

# RFID based Anti-Counterfeiting Utilizing Supply Chain Proximity

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**Abstract.** This paper discusses a novel RFID-based approach to determine probabilities of items in a supply chain as being counterfeits based on their proximity to already identified counterfeits. The central idea is that items moving close to fakes are more likely to be fakes than items traveling with genuine items. The required proximity information can be deduced from events in EPCIS repositories for RFID-tagged items. The paper discusses two mathematical algorithms for calculating the probabilities and presents the results of a comparative simulation study. The results are discussed in terms of conclusions for a future implementation with RFID-tracked supply chains.

## 1 Introduction

The International Anti-Counterfeiting Coalition<sup>1</sup> estimates that sales of counterfeits are a \$600 billion a year problem that causes losses in revenues, brand damages, and that can even be hazardous to health and well-being in the case of faked drugs or faked parts in the airline or car industries [1].

Until the emergence of RFID-based track & trace standards such as EPCglobal<sup>2</sup>, anti-counterfeiters had to rely on direct authentication measures almost exclusively. The question of how to authenticate a product was addressed with security features like holograms, copy detection patterns (CDP), or even cryptographic RFID tags [2, 3]. While these features are generally appropriate for authenticating products and identifying fakes, the critical issue of how to locate and where to search for potential counterfeits in the first place can be addressed with transparent supply chains utilizing EPC Information Services [4] or similar RFID-based tracking mechanisms.

The basic observation and premise is that counterfeits in the domain of fast moving consumer goods (FMCG) usually enter the supply chains together with similar counterfeits, for instance in the same container or palette, and that these counterfeits consequently move together through parts of the supply chain.

Whenever a counterfeit is located by any direct authentication measure, we can identify other potential counterfeits that were close to the already confirmed counterfeits at some point in the supply chain.

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<sup>1</sup> [www.iacc.org](http://www.iacc.org)

<sup>2</sup> [www.epcglobalinc.org](http://www.epcglobalinc.org)

With this proximity information about potential counterfeits calculated on data gathered from RFID-based tracking services, the allocation of anti-counterfeiting resources to potentially suspicious items is facilitated. This way, resource-constrained bodies such as customs could direct their resources more efficiently towards identifying which items to check.

The solution discussed in this article is based on the unique identification of individual items in the supply chain and the tracking and tracing of these items including parent-child (aggregation) relations. Information about these relations are provided as events in EPC Information Services (EPCIS) for RFID tagged items, but could potentially be gathered through other emerging standards as well. The solution works by assigning probabilities based on proximity to items known to be counterfeit or authentic.

## 2 Supply Chain Proximity

As pointed out in the introduction, the central constituent of the approach discussed in this paper is that – as long as no specific other knowledge is available – the probability of an item in a supply chain being counterfeit increases with its proximity to already identified counterfeits. This assumption is based on the fact that inserting counterfeits in a licit supply chain is neither always possible at any given time or position, nor is it cost-efficient for the counterfeiter to equally balance the inclusion of counterfeits. Hence, an inclusion attack on a licit supply chain will usually involve multiple items at once, so that the spatial (or temporal) proximity to a counterfeit item positively affects the probability of an item to be counterfeit as well.

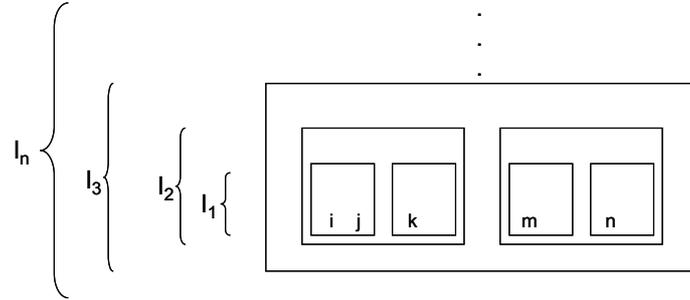
In the domain of RFID-based tracking and tracing of items, we commonly deal with aggregating and disaggregating events to model the hierarchical realities of logistics with items moving in cases, pallets, containers, shipments, etc. Consequently, we also create corresponding data structures that define proximity in terms of hierarchical relationships as is discussed in section 0.

To determine the likelihood that an item is counterfeit, we assign a *fakeness probability* to each item depending on its spatial and temporal proximity to already verified items. We explain in section 0 two alternative algorithms through which we calculate the fakeness probabilities, but first we introduce in section 0 the concept of proximity in a supply chain and the supporting structures.

**Item Hierarchy Structures.** The fakeness probability algorithms we will introduce make use of hierarchical structures that denote the temporal and spatial proximity between items in the supply chain. The structures are generic as they support different concepts of proximity. For example, proximity between two items can imply their ownership by the same supply chain partner at a certain point in time, or their physical proximity in a shipment (e.g. same case or pallet), or a combination of such concepts.

A hierarchy of related items comprises aggregations of items at equal proximity levels as shown in **Fig. 1**. If two items share the same direct parent aggregation, such as items  $i$  and  $j$  in **Fig. 1**, then the two items are highly correlated. For example if item

$i$  was found to be fake, then the fakeness probability of item  $j$  increases more than that of item  $k$ , which in turn increases more than that of item  $m$ .



**Fig. 1.** An illustrative item hierarchy.

We name the levels of the hierarchy as shown in **Fig. 1**:

- $l_1$ : The deepest level of the hierarchy where objects in an aggregation are uniquely identifiable, e.g. Items being together in the same case.
- $l_2$ : The next level of the hierarchy, e.g. cases being together on the same pallet.
- $l_3$ : The next level of the hierarchy, e.g. pallets being together in the same container.
- $l_n$ : The last level of the hierarchy.

As we indicated earlier, the hierarchy structures support different concepts of proximity such as the mentioned case-pallet-container proximity, but also proximity due to supply chain partner ownership or the combination of these two. In the simulation study of section 3, we will consider proximity due to partner ownership, but this does not change anything in the structures or algorithms discussed in this section.

We introduce the notation  $l(a,b)$ , which denotes the deepest level of the hierarchy containing items  $a$  &  $b$ . Thus we have from **Fig. 1** that  $l(i,j) = l_1$ ,  $l(i,k) = l_2$ ,  $l(i,m) = l_3$ .  $A_x$  denotes an aggregation at level  $x$ , so the aggregation containing items  $i$  and  $j$  but not  $k$  is an  $A_1$  aggregation whereas the aggregation containing all three items but not  $m$  and  $n$  is an  $A_2$  aggregation.

**Probability Calculation Algorithms.** In this section, the two algorithms for fakeness probability calculation are discussed. The following outlined definitions are needed:

- $H$  is a hierarchy of items at hand as shown in **Fig. 1** with cardinal  $|H|$  (the number of items in the hierarchy)
- $\forall i \in H$ ,  $p(i)$  is the fakeness probability of  $i$ ,  $p(i) \in [0,1]$
- Items in  $H$  are grouped in conceptual aggregations  $A$  shown as boxes in **Fig. 1**
- $U_A$  is the set of unverified items of aggregation  $A$  with cardinal  $|U_A|$ ,  $U_A \subset A$
- $V_A$  is the set of already verified items of aggregation  $A$  with cardinal  $|V_A|$ ,  $V_A \subset A$
- $|V_A| + |U_A| = |A|$

- $F_A$  is the subset of  $V_A$  where checked items were found to be fake, cardinal  $|F_A|$ ,  
 $p(i) = 1, \forall i \in F_A$
- $G$  is the subset of  $C_A$  where checked items were found to be genuine, cardinal  $|G_A|$ ,  
 $p(i) = 0, \forall i \in G_A$
- $|F_A| + |G_A| = |V_A|$

The first algorithm calculates a fakeness coefficient for yet-unchecked items in the hierarchy based on their proximity to already-found genuine and fake items. An item which is closer to fakes and further away from genuine items will have a high fakeness coefficient. Adjustable parameters are used to specify the relative importance of the different proximity levels. Finally, the fakeness coefficients are used as weights to determine a fakeness probability for each unchecked item.

In the second algorithm, we maintain two values for each aggregation in the hierarchy: a value  $P$  denoting the percentage of already verified items which are fake, and a value  $C$  which is a confidence value denoting the percentage of items in the aggregation which were already checked. The fakeness probability of each item is then determined by considering the  $P$  and  $C$  values of all its parent aggregations, weighted by adjustable parameters as in the first algorithm.

The algorithms are detailed below.

**First Algorithm.** This approach consists of two parts:

1. Determining the average fakeness probability of a yet untested item in an item hierarchy, based on the results of the tests already made on the items in the hierarchy
2. Using this average result to calculate the fakeness probability of each (yet untested) item in the hierarchy based on its proximity from discovered authentic and fake items

*Determining the Average Fakeness Probability  $P_{av}$ .*  $k$  is a coefficient that shows the relative importance of previous tests, i.e. the correlation they have on subsequent tests. It is a heuristic measure which reflects the acceleration with which  $P_{av}$  increases and approaches 100% each time a new counterfeit is detected,  $k \geq 1$ .  $P_{av}$  is consequently obtained as shown in equation 1.

$$P_{av} = \frac{k |F_H|}{k |V_H| + |U_H|} \quad (1)$$

*Proximity Coefficients.* We use heuristic coefficients to formalize the concept of spatial proximity, namely the relationship between finding a fake/authentic item and the chances of finding other fake/authentic items at different levels of the hierarchy. Using the example of Fig. 1, the proximity coefficients specify the increase in  $p(j)$  relative to that of  $p(k)$  and  $p(m)$  upon finding that item  $i$  is counterfeit. We use the following notation to formalize the proximity coefficients:

- $PC_f(l_x) = PC_f(x)$  is the proximity coefficient for having a fake at a level  $l_x$
- $PC_a(l_x) = PC_a(x)$  is the proximity coefficient for having a genuine item at a level  $l_x$

We will use the following shorthand:

$$PC_f(l(a,b)) = PC_f(a,b) \quad (2)$$

The higher the coefficients, the more significant the proximity is at the respective level of the hierarchy, so:

$$PC_f(1) \geq PC_f(2) \geq \dots \geq PC_f(n) \text{ and}$$

$$PC_a(1) \geq PC_a(2) \geq \dots \geq PC_a(n)$$

*Algorithm to Calculate per Item Coefficients and Probabilities.*

$\{u_1, u_2, \dots, u_n\} \in U$  are the yet-unchecked items whose fakeness probability we want to calculate. The fakeness coefficients of these items are determined as follows:

$$\forall i \in U, K_i = \sum_{j \in F} PF_f(i, j) - \sum_{j \in G} PF_a(i, j) \quad (3)$$

Given that  $\frac{x \sum_{i \in U} K_i}{|U_H|} = P_{av}$ , we calculate  $x$  and subsequently for each unchecked item,

$$p(i) = xK_i.$$

**Second Algorithm.** In this algorithm, we maintain for each aggregation  $A$  two values:  $P(A)$  and  $C(A)$ :

- $P(A)$  shows the static probability (derived from the already checked items) that an item in  $A$  is fake:

$$P(A) = \frac{|F_A|}{|V_A|} \quad (4)$$

- $C(A)$  shows the confidence in the value of  $P(A)$ , and it depends on the number of checks already done as a ratio of the total number of items in  $A$ :

$$C(A) = \frac{|V_A|}{|V_A| + |U_A|} \quad (5)$$

For each authenticity check that is done on an item  $i$ , an update is made to the values of  $P(A)$  and  $C(A)$   $\forall A / i \in A$  (the update propagates up the tree from  $i$  to the root of  $H$ ). After the updates to  $P(A)$  and  $C(A)$ , the probability of each unverified item in the hierarchy is calculated as the weighted mean of the probabilities of its containing aggregations. The weights are the products of the confidence factors and proximity coefficients.

$$\forall u \in U, p(u) = \frac{\sum_{l=1}^n k_l P(A_l) C(A_l)}{\sum_{l=1}^n k_l C(A_l)}, u \in A_l, k_n = 1 \quad (6)$$

$k_l$  is a proximity coefficient similar to those in the first algorithm but always relative to the  $n$ th level of the hierarchy.

### 3 Simulation

In order to evaluate the characteristics and appropriateness of both algorithms for finding counterfeits in a supply chain, a simulation study was conducted that modeled sample supply chains. Shipments between supply chain partners had normally distributed lead times. Collections of counterfeits were inserted at random locations in the supply chain and eventually detected by simulated routine checks that occurred with a certain ratio ( $x$  % of all incoming items were checked for authenticity at any read point).

In order to reduce the complexity of the simulation, checks were always successful in differentiating between authentic and fake items, but the application of a check was associated with a constant cost factor. Accordingly, the number of checks to be performed in order to reach a certain level of confidence in a supply chain's integrity is an optimization goal for any product authentication strategy, so that the main target measure of the simulation were the resources necessary to detect a similar amount of counterfeits for the different authentication algorithms.

After the first counterfeit was detected, the number of checks in the supply chain increased by a certain response factor in order to reflect the countermeasures that would occur in reality after the detection of counterfeited products. This response factor is a key characteristic of the response biases in different industries, as e.g. the potential damage of the brand value for fake luxury goods such as high end watches would definitely lead to a higher increase of the response factor than the detection of non-branded low profile goods as e.g. the recently discovered flood of fake storage media [5]. We distributed the remaining checks (after the first counterfeit was detected) over all locations, so that the overall costs remain equal, but the number of checks per location may differ according to the items probabilities.

We tested three scenarios in each simulation run, namely the two competing algorithms and a baseline case. No knowledge about supply chain proximity was utilized in the baseline case, so the items checked after the first incident were selected randomly. For the two scenarios relying on supply chain proximity algorithms, the items after the first incident were constantly ranked by their respective fakeness probabilities and checked in that order. This reflected the central approach of both algorithms, i.e. that items in close proximity to known fakes have a higher probability of also being fake.

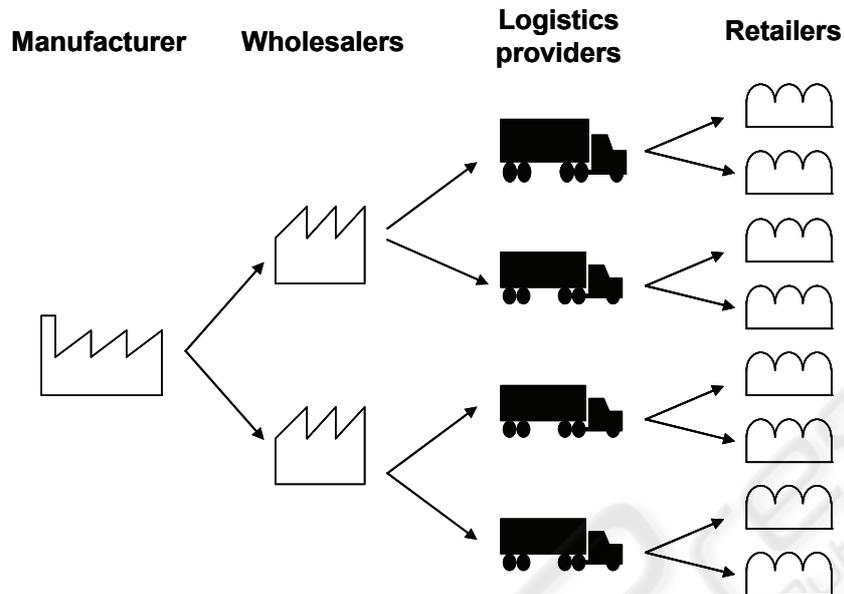


Fig. 2. The sample supply chain used for the reference simulation.

### 3.1 Base Case Simulation

We first conducted a base case simulation that was taken as a reference for the respective sensitivity analysis. The base case consisted of 3000 runs of a simulation of 2000 items shipped in a supply chain with four levels of partners, organized as in a binary tree as shown in Fig. 2. The lead time for any shipment between two partners was normally distributed with a mean of two days and a standard deviation of half a day. The probability that fakes were injected at any partner in the supply chain is 5%, except at the manufacturer where it is 0%. In any run where fakes were injected, they constituted 10% of the shipment of the owning partner. In the absence of counterfeits, each partner randomly checked 5 items and shipped his container to the next two partners. The total number of checks was doubled in the case of a detected counterfeit and checks were coordinated between all locations. The coefficient  $k$  of the first algorithm had a value of 2. The proximity coefficients  $PC_f(1)$ ,  $PC_f(2)$ , and  $PC_f(3)$  had the values 10, 2, and 0.5 respectively, which were used for both algorithms. The proximity coefficients  $PC_a(1)$ ,  $PC_a(2)$ , and  $PC_a(3)$ , needed only for the first algorithm, had the values 0.1, 0.05, and 0.01 respectively. All the base case parameters are summarized in Table 1.

**Table 1.** Base case parameters.

Parameter	Value
Total number of items	2000
Mean lead time (days)	2
Standard deviation lead time (Days)	0.5
Fake injection probability at manufacturer	0%
Fake injection probability at wholesalers	5%
Fake injection probability at logistics providers	5%
Fake injection probability at retailers	5%
Percentage of genuines replaced when fakes are injected	10%
Number of checks per partner before first fake detected	5
Factor increase in total checks when first fake detected	2
k	2
PCf(1), PCf(2), PCf(3)	10, 2, 0.5
PCa(1), PCa(2), PCa(3)	0.1, 0.05, 0.01

The results of the base case simulation showed a 5.8 and 5.6-fold increase in the number of fakes detected using the first and second algorithm respectively as opposed to the baseline case where no algorithm was used. A ratio which is a particularly important measure for each algorithm is that of the fakes detected over the total number of checks performed when fakes were actually injected. The baseline case had a fakes/checks ratio of 2.8%, where as the cases using the first and second algorithms had ratios of 16.5% and 15.9% respectively. The results are summarized in **Table 2**.

**Table 2.** Results of the base case simulation.

Case	Increase in fakes detected	Fakes/Checks
Without probabilities	1	2.8%
First algorithm	5.8	16.5%
Second algorithm	5.6	15.9%

### 3.2 Sensitivity Analysis

We present in this section a sensitivity analysis of the simulation where we varied one parameter in **Table 1** at a time while keeping the others constant. We doubled and halved each considered parameter to study its influence on the results of the base case.

*Total Number of Items.* The first parameter we varied was the size of the shipments flowing in our supply chain which was 2000 items in the base case. The first algorithm didn't show a significant difference in results when we varied this parameter, where as the second algorithm performed worse than the first with 1000 items and slightly better with 4000 items Table 3 summarizes the results.

**Table 3.** Results from varying the total number of items.

Case	Increase in fakes detected	Fakes/Checks
<b>1000 items</b>		
Without probabilities	1	2.8%
First algorithm	5.3	16.1%
Second algorithm	3.8	10.9%
<b>4000 items</b>		
Without probabilities	1	2.8%
First algorithm	5.6	16.0%
Second algorithm	5.7	16.2%

*Standard Deviation of Lead Times.* The next parameter that we vary is the standard deviation of the normally distributed shipment time, which was 0.5 days in the base case. We halved this value and then doubled it to examine the effect on the simulation results. Both algorithms performed slightly worse than the base case when the standard deviation decreased. This is an expected outcome since when different downstream partners receive shipments without a significant delay, there will be less chance for performed checks at one partner to influence those at the other. The results are shown in Table 4.

**Table 4.** Results from varying the standard deviation of the lead times.

Case	Increase in fakes detected	Fakes/Checks
<b>0.25 days</b>		
Without probabilities	1	2.9%
First algorithm	5.6	16.1%
Second algorithm	5.4	15.5%
<b>1 day</b>		
Without probabilities	1	2.7%
First algorithm	5.8	15.5%
Second algorithm	5.5	14.9%

*Fake Injection Probability at Different Locations.* To study the effect of the supply chain location where fakes were injected, we varied the probability that fakes are injected at wholesalers, logistics providers, and retailers. For each we doubled the initial probability of 5% to 10% keeping all other variables constant and compared the results. The simulation demonstrates, according to the numbers in Table 5, that the earlier in the supply chain the injection of fakes occurs, the better the results of all cases. This is expected since the earlier the fakes are injected, the higher is the chance to detect them at a subsequent partner. For example, if most fakes are injected at the retailer stage, there will not be enough checks of counterfeit items to provide the required proximity information. This explains why, when compared with the base case, the numbers show worse performance of the algorithms when more fakes are injected at the retailers, similar results when more fakes are injected at the logistics providers, and better performance when the injections occur at the wholesalers.

**Table 5.** Results from varying the fake injection probability at different partners.

Case	Increase in fakes detected	Fakes/Checks
<b>10% at wholesalers</b>		
Without probabilities	1	3.3%
First algorithm	5.9	19.7%
Second algorithm	5.7	18.9%
<b>10% at logistics providers</b>		
Without probabilities	1	2.8%
First algorithm	5.9	16.3%
Second algorithm	5.7	15.8%
<b>10% at retailers</b>		
Without probabilities	1	2.6%
First algorithm	5.4	13.8%
Second algorithm	5.3	13.5%

*Percentage of Replaced Genuine Items.* The next parameter we studied was the percentage of genuine items of the respective partner's shipment which is replaced by counterfeits each time there was a successful injection of fakes. The base case value of 10% was halved and doubled and resulted in the numbers shown in Table 6. The three cases show a higher number of fakes detected which is a result of the higher number of injected fakes. Compared to the base case, both algorithms perform slightly worse when the percentage of replaced items is doubled or halved.

**Table 6.** Results from varying the percentage of genuines replaced.

Case	Increase in fakes detected	Fakes/Checks
<b>5% replaced</b>		
Without probabilities	1	1.5%
First algorithm	5	7.4%
Second algorithm	4.9	7.3%
<b>20% replaced</b>		
Without probabilities	1	5.7%
First algorithm	5.5	31.2%
Second algorithm	5.4	30.6%

*Factor Increase in Total Checks when the First Fake is Detected.* As mentioned earlier, when the first fake item is detected in the supply chain, the total number of checks to be performed in the supply chain increases by a constant factor. This factor was 2 in the base case and was halved and doubled in our sensitivity analysis to produce the results shown in Table 7. The numbers show that even without increasing the number of checks when a fake is found, the two algorithms detect around 4 times more fakes than if no algorithm is used

**Table 7.** Results from varying the factor increase in the performed checks.

Case	Increase in fakes detected	Fakes/Checks
<b>Factor increase = 1</b>		
Without probabilities	1	2.7%
First algorithm	4.1	11.3%
Second algorithm	4.1	11.2%
<b>Factor increase = 4</b>		
Without probabilities	1	2.9%
First algorithm	6.1	17.6%
Second algorithm	5.7	16.4%

*Coefficient k.* The coefficient  $k$  is used only in the first algorithm as a heuristic measure to express the correlation between the results of different item checks.  $k$ 's base value of 2 was reset to 1 and 4 to see if any significant changes occur in the first algorithm's performance. The results, shown in Table 8, suggest that there is no significant effect for the value of  $k$  on the performance of the simulation.

**Table 8.** Varying the coefficient  $k$  of the first algorithm.

Case	Increase in fakes detected	Fakes/Checks
<b>k = 1</b>		
Without probabilities	1	2.9%
First algorithm	5.6	16.2%
Second algorithm	5.4	15.9%
<b>k = 4</b>		
Without probabilities	1	2.8%
First algorithm	5.8	16.1%
Second algorithm	5.6	15.7%

*Proximity Coefficients.* The final parameter we studied was the set of proximity coefficients  $PC_f$  which were used for both algorithms. We doubled and halved each of  $PC_f(1)$ ,  $PC_f(2)$ , and  $PC_f(3)$  at a time while keeping all others constant. The results in each of the 6 simulations didn't significantly differ from the base case results, thus we omitted the respective tables.

*Supply Chain Depth.* A factor whose effect has to be investigated more closely is the structure of the supply chain itself. All the simulations until now were conducted with the supply chain shown in Fig. 2, which resembles a binary tree of depth 3. Just for illustration, we cut one of the levels of the supply chain, reducing its depth to 2, and ran the simulation with the base case parameters. The results, documented in table 9, show that different behaviors should be expected in different supply chains. In particular, when a supply chain is shorter, there will be less chances that enough checks are made to obtain accurate fakeness probability value for unchecked items.

**Table 9.** Results from a depth 2 supply chain.

Case	Increase in fakes detected	Fakes/Checks
Without probabilities	1	3.6%
First algorithm	2.9	10.5%
Second algorithm	2.8	10.2%

### 3.3 Discussion

As the results from the simulation indicate, both algorithms perform significantly (more than five times) better than the baseline condition. Likewise, as the sensitivity analysis regarding the various parameters suggests, both algorithms are relatively robust against variations of key parameters and outperform the base condition in any case. Hence, it is definitely worthwhile to further explore the applicability and preconditions of both algorithms beyond the initial simple simulation study that we have presented in this paper.

From the current insights gained from the simulation it appears that the second algorithm is more susceptible for variations in the overall item count, resulting in relatively weaker performance for smaller amounts of items. We will explore this observation in the future. For now, this is the only significant difference in performance we could find for both algorithms. Since the sensitivity analysis also revealed a negation of this effect for an increased item count (where the second algorithm even performed slightly better than the first), we might encounter different applicabilities of both algorithms for different magnitudes of items in a supply chain.

The sensitivity analysis contributes also to a validation of the simulation itself, as the variation of certain parameters such as the number of performed checks or the lead time resulted in consistent measures exactly as one would predict from common knowledge.

## 4 Related Work

We draw our assumption that the approach of supply chain proximity will be feasible due to the supply chain partners being willing to share information from a study by [6]. The authors analyze the impact of various levels of supply chain information sharing including order, inventory, and demand information, which is based on transaction costs. The study further examines the effects on supply chain performance with a multi-agent simulation system. The findings indicate that the more detailed information shared between firms, the lower the total cost, the higher the order fulfillment rate, and the shorter the order cycle time. Since supply chains with high information sharing and collaboration have a positive effect on vital business goals, we believe that this sharing of information will also be synergistically used for the exchange of product authentication information.

Since security and privacy issues are crucial for supply chain information exchange and therefore also for the approach discussed in this paper, it is important to ensure secure data access in order to realize implementations based on our proposed

approach. Accordingly, [7] discuss current solutions to RFID security and privacy in supply chains. The authors propose a security concept which exploits randomized read access control and thus prevents hostile tracking and man-in-the-middle attacks that is also suitable for RFID systems with a large number of tags. For future pilot implementations of our approach we will consider similar security mechanisms.

Our core assumption is that knowing the previous and possibly the current location of items in the supply chain can help determine their authenticity [8]. This is also exploited in [9] which explores location-based product authentication in a situation where only the past locations of products that flow in a supply chain are known. The solution presented there transforms location-based authentication into a pattern recognition problem and investigates different solutions based on machine-learning techniques. The proposed solutions are also studied with computer simulations that model the flow of genuine and counterfeit products in a generic pharmaceutical supply chain. The results suggest that machine-learning techniques could be used to automatically identify suspicious products from the incomplete location information. However, the level of security of the studied methods, in terms of probability to detect the clones, is relatively low, nevertheless we draw from the method of conducting a respective simulation study from their work.

## 5 Outlook

What we have presented so far is a new approach for detecting counterfeits in an RFID enabled supply chain using proximity information of items that can be gathered by EPCIS or similar services. We have presented appropriate data structures and two different algorithms that implement the concept of proximity based authentication. We have illustrated the concept with a simple supply chain simulation that demonstrated the potential benefits of our approach.

At the current point in time, our work is preliminary, since we have made quite a few assumptions that we still have to prove. For instance, we let the number of checks in the supply chain increase by a certain response factor that should reflect countermeasures. We must now validate and check in how far this is really the case in real anti counterfeiting activities, and most importantly, we must assess how such a response factor would typically differ in various industries. Correspondingly, many of the simulation parameters presented in **Table 1** are not yet based on real industry experiences, mostly because of the apparent difficulties to obtain real world data.

The most fundamental assumption we made, however, is that counterfeits really enter the supply chain in close proximity to each other. Although it makes sense to expect this to be the case, we cannot currently prove it. We do expect the emergence of RFID enabled supply chains to provide better transparency and tracing of goods in the mid term, so that potentially more data will become available on the inclusion patterns of counterfeits for different supply chains.

In the short term, we will prototypically apply and refine our algorithms and other anti counterfeiting applications in the context of the EU funded research project SToP

(Stop Tampering of Products<sup>3</sup>) out of the cluster of European RFID research projects<sup>4</sup> in which we work together with different end users from relevant industries (aviation, pharma, aerospace) to gain insights to the specifics of the various industries and further explore the concept of proximity based authentication. Consequently, we will be able to expand our investigations to multiple supply chains from the respective industries and thus perform appropriate external validations to our approach.

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<sup>3</sup> [www.stop-project.eu](http://www.stop-project.eu)

<sup>4</sup> [www.rfid-in-action.eu/cerp](http://www.rfid-in-action.eu/cerp)