

Digital underground
www.time.com
Aug. 14, 2000
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Among tiny Malaysia's legions of civil servants, few are as implacable as Pahamin Rajab, 54, point man in the struggle against digital counterfeiting. Decked out in his trademark bow tie and cowboy hat, the secretary-general of Malaysia's Trade and Consumer-Affairs Ministry recently led 100 security agents on a morning raid through a downtown shopping mall, seizing illegal music, video and computer-software CDs. At one retail booth, a television monitor was advertising bootlegged wares. "Take the TV," he ordered, pointing with his gold-tipped walking stick. "We will be back day after day until they shut down forever."

Tough talk, but Pahamin has a long way to go. As Malaysia's top trademark watchdog since 1998, he has seen the country become one of Asia's biggest centers of piracy for all kinds of digital wares. Just three days after last year's blockbuster *Star Wars: Episode 1--The Phantom Menace* opened in U.S. theaters, pirated versions were on sale in Malaysia's capital, Kuala Lumpur. Local knock-offs have been spotted as far away as southern Africa, Europe and South America.

Optical recording--both legal and illegal--is a big business in Malaysia, but poorly paid local law enforcers never made the war against counterfeiting much of a priority until the government realized that a bad reputation for protecting intellectual property would sink hopes of attracting critical investment. Piracy cuts into the profits of the big, predominately U.S. companies that produce so much of the global-entertainment menus. But Malaysia's legitimate CD producers feel the squeeze too. The government has encouraged legitimate digital production (which has expanded from one optical-disc plant in 1996 to around 50 today) as part of the country's effort to move up the technology ladder. Malaysian factories churn out an estimated 315 million CDs a year, worth \$300 million. But producers who respect intellectual property rights complain that they can't compete with those who don't.

Piracy is also crippling the local film and music industries. Employment at music-production studios has dropped a third since 1996, and many artists are holding back new releases until their rights are protected. Malaysian filmmakers released seven movies last year, compared with 18 in 1995, and box-office receipts are down 49% over the past two years. CD pirates "are like leeches, sucking the life out of the film industry," reports the Video and Film Industry Association of Malaysia.

Pahamin has 500 agents at his disposal to beat back the leeches, but the agents have a lot of different jobs to do. (Among other things, they spend time monitoring the price of chickens and other domestic staples.) In general, Pahamin's strategy is to try to shut down the counterfeiters and their retail outlets, rather than go after consumers. But the outlaws are outwitting the sheriff. One night last September, Pahamin and 100 officers descended on a warehouse in Johor Bahru, some 200 miles southeast of Kuala Lumpur, a transit point that had been under surveillance for months. The building was empty, its occupants apparently warned of the raid. "As sophisticated as we are," concedes Pahamin, "the pirates are more sophisticated."

Authorities suspect that pirates contribute to a common fund to reward tip-offs. Even counterfeiters who are caught often escape punishment: a 1987 law stipulates prison terms of up to five years for copyright infringement, but courts have yet to send an offender to jail.

That may change. Malaysia's Parliament is expected to adopt a law later this year that will make manufacturers maintain stricter records on raw materials and make it easier for Pahamin's agents to stage surprise raids. Other reforms will provide for specially trained prosecutors and judges in copyright-violation cases and will ensure that tougher penalties actually get applied. The U.S. industry, which claims it lost \$287 million in CD sales to piracy last year in Malaysia alone, is lobbying with the U.S. Trade Representative for tough action against the country. "More investment in Malaysia is greatly dependent on the rate of piracy coming down," says Roland Chan, an executive of the Business Software Alliance, a large industry group. "Even if we don't succeed, it will not be for lack of trying," says Pahamin.

--Reported by Ken Stier/Kuala Lumpur

With reporting by Ken Stier/Kuala Lumpur

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