



INDUSTRY TERMS & DEFINITIONS

Working to protect electronic distributors around the world

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The following definitions of the below noted terms will be the reference guide utilized by the ERAI when handling and investigating complaints or disputes filed with our office. Members are encouraged to use the definitions for the benefit of their company. By doing so; it should drastically reduce the number of problems you experience as a result of a simple miscommunication. The objective behind this project is not to change the way you have been doing business, rather it is to enable you to reference this list and use it as another safeguard to protect you while trading. It is also important for members to know what guidelines the ERAI will use when working to resolve a problem or when making a decision in a case.

The *ERAI Recommendations* are just that. They are suggestions from the ERAI that you can use to further clarify your expectations when acting as both the Buyer and the Seller. The recommendations have been developed from previous disputes set before the ERAI. One of our primary goals is to help you learn from someone else's mistakes. It is certainly NOT required that you follow our recommendations, you are free to use as much or as little of our advice as you choose.

We do not expect members housing large inventories to convert their internal systems to accommodate our terms or our suggestions. We only ask that ERAI Members communicate clearly what is being bought or sold. Some say the onus is on the Buyer, others believe the Seller is responsible for full disclosure; the ERAI's stance is that **both parties** are responsible and neither party is a mind reader. So lets say for example, you are the Buyer and you adopt the ERAI's definition of NEW into your day-to-day purchasing procedure. Do not assume the company you are about to buy from is also going to follow our suggested guideline, even if the Seller is a member of the ERAI. Take charge of the transaction. ASK QUESTIONS and be precise in your expectations. If you do not do this, our terms and recommendations will be of no benefit to you. Not everyone is going to agree with our definition, but all members should agree that better communication is a must.

With that said, here are the ERAI's NEW Industry Terms & Definitions.

NEW: (1.) Electronic Components that have not been previously used in any capacity. (2.) Goods that are free of any physical defects such as: scratches, test marks, third party markings, programs or bent leads. (The leads on NEW parts should be in pristine condition; this does not mean refurbished, if the leads have been retinned / refurbished, they should be



classified as refurbished. **(3.)** New product should be packaged in the original manufacturers packaging (tubes, trays, reels, or as is specified by the manufacturer). This does not mean the original factory box OR factory sealed. (See EXCEPTION (a)) **(4.)** Components in tubes and in trays should have the same date code, lot code and country of origin. Components on a reel should have the same date code, lot code and country of origin unless otherwise specified on the original factory label. (i.e., as was packaged by the original manufacturer) A distributor can sell more than one date code in a shipment, however all components in a single tube, tray or reel, etc., should contain a consistent date code, (including week code and lot code) and country of origin. **(5.)** New product does not need to be factory sealed in order to meet the industry standard definition of “new”. However, moisture sensitive and static sensitive devices should be packaged in the proper ESD packaging material.

EXCEPTIONS: *(Industry Exception to the Industry Definition of NEW)*

a.) **Original Packaging:** If you own new product that IS in the original manufacturers packaging, but a customer places an order for a small quantity, you may be forced to place this material in third party packaging. If you must remove goods from the original packaging, this should be disclosed to the Buyer at the time of the sale so that the Buyer can verify goods in third party packaging will be acceptable. You should also verify that the third party packaging you will be using is acceptable. For Example: If the seller places the small quantity in ESD Foam, rather than in trays, this could cause a problem. In a situation like this, the seller should disclose to the Buyer how the goods would be packaged and shipped. If the seller does not indicate this condition and the parts are shipped in third party packaging without the Buyers knowledge, the Buyer may have the right to reject the shipment.

ERAI RECOMMENDATIONS: There is a difference between NEW and Factory Sealed product. (See the definition for Factory Sealed) Buyers seeking goods in factory sealed packaging need to specify this requirement when requesting a quote for price and delivery as well as specifying this requirement on the original purchase order contract. Buyers are also advised to detail all product expectations in writing on the purchase order to avoid any and all communication errors. The more specific you are on your purchase order the less likely you are to receive goods not in compliance with the purchase order contract. In addition to listing the part number, quantity and price on your purchase order, consider listing your expectations for but not limited to the following: manufacturer name, part description, pin count, required country of origin, and delivery deadline. Make sure your purchasing terms are clearly noted on your Purchase Order and save all communications via fax or email in which you discuss the product you



are seeking to buy with the Seller as verification of your expectations. These details could save you time and money should a dispute arise.

If you must ship NEW product in modified packaging (“cut” tubes, trays or tape, you should disclose this to the Buyer. There are customers who will NOT accept product in this condition. As the Seller you should require the Buyer to indicate on their purchase order that they understand they are purchasing a quantity that is less than the factory packed quantity and as such it will require the Seller to break the packaging or possibly modify the packaging (packaging meaning, tube, tray or reel).

*****IMPORTANT CHANGE***** When we generated the original list of terms and definitions, we used the term **FACTORY NEW**. Several members indicated that this was not a commonly used industry term and as such may cause confusion. It was recommended we change the term **Factory New** to **Factory Sealed**. It was also suggested by several members that we remove the requirement that **FACTORY NEW** product must be shipped in the original factory box, because more often than not, this is not possible. We have accepted these recommendations and therefore adopted the recommendations. *******

FACTORY SEALED: (1.) Electronic Components that have not been previously used and that meet all of the specifications of the industry definition of **NEW** and that which are contained in the original manufacturer’s sealed packaging. (this includes but is not limited to: original factory tubes, reels, trays, bags, labels, antistatic bags, etc.) (2.) Goods should be supplied in the original factory box when possible, but goods do not have to be sold in the factory box in order to meet the definition of **Factory Sealed**. (3.) All factory new components should have consistent date codes, week codes, lot codes and country of origin, unless specified otherwise on the original factory label and unless packaged otherwise at the factory.

ERAI RECOMMENDATIONS: The ability to procure and supply a customer with factory sealed material is typically a best-case scenario. However, unless you are procuring sealed material from a known and reliable source, (and even then), you may want to consider opening one or more of the sealed bags prior to sending the goods to the end user. A distributor should **ONLY** open factory sealed goods with the Seller’s written authorization to do so, as not to alter the condition of the goods as they were received by you which could result in the denial of an RMA / refund. This specifically relates to moisture sensitive components. The ERAI has investigated complaints in the past where factory sealed material that was sent to a Buyer and was subsequently passed on to the end user only to later discover that the product inside the factory sealed bag was NOT in conformance with the



purchase order, (example, the parts were used, mixed date codes, refurbished, etc...) If neither the Seller nor the Buyer inspected the contents of the bag before the goods went to the end user, no one really knows what was inside of the bag. We understand that there are customers that will refuse to accept the goods unless they are sealed; in which case, you have no choice but to risk passing on the opportunity to personally visually inspect the merchandise. This is a high-risk sale if the parts are not coming directly from OEM excess or a well-known supplier. Furthermore, counterfeit material on the market continues to improve and this includes factory boxes, bags and labels. All is not what is sometimes appears to be. It is better to be safe than to be sorry. If you did not open the bag to see what was inside for yourself and your customer later states there is a problem, you are trapped in an endless circle of he said / she said between the customer and the Seller. The Seller says the parts were perfect. The customer says the parts are not what they expected. **You never saw the parts** and are now trapped in the middle. You CAN avoid this situation. Do your best to carefully inspect every shipment, even factory sealed material whenever possible. Just make sure you have authorization to do so.

If you, as the Buyer, are expecting to receive factory sealed goods in the original factory boxes, you should specify this on your Purchase Order. A lot of factory sealed product is not in the original factory box. The fact that the material is not in the factory box should not impact the value of the material. It is the responsibility of the Buyer to indicate on their Purchase Order if the goods' being in the factory box is a condition of the sale.

UNUSED: (Also referred to as ***New Surplus***): **(1.)** Electronic Components that have not been previously used (meaning, the parts have never been electrically charged nor have they ever been placed on a board). **(2.)** A shipment of unused material can contain tubes, reels or trays of mixed date codes, lot codes, country of origin. **(3.)** Unused goods may be sold in third party packaging (i.e.: 3rd party reels, tubes or trays) **(4.)** Unused material should be guaranteed to meet the full manufacturer's specifications when tested. **(5.)** Unused material may have minor scratches or other physical defects as a result of handling. **(6.)** Leads should be in good condition and should not be refurbished. **(7.)** Unused material should be packaged in unused third party or factory packaging. **(8.)** Unused parts should be free of any programs

ERAI RECOMMENDATIONS: Buyers should use additional caution when purchasing unused material and should be very detailed when preparing the purchase order contract noting all specific requirements that must be met in order to meet your quality control expectations. Unused material, while it is new in the sense that it has not been charged electrically, may experience a higher failure rate as a result of improper handling or poor storage conditions. Unused material



may be bulk OEM excess that has been inventoried and repackaged. The tubes, trays or reels should be in good physical condition. Unused material is a higher risk purchase, as such, Buyers should reach agreements with their supplier to allow them the opportunity to closely inspect the goods and reserve the right to test the material during a said warranty period. Buyers should make it clear to Sellers that you reserve the right to reject a shipment of unused material based on a visual inspection in the event the material is in worse condition than expected. BUYER BEWARE: If the end customer is using a machine insertion process, they may experience problems with unused material. This process requires the leads be in perfect condition and as was previously stated, that may not be the case with unused material.

*****IMPORTANT CHANGE***** There were members who felt that Refurbished product should be separated from USED product. While we understand your reasoning for this request, the reality is, a lot, if not the majority of the product that is refurbished is in fact used. More often than not, if a component is being refurbished it is because the device no longer meets the definition of NEW. (Specifically: "The leads on NEW parts should be in pristine condition") As such, we will leave the word refurbished in the Used definition, but we will further clarify the definition of Refurbished by having a unique definition for the term. ***

USED: (Also referred to as **Pull(s)**, **Pull(ed)**, or **Refurbished**): **(1.)** Product identified as used are parts that have been electrically charged and subsequently pulled or removed from a socket or other electronic application. **(2.)** Used parts should have full leads, unless otherwise specified. **(3.)** Used parts may be sold in third party packaging or in bulk packaging and may consist of numerous date codes, lot codes, week codes and country of origin. **(4.)** Used parts may have physical defects such as scratches, slightly bent leads, test dots, faded markings, chemical residue or other signs of use. **(5.)** Used parts may be sold with a limited warranty. **(6.)** Used programmable devices may still contain programs or remnants of programs not completely removed from the component which could affect the device's future use and functionality. **(7.)** Used parts that are sold as refurbished should meet the Industry Definition of Refurbished or should be sold simply as USED or PULLED.

ERAI RECOMMENDATIONS: Buyers should exercise caution when procuring used material. Buyers are urged to test used material to the manufacturer's full specifications during the said warranty period and to report any and all problems or defects to the Seller within a reasonable period of time conforming with any expressed or implied warranty period. Buyers of used material do not always have the same rights as Buyers of NEW material. Used parts should not be sold to a customer who is using a machine insertion process. This process requires



the leads be in perfect condition and the leads of used parts will often times not be in perfect condition. If you must sell used material for this type of process, we recommend you discuss this with the Seller in advance and request to have the leads laser aligned and request the Seller agree to issue an RMA if the customer can not make the parts work in the manufacturing process. The Seller may not be obligated to issue an RMA for parts that are utilized in this way if that is the only problem with the product. When selling used material to a customer, make sure you understand how the parts will be applied to the application.

REFURBISHED: (1.) Devices that have been brightened, freshened, polished or renovated in an effort to restore them to a like new condition. (2.) Refurbished components have had their leads realigned and have been re-tinned to give the lead a shinny new finish. (3.) Parts that have not been re-tinned should be classified as Used NOT Refurbished. (4.) Programmable, refurbished components should be erased and should not contain programs. (5.) Refurbished material should be sold in the manufacturer's recommended ESD compliant packaging. The packaging may not be factory original packaging, but may be third party packaging.

ERAI RECOMMENDATION: Use extreme caution if procuring refurbished product from China. We have been informed that some Chinese distributors sell remarked parts using the term "refurbished."

Important Change The terms BULK and BULK SURPLUS will NOT be broken into two terms. If you recall, this was a recommendation that was made, but the members that responded overwhelmingly rejected this modification fearing that some resellers may misconstrue the true meaning of the term. Please review the final draft for the definition of the term BULK if you strongly disagree with this new definition, please contact us. ***

BULK: (1.) Bulk is a term used to describe product that is being shipped loosely in boxes or bags. (2.) A term used by Franchise Distribution to describe large quantity shipments of material packaged in tubes, trays or on reels. (This definition of the term is not frequently used by independent distribution.)

ERAI RECOMMENDATION: Because the term bulk does in fact have two distinct meanings: Goods in bags and large quantity shipments; Buyers need to be specific in their expectations and Sellers need to be upfront with the true condition of the goods. Members are urged to use extreme caution when buying bulk material. ESD sensitive product can be damaged or compromised if shipped outside of its intended container (tube, tray or reel). ESD sensitive product should be shipped in the original manufacturer's packaging or packaging that



insures the leads or the integrity (functionality) of the product in general will not be damaged during transportation. Electronic devices that come from the factory in trays, tubes or T&R should never be shipped in bulk. If they must be shipped in this manner, the Seller should disclose this to the Buyer in advance of shipping the material and should require the Buyer indicate on their purchase order that this method of packaging is acceptable. Bulk packaging should only be used if this is the manufacturer's standard way of storing and shipping as is the case with certain transistors and diodes, etc. In China distributors often times refer to Bulk material as used material with mixed date codes, oxidized leads, bent leads and in rough condition. If buying material offered as bulk in this region you are urged to use caution because sometimes their definition of bulk does not comply with the industry accepted definition.

MEMBERS: This concludes the final draft of the first group of terms and definitions. Unless a particular term is strongly opposed, we will officially adopt the use of these terms as accepted by our members. We ask that you contact us immediately if you oppose a particular definition so that we can carefully evaluate our final decision.

Your participation in this effort was critical. We are extremely grateful to the members that aided in this process. Your feedback, negative and positive was essential in formulating a list of terms that we can all benefit from clarifying.
THANK YOU!