



representing the
recording industry
worldwide

enforcement bulletin

Issue 25

December 2004/January 2005

SPECIAL ANNUAL REVIEW 2004

Welcome to the 3rd annual review of the Enforcement Bulletin. As in previous years the central pages include a review of some of the successes in the worldwide fight against piracy in 2004. Despite these successes the music industry continues to suffer from high levels of piracy, it being estimated that one third of all music sales are pirate copies.

IFPI and its team of experienced investigators work closely with law enforcement, prosecutors and non-governmental organisations (NGOs) worldwide and are indebted to the skill, perseverance and professionalism of all these bodies. The synergy developed by this private public partnership leads year on year to impressive results, the seizure

of millions of counterfeit discs and the disruption of highly organised criminal enterprises.

Evidence from around the world also suggests that courts are beginning to treat these offences seriously, handing down deterrent sentences and in some cases confiscating assets obtained by the pirates.

“There is however no room for complacency as the pirates continue to adapt, altering methods and strategies to manufacture and market their illicit product. Anti-piracy activities must be increased with more arrests and larger seizures to meet the changing and challenging conditions. IFPI enforcement is ideally placed to assist law enforcement in this task.” *Iain Grant, IFPI Head of Enforcement*

U.S.A.: LANDMARK RAIDS AGAINST SUSPECT CALIFORNIAN CD PLANTS

In what is the United States' largest law enforcement operation ever against CD and DVD manufacturing plants producing and selling counterfeit music and film products, officials from the Los Angeles County Sheriff's Department executed simultaneous raids on five replication plants in Southern California.

A protracted investigation jointly undertaken by RIAA and the MPAA led to the purchase of pirated discs from stores and flea markets throughout the United States. These discs were subjected to forensic examination at IFPI Secretariat, and confirmed to have been manufactured by the five plants targeted in this action. With the provision of further technical assistance from industry investigators, officers from the County Sheriff's Department were able to obtain search warrants for all of the factories involved, leading to the effective and highly successful raids.

Preliminary estimates of the counterfeit product seized during the operation include music CDs and film DVDs, together with stampers, with a cumulative value of approximately US \$50 million.

“Virtually unprecedented in size and scope, today's anti-piracy operation by the Los Angeles County Sheriff and others delivered a significant blow to piracy during a critical sales period for the recording industry,” *said Brad Buckles, Executive Vice President, Anti-Piracy, RIAA.*

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Inside one of the raided replication plants

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ITALY

Assassination attempt foiled in Naples

A Guardia Di Finanza (GdF) Brigadier involved in anti-piracy work was ambushed by two armed gunmen as he returned to his Naples base on 14th November. The brigadier, who has ten years experience in copyright investigations, was driving his car when he was subjected to concentrated fire from the two assailants. The officer reacted quickly and returned fire which enabled him to avoid any serious injury. The investigating officers are treating the incident as attempted murder. The public prosecutor investigating the case has confirmed that the incident is directly connected to a recent operation, which has focused on a well-known Camorra gang in Naples. In that operation 32 suspects, including four gang leaders, were arrested for copyright infringements.

"This is an appalling attack on a senior law enforcement officer and graphically illustrates the ruthlessness and depths these criminal elements will stoop to. Fortunately the officers' bravery and presence of mind prevented a more tragic outcome. This incident reinforces the need to tackle these organised crime entities head on. The GdF and authorities in Italy have an excellent record in this fight and we wish them every success in bringing the offenders to justice."
Iain Grant, IFPI Head of Enforcement

Enforcement actions continue around Italy

Fiscal Police (GdF) raided a covert CD-R plant in Naples in early October resulting in the seizure of 182 high speed CD and DVD burners, 40,000 CDs and 15,000 DVDs, 2,500 blank CDs and DVDs, more than 130,000 inlays and jewel boxes. Two people were arrested.

In mid-October, multiple raids and seizures in the province of Cagliari, Nuoro and Sassari in Sardinia led to the confiscation of large quantities of cocaine, hashish and crack as well as illegal music CDs and DVDs. Fifteen people were arrested in an operation involving 350 police officers. The Public Prosecutor's office and the Fiscal Police in Naples arrested 11 people and laid 18 charges in November following a one year undercover investigation into an organisation involved in music and video piracy in Italy. The criminal group supplied street vendors with counterfeit music CDs and DVDs in Northern and Central Italy.

Naples Attorney General, Giovandomenico Lepore, stated: "Today the business of audiovisual and music piracy is one of the main sources of revenue for criminal organisations active in Naples".

Source: FPM Italy

NETHERLANDS

Pirate ordered to pay 840,000€ damages

A notorious music pirate has been ordered by a Rotterdam Court to pay 840,000€. The pirate operation had been producing 'Megacharts' and 'Top of the Pops' compilations.

The judgement is the outcome of a civil case started after a criminal case in 1996. The court stated that he must pay 450,000€ of the illicit profit he made. A further order to pay 390,000€ in damages to the rights holders was imposed.

This is the first civil judgement against the individual who has been criminally convicted twice before for piracy. A third criminal conviction is currently pending. In 1996, he was sentenced to one year imprisonment and again in 1999 to 1½ years in jail. At that time, using a professional CD moulder, he produced an estimated monthly circulation of 50,000 copies.

In 2003, he was arrested by Belgian Police and extradited to the Dutch authorities. In a private house near the Dutch/Belgian border, 160 CD burners and professional copying equipment was found. The man was caught red-handed burning copies of the pirate compilation 'Top of the Pops'.

BREIN has commended the civil judgement but is calling on the authorities to speed up the third criminal case and imprison the man in question.

"We do not understand why this man is still out of jail pending the trial in the Top of The Pops case while there is a provisional sentence over his head". *BREIN's Managing Director Tim Kuik*

Source: BREIN Netherlands

GERMANY

Nuremburg

IFPI Germany assisted police during a joint operation in and around Nuremburg leading to a total of 11 raids being conducted in October. About 3,000 counterfeit optical discs were seized during the raids. The National Group had identified a network of Ukrainian and Russian citizens living in Nuremburg selling counterfeit optical discs via an online auction site. The intelligence obtained showed that these individuals had already sold 13,000 units with a turnover of 130,000€.

Essen

In a joint operation with the Federal Customs administration and IFPI Germany over 7,000 pirate discs were recovered from the market at the University of Essen. Three Polish nationals were arrested.

PORTUGAL

Police raid large fair near Lisbon Airport

Portuguese authorities including IGAC (General Inspection of Cultural Activities), PSP and IGAE have dismantled 20 selling points and seized 17,500 CD-Rs and DVD-Rs containing a variety of latest releases. Ten people were arrested. The operation, the biggest to date, involved more than 250 law enforcement officials.

The action took place at the Feira do Relógio, a regular Sunday fair in the vicinity of Lisbon Airport, which is the biggest in Portugal. It has for many years been one of the leading markets for the sale of counterfeit products, mainly clothes and handbags. However, with the advent of CD-R piracy, the availability of illegal product including music, live concerts and films, has increased considerably. This particular action, as with others carried out on several fairs around the country, is not only a direct result of the excellent co-operation between LEAs and the copyright associations to fight piracy, but also of the dedication, effort and leadership of IGAC Inspectors. Since January, IGAC's Inspectors have made 51 raids at fairs/markets, bars, discos and shops and seized approximately 91,000 optical discs (CD-Rs and DVD-Rs). Most of these raids were made with the protection of the PSP and GNR involving more than 2,000 agents.

GNR tax brigade seize more than 40,000 discs

The GNR Tax Brigade of Lisbon, commanded by Lieutenant Resende, and the IGAC headed by Ricardo Hipólito, have seized more than 11,000 CDs/CD-Rs, nearly 30,000 DVD-Rs/VCDs and 36 drives with a value of over 890,000€.

The raids, initiated following two complaints by AFP, targeted three shops and two private residences. The discs seized at the shops were mainly Chinese repertoire whilst at the two residences, local and international repertoire discs were being burnt for onward sale at fairs and markets.

Source: AFP Portugal

HUNGARY

Significant seizures in Eastern Hungary

MAHASZ, the Hungarian IFPI National Group, in a joint effort with local police authorities, have successfully launched an ongoing campaign against music pirates in the country.

In October, police arrested two pirates who had been advertising their on-demand copying business in the city of Debrecen. Finished products were mailed or personally delivered by the culprits who, at the time of their detention, were found in possession of significant quantities of burned CD-Rs and DVD-Rs.

The largest seizure of the campaign took place in mid-November, when a pirate who advertised his services in the local press in Eger was arrested. Nearly 900 compressed sound files were found, containing approximately ten thousand tracks; a further 1,200 albums were stored on computer. Pirates in Hungary typically sell their products at less than 50% of the cost of original CDs, and due to the compression into MP3 format burn many albums onto each pirated disc.

Source: MAHASZ Hungary



A selection of illegal product seized in the raids

SPAIN

Alicante and Murcia

In a joint action between the Spanish National Group AFYVE and IFPI the first of a series of police raids took place at the beginning of November. Seven people were arrested, 27 burners and about 10,000 units of music, DVD films and games were seized, along with approximately 18,000€ in cash. The pirate operation is the largest covert CD-R burning laboratory ever discovered in the city, and the cash seizure is one of the largest single cash amounts ever seized from any pirate syndicate in Spain.

This action was followed by further raids in Murcia in November. The police, again acting on industry information, conducted a series of raids resulting in the arrest of 13 people and seizure of 52 burners, 13,000 CDs, 4,600 DVDs, along with 1,100 blank CD-R discs and hundreds of printed inlay cards.

Source: AFYVE Spain

UNITED KINGDOM

Raids lead to 10 arrests

A major Manchester counterfeiting ring was cracked on 16th October when BPI and the Department for Work and Pensions (DWP) teamed up with Greater Manchester Police and Salford Trading Standards in a series of raids. The four Salford raids, which led to five arrests and the seizure of over UK £3 million worth of fakes, an unlicensed shotgun, eight computers and more than 100,000 copied discs of pre-release music albums and movies. Van loads of confiscated counterfeit CDs and DVDs were thought to be heading for market stalls across Greater Manchester. This multi-million pound haul is easily the biggest ever seized in the region.

Further raids by Greater Manchester Police and Salford Trading Standards on 16th November led to another half-million pound haul and five arrests.

Source: BPI

EGYPT

After an intensive surveillance operation against one of the region's most prolific music pirates, Anti-Piracy Police and IFPI investigators in Cairo located a major CD-R burning laboratory in the city and successfully arrested the principal operator. The operation led to the seizure of 37,000 pirated CD-Rs and DVD-Rs containing music and recently released film titles, together with 24 CD-R burners and more than 100,000 inlay cards. The action has significantly impacted the availability of infringing music products in the city.



Product seized at the raid in Cairo

LEBANON

Largest raid to date in Lebanon's history

Armed policemen raided three warehouses in one of the most notoriously dangerous areas of Beirut in late November and seized an estimated 200,000 pirate DVDs, computer programs, music CDs and games. The confiscated material, which filled three vans, had a retail value of approximately US \$3 million.

The owner of one of the warehouses has been a long-term target for IFPI and other copyright industries including MPA and BSA. His organisation was responsible for importing major consignments of DVDs from South East Asia and had established contacts with a large syndicate in Malaysia responsible for the manufacturing of pirated optical discs containing music, movies and software. Furthermore they are suspected to have been involved in running large scale duplicating sites for pirated CD-Rs in Lebanon, supplying large quantities of pirated optical discs and MCs to the street vendors in Beirut.

SRI LANKA

Police raid on CD plant leads to arrest

Police officers in Sri Lanka have raided an illegal CD plant in a rural area near the capital, Colombo. During the raid in October, police arrested one Malaysian national and seized 70 offset printing plates, a small quantity of VCDs and CDs. The investigation revealed that some hours before the raid, approximately 170,000 CDs and a number of stampers had been 'relocated' by the plant owners. The plant was mainly involved in the replication of VCDs containing Western, Indian and local movies, together with smaller quantities of Indian, local and international music, software, games and pornography. The facility had been operational for several months and was owned by Malaysian nationals and local 'businessmen', with the replication equipment for the plant having been imported into Sri Lanka from Malaysia.

PAKISTAN

It is estimated that the total optical disc production in Pakistan in 2004 will reach more than 230 million discs, an increase of 30% compared to 2003, with ten replication plants now operational in the country. With an estimated total annual legitimate domestic demand of only 25 million units, it is clear that a large amount of the remaining 205 million optical discs will be exported. Indeed, pirated discs from Pakistan have reached markets in Europe, Africa and the USA.

India, Nepal and Dubai have become established routes for the importation of masters into Pakistan, and export of finished products respectively.

One encouraging development resulting from intensified anti-piracy activities by Customs at Karachi International and Islamabad airports has been the 90% decline in the exports of pirated optical discs by airfreight companies.

IFPI, in co-operation with BSA (Business Software Alliance), has conducted extensive training for Karachi Customs officials, leading to seizures in recent months of several hundred thousand optical discs, containing international music, movies and software. Pre-release music titles are now being found throughout Pakistan and it is hoped that this initiative will lead to disruption of this highly damaging trade.

*Reports by Willem van Adrichem
IFPI Enforcement, Middle East/SW Asia*

KUWAIT

As a direct result of IFPI information, the AIPR unit of Kuwait Customs raided the first-ever multi DVD-R burner facility in the Middle East in December. Five DVD-R duplication towers, each with six high speed burners were turning out huge quantities of music, movie, games and software discs per week, apparently supplying local retailers. The majority of the pirate product was music including Madonna, Bon Jovi, Metallica and the Bee Gees. However the haul also included a variety of Hollywood movies from the major studios. Only small quantities of games and software were seized.

It is estimated that the syndicate of six people had been involved for more than two years in various piracy activities such as the importation of DVDs (both music and movies), duplication of CD-Rs and DVD-Rs and local distribution.

The seized items included a total of 30 DVD-R burners, at least 20,000 recorded optical discs (DVDs, DVD-Rs and CD-Rs), blank DVD-Rs and large quantities of inserts. The investigation is ongoing.



The seizure included pirate music and movies

AFRICA

Nigeria

Africa is a huge potential music market that presents an enormous challenge to the legitimate industry. Nigeria is typical of the situation that prevails in many African economies, with markets flooded with poor quality pirate CDs. Ironically, the majority of these discs are being imported into Nigeria from relatively wealthy countries in South East Asia.

IFPI are determined to interdict this criminal trade and to bring the manufacturing plants responsible to account.

Consequently, it is encouraging to note actions by Nigerian authorities against two CD plants suspected of being involved in the illegal manufacture of optical discs. Coordinated raids resulted in the seizure of millions of discs, stampers and 11 replication lines, and caused significant disruption to the activities of the Malaysian investors who had set up these replication facilities in Nigeria to avoid strict optical disc regulation in their own country.

After the arrests were made public, the NCC made it clear that entities who think they can operate in this manner in Nigeria will not be tolerated. Similar cases would be dealt with swiftly under the law. The NCC, with assistance from IFPI, will now be conducting visits on all CD replication plants in Nigeria.

EASTERN EUROPE

Bulgaria

Customs Officers at the Danube Bridge Station conducted checks on a Bulgarian registered lorry and discovered, among boxes of cosmetics, more than 120,000 pirated DVDs with music and film content. The driver of the vehicle had been previously identified in a similar action conducted by Romanian Customs Officers in 2003.

After seizing the infringing goods, Bulgarian Customs contacted colleagues in Bucharest and provided information concerning a second Bulgarian lorry on route to Romania. As a direct result of this information sharing, on 30th April the second vehicle was stopped at Siret Border Station on the Romanian/Ukrainian border and found to contain 107,214 pirated DVDs.

Enquiries revealed that both lorries were connected to the same Bulgarian business and were transporting cosmetics and the infringing DVDs to a company in Moscow. The seizure is the largest of its kind in Eastern Europe, and can be attributed directly to the strong co-operation between industry investigators and customs officials in Romania and Bulgaria.

Poland

A criminal group of computer hackers operating in Poland, the United States, Australia, the UK and Slovakia has been closed down by the police unit combating economic crime at the Provincial Police Headquarters in Gorzow, Wielkopolski.

Police IT specialists had been investigating the group since October 2003. The offenders hacked into computer systems of Polish and foreign academic (mainly technical) institutions and used the free space of their in house computers, facilitating fast connections and large storage space. The offenders stole new releases of music, computer games, software and films and distributed them on a large scale both on the Internet and at the local markets, often removing academic data to obtain more space. Some members of the group were bold enough to offer temporary access to academic resources at a charge!

The group consisted primarily of hackers, network administrators and individuals close to people involved in legitimate distribution. Police initially arrested eight members of the group and searched several academic premises to secure evidence. The detainees now face charges carrying penalties of up to eight years imprisonment.

WESTERN EUROPE

United Kingdom

A British judge jailed a notorious international music bootlegger for three and a half years on 8th July. Mark Purselove amassed an estimated UK £6.6 (US \$12.5) million fortune in 11 years of music piracy, selling bootlegs in Europe, Japan and across the world via an international network of wholesale dealers. He had also used Internet auction sites such as eBay, falsely advertising the discs as rare items, charging as much as US \$240 per CD. He was arrested in June 2002 after protracted investigations by the British Phonographic Industry (BPI) and IFPI.

The Court also ordered forfeiture of Purselove's assets, including homes in Chelsea and Brighton and an Aston Martin sports car. The confiscation order, amounting to UK £1.8 million (US \$3.4 million), is a British record for music piracy.

The Judge took into account Purselove's "contempt of previous injunctions" and "repeated flagrant and blatant disregard for the law" and ruled that failure to hand over his UK £1.8 (US \$3.4) million fortune before the 31st March 2005 deadline would result in a further five year prison term.

The court had heard that Purselove had

built his bootlegging empire by amassing a massive collection of illegal recordings of classic and contemporary artists from Led Zeppelin, David Bowie and Pink Floyd to Supergrass and Coldplay.

"This exemplary case highlights the excellent results that can be achieved through a public/private partnership. The fact that Purselove was sentenced to a lengthy term of imprisonment and, more importantly, had his assets seized sends a very strong message."
Michael Ellis, IFPI Enforcement Western Europe

WESTERN EUROPE

Italy

Following several months of investigation, the Fiscal Police of Cremona arrested four members of a well-known family involved in music piracy in the Naples area. Raids on 29th July resulted in the seizure of approximately 50,000 CD-Rs.

The Fiscal Police initially monitored a number of express courier offices in Cremona tailing various shipments from Naples addressed to local Senegalese people suspected to be active in the distribution of large quantities of CDs in Northern Italy. Surveillance operations allowed the Fiscal Police to reconstruct the whole structure of the organisation, identifying the family in question as the head of the illegal network.

The raids also led to the recovery of more than 100 burners, with estimated annual production capacity of four million CD-Rs.

Netherlands

The criminal anti-piracy enforcement team of Dutch FIOD-ECD recently completed its investigation into an organised criminal group, resulting in the seizure of 17,000 pirate CDs and DVDs. Five people were arrested when police officers carried out simultaneous raids on several addresses, including a known CD/DVD plant, throughout the Netherlands. In addition to CDs and DVDs, 12 computers, documentation and two firearms were seized.

This investigation began six months ago after 3,000 pirate music CDs were seized in a Dutch CD plant. During this period, it is believed that the group produced approximately 150,000 pirate CDs and DVDs, which were sold via an extensive underground network.

Spain

Spanish National Police executed a series of eight raids, targeted against producers and distributors of pirate CD-Rs, in Granada, Southern Spain. This significant operation, including 39 arrests, has successfully dismantled an organised crime gang based in Granada which was shown to have links with illegal immigration networks, and resulted in seizures of 82 burners capable of recording 720 discs per hour, 24,800 recorded CD-Rs and DVD-Rs, 36,000 Euros in cash, and other fake goods including driving licenses.



Selection of illegal product and equipment seized

LATIN AMERICA

Brazil

Law Kin Chong, a Brazilian national of Chinese extraction was arrested and charged following an attempt to bribe the president of a Commission investigating piracy offences in Brazil. Law, who controlled almost 80% of the counterfeit market in Brazil offered to pay a bribe equivalent to US \$500,000 and actually paid a deposit of US \$75,000 to prevent further investigation into his activities. Law and his legal advisor have been charged with extortion, corruption, money-laundering and piracy offences.

Paraguay

The music industry's anti-piracy efforts received a major boost when a key organised crime leader was jailed for seven and a half years on 6th April. This is the first organised crime case involving blank CD-R importers and is the result of three years of co-operation with law enforcement and continuous lobbying of the Paraguayan Government.

The jailed man was one of the most powerful and influential pirates in Paraguay. Also sentenced to six-year prison sentences were two accomplices, one of whom captained the vessel bringing in the illicit CD-Rs to Paraguay and the other a financier and front man for the venture.

Mexico

Mexico Plus Project underway

The Mexican music market has been decimated by high levels of piracy exacerbated by the poor economic situation. Unit sales have fallen from 73 million in 1999 to 56.9 million in 2003. The anti-piracy campaign, previously restricted to Mexico City due to limited investigative and prosecutorial resources, has now been extended under the 'Mexico Plus' programme to include Guadalajara; a region with a traditionally strong and vibrant music market that has been devastated by piracy.

Two high-profile raids carried out in the City of Guadalajara helped to further one of the objectives of 'Mexico Plus' - the conversion of illegal traders to licensed sellers.

The first raid uncovered 32,800 pirate CD-Rs in 14 outlets and the second resulted in the seizure of 628,000 pirate CD-Rs in 42 outlets. In this second location a firearm and 38 rounds of ammunition were also found. The operations were carried out by officers from the Fiscal Police, tax auditors, and public security from the State of Guadalajara, Federal investigators and experts in Intellectual Property crimes. The actions were extensively publicised throughout the state on radio and television.

A further 51 raids resulting in seizures in excess of 1.5 million discs have subsequently taken place, but the pressure must be maintained if the scheme is to have a realistic chance of success.

MIDDLE EAST

Kuwait

Immediate success for IPR Unit initiative

Pro-active action by Kuwait Customs in late April resulted in the seizure of over 21,000 CDs and DVDs being imported into the country from South East Asia. Kuwait has one of the highest piracy rates in the Gulf States and in 2003 this reached an estimated 60% for Arabic and international repertoire and even higher for Indian repertoire.

Steps to tackle the problem were initiated at a press conference in April attended by an IFPI delegation when Director General of Kuwait Customs, Mr. Ibraheem A. Al-Ghanim, announced the establishment of a dedicated IPR unit in conjunction with Kuwait Customs.

At the press conference, Iain Grant, IFPI's Head of Enforcement, stated:

"We applaud the initiative taken by Kuwait Customs to implement an IPR unit. Customs play a major role in detecting piracy at the borders."

India

Police/IMI operation nets CD-R pirate

Police officers in collaboration with IMI investigators raided a residence in Saharanpur, Uttar Pradesh leading to the seizure of 25 CD writers and over 4,000 pirated CDs. During the search of the premises in February, police also confiscated more than 32,000 inlay cards and 25,000 stickers.

The raid was a result of a prolonged surveillance operation on the suspect known to be involved in piracy. The CDs were being supplied to a well-known pirate in the area and shop owner. It is estimated that this illegal operation, running clandestinely for about a year, was producing approximately 2,500 CDs daily, mostly throughout the night.

NORTH AMERICA

U.S.A.

Raid on underground CD plant

Following a six month joint investigation by REACT Task Force (FBI, State and Local Investigators) and the United States Secret Service Electronic Crimes Task Force, warrants were executed on 6th February at an underground CD plant and a private residence where a total of 55,000 unauthorised CDs, 1,600 stampers and 38 CDR burners were seized.

On 6th February, three federal search warrants were executed and the target location raided. In addition to the unauthorised discs and stampers, the authorities confiscated 755,000 sets of counterfeit/pirate inserts and tray cards and numerous computers, cash and related business documents.

Based upon documents seized during the searches, this underground facility had the capacity to manufacture and distribute unauthorised discs to a value in excess of 52 million dollars.

Anti-Piracy battle continues in Atlanta, Georgia

The FBI and Atlanta Police Department executed Federal search warrants at two locations in Atlanta, Georgia on 13th May which resulted in the seizure of over 250,000 pirate and counterfeit CDRs and approximately 60,000 counterfeit motion picture DVDs. Seven individuals were arrested by the Atlanta Police Department and charged with criminal violation of the State of Georgia piracy statutes.

Members of the FBI Swat Team and Atlanta "Red Dog" Tactical Squad secured the two locations and were assisted by a combined search party that included 60 police officers and agents including the Atlanta PD Aviation Squad. Illicit product from these distribution locations was traced to ten different states throughout the South East United States.

RUSSIA/CIS

Siberia

CD-R lab uncovered in high security prison

Police in Novosibirsk located a CD burning laboratory inside a high-security prison, believed to have been producing counterfeit audio CDs and cassettes for West Siberian markets for up to three years. The laboratory, operated around the clock by inmates, was established by the prison authorities, who claim to have been unaware that their activities infringed intellectual property laws. Its officers now face the possibility of a prison sentence or a fine of 500,000 roubles.

Russia

Enforcement operations update

Officers from Moscow's Law Enforcement Agencies, assisted by IFPI Investigators, conducted a raid in February against a clandestine DVD manufacturing plant operating three replication lines. Following the discovery of more than 25,000 pirated DVDs and 800 stampers, a criminal action was initiated against the operators of this plant.

Further, during the course of a routine CD plant inspection conducted by representatives of the Moscow Prosecutor's Office and IFPI personnel in April, officers discovered that two replication lines operated by a licensed plant were being used to manufacture copyright-infringing DVDs. A full search of the plant was initiated, resulting in the discovery of more than 35,000 illegal discs.

Consequently, all replication equipment in the plant has been sealed and further production halted pending the outcome of forensic analysis of the seized discs.

SOUTH EAST ASIA/PACIFIC

TAIWAN

Large scale raids on CD-R laboratories

The Taichung Team of the IPR Task Force Police raided two premises in Yunlin County on 5th January. Two people were arrested and a total of 163 CD-R burners and approximately 6,000 pirate CD-Rs were seized. The raids were the result of a prolonged evidence-gathering exercise following information received from the public.

On 13th January, a separate raid was conducted on premises in Taichung by the IPR Task Force Police. Thirty-four CD-R burners were recovered and nearly 15,000 infringing music CD-Rs seized. One of the three people arrested was a notorious distributor turned CD-R pirate and he had just been sentenced to three years and four months jail term in November 2003 for previous pirate CD-R offences.

CHINA

Major strikes against piracy in key cities

In a series of encouraging operations against pirate syndicates, the authorities have signalled an intention to step up enforcement efforts.

In Guangzhou City, PSB officers recovered four million pirate discs from a warehouse purportedly used as a motorcycle service centre. In a separate action, officers of the Anti-Smuggling Unit of Punyu Customs in the Zhujian Delta intercepted a vessel and discovered 1.79 million optical discs in 15 containers falsely declared to be empty.

On 13th March, on conclusion of the region's most significant criminal trial for piracy offences, 17 people were convicted of trafficking in excess of six million illegal audio visual products. The syndicate head was sentenced to seven years and the remaining defendants to between one and six years imprisonment. The syndicate had smuggled over ten million discs into China between 2001 and 2003.

HONG KONG

The international recording industry has hailed as 'exemplary' jail sentences of six and a half years handed down to two former directors of a Hong Kong-based company found guilty of involvement in a massive music and film piracy operation.

Tsoi Chung-wang, and his wife, Ng Yee-nei, former directors of the Hong Kong based company Golden Science Technology Limited, were charged following an investigation by Hong Kong's Independent Commission against Corruption (ICAC) and Hong Kong Customs.

The sentence is believed to be one of the most severe ever handed down for the manufacture of pirate optical discs. The court heard that in April 1998 Hong Kong law enforcement officers raided four factories, an office and warehouse premises where millions of counterfeit optical discs, covering 75 titles, were seized. In addition, the authorities seized a total of 41 optical disc replicating lines, 38 of which were working at the time of the raid. Of the 38 replicating lines, 31 were making unauthorised discs worth HK \$300 million.

Both defendants were originally charged with copyright related offences in November 2001, however they fled Hong Kong and were not re-arrested until mid

2003. With the assistance of the Interpol National Central Bureau (NCB) China, Lanzhou Municipal Public Security Bureau, and the Hong Kong Police's Liaison Bureau, Tsoi returned to Hong Kong from the Mainland on 14th October last year.

Subsequently the Royal Canadian Mounted Police in Vancouver arrested Tsoi's wife on 30th October last year on ICAC's behalf. She waived extradition proceedings and returned to Hong Kong to face trial. IFPI and MPA representatives fully supported and attended court proceedings.

Mr. Iain Grant, IFPI Head of Enforcement said: "This was a 'conspiracy to defraud' on a truly huge scale and this exemplary investigation and this prosecution illustrates that intellectual property crime should no longer be viewed as a low-risk criminal enterprise. The verdicts and sentences reflect great credit upon the professionalism and determination of both the ICAC, Hong Kong Customs and the Department of Justice in pursuing this investigation not only in Hong Kong but also in China and Canada. IFPI investigators filed the initial complaint and supported the case throughout its course; clearly demonstrating the value of an effective public and private sector partnership in tackling complex crime."

SECRETARIAT NEWS

2004 TRAINING REVIEW

Training has been carried out by both Secretariat and regional offices in a wide variety of countries and in all regions. Training seminars have also been carried out with partner Non Governmental Organisations such as UNESCO, World Customs Organisation, European Patent Office, the EU PHARE programme, the Swedish Patent Office and WIPO.

A generic investigation manual for IPR crime was written for INTERPOL and this has now been published.

A web based learning and resource programme was developed and launched at the worldwide anti-piracy conference in Dublin. At present this is available only on CD-R but will shortly be placed on the secure web site hosting the CD Plant database and PPD and thus available to all having access to those sites.

MALAYSIA

Inlay printing factory raided in Georgetown

Officers from the Ministry of Domestic Trade and Consumer Affairs (MDTCA) raided an unlicensed printing press in Georgetown, Penang on 10th November. MDTCA officers from the Penang District, led by their Deputy Director of Enforcement Puan Norashikin, gained forcible entry to an unlicensed inlay printing factory operated by two Malaysian Chinese and two Myanmar technicians. 2,000 finished inlays packed for distribution for Guy Sebastian and Julio Iglesias titles were found on site together with 20,000 inlay transparencies for audio titles of both international and Chinese repertoire. Catalogues with album covers for hundreds of albums were found in another area of the factory.

While officers were raiding the premises, several car-loads of Chinese males arrived at the scene armed with knives and choppers verbally threatening government and industry representatives on site and demanding entry to the factory. Officers called for Royal Malaysia Police back-up which arrived within minutes, however the would-be assailants had fled in the interim. No persons were injured in the confrontation. Police posted an overnight guard on the property and provided a subsequent armed escort of the exhibits to a secure MDTCA storage facility in a neighbouring state.



Machinery removal

Minister of MDTCA, Y.B. Datuk Haji Mohamad Shafie bin Haji Apdal, shredding pirate discs

Malaysia destruction ceremony in KL

A destruction ceremony organised by MDTCA and hosted by the recently appointed Minister, Y.B. Datuk Haji Mohamad Shafie bin Haji Apdal at MDTCA's purpose built exhibit storage complex in Nilai, near KL International Airport, saw the crushing of several hundred thousand pirate optical discs seized in countrywide enforcement operations over the preceding two years.

In an address to the invited attendees on 16th September, including officials from the Royal Malaysia Police, Customs, MDTCA, industry artists and representatives as well as members of the press, the Minister cited optical disc piracy as a scourge adversely affecting local industry, local artists and Malaysia's standing within the international community. The Minister called upon all those present, as well as the Malaysian consumer, to work together to stamp out piracy once and for all. The minister made specific reference to the involvement of organised crime syndicates and 'gangsters' in pirate activities and promised that under his stewardship, the MDTCA would take all measures necessary to effectively combat the problem.

Iain Grant IFPI Head of Enforcement stated: "It was reassuring to hear the determined words of the Minister to tackle criminals. The arrival of armed thugs following the raid in Georgetown bears all the hallmarks of Triad involvement and a resolute response is not only appropriate, it is essential."



Malaysian Authorities raid underground replication facility

Information generated from their in-house intelligence section led officers from the MDTCA's Optical Disc Unit to carry out a dawn raid on a suspected unlicensed replication facility located in an industrial area in Kuala Lumpur. As a result of the raid on 19th October, one male was arrested. A single replication line found on site was in working order, although it was not producing discs at the time of entry.

The machinery was seized and subsequently removed to secure storage by the government authorities. IFPI are currently assisting MDTCA in their enquiries to identify the owner of the factory.

CHINA

The authorities in China have promoted their recent initiative against intellectual property crime with two major pirate optical disc destruction ceremonies. In September, the Ministry of Culture (MOC) of Dongguan County publicly destroyed some 425, 000 illegal audio/video products, seized during numerous raids throughout the Province.

In the same month, over 3.82 million illegal publications, including over 330, 000 pirate optical discs were destroyed in a public ceremony in Anhui Province. The pirate goods were the result of law enforcement operations between January and September in which more than 8,000 man-hours were spent in raids on 325 pirate retail outlets.

On 18th November, as a direct result of an earlier IFPI market survey and complaint, officials from the Shenzhen Administration of Industry and Commerce (SZAIC) conducted simultaneous raid operations against two target addresses in Shenzhen resulting in the recovery of 14,000 pirate CDs and DVDs.

TAIWAN

IFPI anti-piracy operatives uncovered a mail order syndicate specialising in the supply of pirate music product direct to the public. Following a protracted surveillance operation in early November, authorities raided a property situated in Tai Bao City, Southern Taiwan. On entering the premises, the raiding team discovered 56 personal computers connected to 52 CD-R burners and 14 DVD-R burners, together with 20,000 pirate optical discs containing recently released music and movie titles and a vast quantity of addressed envelopes, catalogues and other documentation revealing the extent of the illegal activity. The principal operator was arrested.

HONG KONG

An operation targeting the illegal income of Hong Kong Triad Societies was launched in September by the Organised Crime and Triad Bureau of Hong Kong Police and Hong Kong Customs. On conclusion of the operation the Hong Kong authorities recovered 160,000 pirate optical discs, 9500 litres of illicit diesel oil, 3.9 million counterfeit cigarettes, 1,700 ecstasy tablets and 200 grams of the illegal drug, Ketamine, plus illegal gambling documentation revealing bets of HK \$3.2 million and HK \$220,000 cash.

The operation began as a result of intelligence sharing between enforcement agencies in Hong Kong, Macau and China, and involved more than 6,000 officers raiding 2,000 locations, including discos, games centres, massage establishments and residential flats.

*Reports by Bob Youill
IFPI Enforcement, S.E. Asia/Pacific*

PHILIPPINES

Optical Media Board in action

Anti-piracy activities in the Philippines during the last three months have been characterised by an aggressive campaign to remove illicit optical discs from the streets of the capital Manila and provincial cities and towns.

The start of September saw three enforcement actions against targets in the cities of Cebu, Bacolod, and Dumaguete. The raids, conducted by the Optical Media Board (OMB) and supported by local police, IFPI and MPA resulted in seizures of 450,000 discs of mixed format in actions directed at both distributors and retailers of pirate products. The clear message was that the Board was not going to tolerate piracy within the capital or elsewhere. The seized items were immediately destroyed in public ceremonies by crushing or shredding.

A further action in Cebu involving the Bureau of Customs netted 36 boxes of infringing DVDs imported via the city's international airport from Malaysia.

During the month, more actions involving IFPI and MPA conducted at Davao international airport led to the interception and search of an inbound flight which

netted over 8,000 movie and music DVDs. The discs were smuggled into the country from Manado in Sulawesi, Indonesia. Two couriers were arrested and have been charged with offences under the new Optical Media Act.

Further raids resulted in the seizure of 89 boxes of pirate karaoke discs from a private residence in central Manila and shortly thereafter over 600 boxes of infringing titles were seized from private and commercial premises controlled by a well-known local counterfeiter. The latter operation, conducted under a search warrant and initiated in support of Sony Playstation saw a departure from previous practice, wherein only those infringing discs cited in the warrant would have been seized. On this occasion the OMB attended the scene and seized all other infringing products under the authority of an Inspection Order raised by the Chairman of the Board, with over 350,000 counterfeit discs being finally confiscated. The haul included music CDs in MP3 format.

In total over the past two months nearly 1.5 million pirated discs have been seized by the authorities.

BRAZIL

Warehouse raid nets 11 million blank optical discs

A joint raid by APDIF do Brasil, the local music anti-piracy group, and Federal Police on a warehouse in Sao Paulo has resulted in the seizure of 7.5 million blank CD-Rs and 3.5 million blank DVDs. In addition, over five million CD and DVD boxes were also seized.

The raid is linked to an investigation initiated by the CPI (parliamentary investigative commission) into the music piracy empire of a Taiwanese businessman, Law Kin Chong, who had been arrested a few months previously. With the assistance of APDIF, information was developed relating to the illegal importing of blank optical discs to the warehouse in question which led to the raid on 5th November. The seized CD-Rs and DVD-Rs were brought to Brazil at an average unit price of .3 cents per unit, which is considered below the normal range for such product.

Law Kin Chong's music piracy organisation had been identified by the CPI as a key target.

Source: IFPI Latin America

MEXICO

Record 16 million blank CD-Rs seized in Mexico

Almost 16 million blank CD-Recordable discs - a worldwide record - were seized in raids in Mexico on 30th November. The bulk of the discs are believed to have been destined for the country's piracy-ridden markets. The raids mark recent stepped-up enforcement efforts by the Mexican authorities to try and stem the overwhelming pirate music trade in the country.

Customs agents, with the support of federal investigation agents initially seized ten million blank CD-Rs in raids on two warehouse facilities in the municipalities of Morales and Tacubaya within metropolitan Mexico City. The raids followed eight months of intensive investigation. At the same time, customs authorities, assisted by federal fiscal agents, stopped and appropriated two shipments containing 5.8 million additional blank CD-Rs at the ports of Ciudad Juarez and Manzanillo. The shipments were apparently entering the country without proper documentation.

Mexican authorities have said that all the seized products were either owned by or imported by a company which is a major supplier of blank CD-Rs to markets notorious for being centres of piracy such as Tepito in Mexico City.

The seizures illustrate the increasing enforcement actions by the Mexican authorities to try and stem the pirate trade which has devastated Mexico's legitimate market. The raids follow a new 'Mexico Plus' initiative, aimed at transforming the illegitimate market stalls selling pirate product by offering them budget-priced legal CDs. At the same time, periodic raids aim to dissuade established pirate stalls from distributing illicit product and seek conversion.

Mexico was, in 2000, the eighth-largest music market in the world, but in 2003 the country dropped out of the world's top ten. The explosion of CD-R piracy in the country over the past few years has seen the legitimate market shrink from US \$665 in value in 2000 to US \$346.5 million in 2003 - a fall of 48%. In the same period

the industry laid off nearly half of its workforce and new releases fell by around 50% - particularly devastating to the country's domestic music artists and producers.

Mexico is also one of the top ten priority countries named in IFPI's 2004 Commercial Piracy Report. However, Mexican authorities have recently begun more systematic enforcement against the pirate trade, including the handing down of severe jail sentences for copyright pirates.

Fernando Hernández, Director General of IFPI's national group in Mexico AMPROFON commended those involved in the raids: "We congratulate Mexican Customs authorities and members of the Federal Investigation Agency as well as the Federal Fiscal Agency that ran these important operations. However, it is essential that the Mexican authorities continue to fight this trade that is devastating the country's music market and heritage."

Raul Vazquez, IFPI Regional Director for Latin America added: "The Mexican authorities should be applauded for these actions. We fully support the government and enforcement community's recent efforts to stem the pirate trade. However, there is still work to be done, to deal with the more than 50,000 street stalls offering pirate product which continue to threaten the legitimate industry."



Officers unload the seized CD-Rs

U.S.A.

(continued from page 1)

CD plant piracy is particularly damaging because the counterfeit goods produced tend to appear more authentic and often end up in legitimate music distribution chains. Music fans who purchase seemingly genuine product lose out, as do musicians, songwriters and record labels who are deprived of a return on their work.

Evidence gathered during the course of these raids will now form the basis of prosecutions against the operators of the five plants involved.

"This is an outstanding example of law enforcement and cross industry co-operation leading to exemplary action against highly organised criminal enterprises. Clearly a severe body blow has been effected on their nefarious activities and I commend all involved for their professionalism and determination."
Iain Grant, IFPI's Head of Enforcement

Source: RIAA



Large quantities of film DVDs were also seized

Argentina

Authorities in Rio Cuarto pledge to fight piracy

APDIF Argentina recently signed an important agreement with the Attorney General and police in the city of Río Cuarto making the city a piracy-free zone and agreeing to a zero tolerance of music pirates.

Source: IFPI Latin America

Israel

CD-R lab uncovered in city apartment

Following a protracted intelligence led operation, Israeli enforcement agencies and investigators from IFPI Israel raided a residential apartment in Ashkelon, situated 50 Km south of Tel Aviv, in December 2004. The premises were controlled by a man who has recent convictions for armed robbery and music piracy. A search of the premises found a total of 42 burners, printers and over 6,000 burnt discs. It is anticipated the suspect will receive a custodial sentence for the offences.

Source: IFPI Israel

Finland

Court sentences border pirate to nine months

A Russian national, Anatoly Vladimirovits Gekk, has been convicted of copyright infringement and gross tax fraud and sentenced to nine months imprisonment. Gekk entered Finland from Russia at the Vaalimaa Border Station. His Opel Astra was stopped by border guards and found to contain over 13,000 DVDs together with their booklets.

Unfortunately, the sentence was suspended but his vehicle was confiscated by the court. This is the first case in which a prosecutor has used tax legislation together with copyright charges against an importer.

Source: IFPI Finland

People news

Appointments/Movement

Jayne Wright	Executive Analyst (Secretariat) - maternity leave	10 Dec 04
Kelly Stubbs	PPD Administrator (Secretariat) - maternity leave	12 Nov 04
Jodie Isaac	PPD Administrator (temporary cover)	18 Oct 04
Arran Jagger	Intelligence Analyst (temporary cover)	22 Nov 04
Ebony John	Secretary/Database Assistant(Secretariat)	31 Aug 04

Departures

Dave Stanfield	Regional Investigator (S.E. Asia)	Aug 04
Sergei Avdienko	RAPEC Russia/CIS	Dec 04

Diary 2005

18-19 Jan	WCO IPR Group Training (Vietnam)
17-20 Jan	Customs Training (Lithuania)
23-27 Jan	MIDEM (Cannes)
7-10 Mar	EuroMed IPR Training Seminar (Cyprus)



Israel: CD-R equipment seized in apartment

Last word...

General anti-piracy enquiries and requests for information relating to enforcement issues should be sent to the following email address:

enforcement@ifpi.org

Information is also available from IFPI's website: www.ifpi.org

The next EB will be in **March 2005**.

Contributions / comments are welcomed and these should be forwarded to the editor no later than **18th February 2005** (see below for details).

Mailing list enquiries should also be addressed to the editor.



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