



GrayZone Digest

September 1997

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Busts and Raids

Operation Goldmine a Success

In mid-August, a total of \$62,000 in fines and deportation were handed out in the first phase of sentencing for the largest bootleg investigation ever. Six of the seven RIAA-coordinated Operation Goldmine defendants pled guilty to one felony count of trafficking in unauthorized recordings of live musical performances and one felony count of smuggling. The defendants are now barred from making an application to reenter the United States for the next 20 years. Other Operation Goldmine defendants are scheduled for sentencing in late September, mid-October and mid-November.

(RIAA Fast Tracks, August 25, 1997)

Pirate Surrenders

On July 21, Basem Allen surrendered himself to the Federal Correctional Institute in Fort Dix, New Jersey, to begin serving his 12 year plus sentence. Allen, along with 16 co-defendants, was convicted in United States Federal Court in Pennsylvania for trafficking in counterfeit labels, conspiracy, and money laundering charges in this RIAA operation. The estimated loss to the recording industry attributed to this conspiracy was \$96 million. Allen's sentence is the longest incarceration ever handed out in a sound recording piracy case.

(RIAA Fast Tracks, July 29, 1997)

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Artists Corner

A Hot Tip from *Ice*

The "Going Underground" section of ICE magazine advises that the column "...is designed to inform readers of the many 'gray-area' live recordings readily available to many of our European subscribers. For Americans, ICE has no suggestions as to how to obtain these European issues, and cannot definitively advise as to their legality in the U.S." In the September column, the editors reference a report from the July issue of the Asian Music Reporter claiming that alleged bootleg company, Kiss the Stone, has plans to relocate to Southeast Asia. The Reporter article apparently added that Kiss the Stone has a partner for the resurrected venture, which will involve "an on-line Internet distribution system."

(ICE, September, 1997 (page 20))

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**Special
Focus:
Singapore****Fronts Play Key Role in Singapore Software Scams**

A growing number of Singaporeans are risking arrest to become dupes in multi-million dollar software piracy scams. One such man is the registered owner of eight software stores in Singapore, now being investigated by the police, lawyers say. Each time his stores are raided, he admits responsibility for the illegal CD-ROMs which have been confiscated. The man claims he employs the sales staff and that they are only doing their jobs.

Attorneys say he does not really own the stores, nor does he employ the staff. He is one of a developing group used by piracy syndicates as "fall guys" -- front men for large piracy rackets who lead undercover police afield. Fall guys are a relatively new phenomenon in the software trade, but those working for counterfeit watch syndicates have been prosecuted. It was alleged these men collect about (Singapore) S\$3,500 (U.S. \$2,310) a month, paid to their families, while incarcerated. In exchange for posing as owners of stores selling the software, they are paid approximately 50 Singapore dollars a day. Their incomes are a mere portion of the estimated S\$75,000, which syndicates can make on a good weekend, he said.

However, shops which are raided with their goods seized often resume selling illegal software the following day. Counterfeiters now copy multiple software titles of different publishers onto one CD-ROM, or compilation disc. This is manufactured for a few dollars in factories around the area and in China, according to the Business Software Alliance (BSA). Piracy has become even more rampant recently when unreleased copies of Microsoft's Windows 97 were put on sale. The unauthorized copies were no more than repackaged versions of Windows 95. They sold for about S\$140. A fake copy of Microsoft's popular Windows 95 software costs about 15 Singapore dollars compared with S\$500 for the real thing.

Singapore's position as a center for illegal software production was noted when a top compact disc maker was accused of being a major player in the Southeast Asian piracy business following a lengthy raid of its premises on August 12 (see following article). Publicly-listed SM Summit Holdings was sued for piracy by the BSA, on behalf of Microsoft and two other U.S. firms, alleging involvement in manufacturing fake CD-ROMs. Summit vehemently denied the charges.

Singapore is still among those with the lowest piracy rates in Asia but experts say that the center of illegal activities is shifting from Taiwan and China to Singapore. BSA officials say the rise in Singapore's piracy activities is inevitable and partly a result of increased information technology. Courts have enacted tough penalties with jail sentences of up to 36 months and significant fines.

(Reuters, August 20, 1997 - Jacqueline Wong)

Software Piracy Charge Puts Singapore In Spotlight

A police raid and a barrage of charges -- strongly denied -- of software piracy against a top compact disc maker has hurled Singapore into the spotlight as a bootleggers base of operation. Five years ago, most illegal software used to be traced to Taiwan, BSA, computer watchdog officials, said. Three years ago, China was most blamed.

"The disturbing trend over the last year is that the counterfeit software is being traced back to Singapore, Malaysia, and also Indonesia," said Ron Eckstrom, an attorney for Microsoft. The company was a prime mover in the raid on compact disc maker SM Summit Holdings, target of a BSA civil suit alleging software piracy that led to a court

authorized search warrant and a 15-hour search of its premises. Summit vehemently denied any unlawful activities, insisting it had strict security measures in place to prevent software piracy in its manufacture of audio compact discs and CD-ROMs for the computer industry, about 20 percent of its business. But whether guilty or not, the Summit raid has highlighted Singapore's alleged role in the highly lucrative bootlegging business. Just how lucrative was accentuated by Cedric Chan, Singapore executive managing director of Autodesk, one of the other American companies involved in the suit against Summit.

Chan said Autodesk's newly launched AutoCAD Release 14 program used by architects and engineers, which retails for more than \$3,000, was pirated soon after its release for a mere \$9.30.

"There is potential in using Singapore as a distribution hub for the region," he said. This was why Singapore's piracy rate had been rising. The BSA said that while piracy rates were generally dropping in Asia, they were rising in Singapore, where illegal software use rose from 53% in 1995 to 59% in 1996, the highest rise in Asia. This cost software companies have estimated is \$56 million in lost retail sales in Singapore, according to the BSA.

"Microsoft has declared war on Sim Lim Square and we've been conducting raids every month there like clockwork," Eckstrom said, referring to a building in Singapore crammed with computer shops.

"There is a lot of piracy in the CD-audio industry. They might lose a lot of customers as confidence in them was one of the reasons they did so well," said Ian Tham, an analyst with Fraser Securities. He said Summit's margins were "fantastic" at 20 percent, helped by efforts to protect against piracy such as making and releasing CDs at the same time in different countries.

(Reuters/Variety, August 14, 1997 - Jacqueline Wong)

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Canada

Microsoft Launches Server Anti-Piracy Campaign in Canada

Redmond, Washington

Officials at Microsoft Corporation announced recently that the company filed lawsuits against three resellers in Ontario, Canada, based on copyright infringement related to their alleged piracy of the Microsoft Windows NT Server and Windows NT Workstation operating systems. The campaign focuses on resellers that install unauthorized copies of server and workstation software onto computer networks, sometimes without providing customers with license agreements, client access licenses, backup disks or software documentation.

(Yahoo/PR Newswire, August 27, 1997 - Company Press Release)

(To receive more information about software piracy in Canada, call the Canadian Alliance

Against Software Theft (CAAST) Anti-Piracy Hotline at 800-263-9700, or visit the organization's Web site at: <http://www.bsa.org/canadadocs/default.htm>)

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**Central
and
Eastern
Europe**

The International Federation of the Phonographic Industry has signed a memorandum of understanding with customs authorities in Central and Eastern Europe to aid the fight against music piracy. The agreement, with the Warsaw Regional Intelligence Liaison Office (RILO), part of the World Customs Organization, allows for the exchange of information on copyright infringement and traffic in pirate recordings in Central and Eastern European nations. It follows a "contact points" meeting of the RILO in June in Larnaca, Cyprus.

(Billboard, August 2, 1997 - Newline column, page 60)

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Indonesia

Jakarta

Software piracy rampant in Indonesia. Although Indonesia passed a law on intellectual property rights a decade ago, government officials say software piracy remains rampant because of a lack of respect for the value of other people's works. But, that will soon change. Indonesia will crack down on pirated video compact discs in the local market, Bambang Kesowo, deputy cabinet secretary recently announced. He said that in the local market, about 15 million video compact discs and 3,000 film titles from the United States, Hong Kong and Japan were pirated. A copyright law infringement could carry a five year jail sentence and a fine of 100 million rupiah, according to Kesowo.

(Reuters/Variety, August 21, 1997)

International Planning and Research Corporation estimated financial losses of \$197.3 million to the software industry in 1996, making software piracy in Indonesia the second highest in the world after Vietnam.

(United Press International, August 27, 1997)

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**United
Kingdom**

London

Scotland Yard breaks up £ 2 million counterfeit perfume ring. A nine-month investigation led detectives to three addresses in London, including an East End bottling plant. Counterfeit packaging, bottles and perfumes was destined for street dealers in Oxford Street, who sell what they claim are stolen designer brands at £ 10 an item. The seizures were carried out jointly by Westminster council consumer protection officers and police from the Met's Paddington Territorial Support Group, working together since last November to beat the operation - said to be worth millions every year on Oxford Street.

(Evening Standard (Associated Newspapers) United Kingdom, August 26, 1997 - David Taylor;

http://www.standard.co.uk/dbd2608/f_p1s2.htm)

**United
States**

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U.S. Filmmakers, Customs Officials To Fight Piracy

Brussels, Belgium

American filmmakers and the World Customs Organization announced recently that they've agreed to act jointly to try to eradicate pirated product, which costs the U.S. film industry an estimated \$2.5 billion a year.

Under the deal with the 144-nation global customs body, the filmmakers' association would help train customs agents to identify counterfeit material and share data with national and international customs organizations. Knight said China remained the world leader in audiovisual piracy -- a charge repeatedly raised by Washington in trade talks with Beijing -- but added that significant piracy also takes place in Russia and other former Soviet bloc countries as well as in Italy.

(Reuters/Variety, August 27)

More Counterfeiting Cases Involve Computers

U.S. Secret Service agents have witnessed a huge increase in recent years in the number of counterfeiting cases involving the use of personal computers, a virtual explosion of what could be called laptop mints. The amount of fake currency seized in the United States and abroad has more than doubled in the last decade, to \$205 million in 1996 from \$89 million in 1987. The decline in the amount of counterfeit money generated and confiscated last year has been attributed to the new \$100 bill, which has several anti-counterfeiting features, like the watermark to the right of the portrait of Benjamin Franklin, which is visible only when the bill is held up to the light. Other security features on the new \$100 bill include a security thread in the bill that turns yellow when exposed to ultraviolet light. (New York Times, August 18 and 20 (corrections column), 1997 - Dirk Johnson)

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Internet

London's Financial Times Internet column feature writer, Alice Rawsthorn interviews anti-piracy director of the Recording Industry Association of America (RIAA), Steven D'Onofrio and GrayZone's president on Internet web security and copyright abuse. (Financial Times, August 23, 1997 - Alice Rawsthorn)

(To see the full text of the article, visit the Financial Times Web site at <http://www.ft.com/>. Click on "contents" and enter the search keyword "GrayZone". Note: new users must first register, which is free of charge.)

The RIAA recently filed three separate law suits against Internet sites known as Music Archive Sites (MAS) offering full-length sound recordings, without permission, for download for Internet users. Temporary restraining orders were secured against all three

sites. Since then, a preliminary injunction is in place in California, and recently, in New York, the court issued a permanent injunction. A preliminary injunction hearing for the remaining case, in Texas, is scheduled for September.

(RIAA Fast Tracks, August 12, 1997)

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