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## DVD piracy in the U.S. becomes an industry.

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Audiovisual piracy is a rich but dangerous business in the U.S. Last November, two armed would-be robbers broke into a small illegal CD and DVD manufacturer in Manhattan and one of them was killed. Similarly, a few months earlier, in July, also in New York, two men were wounded at the facility of a small illegal home video duplicator located near the Empire State Building.

According to the MPAA, the U.S. studios' association, over 400 labs for illegal duplication and replication of audiovisual content are discovered every year in the U.S., most of them in the [New York metropolitan area](#). Miami, Florida, serves as the center of audiovisual piracy for Latin America.

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In 2001, the legit U.S. music market was valued at \$13.7 billion with the piracy marker estimated at \$4.5 billion. In the same year, the theatrical market was valued at \$68.2 billion. But piracy caused losses of \$3 billion (excluding Internet piracy, which is not quantifiable). It is estimated that last year, DVD sales and rentals reached \$10.6 billion in the U.S.

The number of illegal CDs in circulation worldwide in 2001 was estimated at 950 million, but only 20 million of these were [confiscated](#). It is also estimated that 130 million blank DVDRs were sold worldwide in 2002.

According to the RIAA, the recording industry association, illegal sellers of CDs can deprive U.S. stores of 3540 percent of their business, in addition to diminished revenues for artists, technicians and the state, in the form of uncollected taxes. In California alone some 18,000 jobs were lost because of audiovisual piracy. Retailers in America don't seem to care for parallel imports, which mostly hurt the owners of audiovisual rights. Often DVDs and CDs cost less in the U.S. than in Europe, but the EC is not in favor of technologies that may hinder free use. Therefore, parallel imports from countries where DVDs are less expensive or face fewer restrictions could be more a matter of illegal imports than of piracy.

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Thanks to recent technological advances, audiovisual piracy is moving from pressed (replicated) CDs and DVDs to illegal DVD-Rs and CD-Rs via duplication (burning or recordable). Nowadays one can legally buy blank CD-Rs at 30 cents each, even in small quantities. Therefore, to distinguish their product, big recording labels don't use CD-Rs (recognizable by the bluish hue on one side), and employ expensive replication equipment.

To compensate for the losses due to piracy, U.S. recording companies recently decided to increase the average retail cost of CDs from \$15 to \$17 each, well aware that this could cause a surge in illegal sales (where costs amount to about \$5 per disc). The retail cost of legal CDs includes the "royalty" fee. The Philips CD license agreement lowered the fee from \$0.03 to \$0.0175 on each recorded CD made since July 2002, whereas the cost of polycarbonate resins increased to \$3 per pound, representing 40 percent of the production cost of a blank CD-R.

To reduce piracy, some companies also produce their CDs in such a way that they cannot be used in computers or transferred onto MP3 players, and they insert a CSS encoding program in DVDs. These systems may discourage consumers, but they seldom work with professional pirates.

The least expensive way to produce illegal CDs and DVDs is through duplication with a burner worth about \$9,000, but this can only be used for limited quantities. Recently, though, Marcan has introduced a new duplication system able to copy 100 CD-Ps at a time. Replicating large quantities of discs from a master is much more expensive. Such equipment can cost up to \$500,000.

A way to control piracy consists in monitoring the manufacturers of duplication equipment (about 40 in the U.S.), as well as replicators of CDs and DVDs (about 50). However, used equipment is not as easy to trace, except by way of repair parts and maintenance.

Since most recordable drivers are produced by Pioneer, it's also possible to monitor piracy at the source, controlling the distribution of small equipment. In fact, there are only nine basic producers of drivers in the world, including Philips, Sony and Ricoh. Drivers labeled with other brand names such as Dell and Apple are always repackaged versions of the original brands.

Furthermore, since the number of polycarbonate producers is also small (Dow Plastic, Bayer Polyolefins, GE Plastics, among others), the production of blank CDs and DVDs could also be monitored. Optical grade polycarbonate is not that common, and replication uses a lot of it.

An element that would elude authorities' control is the packaging industry; CD and DVD cases can be purchased for as low as \$0.49 each. But only large groups such as Sony and Du Pont produce the plastic material used to make those cases.

According to Barry Rosenstock, president of Anchor Digital, a DVD production company, the New York market is flooded by replicated lowend pirated DVDs from Taiwan, mainly produced by Ritek, Primedisc and Optodisc, costing one-fourth of what other illegal DVDs may cost. Conversely, much of the piracy done in the U.S. is on CD-R and DVD-R, the recordable formats. Most DVD duplicators are made by Bravo, but there are also machines which are made by various companies. However, these almost always use Pioneer drivers to do the burning.

Katherine Cochrane, president of CD-Info, said that most made-in-the-U.S. piracy concerns CD-R/DVD-R, while pressed discs are imported, since it's very difficult to hide replicating equipment.

According to Tony Perez, director of the anti-piracy division of International Recording Media Association (IRMA), "Pirates seeking high volume production will not invest in expensive injection moulding equipment, but rather misrepresent themselves to legitimate replicators and get them to manufacture product." The duplication cost of a DVD is \$0.95 (for 5,000 items without cases) versus \$2.50 for a VHS tape.

Nine organizations fight piracy in the U.S., including the MPAA (video), RTAA (music), IRMA (duplication and recording), BSA (software), VSDA (video and CD retailers), IDSA (Internet), in addition to the FBI and local police.

U.S. associations against audiovisual piracy:

\* [www.mpaa.org/anti-piracy](http://www.mpaa.org/anti-piracy)

\* [www.siiia.net/piracy/](http://www.siiia.net/piracy/)

- \* [www.bsa.org/usa/antipiracy/](http://www.bsa.org/usa/antipiracy/)
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RELATED ARTICLE: 2002 Statistics (source: IRMA)

Replication in the world:

- \* CD-Audio: 4.35 billion units
- \* DVD-Video: 1.32 billion units

Replication in North America:

- \* CD-Audio: 1.63 billion units
- \* DVD-Video: 630 million units

CD-R demand:

- \* 4.225 million worldwide
- \* 1.3 billion in North America

Home Video

- \* Rental: 103 million worldwide, 70 million in North America
- \* Sales: 1.183 billion worldwide, 650 million in North America

DVD Sales and Rentals: \$10 billion in the U.S.

(According to IRMA, 9.72 billion optical discs were replicated worldwide in 2000. IRMA lists 21 types of optical discs relevant to the piracy market, including CD-Audio, CD-Rom, CD-Video, DVD-Video, DVD-Rom and DVD-Audio).

Historical notes:

- \* The CD was introduced by Philips in 1979.
- \* The CD player was sold for the first time in Japan in 1982 by Sony (the CDP 101) and in the U.S. by Philips in 1983 (the CD 100). Philips used a Luciano Pavarotti recording for its early presentations.
- \* The first commercial U.S. CD was 52nd Street by Billy Joel.
- \* The CD-R was introduced in 1988.
- \* The DVD (digital versatile disc) player was first sold commercially in 1997.
- \* There are two main DVD formats: DVD-5 and DVD-9.
- \* Today, 40 million American families own a DVD player.

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