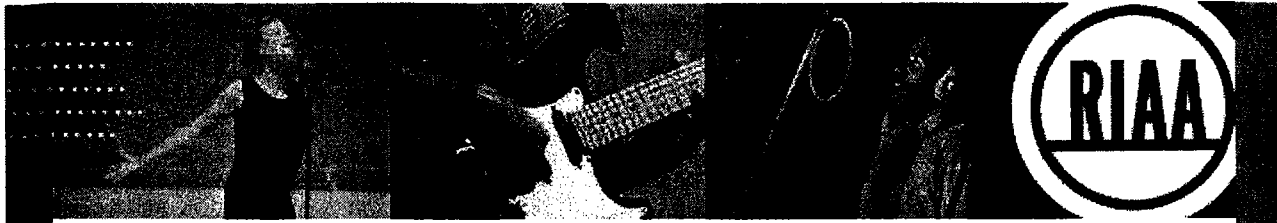


## RIAA Ex. J-106-DP



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March 12, 1997

## Recording Industry Releases 1996 Anti-Piracy Report

***Seizures of CDs Overtake Cassettes, Latin Music Dominates Cassette Piracy***

Washington, DC - The RIAA's year-end anti-piracy statistics indicate that music piracy in CD format is expanding rapidly, and in 1996, seizures of piratical music in CD format overtook cassette seizures for the first time. Bootlegs constituted the bulk of seized CDs, which grew an amazing 1,300% from 84,965 in 1995, to 1,261,961 in 1996. Traditional cassette piracy continues to wane to the lowest figure in this category for the past six years (1,076,155 million in 1996 -- 600 units less than in 1990). Latin music dominates cassette piracy, accounting for 80% of seized product.

QUOTE: Steven D'Onofrio, RIAA Executive Vice President, Director, Anti-piracy

"The ongoing popularity and growth of the CD format has fed the illegal music scene. In anticipation of a sharp rise in CD piracy, we redirected our resources and programs last year, and subsequently our seizures of illegal CD product skyrocketed. If I were to forecast the direction of the RIAA's anti-piracy activities for the rest of 1997, I'd have to say the direction is decidedly digital. We intend to apply the successes of our CD anti-piracy efforts to the online environment. The RIAA is preparing an informational campaign, directed at the Internet community, the press and public, to promote greater awareness of our member companies' rights as well as an understanding of issues surrounding the online digital transmission of sound recordings."

**BACKGROUND:** Following is the RIAA's anti-piracy report

**CD Format vs. Cassette Format:** For the first time, the quantity of seized counterfeit/pirate and bootleg product in CD format (1,470,758 units) was greater than counterfeit/pirate and bootleg product in cassette format (1,136,220 units). In 1995, seized illegal cassette product outnumbered CD product by more than 1 million units.

**CD Piracy Seizures Increasing:** The number of seized counterfeit/pirate CDs increased last year by approximately 700% from 25,652 in 1995 to 208,797 in 1996. Bootleg CD seizures grew by more than 1,300% from 84,965 in 1995, to 1,261,961 last year. The reason for this massive rise in seizures is the effects of strengthened anti-bootleg laws that give federal agencies, such as U.S. Customs, the necessary legal tools to intercept and seize bootlegs as they enter the country from abroad. The RIAA has been extremely effective in its efforts to assist in training Customs agents at major ports in the identification of piratical discs.

**Domestic Illegal CD Manufacturing:** The majority of CDs seized in the United States last year were manufactured abroad. Domestically, the illegal CD manufacturing rate remains at less than 1% due in large measure to the RIAA's CD Plant Education Program, which helps U.S. manufacturers in identifying suspect orders. Of those domestically-made illegal CDs, the majority are unauthorized compilations of both U.S. and foreign repertoire, most of which are destined for export.

**Counterfeit/Pirate Cassette Piracy Wanes:** In 1996, 1,076,155 counterfeit/pirate cassettes were seized, the lowest number since 1990 when 1,076,747 were seized. A major reason for the decrease in cassette piracy is the effectiveness of the RIAA's anti-piracy programs, which throughout the '90s, targeted illegal cassette manufacturers, distributors, raw materials suppliers and vendors. As an example, today the number of New York City street vendors selling counterfeit cassettes is a fraction of what it was three years ago because of the RIAA's efforts in educating local law enforcement in the identification of piratical cassettes, allowing them to seize illicit cassettes on an ongoing basis, independent of RIAA involvement.

**Latin Music Piracy:** Although cassette piracy is declining, it is still largely comprised of Latin music. Of the RIAA cassette anti-piracy actions in 1996, 60% involved Latin music, and 80% of actual counterfeit product seized was Latin repertoire. Three years ago, Latin music accounted for 40% of seized product. In order to make such successful inroads in fighting Latin music piracy in 1996, the RIAA's anti-piracy unit deployed significant resources in regions of the country where Latin music piracy is concentrated.

**Illegal Factories:** Four of the eight illegal counterfeit cassette factories raided with the assistance of the RIAA's APU were producing approximately 80% counterfeit Latin music -- the other four located in Southern California were producing approximately 99% Latin music.

**Arrests/indictments, guilty pleas/convictions, sight seizures:** The army of illegal street vendors and factories workers who once supported the counterfeit cassette piracy market is greatly diminished, which in turn sharply reduces the incidences of arrests, convictions, etc.

*THE RIAA: The Recording Industry Association of America represents companies that create, manufacture or distribute more than 90% of the legitimate sound recordings sold in the United States. The RIAA's Anti-Piracy Unit investigates the illegal production and distribution of pirated sound recordings, which cost the U.S. music industry hundreds of millions of dollars a year domestically. Consumers and retailers can report suspected music piracy to the RIAA by dialing a toll-free hotline, 1-800-BAD-BEAT or sending e-mail to [badbeat@riaa.com](mailto:badbeat@riaa.com).*

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