



[press room](#) [gold & platinum](#) [issues](#) [about us](#) [research and data](#) [home](#)

press room

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- must reads
- news/views
- guest columns
- legal cases
- photo gallery
- research and data

RIAA's Annual Commercial Piracy Report Shows Trafficking In Pirated Music Increasingly Sophisticated, Closer Ties To Criminal Syndicates

WASHINGTON -- The illegal copying and trafficking of pirated music has become increasingly sophisticated in the past year, according to new data and analysis released today by the Recording Industry Association of America (RIAA) in its annual record of "commercial piracy" (non-Internet) statistics and enforcement efforts.

Among the highlights, pirate music distributors are increasingly manufacturing and selling high-quality product that closely resembles legitimate CDs while large criminal enterprises are becoming increasingly involved in the piracy racket, illegally burning massive numbers of blank CDs with music from today's most popular artists.

"The practice and trade of music piracy have become more sophisticated, cunning and connected to organized crime," said Brad Buckles, Executive Vice President of Anti-Piracy. "Working with law enforcement officials across the country, we continue to develop and implement multifaceted strategies to respond to these emerging threats to artists, songwriters, record labels and others in the music community."

The RIAA reported a 58 percent increase in seizures of counterfeit CDs, the authentic CD look-alikes with high-quality artwork and packaging that make the product appear legitimate. Working together, local law enforcement agencies and RIAA investigators seized 1.2 million counterfeit discs in 2004. This pirate product is increasingly traced back to smaller CD copying plants. The growing number of these smaller-sized facilities over the past few years has created excess production capacity, and some unethical businesses have diverted this excess capacity to the production of high-quality pirate product.

While the manufacture of authentic-looking CDs has exploded due to the proliferation of smaller-sized copying plants, CD-R (blank CD) burning operations experienced a consolidation in 2004. CD-R reproduction in the eastern half of the United States is now dominated by organized criminal syndicates intent on monopolizing the illicit market share by operating on high volume and very low profit margins. As a result, the price of pirated CD-Rs on both the wholesale and retail level has dramatically declined.

While high volume is required to generate profit in the illicit blank CD trade, sustained enforcement and prosecution by local police agencies have forced illegal music sellers to alter current habits and keep less product on hand at any given time. For this reason, law enforcement and RIAA investigators are now more likely to seize raw materials than finished music product. In 2004, the number of counterfeit CD-Rs seized declined 27 percent, while the seizure of counterfeit labels rose 372 percent and seizures of CD-R burner equipment nearly doubled compared to 2003 levels.

"Prosecutors and policymakers at all levels of government increasingly recognize that piracy operations not only undermine the continued investment in new music but affect the quality of life of communities and deprive state and

local governments of tax revenues," Buckles said.

Because Latin music continues to be among the most heavily pirated genres, it remains the focus of a major portion of RIAA anti-piracy efforts. For example, the RIAA has bolstered its Latin music anti-piracy operation, fielding a presence in at least 80 of the top 100 Latin music markets. The heightened focus has paid off, with Latin music comprising nearly half of all illicit music product seized in 2004.

"The RIAA's continued focus on the disproportionate level of piracy affecting the Latin music genre will continue to help to foster a better business environment and allow for future growth in the Latin music market," said Rafael Fernandez, Jr., Vice President, Latin Music for the RIAA. "There is no question that our efforts have made a real impact – an impact that will translate into real benefits for current and future Latin artists and their fans. We nonetheless know there is tremendous work left to be done."

Law enforcement sweeps have also forced the sale of illicit product off the street – where police efforts scored real progress – and into indoor retail locations. Because of the high quality and seeming authenticity of counterfeit CDs, this genre of illicit product is increasingly finding its way to legal music retail outlets, often at prices that approach or equal the retail price of legitimate product. With inferior quality artwork and packaging, illicit CD-Rs are more often sold at retail locations such as convenience stores, liquor stores or corner markets.

Because of this shift in strategies, the RIAA reported a 21 percent decrease in the plain-view seizures that are typical of street-vendor enforcement, while the number of search warrants and consent searches continued to climb. Street vendor arrests have also declined, as law enforcement is increasingly making more targeted arrests at the distributor and manufacturer level.

EXAMPLES OF SIGNIFICANT ANTI-PIRACY OPERATIONS IN 2004:

In December, officials from the Los Angeles County Sheriff's Department executed five separate, simultaneous raids on CD replication businesses in Southern California – the largest-ever law enforcement operation against CD manufacturing plants producing and selling counterfeit music on the side. "Operation Final Release" targeted five different optical disc replication facilities in Los Angeles and Orange County that were also illegally churning out millions of unauthorized music CDs. Illicit CDs from these plants were found sold and distributed in stores and flea markets throughout the United States.

In December, officers from the Atlanta police department, along with FBI agents, executed criminal search warrants at a storage facility in Atlanta's industrial district. The operation uncovered a large-scale distribution facility for counterfeit and pirate CD-Rs and resulted in the seizure of approximately 129,000 unauthorized CD-Rs, more than 278,000 CD-R blanks and jewel trays along with 88 CD-R burners.

In October, Philadelphia law enforcement officials staged a major raid on the city's most prolific piracy haven, 52nd Street, arresting 10 suspects and confiscating approximately 5,000 pirated and counterfeit CDs.

In October, the Miami Police Department, with the assistance of the RIAA, raided a home in the City of Miami and arrested one person for manufacturing and distributing pirate/counterfeit music on CD-R and DVD formats. The individual had been under investigation for some time as a key distributor of music to street vendors in Miami. At the residence, two computers were seized along with 21 CD-R/DVD-R burners, more than 3,500 CD and DVD inserts, 2,000 music CD-Rs and 2,000 music DVD-Rs. Ninety-five percent of all the music seized was of the Latin music genre.

In August, November and December, RIAA investigators, working with the New York police department, seized more than 67,000 Latin music CDs in a series of three New York raids.

In July 2004, the Fairfax and Herndon Police Departments in Virginia, assisted by investigators from the RIAA, carried out a series of music piracy raids. Nearly 21,000 counterfeit CDs were seized during the operation, with Latin

music representing a majority of the pirated product seized.

In the spring and summer of 2004, investigators in the Northeast region assisted in numerous undercover operations aimed at dismantling large-scale burner operations:

- In March 2004, investigators assisted the NYPD in a raid in Queens, NY, resulting in six arrests and the seizure of 103 high-speed burners, 15,000 counterfeit CD-Rs and 10,000 CD-R blanks.
- In April 2004, a burner operation was dismantled in Queens, NY, with the arrest of one individual and the seizure of 127 high-speed burners, 8,900 counterfeit CD-Rs, six monitors and 1,800 CD-R blanks.
- In June 2004, the assault on illicit burner labs continued with a raid in the Bronx, NY, resulting in the arrest of one subject and the seizure of 76 burners, 2,950 counterfeit CD-Rs, 1,000 pirated CD-Rs, one printer and one personal computer.
- In July 2004, a significant burner lab was raided in the Bronx, NY, resulting in the arrest of one subject and the seizure of 62 burners, 1,200 counterfeit CD-Rs, 600 pirated CD-Rs, one personal computer and 360 CD-R blanks.

In April 2004, a search warrant was executed at a residence in Commerce City, Colorado. Seized from the residence were 8,026 CDs and 750 audiocassettes – all of the Latin music genre. The defendant pled guilty to Trademark Counterfeiting and was sentenced to 12 months probation, 18 months in county jail and 18 months suspended sentence and was ordered to pay \$28,000 restitution.

For more information on how to identify an unauthorized sound recording, please see:
<http://www.riaa.com/issues/piracy/identificationbrochure.pdf>

2004 Year-End Anti-Piracy Statistics

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[The Recording Industry Association of America is the trade group that represents the U.S. recording industry. Its mission is to foster a business and legal climate that supports and promotes our members' creative and financial vitality. Its members are the record companies that comprise the most vibrant national music industry in the world. RIAA® members create, manufacture and/or distribute approximately 90% of all legitimate sound recordings produced and sold in the United States. In support of this mission, the RIAA works to protect intellectual property rights worldwide and the First Amendment rights of artists; conduct consumer industry and technical research; and monitor and review - - state and federal laws, regulations and policies. The RIAA® also certifies Gold®, Platinum®, Multi-Platinum™, and Diamond sales awards, Los Premios De Oro y Platino™, an award celebrating Latin music sales.]

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