

i2hub Network Shuts Down – Legitimate P2Ps Spring Up

On November 14, 2005, the intercollegiate file-sharing network, i2hub, shut down after the music recording industry threatened to sue it for allowing illegal downloads. After it was permanently shut down, visitors looking for the network logged on to the i2hub website only to find the message "Remember i2hub."

i2hub, which enabled file swapping over a special superfast Internet2 connection among more than 200 universities, was one of several file-sharing networks to fall under recording industry pressure.

In September 2005, seven file-sharing networks including i2hub received cease-and-desist letters from the Recording Industry Association of America (RIAA) accusing them of enabling computer users to illegally distribute copyright-protected music online. In the notices, the trade group representing the major recording companies warned recipients of legal consequences if they continued to operate. The RIAA also brought lawsuits against 635 individuals using i2hub at 39 campuses during 2005.

In a continuing effort to raise awareness against illegal file-sharing amongst students, the Motion Picture Association of America (MPAA) is sponsoring a student competition for a nationwide public service announcement condemning online piracy along with Students In Free Enterprise, an international nonprofit student organization devoted to creating economic opportunity.

As illegal file-sharing networks are shut down, the RIAA reports that the legitimate online marketplace has already begun to expand. In addition to legal download and subscription services like Rhapsody, Napster, iTunes, Wal-Mart.com, Sony Connect, Yahoo! Music and others, a promising legal peer-to-peer (P2P) network marketplace is emerging.

Joining World Media, PassAlong and Intent Media in the legitimate P2P arena, iMesh has announced a legitimate P2P business model and the launch of its newly configured service. Individual record companies have also announced numerous licensing agreements in recent months with companies such as Mashboxx and Snocap.

NewsFactor.com, November 21, 2005

http://www.newsfactor.com/story.xhtml?story_id=39600

MP3newswire.net, November 16, 2005 (Jon Newton)

<http://www.mp3newswire.net/stories/5002/i2hub.html>

Yale Daily News, November 16, 2005 (Ross Goldberg)

<http://www.yaledailynews.com/article.asp?AID=30910>

RIAA.com, November 7, 2005

Read the press release: http://www.riaa.com/news/newsletter/110705_2.asp

See GrayZone Digest 2Q 2005: <http://www.grayzone.com/405.htm>

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John Lennon Goes Digital

He may not be alive today, but former Beatles frontman, JOHN LENNON, is still keeping up with advances in modern technology. Beginning with his recent greatest hits offering "Working Class Hero," Lennon's entire musical catalog will be made available for digital download. This will herald the first official release of Lennon's material to the digital market.

Launched on December 5, 2005, shoppers can now purchase downloads of any Lennon song they can think of via a broad range of digital outlets - certain tracks are even available for mobile phones. Lennon's entire solo catalog was made available on several online music services including Real/Rhapsody, Napster, MSN and Yahoo! Unlimited, but not on Apple's iTunes Music Service, due to an ongoing legal battle that Apple and Beatles parent company, Apple Corps, have been waging.

The companies battled in the early 1990s when they agreed to a settlement that specified that Apple Computer would keep its trademark on computers, not music. Apple Corps. claims that Apple broke the agreement when the company launched the iTunes Music Store.

Lennon's widow, Yoko Ono, commented on the new digital releases, "I am very happy that John's music is now available to a new generation of music fans," she said. "New technology is something he always embraced and this is something he would have loved."

Macworld, November 9, 2005 (Jim Dalrymple)

<http://www.macworld.com/news/2005/11/09/lennon/index.php>

Undercover.com, November 9, 2005 (Eve Jenkin)

http://www.undercover.com.au/news/2005/nov05/20051109_johnlennon.html

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U.S. Busts

Be sure to peruse the Recording Industry Association of America's (RIAA) monthly newsletter "RIAA Anti-Piracy Seizure Information," which covers numerous bootleg, piracy and counterfeit raids across the United States. Read about the recent busts at our website: <http://www.grayzone.com/usabusts.htm>

L.A. Man Pleads Guilty to Pirating Film

On December 13, 2005, a man pleaded guilty to unlawfully posting a copy of "Star Wars: Episode III - Revenge of the Sith" on the Internet the night before the film appeared in theaters.

According to the U.S. attorney's office, Marc Hoaglin of Los Angeles, California entered his plea to one count of uploading a work being prepared for commercial distribution.

Hoaglin told the judge he obtained a prerelease copy of the "Star Wars" film from a co-worker in May 2005. The copy had been stolen a few days earlier from a post-production company hired by Lucasfilm Ltd. to put finishing touches on the film.

The illegal posting violated the Family Entertainment and Copyright Act of 2005, which made uploading a movie before its DVD release a federal felony. Hoaglin, 36, was the second person in the nation convicted under the law, and faces up to three years in prison at his sentencing on March 6, 2006.

Find Law, December 13, 2005 (Associated Press)

<http://public.findlaw.com/pnews/news/ap/o/632/12-14-2005/dc46000772ed007d.html>

New York State Police Raid Local Warehouse

On November 15, 2005, the New York State Police (NYSP) announced the execution of a search warrant on a warehouse in Rochester, New York, where a man was allegedly running a pirate DVD and CD lab.

According to the NYSP, investigators seized 136 DVD and CD burners, 6,316 pirate DVDs, 7,595 pirate CDs, \$16,000 in U.S. currency and five guns. The counterfeit merchandise has a retail value exceeding \$100,000, according to police.

In addition, a human skull was found, which the Monroe County Medical Examiner and the Rochester Police Department is continuing to investigate.

The raid was the largest pirate burning lab operation uncovered in upstate New York, resulting from a three month-long investigation led by the NYSP, the RIAA and the MPAA.

RIAA.com, November 17, 2005 Read the press release:

<http://www.riaa.com/news/newsletter/111705.asp>

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China

Western Brands Win Piracy Suit in Beijing

Chanel, Prada and three other luxury goods companies have won China's first copyright verdict against a shopping mall landlord in Beijing.

According to the December 19, 2005 verdict, Beijing Xiushui Haosen Clothing Market, a landlord at the Silk Street shopping mall in Beijing, failed to stop vendors from selling goods known to have been pirated. The court ordered the landlord and vendors to pay \$13,000 in compensation to the plaintiffs, which included Burberry, LVMH Moët Hennessy Louis Vuitton and Gucci.

International companies lose more than \$60 billion a year because of piracy in China, according to the U.S. Commerce Department.

International Herald Tribune, January 4, 2006 (Bloomberg News)

<http://www.ihf.com/articles/2006/01/04/business/prada.php>

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Italy

Ex-Cirielli Law Cuts Down Piracy Cases

The music industry is concerned that the passing of a new Italian law will threaten music anti-piracy activity in the country. The new law, known as the Ex-Cirielli Law, could end three quarters of all pending criminal anti-piracy trials before they have the chance to be taken to court.

The law shortens the period after which criminal cases pending trial are automatically dismissed. The change, from seven and a half to six years, will affect the majority of all pending criminal cases brought by the music industry which can take up to nine years to go to trial. Of 471 cases pending in 2004, 382 will be dismissed and similar figures are expected for 2005.

IFPI, representing the music recording industry worldwide, warns that the bill is inconsistent with international rules on enforcement of intellectual property and will put Italy out of line with other developed countries. Italy has one of the highest rates of piracy in Europe, at 25% of the total music market.

IFPI Chairman and CEO John Kennedy said: "The Ex-Cirielli law deals a huge blow to the Italian music industry and to all IP industries in the country. This law totally undermines our ability to fight piracy in a nation with one of the highest rates of piracy in the developed world."

IFPI.org, November 11, 2005

Read the press release: <http://www.ifpi.org/site-content/press/20051111.html>

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Japan's Downloads Grow as U.S. Market Slows

The Recording Industry Association of Japan (RIAJ) reports that 2.3 million computer downloads were bought in Japan in the third quarter of 2005 alone. This figure is more than double the sales recorded in each of the year's previous quarters. This sharp increase has almost exclusively been attributed to the iTunes Music Store debuting in the Japanese market at the start of August 2005.

In the U.S., however, a very different picture is emerging. It is reported that - after the boom of 2004 - U.S. digital sales are beginning to slow down. Average weekly sales were 6.6 million in the third quarter of 2005 - up only slightly from 6.4 million in May 2005.

Round The Clock News, November 28, 2005

http://www.ilmc.com/secure/comm/rtcnews_nov05.html

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U.S. Senate Takes Aim at Music Piracy in Russia

The Recording Industry of America is hoping that a recent anti-piracy effort by the U.S. Senate will have an effect on illegal music downloading in Russia.

On December 21, 2005, the Senate passed a resolution stressing that the Russian Federation must provide more effective protection of intellectual property rights. If the country fails to do so, it risks being barred from the World Trade Organization and losing its eligibility to participate in the Generalized System of Preferences program.

RIAA chairman Mitch Bainwol commented, "With the passage of this resolution in the Senate, the entire U.S. Congress has made clear that the Russian government must significantly step up the fight against piracy as a condition for both its acceptance into the WTO and for receiving preferential trade benefits from the United States."

Top Tech News, December 27, 2005 (Elizabeth Millard)

http://www.toptechnews.com/story.xhtml?story_id=40478

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Spain's Biggest Piracy Bust

In what is the largest operation against music and film piracy ever undertaken in Spain, police arrested 69 individuals on October 26, 2005 allegedly involved in the illegal production, storage and retail distribution of music and film discs.

Police raided nine addresses believed to be the main center of the illegal business. All of the 69 people arrested during the operation were Chinese nationals, including the three alleged to head the organization: Yi Dong Han, Zhixionh Xu and Zhubao Dong. Four have been sent to prison on judicial warrant, and many others had no legal permits to stay in Spain. A total of 23 addresses were searched in several locations in Spain including the piracy ring's main distribution centers in Madrid and Alicante.

Large amounts of illegal material were seized by the authorities including over 60,000 recorded CD-Rs, almost 50,000 DVD-Rs and over 130,000 inlay cards, as well as over 200 CD drives and four industrial color copying machines. Thousands of Euros in cash and 21 counterfeit identity cards including four stolen passports were also found in the searches.

The group was believed to have been producing over one million CD-Rs and DVD-Rs every month. The music included both local Spanish artists and well-known international titles. Some of the films had not yet been legally distributed.

Spain was named as the only Western European country in IFPI's 2005 Commercial Piracy Report's top ten priority countries list. Piracy has devastated the country's music industry, with sales of recorded music having fallen by 32% since 2000.

IFPI.org, October 28, 2005

Read the press release: <http://www.ifpi.org/site-content/press/20051028.html>

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Crackdown on Counterfeit Goods in UK

Plans for a new multi-agency approach to tackling traders who sell counterfeit goods are being drawn up in the UK following a series of four raids, dubbed *Operation Dawn*. The raids took place in December 2005, at North London's Wembley Market. Between 50 and 70 people including police officers marked more than 30 traders for possible prosecution and seized counterfeit goods that would have been valued at £1.5 million (\$2.4 million) at retail.

According to Britain's Department of Trade & Industry, the multi-agency approach would be co-ordinated by the Patent Office and the National Criminal & Intelligence Service.

Legitimate traders and local businesses, including Blockbuster, supported the raids. Agencies included in *Operation Dawn* included the British Phonographic Industry (BPI), the Anti-Counterfeiting Group, Job Centre Plus and the Inland Revenue.

Afterdawn News, January 4, 2006

<http://www.afterdawn.com/news/archive/7188.cfm>

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Online and In-Store: The RIAA Lawsuits Continue

On behalf of its member companies, the RIAA announced a new round of copyright infringement lawsuits against 751 new individuals on December 15, 2005. The new round of lawsuits, filed as part of an ongoing effort to level the playing field for legal online music services, included students at the college campuses of Drexel University, Harvard University, and the University of Southern California.

The "John Doe" lawsuits cite individuals for illegally distributing copyrighted music on the Internet via unauthorized peer-to-peer services such as LimeWire and Kazaa. In addition to the "John Doe" litigations, the major music companies filed lawsuits against 105 named defendants, filed in Arizona, Connecticut, Georgia, Illinois, Massachusetts, Michigan, North Carolina, Nebraska, New Jersey, New York, Texas and Wisconsin.

Nearly all of the cases filed by the RIAA have been settled for a few thousand dollars and a signed pledge from the accused to get their music from legal channels. However, Patricia Santangelo, a mother of five from White Plains, New York, has recently refused the RIAA's settlement offer, claiming that she is computer-illiterate and never took part in illegal file-sharing. The trial, set for later this year will determine if an "Internet-illiterate parent" can be held liable for her children's downloads.

The RIAA has also taken legal action as part of a program designed to deter a continuing piracy trend: the sale of illegal music at small, established businesses. The music industry's anti-piracy efforts are part of a larger initiative recently launched by the RIAA and the Motion Picture Association of America (MPAA) aimed at protecting holiday shoppers from purchasing illegal copies of CDs and DVDs and reducing the amount of illegal product readily available to the public.

On December 19, 2005, the RIAA on behalf of the major record companies also sued five New York City retailers for flagrant violations of copyright law. The lawsuits, filed in federal court, specifically asked for an injunction and legal damages, based on the amount of pirated product being offered. In addition to the five lawsuits, the RIAA sent a new round of demand letters to the owners of 20 retail establishments in New York City and parts of California. Since this program was first launched in 2002, some 50 retail establishments have either settled out of court or had sizable penalties rendered against them.

Pirated CDs can increasingly be manufactured and sold for less than the legitimate releases. As a result, some retailers -- such as the owners of convenience stores, small music stores, or corner markets -- are attempting to make a profit by selling illegal CDs, or even manufacturing counterfeit CDs themselves. In response, the RIAA has adopted an aggressive "zero tolerance" approach to retailers engaged in this activity.

"The end of the year is an especially important time for the music community, and an especially fortunate time for music fans, with a great slate of new releases in stores." said RIAA President Cary Sherman. The RIAA estimates that the U.S. recording industry loses more than \$300 million annually to physical goods piracy.

TechNewsWorld.com, December 30, 2005
<http://www.technewsworld.com/story/48068.html>

RIAA.com, December 19, 2005
Read the press release: <http://www.riaa.com/news/newsletter/121905.asp>

RIAA.com, December 15, 2005
Read the press release: <http://www.riaa.com/news/newsletter/121505.asp>

IFPI Launches Worldwide Strike Against Illegal File-Sharing

On November 15, 2005, the recording industry unveiled the biggest escalation yet in its campaign against illegal Internet file-sharing, announcing over 2,100 new legal cases against individuals and extending the actions to five new countries in Europe, Asia and for the first time, South America.

File-sharers in Sweden, Switzerland, Argentina, Hong Kong and Singapore are for the first time at risk of criminal penalties and payment of damages in an international campaign that has already seen thousands of people - the majority of them young men between the ages of 20 and 30 - pay sums of \$3,000 or more for uploading copyrighted music on peer-to-peer networks (P2P).

This latest wave of cases, takes the total number of legal actions against uploaders to over 3,800 in 16 countries outside the U.S. This is the fourth wave since the international campaign began in March 2004, and it targets users of all the major unauthorized P2P networks, including FastTrack (Kazaa), Gnutella (BearShare), eDonkey, DirectConnect, BitTorrent, WinMX, and SoulSeek.

The actions in Sweden, Argentina, Switzerland, Hong Kong and Singapore join Austria, Denmark, France, Finland, Germany, Iceland, Ireland, Italy, Japan, the Netherlands, the UK and the US, bringing the total of countries involved in litigation to 17.

In Argentina, where actions were announced for the first time, four out of 10 people who have access to the Internet use unauthorized P2P services. These file-swappers are high-income people, mostly aged between 20 and 30.

In Singapore, the recording industry has filed 33 criminal complaints involving users of FastTrack and Gnutella. These follow the industry's "Don't let the music die" education campaign in hundreds of schools.

In Hong Kong, civil actions are being brought against 22 major uploaders. In November 2005, a man who uploaded three films on to the BitTorrent network was sentenced to three months imprisonment.

In Sweden, the music industry has announced 15 criminal complaints against music uploaders with more waves to follow in the future. Research shows that

more than 1 million people are file-sharing illegally and one in every nine Swedes has been an illegal file-sharer at one time. In October 2005, an individual who uploaded a Swedish film was convicted of copyright infringement and required to pay fines.

IFPI Chairman and CEO John Kennedy said: "This is a significant escalation of our enforcement actions against people who are uploading and distributing copyrighted music on P2P networks. For the first time there will be financial and criminal sanctions for this activity in countries in South East Asia and Latin America. This reflects the sharply rising levels of Internet piracy in those regions. The message today is that, from Sweden to Hong Kong and from Singapore to Argentina, there are no havens for the theft of music on the Internet."

IFPI.org, November 15, 2005

Read the press release: <http://www.ifpi.org/site-content/press/20051115.html>

Grokster Agrees to Shut Down

Grokster Ltd., which lost a Supreme Court fight over file-sharing software popular for stealing songs and movies online, agreed to shut down and pay \$50 million to settle piracy complaints by Hollywood and the music industry. Coming just four months after the Supreme Court's June 2005 ruling in *MGM vs. Grokster*, the owners and operators of the Grokster peer-to-peer network agreed to settle the three-year-old legal case with the nation's major record companies, motion picture studios and music publishers.

The surprise November 7, 2005 settlement permanently banned Grokster from participating, directly or indirectly, in the theft of copyrighted files and requires the company to stop giving away its software. This included the immediate cease in distribution of the Grokster client application and operation of the Grokster system and software. Grokster's website was changed to say its existing file-sharing service was illegal and no longer available. "There are legal services for downloading music and movies," the message said. "This service is not one of them."

Executives indicated plans to launch a legal, fee-based "Grokster 3G" service before year's end under a new parent company. Mashboxx, headed in part by former Grokster president Wayne Rosso, has already signed a licensing agreement with Sony BMG Music Entertainment.

The head of the Recording Industry Association of America, Mitch Bainwol, described the settlement as "a chapter that ends on a high note for the recording industry, the tech community and music fans and consumers everywhere."

RIAA.com, November 7, 2005

Read the press release: http://www.riaa.com/news/newsletter/110705_2.asp

Yahoo! News, November 7, 2005 (Ted Bridis)

http://biz.yahoo.com/ap/051107/downloading_music.html?.v=5

U.S. Copyright Office, June 2005

Read the *MGM vs. Grokster* Decision: <http://www.copyright.gov/docs/mgm>

See GrayZone Digest 3Q 2005: <http://www.grayzone.com/705.htm>

=====SIDEBAR=====

Automatic Wireless MP3 Sharing? A Scary Thought for the Music Industry

The Viktoria Institute in Gothenburg, Sweden, is working on a concept they call Push Music, which is software that automatically shares music files with nearby users who have similar tastes.

The new technology monitors the listening history of the user, and develops awareness about what kind of new music they might like. The concept envisions Wi-Fi (wireless-enabled) music players that automatically establish a peer-to-peer connection, enabling people to either "browse" the music collections of others and take a copy of whatever they like.

This new technology would pose a serious threat to the music industry in their ongoing battle against illegal file-sharing. The anytime, anywhere, automatic wireless transfers of music would no doubt have the RIAA in a new bind in their efforts to protect intellectual property and thwart wide-spread music piracy.

The Raw Feed, January 5, 2005 (Mike Elgan)

<http://www.therawfeed.com/2006/01/riaa-hell-automatic-wireless-mp3.html>

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Quick Bits and Bytes

Companies Plagued by Counterfeit Drugs

Pfizer Inc., in a move to thwart counterfeit Viagra, has included special radio frequency identification tags on all packages of its anti-impotence pill to verify they are the authentic Pfizer product. The world's largest drugmaker said the costly new technology would create barriers "for criminals who might attempt to counterfeit our products."

The tiny tags are small computer chips that have been affixed to the underside of labels on each bottle of Viagra, as well as on cases and pallets of the drug. The invisible tags relay an electronic code that verifies the product is real and authorized Viagra. Pharmacists and wholesalers can then use specially designed electronic scanners that communicate the code over the Internet to a secure Pfizer website for verification purposes.

Roche, the Swiss pharmaceutical manufacturer of Tamiflu, has also been affected by the counterfeit drug market. Customs agents have recently intercepted more than 50 counterfeit shipments of the antiviral drug that is being stockpiled in anticipation of a bird flu pandemic, marking the first such seizures in the U.S.

The first package was intercepted on November 26, 2005 at an air mail facility near the San Francisco International Airport. Since then, agents have seized 51 separate packages, each containing up to 50 counterfeit capsules labeled generic Tamiflu. According the Food and Drug Administration Office of Enforcement, the fake drugs had none of Tamiflu's active ingredients and initial tests indicated there was some vitamin C in the capsules.

CNN Money.com January 6, 2006 (Reuters)

http://money.cnn.com/2006/01/06/news/companies/pfizer_viagra.reut/

ABC News, December 19, 2005 (Brian Skoloff)

<http://abcnews.go.com/Health/Flu/wireStory?id=1420604>

Microsoft Continues War on Counterfeit Software

As part of an ongoing campaign against piracy, Microsoft along with the Business Software Alliance (BSA) successfully shut down a Manchester based Internet retailer, Zoobon, for selling counterfeit Microsoft software.

According to Microsoft, it had received a number of complaints from Zoobon customers unhappy with the quality of the products they had been sold. In an investigation conducted over the course of a year with the help of eBay, Zoobon was found to have counterfeited nearly \$5 million worth of software, according to Microsoft.

Following the investigations, an out-of-court settlement was reached between Microsoft and the individuals behind Zoobon under which they ceased trading and agreed not to sell counterfeit Microsoft software in the future. Zoobon's site on eBay has been closed down as well. The BSA has indicated that it prefers not to file lawsuits but rather presses companies to reach a settlement after determining there were violations.

According to the BSA, most investigations begin with a call to its hotline or with a report made through its website by a current or former employee of a suspected company. BSA attorneys then contact the organizations, who usually cooperate and conduct audits.

The BSA has also started a rewards program to intensify its fight against software piracy in the United States. In December 2005, the BSA began offering rewards of up to \$50,000 for qualifying piracy reports.

RedHerring.com, December 8, 2005

<http://www.redherring.com/Article.aspx?a=14799&hed=Software+Pirates+Fined+%24500K&or=Industries&subsector=SecurityAndDefense>

ZDNet UK, December 08, 2005 (Colin Barker)

<http://news.zdnet.co.uk/business/0,39020645,39240837,00.htm>

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