most popular target for illegal download from the Internet. The result of an Entertainment Software Association (ESA) study, was recently published in the "Special 301 Report" of the International Intellectual Property Alliance (IIPA).

In December 2008, the ESA observed how often 13 selected games were downloaded through the two P2P networks BitTorrent and eDonkey during a one-month period. During this period, these games were downloaded roughly 6.5 million times

on a global level. The two most popular games were downloaded approximately 4.8 million times in 219 countries.

Comparing the downloading activities in the various countries reveals Italy to be at the forefront. Of all downloads a total of 17% took place in Italy, followed by Spain and France who hold second and third place. The number of illegal downloads broken down by user were the highest in Israel, Spain, Italy, Portugal and Poland.

Countries with the highest illegal download activities:



Source: theesa.com



GM Europe Deploys BrandSecure™ Solutions for Supply Chain Security

What business challenges do you face when selling your products?

C. Mann: In Europe, General Motors sells its vehicles in more than 40 markets. GM Europe (GME) has a global network of thousands of suppliers that produce and distribute auto-aftermarket parts to service its European product lines. Spare parts from our suppliers are funneled to distribution centers and warehouses where they are then distributed to our dealer network. When our dealers buy parts from GME, they know they are receiving Genuine GM Parts. However, there is also a certain amount of inter-country trade in Genuine GM Parts among dealers and to the independent market. This is where the opportunity exists for counterfeit parts to enter the supply chain. OpSec's BrandSecure solutions allow our partners and GM to quickly check and verify the authenticity of our genuine parts at the workshop or retail point.

What measures have you taken to combat counterfeits in your supply chain?

C. Mann: To our dealer network and authorized service partners, we have a closed, secure supply chain that guarantees they will receive Genuine GM Parts from GME. Due to the trade in genuine parts outside of our supply chain, there is risk that some of our partners or consumers could purchase counterfeit parts. By working together with our suppliers, purchasing, materials management, and OpSec, we reached a solution that allows us to authenticate an annual volume of 100 million parts coming from GM's vast supplier network.

What solution did you choose?

C. Mann: In 2000, we asked OpSec to find a brand protection solution that met three key requirements: parts identification, anti-counterfeiting, and order

tracking. OpSec designed a security label that consolidated variable GM parts data with anti-counterfeiting technology and serialization for itemized tracking. The novel solution design met the three-fold requirements in a single label construction. As a result, the label was easily integrated into our supply chain process. Suppliers are required to apply the security label on all parts shipments. A customized ordering system records the sequential numbering on each label and tracks information about the supplier, part, origin, and destination.

In 2008, OpSec reengineered the product authentication label to include new advanced security features and more efficient material usage. We expect a savings of €500K on label production costs over the next five years.

What benefits have you achieved in your program so far?

C. Mann: Our product authentication program enables all the parties across our supply chain network to easily confirm the authenticity of original GM parts. The program currently covers over 98% of GME's auto parts suppliers. As a result, we are able to ensure that only genuine goods are delivered and sold to authorized dealers. We have yet to find a counterfeit part infiltrating our supply chain with a genuine label.

The online tracking component gives us visibility into our supply chain operations. The ability to track parts back to each supplier puts security checks in place that deter misuse of the secure labels. Our partnership with OpSec over the past nine years has enabled us to achieve our challenging brand protection goals.

**Interview with Charles Mann,
Brand Protection Manager,
General Motors Europe**



Bio

Charles Mann has been with GM since 1997. Mr. Mann started in GM's Electromotive Division (Locomotives) in Chicago, and has been working in Europe since 2002. He is a 1982 graduate of West Point, and served 11 years active duty in the U.S. Army. Mr. Mann has a MA in Russian and East European Studies.

In addition to his current assignment in Germany, Mr. Mann has lived and worked in Moscow, Korea, and Romania.



MLB Properties Stays Ahead of Counterfeiters With State-of-the-Art Product Authentication

Major League Baseball Properties (MLBP) has selected OpSec's anti-counterfeiting solutions as a cornerstone for its authentication program and licensed merchandise. Having worked closely with MLBP, OpSec has produced a bevy of products that enables MLBP to protect and/or track its game-used, autographed and licensed products.

In the 2008 postseason, MLBP revealed innovative changes to the anti-counterfeit devices featured on all its licensed products. The new OVD (Optically Variable Device commonly referred to as a hologram) introduces various overt and covert elements that are designed to make it easier for both consumers and law enforcement to distinguish between licensed and bogus goods. The new "red stitch" hologram includes the best features from its prior holograms and introduces new elements that makes the hologram more visually unique and harder to replicate. The new design adds additional color and a sensory element, a raised stitch-like feature, which allows fans to see and touch the holograms to make sure they are real. As before, each hologram has an alpha-numeric combination unique to that item, the MLB silhouetted batter logo and other covert features. MLB is the first sports league to



implement the use of this new advanced technology.

"We are committed to researching and developing new technologies to assure consumers of their item's authenticity and to stay one step ahead of the counterfeiters," said Ethan Orlinsky, Senior Vice President and General Counsel, Major League Baseball Properties. "Our fans have come to look for the MLB hologram as a symbol of authenticity on all official Major League Baseball merchandise."

MLBP's holograms have operated as a deterrent to counterfeiters and a simple means for law enforcement officials and fans alike to distinguish between licensed and counterfeit merchandise. Over the last five years alone, MLBP has seized more than four million pieces of counterfeit MLB goods, and, since 1993, through its membership in the Coalition to Advance the Protection of Sports logos (CAPS), has been involved in the seizure of an additional nine million pieces of counterfeit merchandise featuring the logos of various pro sports leagues and teams, colleges and universities – valued at more than \$329 million.

Source: *OpSec Security*

Events

2009 IACC Annual Spring Conference

May 13-15, 2009 Seattle, WA

The International AntiCounterfeiting Coalition (IACC) Annual Spring Conference program includes sessions covering the latest enforcement and intellectual property developments, as well as presentations on combating piracy and counterfeiting. The IACC promotes initiatives by industry, law enforcement, and government to fight product counterfeiting and piracy.

OpSec is co-chairing and sponsoring this event.

For more information and online registration please visit, www.iacc.org.

131st INTA Annual Meeting

May 16-20, 2009 Seattle, WA

The International Trademark Association (INTA) Annual Meeting includes a 5-day program of seminars, committee meetings and exhibitions on the latest international trademark issues and developments. INTA is dedicated to the advancement and protection of trademarks and related intellectual property.

OpSec is participating in this event.

For more information and online registration, please visit www.inta.org.

2009 Licensing International Expo

June 2-4, 2009 Las Vegas, NV

The 2009 Licensing International Expo will be held at the Mandalay Bay Convention Center. The Expo is the world's largest brand and property marketplace for licensed properties. The event brings together retailers, manufacturers, brand owners and marketers in the licensed brands, characters and celebrities industry.

OpSec is participating in this event.

For more information, visit www.licensingexpo.com.

Published By

OpSec Security, Inc.
3 Copley Place
Suite 201
Boston, MA 02116
P 617.226.3000
F 617.226.3001
www.opsecsecurity.com

Editor

Terri Mock
Marketing Director
Email: tmock@opsecsecurity.com

