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SDMI: Secure Digital Music Initiative

"The SDMI Portable Devices Working Group is the first major step towards the development of a worldwide legitimate online music market. This will bring great benefits to all the parties involved -- consumers, record companies, artists and songwriters and a wide range of equipment manufacturers and technology companies."

(Jason Berman, International Federation of the Phonographic Industry (IFPI) Chairman, reacting to the official Secure Digital Music Initiative [SDMI] announcement.)

With the announcement on June 28, 1999, Phase I of the SDMI initiative began with the release of specifications for SDMI-compliant devices (the specs can be accessed at <http://www.sdmi.org>). The devices will let consumers play any digitally downloaded music as well as music copied ("ripped") from CDs. In order to discourage casual copying of "legacy" CDs (CDs already on the market) by making it more difficult, the specs call for "default" rules that would limit to four the number of copies that can be made of songs ripped from a CD. "Primary for the record industry is the specification's enshrinement of the seemingly basic but vital concept that content holders have rights that deserve to be protected in the online world," said Hilary Rosen, president/CEO of RIAA.

Phase II of the SDMI rollout is expected to begin within 18 months, at which point consumers will be required to upgrade their existing portable devices in order to play or copy new music releases that will contain an audio watermark. Pending final approval, SDMI has selected Aris Technologies' audio watermarking technique for use in the initial SDMI-compatible portable digital audio players. The new technology will screen all pirated and unauthorized music that does not contain the watermark. Some industry insiders have questioned how consumers will react to downloading watermarked files: the watermarks will tag purchased files with the consumer's personal information, such as their name, e-mail address and credit card number.

IFPI Press Release, June 29, 1999

Click [here](#) to read the entire press release.

New York Times, July 19, 1999 (Matt Richtel and Sara Robinson); Village Voice, August 24, 1999 (Edmund Lee).

See also official SDMI website: <http://www.sdmi.org>

See also RIAA online archives: <http://www.riaa.com/tech/techpress.htm>

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3Q Busts

Crazy Bob Microsoft Pirates Sentenced

Marc Rosengard, Maxine and Robert Simons, and their son William Simons, along with Gerald Coviello were sentenced as part of a Crazy Bob stolen software ring. They are the latest to be sentenced for their part in a conspiracy to sell \$20 million in Microsoft software. The Simons were employees of Crazy Bob's discount computer shop in Wakefield, Mass.

wired.com/Reuters, June 15, 1999

Point Your Browser Tip: <http://www.wired.com/news/news/politics/story/20239.html>

California Bootlegger Nabbed

Jago S. Goddard was arrested and charged with violating California's True Name and Address Statute following a tip from an anonymous caller. The Los Angeles Police Department, along with the RIAA, confiscated nearly 775 alleged bootleg CDs in a raid at three separate locations. Goddard was manufacturing CDs at his home and selling them at his two music stores, Melrose Music and Fantastic Store.

RIAA Fast Tracks, June 16, 1999

Biggest CD-R Bust Ever!

A July 21, 1999 raid on a storage location in Oxon Hill, Maryland, turned up close to 59,000 alleged counterfeit CD-Rs. This constitutes the biggest CD-R seizure to date and could potentially cost the industry a million dollars in displaced sales. The raid was made by the Prince George's County Police with assistance from the Motion Picture Association of America (MPAA) and the RIAA. Roger "Cowboy" Bynum was arrested for distributing alleged counterfeit CD-Rs and movies.

RIAA Fast Tracks, July 29, 1999

First Person Convicted of Internet Piracy

Jeffrey Gerard Levy, a 22 -year-old Oregon College student, pleaded guilty to violating the No Electronic Theft Act of 1997, the Justice Department recently announced. Levy admitted that he illegally posted computer software programs, musical recordings, entertainment software programs and digitally recorded movies on his Internet web site. Although anyone with net access could download the copyrighted files, there was no evidence that Levy made any profit. Levy will be sentenced November 2 and can face up to three years in prison and a fine up to \$250,000.

Yahoo! News, August 21, 1999

FYI Corner: Other Interesting High-Tech Reading

"The MP3 Revolution: Downloading Music in The Digital Age"

Although the controversy is dying down, the truth is that many Internet users still don't know what MP3 is!! Gives user friendly background information on the advent of MP3. Sonicnet.com, June 21, 1999 (Chris Nelson)

Point Your Browser Tip: <http://www.sonicnet.com/>

Keyword Search (News Archive): "MP3 Revolution" (June 21, 1999)

"The Beat Goes Online, and Sometimes It's Legal"

Still need more background on MP3? This article provides an excellent MP3 primer with lots of extra links for additional information.

Artist's
Corner

Point Your Browser Tip for New York Times Online subscribers only: <http://www.nytimes.com/>
Keyword Search: "MP3" "SDMI"

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Feds Bust Kiss Bootleggers

The FBI, along with the MPAA, nabbed a Kiss bootlegger at the popular Internet auction site eBay. Copies of the Kiss film "Detroit Rock City" were being hawked at the site for \$50 each, two months prior to the film's release. The seller listed all his e-mail customers as references, enabling the FBI to contact every person and retrieve the tapes. The "Detroit Rock City" eBay entrepreneur told authorities he had secured his copy from a New York City bootlegger who is now being sought by police.

wallofsound.com, June 25, 1999 (courtesy of ABC News Internet Ventures)

Point Your Browser Tip: <http://wallofsound.go.com/news/stories/kiss062599.html>
Keyword Search: "KISS Bootleggers"

Worldwide Events

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Germany

Germany Jails Software Pirate

For the first time, Germany has issued a prison sentence for software piracy. A 39-year-old Texan was sentenced to four years without probation following the seizure by German customs officials of thousands of illegal copies of Microsoft software programs. Fraud was proved in several instances in the case, with total damages of about 120 million marks (US\$64 million). Rudolf Gallist, general manager of Microsoft GMBH, said in a statement, "This sentence is a breakthrough in Germany and shows that counterfeiting software is really a serious crime."

wired.com/Reuters, June 15, 1999

Point Your Browser Tip: <http://www.wired.com/news/news/politics/story/20239.html>

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Legal
Highlights

Federal Anti-Bootlegging Statute Upheld

The United States Court of Appeals upheld the constitutionality of the federal anti-bootleg statute under the Commerce Clause which empowers Congress to legislate regarding intrastate activities. Convicted music pirate, Ali Moghadam, appealed on the basis that Congress did not have the authority to pass the statute, but the ruling makes it clear that the statute meets constitutional standards. Moghadam was one of 15 defendants convicted in a

U.S. Customs case dubbed "Operation Goldmine." Two defendants remain at large. Some 800,000 bootleg CD's were confiscated, the majority of which were manufactured outside the U.S. but intended for distribution in the United States.

RIAA Fast Tracks, June 16, 1999

U.S. Federal Agencies Announce Intellectual Property Initiative

The Intellectual Property Initiative, announced by the Department of Justice, the Federal Bureau of Investigation and U.S. Customs, calls for better cooperation and information sharing among the various governmental agencies, as well as increasing the priority of criminal Intellectual Property investigations and prosecutions. They also call for more specialized training courses for investigators and prosecutors.

RIAA Fast Tracks, July 29, 1999

RIAA Gets Historic Settlement in Landmark Case

The RIAA received a \$9.1 million out-of-court settlement from Pioneer Video Manufacturing Inc., the largest monetary recovery in RIAA history. The Carson, California based CD plant had continued to manufacture hundreds of unauthorized sound recording titles for a known pirate despite warnings from the RIAA in 1997. The settlement represents Pioneer's good faith to "clean up its business," says RIAA president/CEO Hilary Rosen.

RIAA Fast Tracks, August 10, 1999

Piracy Update

Software piracy rates declined but the number of illegal applications installed continues to grow according to a May 1999 report by the Business Software Alliance (BSA) and the Software and Information Industry Association (SIIA). Software companies lost revenues of approximately \$11 billion in 1998 down from \$11.4 billion in 1997. According to David Phelps, an SIIA Spokesman, the decrease in lost revenue is artificial because if Asia had not gone through an economic crisis, losses would have been closer to \$12 billion. Asia, North America, and Western Europe account for 80% of global revenues lost to piracy. The SIIA attribute the declining piracy rate to education on the economic effects of piracy, and the enforcement of piracy laws. Internet piracy, which was not a part of this study, is a growing concern.

CNN.com, June 1 1999 (Cheri Paquet)

Point Your Browser Tip: <http://www.cnn.com/>

Keyword Search: "Software Pirates Go Slow" (June 1, 1999).

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