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Southern District of New York

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U.S. ANNOUNCES CHARGES AGAINST 22 TRAFFICKERS OF COUNTERFEIT MOVIES

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and MARK MERSHON, Assistant Director In Charge of the New York Office of the Federal Bureau Of Investigation ("FBI"), announced today the filing of two criminal Complaints in Manhattan federal court charging 22 defendants with conspiring to traffic in counterfeit motion pictures. The Complaints allege that the charged conspirators are responsible for the creation and distribution of millions of counterfeit copies of motion pictures in circulation around the world. The charges are the result of an investigation that has been conducted jointly by the Office of the United States Attorney and the FBI for more than two years. Earlier today, special agents of the FBI began arresting the individuals charged in the Complaints. At present, approximately 13 individuals have been taken into custody.

The Complaints, which were filed yesterday, charge individuals at virtually all levels of the illegal industry that has formed around the production and distribution of pirated motion pictures nationally and internationally. The Complaints identify the major components of this illegal industry as the following: "Cammers," "Printers," "Wholesalers," and "Overseas Wholesalers." These roles and the individuals charged with participating in these illegal activities are detailed below. The Complaints identify scores of motion pictures that were illegally pirated and distributed by the defendants -- typically immediately upon the motion picture's official release, if not sooner -- including, among others: Terminator 3: Rise of the Machines; Pirates of the Caribbean: The Curse of the Black Pearl; Bad Boys II; The Matrix Revolutions; Lord of the Rings: The Return of the King; Shrek 2; Spider-Man 2; I, Robot; The Bourne Supremacy; Collateral; Ocean's Twelve; Scary Movie 3; Passion of the Christ; Harry Potter and the Prisoner of Azkaban; and White Chicks.

"CAMMERS"

As set forth in the Complaints, the counterfeit movies distributed by the conspirators were generally originated by individuals known as "Cammers." These individuals used video recording devices such as camcorders or videocameras to film unauthorized copies of motion pictures while those motion pictures were exhibited in movie theaters located primarily in New York City and nearby areas. The Cammers then sold numerous master copies -- known in the industry as "Masters" -- of the motion pictures they had recorded. In early years, these Masters were generally produced on videocassettes. In more recent years, the Masters have been produced on DVD.

The Complaints charge the following six individuals with having participated in illegal Camming activities: MOHAMMED GHOUTI LAKHDAR, a/k/a "Vinny," a/k/a "Winnie"; OMAR A. LAKHDAR, a/k/a "the Arab"; MARCOS BAUZO, a/k/a "Spanish Mike," a/k/a "Mike"; DENNIS BOWSER; HECTOR VAZQUEZ; and RAYMOND NG.

According to the Complaints, during the process of filming a motion picture inside a movie theater, the Cammers frequently had the help of associates, known in the industry as "blockers." Blockers would sit in strategic positions in the theater, for the purpose of concealing the Cammers' filming activities. The Blockers also helped to minimize excess crowd noise, prevent people from blocking the view of the video camera, and provide a direct camera angle allowing full screen capture.

According to the Complaints, market demand encouraged participants within the illegal industry to distribute counterfeit motion pictures as close to the motion picture's official release date as possible, if not sooner. This demand to acquire counterfeit Masters as early as possible spawned competition among the Cammers to be the first to film and distribute counterfeit Masters of a particular motion picture. Typically, the first Cammer to create a counterfeit Master of a particular motion picture would profit handsomely, while Cammers who released their Masters at a later date had difficulty finding buyers for their product. Driven by this incentive, Cammers were able in certain instances to record and distribute counterfeit Masters of motion pictures that had been released only for viewing by select audiences, prior to the date on which the movies were released to the general public. In order to gain access to these private screenings, Cammers purchased tickets at a premium from individuals who knew that the Cammers intended to illegally film and distribute the copyrighted motion picture. One of the Complaints charges ULISES PLANCENCIA, a/k/a "Ulysses,"

with having sold tickets to private screenings to Cammers for the purpose of enabling the Cammers' illegal activities.

Market demand also led the Cammers to engage in continual efforts to improve the quality of their counterfeit Masters through technological innovations, according to the Complaints. One such innovation was the Cammers' eventual use of "Direct Audio," (also known as "Direct Sound"), which is a system available in movie theaters for hearing impaired viewers. Using Direct Audio, the Cammers were able to improve the audio component of their counterfeit Masters. In addition, certain Cammers mounted their cameras on special monopods or seat mounts, and employed remote viewing screens that allowed them to monitor the position and quality of their recording without detection by theater employees.

"PRINTERS"

As set forth in the Complaints, counterfeited copies of motion pictures were generally offered for sale to retail customers in attractive packaging that used the official images and artwork of the copyrighted motion picture. During the era of videocassettes, this packaging consisted primarily of printed sleeves containing the images and artwork of the copyrighted motion picture. In the more recent era of DVDs, the packaging consisted of inserts that were on the outside of DVD cases. In the industry, this printed packaging material was known generally as "Paper Sheets."

According to the Complaint, an industry arose wherein a number of individuals -- known as "Printers" -- operated printing factories within the New York City area for the primary purpose of designing and printing Paper Sheets to package pirated copies of copyrighted motion pictures. These Printers typically sold hundreds of thousands of Paper Sheets each week, receiving tens of thousands of dollars in income each week.

One of the Complaints charges the following four individuals with having acted as Printers, or having participated with Printers in the production and distribution of Paper Sheets intended to package pirated copies of copyrighted motion pictures: LEO MARTINEZ; RAFAEL GONZALES; MIGUEL LNU, a/k/a "Miguel Garcia," a/k/a "Miguel Diaz"; and HERB LNU.

"WHOLESALERS"

According to the Complaints, the above-described Masters and Paper Sheets were sold in the first instance to individuals known in the industry as "Wholesalers." The Wholesalers, in turn, sold single Masters along with thousands of Paper Sheets to individuals around the country known as "Manufacturers." The Manufacturers then duplicated the counterfeit Masters on a mass scale, placed the resulting copies in packaging that incorporated the Paper Sheets, and sold the finished retail product to "Retailers." The Retailers, in turn, sold the final product to individual buyers. In this manner, the Wholesalers -- who typically operated out of storefronts in Manhattan -- were largely responsible for New York City's status as a major distribution hub from which counterfeit videocassettes and DVDs were distributed throughout the United States.

As set forth in the Complaints, the Wholesalers typically purchased Masters from the Cammers for between forty and several hundred dollars per Master. The Wholesalers made little profit, however, from the resale of these Masters to the Manufacturers. Instead, the Wholesalers earned most of their profits from selling the Paper Sheets that accompanied the Masters. For example, from in or about 1999 through in or about 2001, Printers sold Paper Sleeves to Wholesalers at prices ranging from approximately 12 to 15 cents per Paper Sleeve. The Wholesalers, in turn, sold the Paper Sheets to Manufacturers for approximately 25 cents per Paper Sleeve. Subsequently, after the transition to DVDs, the price at which Printers sold Paper Inserts to Wholesalers fell to a range of approximately 6 to 8 cents per Paper Sheet. The price at which the Wholesalers sold the Paper Inserts to the Manufacturers fell, in turn, to approximately 13 cents per Paper Sheet.

One of the Complaints charges the following 11 individuals with having acted as Wholesalers, or having assisted others in the Wholesaling of Masters and Paper Sheets: MAMADOU DIALLO, a/k/a "Ali"; ZABERIOU GARBA, a/k/a "Fatale," a/k/a "Amoud"; TEJON LNU, a/k/a "Tall Tejon," a/k/a "TJ119"; MUHAMMAD BILAL, a/k/a "Hamid," a/k/a "Ahmed," a/k/a "Amadou Sow"; FNU LNU, a/k/a "Boubacar"; TEJON LNU, a/k/a "Short Tejon," a/k/a "Fifth Avenue Tejon," a/k/a "TJ124"; ABDUL HALIM, a/k/a "Sadu"; RICHIE LNU; AMADOU DIALLO, a/k/a "Barrie"; ALPHA A. BARRIE, a/k/a "Diego," a/k/a "Jaygo"; and BARRY SADA, a/k/a "the President."

"OVERSEAS WHOLESALERS"

As set forth in the Complaints, with the shift to digital technology, certain Cammers began to distribute their Masters to various overseas conspirators. In order to accomplish

this, the Cammers would provide Masters to a co-conspirator who would then upload a digital copy of each pirated motion picture to a specified internet site. That site would then be accessed by co-conspirators in Karachi, Pakistan and Singapore, who downloaded the pirated motion pictures for duplication and distribution. These "Overseas Wholesalers" generally paid thousands of dollars for each pirated motion picture.

The Complaints charge the following four individuals with having provided or assisted in the provision of pirated copies of copyrighted motion pictures to Overseas Wholesalers: MOHAMMED GHOUTI LAKHDAR, a/k/a "Vinny," a/k/a "Winnie"; MARCOS BAUZO, a/k/a "Spanish Mike," a/k/a "Mike"; HECTOR VAZQUEZ; and RAYMOND NG.

Assistant United States Attorneys JOSHUA KLEIN and MICHAEL A. LEVY are in charge of this prosecution.

The charges contained in the Complaint are merely accusations and the defendants are presumed innocent unless and until proven guilty.

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