Small Size, Large Impact
The product protection System SECUTAG® marks Originals as forgery-proof

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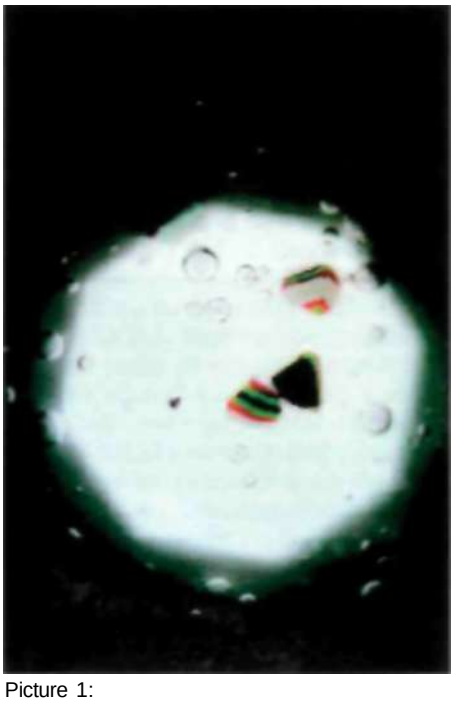
Brand piracy is no small offence. The counterfeit trade causes immense economic damages and is increasingly endangering customers and users. The challenge for the govemment and economy is enormous. On one side. it is important to strictly confine the counterfeit market through legal measures. However. effective product protection is steadily becoming the focus of corporate trade. Marking products with micro colour-code particles Is one possibility to make brand-name products counterfeit-proof. The clear Identification of original products is an important step in the flght against product piracy.

Product protection System SECUTAG-
In her opening Speech at this year's World Economic Forum in Davos, German Chancellor Angela Merkel announced that developing measures against product and brand piracy would be one of the principal topics for the German G8 Presidency. "We want to support innovation, as the key to growth and prosperity. and markedly advance the effective woridwide protection of intellectual property." Along with legal measures, this support includes State sponsorship for new technology that protects brand-name products.

Due to current developments, it is becoming more and more important for individual companies to design counterfeit-proof products. This is one way to anticipate and prevent brand piracy in advance. therefore decreasing patent rights violations. In 2006. the number of plagiarized articles confiscated by German customs authorities rose by over 400 percent compared to the year before. Last year, confirmed forgeries totalled 1.1 billion Euros.

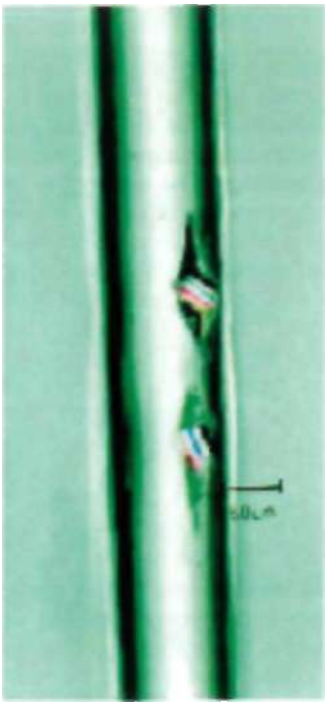


Picture 1:
Forgery-proof for more than 10 years

A safety Solution for brand owners to protect themselves from brand piracy is to secure their genuine products with micro colour-code particles. The product protection System SECUTAG developed by 3S Simons Security Systems GmbH has been forgery-proof for more than a decade and reliably reveals any counterfeits. The System is made of the smallest colour coded particles woridwide with a size ranging from five to 45 micrometers (um). The codes are manufactured out of resistant melamine alkyd polymers.

Protection through the colour-code System is invisible to the naked eye. However. a Standard pen microscope with 100x magnification suffices in identifying the code. The code is compiled of four to eleven various coloured coatings. which are layered on top of one another through the so-called Sandwich process. The selection. arrangement. and thickness of the coloured layers form an individual code for each business. In total, over 4.35 billion different codes can be developed. With the combination of two or more codes the number of possible colour-codes is almost infinite.

Due to the Chemical properties of the colour-codes. their practical implementation is extremely variable. In their purest form. these particles have the consistence of a very fine powder. In this condition, the code is added to various transfer mediums. Among others. the colour codes can be combined with clear lacquers. glue. resins. pastes. polymers in Solutions, liquids. powders. and granulates. or be included



Picture 2:
Micro colour-code worked into a polyester thread

in polyester threads. The codes can be applied through offset. gravure. letterpress, flexographic. silk-screen. or pad-printing processes. ortreated with a brush. sprayer, coating machine, hot transfer, or dispenser. The micro colour-code particles can therefore be transferred onto almost every solid matter e.g. metal. plastic, paper, glass, aluminium, and textiles. In bulk goods or liquids. such as animal feed, concrete. hazardous waste. or explosives, the code is mixed directly into the goods.

Easy to manufacture - versatile application
The use of the micro colour-code System is accordingly flexible and suitable for a large ränge of products. It is used. for example. in the pharmaceutical industry, which has primary and secondary packaging that include cardboard. tubes. blisters. caps. or package inserts. The packing specialist Linhardt GmbH Co. KG - a German manufacturer of tube-packaging in the pharmaceutical and cosmetic industries - offers its customers the service of having packages secured with the micro colour-codes. The particles are applied to the

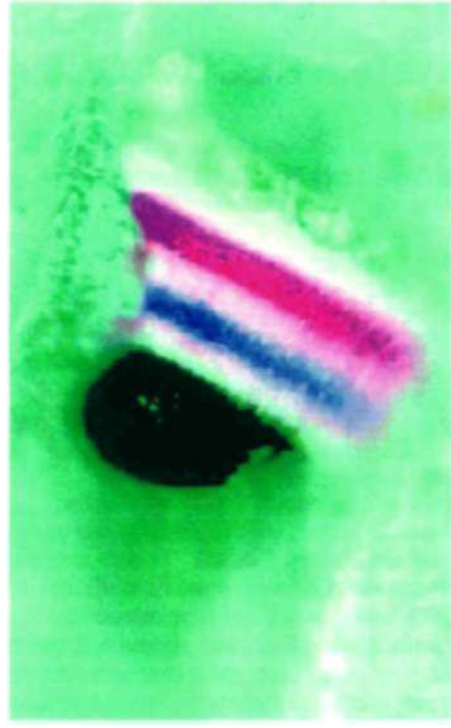
products in the nylon print, high-pressure process. Johannes Beil, product designer at Linhardt supported their decision to use this product protection System by saying, "We chose to use SECUTAG because the application process was easy to manage. The codes are applied like any other printing ink." Hoffmann Neopac AG in Switzerland also offers its customers the Option of having their tube-packaging protected with the micro colour-codes.

Mechanical engineering, plant design and construction can use the codes as proof of identification for individual machine parts, such as aggregates, compressors, or ball bearings. The automotive and aircraft industries are especially interested in protecting products prone to counterfeiting, such as spare parts and packaging. The textile and sports equipment industries also prefer using coded security labeis or polyester threads. The Company Puma AG has protected its products with the micro colour-codes since 1999. "All Puma products are equipped with security labeis. SECUTAG is applied on the back of each label," explained Thomas Ehmer, Global Manager for Industrial Property Rights at Puma AG. "With the help of a microscope, we can easily identify the codes and therefore immediately establish whether a product is an original or counterfeit. The colour-codes have proved themselves to be an absolutely forgery-proof security method."

Document security is another area of application. The Stuttgart Media University (HdM) secures its certificates and diplomas with the micro colour-code System as a barrier against counterfeiting. Transfer documents can also be protected in this way. Combined with the securing of other transport units. it is possible to concretely trace the Channels and commodity flow of the products. For this reason, the European Pallet Association (EPAL) has equipped all of its Standard EUR-box pallets with colour-coded, counterfeit-proof security labeis. The functions of conventional product safety features, such as seals, tags, security inks and labeis, holograms and many more can be optimised when combined with colour-codes.

Effective product-protection fulfils many functions

The identification of original products with micro colour-code particles allows fast and target-oriented Intervention of customs authorities. With help from the colour-codes, the identification of illegal freight can happen quickly and reliably. This is of great advantage to brand owners who apply for seizure of products that



Picture 3:
World-wide, the smallest individual colour-code

infringe their IP rights. Upon request from the manufacturers, customs authorities target specific commodities at the border when they are imported and stop suspicious shipments. Proof of identity through micro colour-codes can quickly establish whether a product is genuine or counterfeit. Through this method, the so-called 1:1 counterfeits can also be identified, which are mostly very difficult to distinguish from the Originals. Products that are especially affected by this type of counterfeiting are, for example, pharmaceuticals, precision tools and automotive parts, such as brake pads and oil filters for example.

If counterfeit products, such as spare parts and medications, cause real damage to the user and more furthermore constitute real danger to the life and health of consumers, then the assumed manufacturer is held Nable. When this happens, and there is a claim for compensation, the manufacturer must then prove in court that the product was a counterfeit. This sometimes can include the expensive process of presenting arguments, the cost of which can endanger the existence of the Company. In such cases, the clear identification of original products can relieve such stress on the Company. The micro colour-code System has been recognised internationally as evidence in court cases and so can be used as a defence against unwarranted liability trials. Furthermore, the manufacturer can use them globally to protect industrial property rights and ensure the legal safeguarding of brand portfolios and patents.

The civil fight **against product piracy**

In January 2007, the German cabinet passed a bill regarding the protection of brand owners and rights owners against piracy. The planned introduction of more effective Claims for injunctive relief in case of trademark infringements is aimed at providing a remedy in the form of preliminary injunctions or cease-and-desist letters. This includes the right to destroy falsified goods. A new aspect is the right to Information. Brand-owners are entitled to seek Information from uninvolved third parties provided these persons are capable of supplying evidence with regard to the offenders' identities. For example, the right to Information affects internet Providers and forwarding agents, who are required by law to disclose Information on the individuals behind illegal transactions. Until recently, plaintiffs were not able to acquire incriminating evidence on a civil law basis.

Claiming damages entails calculating the damages accrued by the brand owner as a consequence of his products being counterfeited. Specifically, the holder of a patent can claim the profits the counterfeiter earned with the counterfeited products or Charge adequate license fees retrospectively. "An effective fight against counterfeited products includes singling out and naming black sheep," emphasised Brigitte Zypries, the German Minister of Justice, in her remarks praising this year's conferment of the negative award "Plagiarius," which is given to particularly brazen counterfeit attempts. "Product piracy is no peccadillo, but a hazard to consumers and economy. Permanent economic success can only be achieved by innovation, but not by imitation."

For further Information regarding the product protection System SECUTAG®: 3S Simons Security Systems GmbH, Nicole Golomb, Lise-Meitner-Straße 6, 48301 Nottuln, Germany, Tel. +49-2502/ 23 33-0, Fax +49-2502/ 23 33-33 or under www.secutag.com, nicole.golomb@secutag.com.