

RIAA Ex. C-107-DP



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ISSUES

CD/CD-R Piracy

A Miracle Easily Replicated - Many of today's music lovers are too young to remember the Paleolithic era of 33-rpm vinyl albums, eight-tracks, and even audiotape cassettes. Today the CD rules. It is a mini-miracle, an easily replicated one. CD fraud on a massive scale is too great a temptation for some pirates. Here's how they work.

Pirates, without copyrights or licenses, place an illegal order at a CD mastering or manufacturing plant. Often the request comes to transfer music from digital audiotape (DAT) or CD-R to a CD. The competition in the CD replication industry is intense, to the point that some plant personnel do not check orders as carefully as they should. Soon, thousands of illegal counterfeited discs are on the shipping dock.

U.S. copyright law provides for strict liability for copyright infringement. If a CD plant presses an illegal disc, the plant is liable. Ignorance is no excuse.

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To help honest manufacturers avoid mistakes and abide by the copyright laws, RIAA strengthened its CD Plant Education Program in June of 1998 by announcing its *Anti-Piracy Good Business Practices*. The voluntary plan calls for implementation of a plant-wide policy of good business practices, and suggests that CD plant employees make an effort to know their customer and the products they're being asked to produce.

Among other things, the program also recommends:

- the incorporation of Source Identification Code (SID Code) in the production of all audio masters and CDs;
- access to a database service to aid in identifying proper copyright owners;
- piracy awareness seminars; and
- designation of a plant employee as an RIAA contact.

Anti-Piracy Good Business Practices for CD Mastering and Manufacturing Plants (PDF)

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Identifying Pirated CDs

When in doubt, turn it on and check it out. If there are any piracy concerns with products submitted for mastering or replication—listen to it! In fact, it is smart to listen to every order, not just suspect orders. A trained employee can figure out who the artist is and whether the CD is an original or a phony. One small preventive step can save a company millions of dollars.

In 1998, the RIAA received numerous tips from CD replicators, which prevented close to 1.5 million CDs from being manufactured or distributed in the U.S. In the first half of 1999, the program prevented close to 100,000 CDs from being manufactured or distributed in the United States.

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Buyer Beware—The Six Deadly Sins of CD Rip-offs

If you have any doubts before you buy a CD, check out these six warning signs.

- The packaging has blurry graphics, weak or bad color.
- The package or disc has misspelled words.
- The price is often way below retail value.
- The record label is missing or it's a company you've never heard of.
- It has cheaply made insert cards, often without liner notes or multiple folds.
- The sound quality is often poor or inconsistent.

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Nowhere to Hide—Compliance is Now Worldwide

Because piracy is an international problem, RIAA has joined with the International Recording Media Association (IRMA) and other groups to combat this problem worldwide. (IRMA represents the world's leading replicators of optical media.) Recently IRMA launched the world's first Anti-Piracy Certification/Compliance Program for the manufacture of CDs, DVDs and CD-ROMs.

Similar to RIAA's domestic guidelines, this global initiative is designed to help manufacturing plants establish procedures to reduce publishing pirated material. It was developed with input and support from the IRMA Anti-Piracy Coalition, comprised of optical media replicators, and the Motion Picture Association of America (MPAA), the Business Software Alliance (BSA), the Software Information Industry Association (SIIA), the Interactive Digital Software Association (IDSA) and the International Federation of the Phonographic Industry (IFPI).

When IRMA announced its new certification/compliance program, Scott

Bartlett, Sony DADC's Vice President, Customer and Industry Relations, emphasized the importance of the program saying, "It's the right thing to do. Writers and artists, whether recording artist or motion picture producer, have the right to be paid. We have a responsibility as a major supporter of RIAA and MPAA, and as a replicator, to be at the forefront of this program - to ensure that copyrights are protected."

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The Future Belongs to CD-R

If today belongs to the CD, tomorrow belongs to CD-Recordables (CD-R).

As more and more CD plants refuse to fill suspect orders, music pirates have been forced underground to burn their own CDs using CD-Recordables. Different technique--still illegal.

The equipment required to manufacture CD-Rs is relatively portable and quite inexpensive - a few hundred dollars for the hardware, less than \$1 for a blank disc. As a result, pirates can set up shop virtually anywhere with a minimum investment, making it very difficult to track them down. CD-R factories have not yet been able to manufacture the volume of CDs that traditional CD replicators are capable of producing, but they are still generating big numbers.

As music piracy continues to shift from CDs to CD-Rs, RIAA is using proven tactics and implementing new ones to combat this form of piracy. The RIAA confiscated 87 illegal CD-Rs during the first half of 1997, 23,858 during the first half of 1998, and 165,981 during the first half of 1999.

RIAA is aggressively attacking this problem on many fronts, technical, financial, and legal. In the first half of 1999, the RIAA's undercover operations in conjunction with the retail and street vendor programs facilitated major CD-R raids in Los Angeles, San Diego, Miami and New York.

Fortunately for consumers, CD-Rs are easy to spot. They are typically gold on one side with a greenish tint on the non-graphic or "read-only" side. Since major record companies generally do not release product in this format, CD-Rs matching this description are likely to be illicit recordings--especially those sold by general variety stores, street vendors, or at flea markets.

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