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# GrayZone

## Quarterly Digest

### January - March 1998

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## Titanic Bootlegs on the Rise

### Rarotonga, Cook Islands

Although the video version of the blockbuster hit "Titanic" has not yet been released, the epic movie has been available on cassette in the remote Cook Islands for the past four months now. Pirated copies of the movie are a favorite at video outlets that brazenly deal in the lucrative business of catering to viewers months before the authorized videos are released. The tapes, usually of poor quality and imported from Fiji and Asia, are rented, when the bootleggers can get away with it. The Cook Islands is party to international copyright conventions and the Crown Law Office has finally completed drafting the Cook Islands Copyright Bill and a Parliamentary Select Committee is now calling for public submissions. (AFP/ClariNews, February 17, 1998 (Florence Syme-Buchanan))

## Copyright Piracy Estimated To Cost U.S. Firms \$10.8 Billion

### Miami

Copyright piracy of music, books, movies and computer software cost U.S. industry an estimated \$10.8 billion in 1997 the International Intellectual Property Alliance (IIPA) said recently. The organization listed 55 countries where it said piracy was a problem. In recommendations to U.S. trade representative Charlene Barshefsky, it said Greece and Bulgaria should be designated "Priority Foreign Countries" unless significant improvements in enforcement were made by April 30. U.S. pressure had prodded China to clamp down on pirate CD factories. (Reuters - February 24, 1998)

## Fashion: Is Fake Prestigious?

A recent article in February's Allure magazine claims that counterfeit fashion accessories -- such as fake Prada shoes and phony Chanel purses -- are being flaunted by their chic and often times wealthy owners. One wealthy upper east side Manhattan matron even went so far as to say, "If you have one original thing, you're very comfortable buying the fake. You've already proved the point." Despite this recent trend, the famous designers are still taking the counterfeiters to court.

(Allure, February, 1998 - Lydia Forrest)

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## 3Q Busts

### Canadian CD Plant Sued

#### Washington, D.C.

The RIAA recently filed a civil suit in the U.S. District Court, Central District of California on behalf of its member companies against Americ Disc, one of the country's largest commercial CD manufacturing plants, for allegedly pressing pirate discs. Salida-based Americ Disc and its parent company, Disque Americ (a Canadian CD replication company near Quebec) are being charged under U.S. and Canadian copyright laws. The RIAA is asking the court for a permanent injunction and monetary damages to compensate members for infringement. Based on the 75 titles in the current complaint, the RIAA is seeking a judgment of more than \$7 million.\*

### Audio Dynamix Seizure

#### Washington, D.C.

The Bergen County Prosecutors Office, with assistance from the RIAA, seized more than 20,000 alleged pirate CDs from Audio Dynamix, a CD brokerage company. The owners of Audio Dynamix, husband and wife Ismat and Nevene Gayed, were arrested and charged with violating New Jersey's True Name and Address Statute, a felony punishable by up to four years imprisonment and a \$250,000 fine.\*

### Internet Piracy

#### Washington, D.C.

Marc Ronald Fruchtmann of Jeremiah's Record Exchange in Wilmington and Dewey Beach, Delaware has been indicted for selling bootlegs on the Internet. He had previously been arrested at a Maryland record convention for selling bootlegs.\*\*

#### Washington, D.C.

Howie Horowitz, owner of Music Machine in Owings Hills, Maryland has been charged by Baltimore County Police with 10 counts of violating Maryland's True Name and Address Statute and the trial is pending. If convicted, potential penalties range from one year in prison and \$2,500 in fines per charge. Horowitz allegedly used trade publications and an Internet site to conduct business. The Music Machine's search warrants led to the recovery of alleged bootleg and counterfeit CDs and CD-Rs along with computers and assorted equipment allegedly utilized to create and distribute product.\*\*

#### Washington, D.C.

Norman Noplock of East Coast Digital in Baltimore County, Maryland has also been charged with two counts of violating Maryland True Name and Address Statute by Baltimore County Police after the raid on his Parkville business. During the raid the Police recovered alleged pirate CD-Rs along with manufacturing equipment. His trial is pending. Penalties range from one year in prison and a \$2,500 fine per charge.\*\*

\*\*RIAA Fast Tracks, February 10, 1998)

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### Sinatra Gangs Up On Bootleggers

#### Hollywood

Frank Sinatra's attorney Robert A. Finkelstein confirmed to Daily Variety Senior Columnist Army Archerd that he is fed up with Sinatra bootleggers and would be issuing a forceful letter to record distributors and retailers who are "illegally" selling Sinatra's copyrighted recordings. "We are extremely concerned about the proliferation of unauthorized Sinatra recordings -- we have adopted a policy of zero tolerance," according to Finkelstein. The concern is not only over piracy of pre-recorded records but also the sale of bootleg recordings from live and televised performances. Mr. Finkelstein indicated that there are over 80 retail outlets that have been illegally selling Sinatra, and he has the list. Swift action will, no doubt, follow in the next few months.

(Daily Variety, February 3, 1998 - Army Archerd)

## Artist's Corner

## Simply Red Singer Asked to Join UK Music Task Force

### London

Simply Red's Mick Hucknell has been asked by the British Prime Minister's Labor Party to join a task force to help review government policy affecting England's music industry.

A discussion forum composed of prominent people in Britain's music scene including lyricist Tim Rice, will, along with Hucknell team up with Chris Smith, Secretary for culture, media and sport to monitor an industry that contributes more than \$5 billion to the U.K. economy and employs upward of 160,000 people.

(Reuters, January 14, 1998; Yahoo/Reuters, February 6, 1998 - Paul Majendie; So What Media (Company Press Release), February 9, 1998)

## Worldwide Update

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### Argentina

Argentina could become the software piracy capital of the world after its Supreme Court judges ruled that copying software is not a criminal offense. According to studies by Price Waterhouse, about 70% of computer programs in Argentina are pirated, costing software companies more than \$160 million each year. The study concluded that \$68 out of ever \$100 spent on software in Latin America goes to pirates.

(The London Times, February 11, 1998)

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### Asia

## Asian Crisis Brings Boom Times For Music Pirates

Music piracy, which costs the global recording industry as much as \$5 billion a year in lost sales is rising quickly due to Asia's economic crisis. Apparently the currency devaluations in Asia are acting as a catalyst for CD piracy in that region, according to an analyst with Paine Webber Inc. For instance, a legitimate Madonna CD which may have sold for \$20 in the Hong Kong market before the crash, may now cost as much as \$40, while a pirate copy of the same CD will sell for just \$12.

(Yahoo/Reuters, February 19, 1998 - Sue Zeidler)

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### Brazil

### Brasilia

President Fernando Henrique Cardoso signed legislation in February that will dramatically improve the copyright environment in that country. The legislation has been under consideration for many months. The so-called "Software Law" makes computer software piracy a tax fraud crime for which offenders can be jailed for a maximum of four years and fined up to 3,000 times the value of the each illegal copy they produce. Another law on authorship rights covering music and films will also bring Brazil into line with international copyright norms and put into place new mechanisms for erasing piracy.

(Yahoo/Reuters, February 19, 1998 - Joelle Diderich; RIAA Fast Tracks, February 24, 1998)

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## China

### Shanghai

Shanghai cinema's box office receipts plummeted 20% last year to their lowest level in 20 years as people stayed home to watch pirated video compact discs (VCDs) rather than go out to the movies, a newspaper reported recently. The report said nine out of 20 people interviewed indicated they had not gone to the cinema at all last year. The interviewees said that there were a lot of titles available on VCDs so they did not have to waste money going to the movies.

(ClariNet/Agence France-Presse, February 6, 1998)

### Beijing

As many as 32 Chinese factories that were turning out pirate CDs have converted to producing legally approved goods, following a period of closure, according to the official Xinhua news agency. Last year, the authorities closed 50 factories turning out pirated CDs, mostly in Guangdong, Xinhua said. China has mounted an anti-piracy "winter campaign" to last until this month. In January, Chinese media reported that more than five million pirated CDs had been seized throughout the country during 1997.

(ClariNet/Agence France-Presse, February 3, 1998)

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## Paraguay

### Washington, D.C.

The United States has accused Paraguay of failing to provide adequate protection against copyright piracy and said it has launched an investigation that could lead to trade sanctions. U.S. Trade Representative, Charlene Barshefsky, said in a statement that Paraguay had failed to enact adequate and effective intellectual property laws. She also said Paraguay needed to take more forceful action against counterfeiters and to police its borders.

Enforcement has not been good enough to stop rampant production and export of counterfeit goods, according to Barshefsky. Paraguay is a major trans-shipment point for pirated goods to the rest of the region.

(Yahoo/Reuters, February 18, 1998)

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## Russia

IFPI Director General Nic Garnett warned that Russia is in danger of becoming the next world center for pirate CD production unless immediate action is taken by the Russian authorities. According to Garnett, "We must do everything possible to prevent Russia becoming a problem like Bulgaria and China, where overcapacity in CD manufacturing and poor enforcement of copyright laws have created a pirate CD industry targeting markets worldwide. In Russia, this can be avoided if we can eradicate local piracy and start building strong demand for legitimate CD production." There has been a significant increase in anti-piracy activity in Russia. In 1997, action by the Russian enforcement bodies, assisted by IFPI, led to the seizure of 300,000 pirate cassettes, 800,000 CDs, 1,000 music CD-ROMs, 650,000 inlay cards and over 900 pieces of professional recording equipment used for piracy with a value of over \$4 million. In addition, customs prevented over four million pirate CDs from being imported into Russia.

(IFPI Press Release, January 27, 1998)

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## United States

### Sony Files Suit With Software Pirates

#### Hollywood

Sony Corporation's American electronic gaming division, Sony Computer Entertainment America, filed several civil lawsuits against six separate alleged software counterfeiters. Sony attorneys allege that the "pirates" engaged in illegal sales of cloned games for the hit PlayStation gaming console, and the perpetrator's main avenue for sale was the Internet. Billed as back-up copies, "these clones were sold to registered owners of PlayStation

consoles and games who could then give the duped copies to their friends," according to Sony lawyers.

(Reuters/Variety, December 17, 1997 - John Volland)

## **Student Jailed For Photocopying \$20 Bills**

### **New York**

A former Columbia University student was sentenced to 15 months in prison after pleading guilty to counterfeiting \$20 bills at the journalism school, according to the federal prosecutor's office. Mary Jo White, U.S. Attorney for the Southern District of New York, said in a statement that Clifford Evans, 26, was also sentenced to three years of supervised probation after he admitted to participating in the scheme with friends and fellow students at Columbia University. The group used a photocopy machine at the school to produce the fake money. (Yahoo/Reuters, February 10, 1998)

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## **Vietnam**

### **Hanoi**

A senior Vietnamese official said recently that Hanoi was still awaiting a response from Washington to its December ratification of a joint copyright accord. The U.S.-Vietnamese copyright agreement was signed by Secretary of State Madeleine Albright in Hanoi last June 27. Pirated films, CDs, books and computer software are widely available in communist Vietnam, and to date the copyright agreement has had little impact. Much of the piracy was carried out by state-owned firms, including those under the Ministry of Culture itself. (Yahoo, December 5, 1997; Yahoo/Reuters, January 19, 1998 (Andy Soloman); Yahoo/Reuters, February 3, 1998)

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## **Internet News**

## **Beck Albums Targeted By Internet Copyright Activists**

Beck has been targeted by a group of activist re-mixers who are selling re-worked tracks from his Odelay and Mellow Gold albums without his permission. The group, called rtmark, are offering for sale a 13-track CD called Deconstructing Beck on their web site, [www.detritus.net](http://www.detritus.net). The group are devoted to what they term "subversion of restrictive copyright laws." Their spokesman, Philo T. Farnsworth, say they targeted Beck "because he's good, but still a product." The unofficial CD has resulted in a swift and angry response from Beck's representatives. Brian McPherson, Beck's attorney, said what rtmark have done basically amounts to theft. According to McPherson, "Bragging about copyright infringement is incredibly stupid, you [rtmark] will be hearing from me..."

(NME.com, February 27, 1998 <http://www.nme.com/newsdesk/>)

## **Computer and Electronics Giants Reach Digital Anti-Piracy Pact**

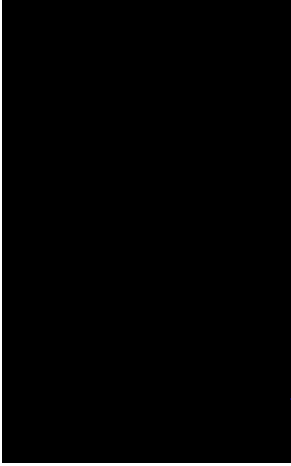
### **Los Angeles**

Major consumer electronics companies have moved to prevent digital pirating of movies and music on the Internet, easing fears in Hollywood about potential theft of its most valuable offerings. In a breakthrough for the entertainment industry, Intel Corp., Sony Corp., Hitachi, Ltd., Matsushita Electric Industrial, Co. Ltd. and Toshiba Corp. announced a joint encryption -- or encoding -- standard aimed at protecting digitally distributed music and videos. Using various encryption techniques, the method would protect movies and music while it is sent from companies to people's homes by scrambling the content making it impossible to desramble without a particular software key.

(Yahoo/Reuters, February 19, 1998 - Sue Zeidler; Yahoo/Reuters, February 27, 1998 - Christopher Stern)

## **Internet Music Licensing Trial**

**London**

The Performing Rights Society (PRS) in England has announced a new framework for licensing on-line music use, including the Internet. According to the PRS, which issues licenses for the public consumption of all music in the U.K., anyone wanting to use music on the Internet can now apply to it for an "On-line Trial License," which will be issued according to several defined bands of music use. Licensees, which vary to some extent according to the level of use, range from \$85 to \$1,700, officials claim. According to PRS officials, any use of copyright music on the Internet always needs to be licensed by the writers and publishers of that music. For further information the PRS' website is <http://www.prs.co.uk>.  
(Newsbytes News Network, December 3, 1997)

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