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SWEDISH POLICE SHUT DOWN THE PIRATE BAY

The international recording industry has scored a huge victory in its effort to crackdown on illegal file-sharing and Internet piracy.

On May 31, 2006, Swedish police shut down The Pirate Bay, which claimed to be the world's largest BitTorrent search index and a huge source of Internet piracy globally. The site is a pirate "tracker" that directs people to pirated movies and music, making available over 157,000 illegal files including the hollywood's latest releases. The site met its end when 50 police officers raided 10 separate locations across Sweden, collecting evidence and detaining three individuals for questioning.

The Pirate Bay, available in 25 language versions, has been a large-scale engine of copyright theft of movies, music, audio books, televisions broadcasts, games and software. The site boasted one million visits a day, facilitating the downloading of a vast range of copyrighted material by users around the world and acting as a tracker for the world's top 100 BitTorrent sites. For several years, the operators of the Pirate Bay have claimed immunity to copyright laws and have ridiculed copyright holders.

The International Federation of the Phonographic Industry (IFPI) Sweden Director-General Lars Gustafsson said: "The Pirate Bay has been facilitating illegal file-swapping of copyrighted material on a very large scale and with blatant disregard for both music creators and copyright laws. This is a very good development for the Swedish music industry and for the real innovators and entrepreneurs who are trying to build a legal online digital business."

The Pirate Bay had consistently defied legal warnings by copyright holders over recent months, its Swedish operators posting their contempt for copyright laws. The site was a commercially-run operation, running banner advertising on its pages. The police actions followed the submission of several reports by IFPI, working alongside the Swedish Anti-Piracy Bureau and MPA. While the site has threatened to move to another country, its indexing capabilities have been crippled, as the police seized the site's entire server farm. The music industry is optimistic that the end of The Pirate Bay in Sweden will set the precedent for shutting down online piracy havens worldwide.

IFPI Chairman and CEO John Kennedy said: "This is a very important development for Sweden, a country with a fantastically rich music culture yet which has more recently acquired a reputation as a haven for copyright infringement. The Pirate Bay has damaged the legitimate music industry on an international scale and I am very pleased that the Swedish authorities have today taken such decisive action against it."

IFPI.org, May 31, 2006

Read the press release: <http://www.ifpi.org/site-content/press/20060531.html>

The Local, May 31, 2006 (James Savage)

<http://www.thelocal.se/article.php?ID=3955&date=20060531>

Ipwalk.com, May 31, 2006

<http://www.ipwalk.com/blog/?p=42>

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Artist's
Corner

Virgin Caught Pirating MADONNA 's "Hung Up"

On June 22, 2006, the commercial court of Paris ruled against music retailer VirginMega France for illegally obtaining a copy of MADONNA's song "Hung Up" and redistributing it for sale on their website.

The court fined the French online retailer for illegally downloading the hit single for subsequent resale to the public on its own website, ignoring an exclusive distribution deal that had been reached between Warner Music, France Telecom and Orange restricting the sale of the track to mobile users for a seven day period prior to its general release.

According to the court, immediately after the track was made available to mobile users, the Virgin store downloaded, repackaged and then openly resold the song to customers on the VirginMega website. VirginMega was directed to pay €250,000 (\$318,712) to each telecom firm and €100,000 (\$127,484) to Warner Music France. In all, VirginMega's blatant act of piracy resulted in more

than €14 million (\$17.8 million) in damages awarded to the plaintiffs.

WiredFire.org, June 29, 2006
<http://www.wiredfire.org/index.php?q=node/82>

LUDACRIS and KANYE WEST Cleared Of Copyright Infringement

KANYE WEST and LUDACRIS were both cleared of copyright infringement on June 1, 2006, after a federal jury rejected a rap group's claim that the rappers stole the chorus for their collaborative 2003 hit "Stand Up." The New Jersey-based rap group, I.O.F., filed suit against Ludacris, Kanye West and Universal Music for allegedly stealing the chorus for Ludacris' "Stand Up" from their song on "Straight Like That."

I.O.F., suing for \$10 million in damages, cited in their suit that they gave Ludacris copies of the song between August 2002 and May 2003, before he released "Stand Up" on his album Chicken and Beer in October 2003. The lawsuit also cited that that the words "like that" were repeated more than 80 times in each song. The word "straight" proceeds "like that" in I.O.F.'s version, while the word "just" precedes it on Ludacris' version.

The trial ended after 10 jurors deliberated for less than a day in U.S. District Court in Manhattan. After the verdict, Ludacris commented, "The only thoughts and ideas I borrow from are those of my own. I hope the plaintiffs enjoyed their 15 minutes of fame. This whole experience is proof to me of why I will always fight for what I believe in."

SOHH.com, June 2, 2006 (Jolene "foxxylady" Petipas)
<http://www.sohh.com/articles/article.php/9101>
 See GrayZone Digest 1Q 2005: <http://www.grayzone.com/105.htm#artists>

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3Q Busts

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>

FBI Breaks Up Major Movie Piracy Rings

On June 28, 2006, FBI agents carried out early morning raids and broke up two international movie-piracy rings that have allegedly cost the motion picture industry millions of dollars over the last year alone. Agents arrested 13 suspected members of the two large-scale rings in raids throughout the New York area, and seized recording equipment as well.

The two movie piracy rings specialized in sneaking digital camcorders into theaters and shooting hit films, then duplicating and distributing millions of bootlegs worldwide. Using computer file-sharing networks, the suspects distributed the counterfeit films to Pakistan, Singapore, Hong Kong, Malaysia and other countries, according to the Motion Picture Association of America (MPAA). The video shooters were paid several hundred dollars per film by manufacturers who would duplicate and package the fake DVDs in counterfeit labels for distribution to street peddlers, selling for up to \$19 each. Some of the DVD knockoffs even included the FBI warning seen at the start of legitimate discs.

According to officials, one of the movies the suspects were conspiring to profit from was "Superman Returns," which was released the same day of the arrests. The suspects could face five years in prison if convicted of conspiracy, copyright infringement and trafficking in counterfeit goods.

FindLaw.com, June 28, 2006 (Tom Hays)
<http://news.lp.findlaw.com/ap/o/51/06-29-2006/5579000bacc1a051.html>

Pre-Release Pirates Sentenced

On May 19, 2006, the Department of Justice announced sentences for three members of a pre-release music piracy group involved in the federal crackdown deemed Operation FastLink. According to the Department of Justice, one individual from Danville, Virginia, was sentenced to 15 months in prison. A second individual from Hillsboro, Oregon was sentenced to six months in prison and six months home confinement. The third individual living in Charlotte, North Carolina received a sentence of six months home confinement.

The Operation FastLink investigations target individuals and organizations, known as "warez" release groups, that specialize in the Internet distribution of pirated materials. Release groups are the first-providers – the original source for most of the pirated works traded or distributed online. The repercussions of music pre-release piracy, in which an early version of an album is made available illegally over the Internet, are far-reaching. Pre-release piracy can interfere with the vision that the artist had for the music, as well as marketing strategies of the album and the significant commercial investment of everyone involved in creating,

producing and distributing it.

RIAA.com, May 19, 2006

Read the press release: http://www.riaa.com/news/newsletter/022806_2.asp

See GrayZone Digest 2Q 2006: <http://grayzone.com/406.htm#busts>

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Worldwide Update

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Canada

Software Piracy Dropping in Canada

A May 2006 report indicated that software piracy fell in Canada during 2005. However, one of every three copies of PC software put into use in Canada during the same year was still illegal, according to the Canadian Alliance Against Software Theft (CAAST) and the Business Software Alliance.

The two groups released the study, which looked at the proportion of software acquired legally in 97 countries around the world. Canada's rate fell three percentage points to 33% in 2005 from 36% in 2004. The international rate was unchanged at 35%. The cost of piracy is estimated at \$41 billion worldwide; Canada was responsible for \$943 million of that total, down by \$166 million from 2004. The encouraging drop in the Canadian software piracy rate brings Canada closer to the lower rates of Britain, Germany and Australia.

CBC News, May 23, 2006

<http://www.cbc.ca/story/business/national/2006/05/23/software-theft.html>

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European Union

Piracy a Concern for new E.U. Nations

Romania and Bulgaria are close to entering into the European Union, though concerns remain over high levels of piracy. Both nations are notorious for their rampant trade of counterfeit CDs and DVDs, however, the European Commission has noted marked improvements over the past two years. For the entertainment industries, the issue is an important one, especially since both countries would comprise part of a new E.U. boundary.

Both Romania and Bulgaria have been urged to speed up reforms, and a review is expected in October 2006, before the anticipated January 1, 2007 induction into the Union. Both nations have also been urged to crack down on organized crime syndicates, which are a major driving force behind rampant piracy.

Digital Music News, June 2006 (Alexandra Osorio)

<http://www.digitalmusicnews.com/results?title=Romania>

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France

France Approves iTunes Compatibility Law

On June 30, 2006, French legislators gave final approval to a copyright law that could force Apple Computer to make songs purchased from its market-leading iTunes Music Store compatible with music players of its rivals. Expected to go into effect during the summer of 2006, the Senate and the National Assembly both voted to approve the new law.

The vote brought an end to more than six months of heated debate that has led to a broader European discussion about governments mandating access to digital material. Renaud Donnedieu de Vabres, the French minister of culture commented on the new law, "This text affirms a new principle, interoperability, which makes France a pioneer country in Europe." Consumer advocates in Norway, Denmark and Sweden have asked Apple to explain by August 1, 2006 why songs purchased on iTunes could not be played on rival devices. Lawmakers in Poland and Switzerland are also likely to discuss the issue while updating national copyright laws this year.

New York Times, July 1, 2006 (Thomas Crampton)

http://www.nytimes.com/2006/07/01/business/worldbusiness/01copy.html?_r=1&oref=slogin

See GrayZone Digest 2Q 2006: <http://www.grayzone.com/406.htm#legal>

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Germany

Germany Launches Largest Legal Action Against Illegal File-Sharing

On May 23, 2006, the biggest single action against illegal file-sharing internationally took place in Germany as 3,500 illegal music file-sharers faced criminal prosecution for uploading large amounts of copyrighted material on peer-to-peer networks.

Investigators identified individual illegal music file-sharers who were using the eDonkey network to offer up to 8,000 copyright infringing music files on the internet. Each of the individuals faces both criminal prosecution and claims for compensation for their actions under civil law. They are likely to face damage claims of up to several thousand euros for distributing music on file-sharing networks, without permission, for millions of others to download.

Police searched 130 premises to gather evidence in the investigations, which had been running for several months. The actions were coordinated by the Public Prosecution Service of Cologne and the Police Authority of Bergheim.

File-sharing networks, such as eDonkey, cause huge damage to investment in music and cost the international recording industry billions of dollars in lost sales every year. In Germany, legal physical sales of music have fallen by a third in five years, while more than 400 million music files were downloaded illegally in 2005 alone.

IFPI.org, May 23, 2006

Read the press release: <http://www.ifpi.org/site-content/press/20060523.html>

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Italy

Operation Secret Bay

Fiscal Police from Udine, assisted by industry's anti-piracy body FPM, executed several search orders in a nationwide operation against the online sales of pirate CDs and DVDs. During operation Secret Bay the police seized music and video compilations offered on eBay by illegal traders. Twenty individuals were indicted for copyright violation and face prison sentences up to four years in addition to administrative sanctions for millions of Euros. Bank accounts and equipment including computers, burners and printers were also seized. According to Italian law the consumers of pirate goods can face an administrative sanction of up to €10,000 (\$12,736).

IFPI.org, May 11, 2006

Read the press release: <http://www.ifpi.org/site-content/press/20060511.html>

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Russia

Russian Piracy Doubles Despite Raids

After China, Russia is known to be the next worst when it comes to music and video piracy. Hollywood claims to have lost over \$300 million a year as a result of piracy in Russia alone.

Despite a sharp increase in police raids across Russia with pressure from Washington on optical disc replication plants and warehouses, piracy is on the rise with double the number of production lines producing pirate discs this year compared with two years ago. However, one major problem the authorities face is that an estimated 90% of licensed factories with CD & DVD production lines produce pirated discs also. The 50 licensed production plans in Russia are capable of producing some 800 million discs per year.

Also of concern are online music download services that are hosted in Russia. Although these services stay within the Russian law, they are breaking copyright laws worldwide.

CDFreaks.com, July 1, 2006 (Seán Byrne)

<http://www.cdfreaks.com/news/13626>

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United Kingdom

BPI to Sue AllofMP3.com

The British Phonographic Industry (BPI) has been cleared to sue popular Russian music download site, AllofMP3.com. On July 3, 2006, the BPI was given permission by the U.K. High Court to serve proceedings against the Russian service who currently offers downloads of full album titles for less than £1 (\$1.80) each.

BPI General Counsel Roz Groome commented, "The reason AllofMP3.com downloads are cheap is that neither the artists nor the record companies are being paid. We have maintained all along that this site is illegal and that the operator of the site is breaking UK law by making sound recordings available to UK based customers without the permission of the copyright owners."

Groome first announced the BPI's ambition to sue AllofMP3.com when she spoke on June 6, 2006 at the British Parliamentary Culture Media & Sport Select Committee.

AfterDawn.com, July 3, 2006 (Reuters)
<http://www.afterdawn.com/news/archive/7715.cfm>

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Legal
Beagle

Music Companies Preparing Lawsuit Against Yahoo China

On July 4, 2006, a group of major music companies announced its plans to sue Yahoo China over copyright infringement. Yahoo China is accused of linking to websites that offer pirated music.

IFPI says Yahoo China links to outside sites with unlicensed MP3 downloads of hundreds of songs. Yahoo China is operated by Alibaba.com Corp., which is 40% owned by U.S.-based Yahoo Inc. It is one of China's most popular search engines, along with Baidu.com. IFPI is expected to file its lawsuit this summer, representing more than 1,400 recording companies in 73 countries, including major U.S., European and Asian labels. IFPI has not disclosed how much money the lawsuit would ask for in damages.

"Yahoo China has been blatantly infringing our members' rights," said John Kennedy of IFPI. "We are taking the preliminary steps required by Chinese law for filing a lawsuit." According to Kennedy, IFPI will also request a court order to stop copyright infringement on the site.

China is one of the world's biggest sources of unlicensed copies of music, movies and software. Under recent foreign pressure, the Chinese government has been stepping up its enforcement of pirated material. These increased efforts are also part of a desperate attempt to protect China's own entertainment industries which claim heavy losses from piracy.

In related news, Yahoo China has been recently defending itself against criticism by human rights activists for cooperating with the communist government's efforts to censor the Internet. The company has provided the government with information about its e-mail users that was allegedly used to convict at least three political activists on subversion charges.

ABC News, July 4, 2006 (Joe McDonald)
<http://abcnews.go.com/Technology/wireStory?id=2151359>

IFPI.org, July 4, 2006

Read the press release: <http://www.ifpi.org/site-content/press/20060704.html>

Trade Commission to Investigate Apple iPod Infringement

On June 14, 2006, the International Trade Commission launched a probe into whether Apple Computer Inc.'s popular iPod digital music player infringes on a Creative Technology Ltd. Patent.

The investigation is based on a complaint filed by Creative Labs, Inc. of Milpitas, CA, and Creative Technology Ltd. of Singapore on May 15, 2006. The complaint alleged violations of Section 337 of the Tariff Act of 1930, alleging Apple imported into the United States and sold iPod devices that infringe on Creative's "Zen" patent, which covers the user interface in its Nomad and Zen portable digital media players.

The case has been referred to Administrative Law Judge Paul Luckern, who will hold hearings and make an initial determination as to whether a violation was committed. Creative has also requested that the International Trade Commission issue permanent exclusion and cease and desist orders against Apple. The commission is expected to issue a ruling by September 2007.

Creative.com, June 14, 2006
Read the Press Release: <http://www.creative.com/press/releases/welcome.asp?pid=12551>

MSNBC News, June 14, 2006 (Reuters)
<http://www.msnbc.msn.com/id/13314892/>

U.S. International Trade Commission, May 15, 2006
Read Creative's filing: <http://edjsweb.usitc.gov/edjsmirror/337-573/Violation/254079/287737/bba/754074.pdf>

website. The purpose of the website is to raise awareness and to provide education regarding online fraud. It also seeks to have individuals provide their own accounts of how they were lured into purchasing pirated software online.

As part of its education efforts, the BSA offers ten points of advice for consumers that can help them to avoid being victims of online pirates. Some of these tips include "read the label," "do your homework," and "be careful when crossing the border" when dealing with software sellers in other countries.

While the BSA knows there is no complete cure to end the sale of pirated software online, it hopes that the educational tips, valuable links, and information gathering tools are a step in the right direction to educate the public about piracy.

FindLaw.com, June 20, 2006 (Eric Sinrod)
<http://practice.findlaw.com/tooltalk-062006.html>

Visit the BSA's Internet fraud site: <http://www.bsacybersafety.com/fraud>

RIAA Identifies 12 Piracy "Hot Spot" Cities - Latin Music Hit Hardest

The copying and trafficking of pirated music has become an increasingly sophisticated illegal activity. These activities often involve multi-state criminal operations that distribute illegal product designed to resemble authentic CDs and replace legitimate sales.

The Recording Industry Association of America (RIAA) for the first time has identified 12 priority cities as part of its nationwide physical goods piracy assessment. These cities – Atlanta, Austin, Chicago, Dallas, Houston, Los Angeles, Miami, New York, Philadelphia, Providence, San Diego, and San Francisco – are all "hot spots" of music theft, with significant piracy problems from the manufacturer level all the way down to the point of retail sale. The RIAA has committed to step up law enforcement training and deploy additional investigative resources in all of these cities in the coming year.

According to the RIAA, Urban and Latin music genres are typically the hardest hit by physical goods piracy and accounted for nearly 95% of music seized last year. Urban music – representing 54% of all pirate product seized – is almost exclusively found in a lower-quality format burned to blank CD discs with packaging far less likely to be confused with legitimate products. A large portion of the urban piracy market consists of compilations of music from various artists and multiple albums. "Rampant piracy continues to take a disproportionate toll on the small yet thriving culture of Latin music," said Rafael Fernandez, Jr., Vice President of Latin Music for the RIAA. "Latin artists with high, homegrown popularity often battle tremendous piracy right in their local communities. Our ability to invest in the next generation of Latin artists is directly linked to enforcement and a continued focus on the piracy plaguing this genre."

RIAA.com, May 3, 2006
Read the press release: <http://www.riaa.com/news/newsletter/050306.asp>

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