

### SECTION III. NOTORIOUS MARKETS

Global piracy and counterfeiting continue to thrive due in part to marketplaces that deal in infringing goods. This year's Special 301 Report notes the following markets, including those on the Internet, as examples of marketplaces that have been the subject of enforcement action, or may merit further investigation for possible IPR infringements, or both. The list represents a selective summary of information reviewed during the Special 301 process; it is not a finding of violations of law. The United States encourages the responsible authorities to step up efforts to combat piracy and counterfeiting in these and similar markets.

#### *Markets on the Internet*

- **Baidu (China).** Baidu continues to be identified by industry as the largest China-based MP3 search engine. The U.S. music industry reports that the vast majority (between 50 percent to 75 percent) of all illegal downloads of music in China are associated with this site. Baidu is the target of ongoing infringement actions by both domestic and foreign rightsholders. Baidu executives continue to deny responsibility for content hosted by other websites. Several rightsholders are pursuing legal action in Chinese courts.
- **Business-to-business (B2B) and business-to-consumer (B2C) websites (China).** A large number of these Chinese websites, such as Alibaba and Taobao, have been cited by industry as offering infringing products to consumers and businesses. The Internet traders who use these online markets to offer counterfeit goods are difficult to investigate and contribute to the growth of global counterfeiting.
- **Allofmp3 clones (Russia).** Although allofmp3 (formerly the world's largest server-based pirate music website) was shut down in 2007, a nearly identical site has taken its place and continues to provide for the illegal distribution of copyrighted material. Several other sites provide similar services. In addition, Russia is host to several major BitTorrent indexing sites that are popular channels for illegal peer-to-peer downloading.

#### *Physical Markets*

- **Silk Street Market (Beijing, China).** Industry has cited Beijing's Silk Street Market as an egregious example of the counterfeiting of consumer and industrial products that is endemic in many retail and wholesale markets throughout China. In 2005, authorities began to pressure the landlords of Silk Street Market and other major retail and wholesale markets in Beijing to improve compliance with IPR laws. The intervening years have brought limited progress. In 2006, rightsholders prevailed in several court actions related to the market and executed a Memorandum of Understanding with the landlords in June 2006. A January 2007 industry survey of the market showed that counterfeiting had worsened. A January 2008 report from industry maintained that the situation remained serious, with a survey of the market revealing piracy levels that increased in most categories from 2007 to 2008. In December 2008, a coalition of brands reached a settlement agreement with the market's management company in which the managers agreed to suspend vendors caught selling infringing goods. In February 2009 some stalls

were shut down, but suspensions and further evidence-gathering were delayed by angry responses from vendors.

- **China Small Commodities Market (Yiwu, China).** The China Small Commodities Market in Yiwu reportedly sells approximately 410,000 different items, mostly small consumer goods. Industry has cited the market as a center for wholesaling of infringing goods. Officials in Yiwu have met repeatedly with U.S. Government officials and stressed their work to improve IPR enforcement. Industry confirms that enforcement in Yiwu has improved. Continued improvement is needed, particularly in the area of criminal enforcement.
- **Gorbushka and Rubín Trade Center and Savelovskiy Market (Moscow, Russia).** Industry representatives report that piracy problems persist in these markets, though the situation has improved at the Gorbushka and Rubín Trade Center. In Moscow, illegal optical discs are still available, but less overtly displayed than in previous years, at the upscale Gorbushka consumer electronics market. Pirated goods are more widely and openly available at the Savelovskiy electronics market in Moscow.
- **Tri-Border Region (Paraguay, Argentina, and Brazil).** The Tri-Border Region of Paraguay, Argentina, and Brazil has a longstanding reputation as a hotbed of piracy and counterfeiting of many products. The U.S. Government is funding a training project through which U.S. Department of Justice and U.S. Department of Homeland Security officials will train prosecutors, police, and customs officials from the Tri-Border Region to combat intellectual property crime. In Paraguay, Ciudad del Este remains a hub for pirate activities, with the majority of the optical disc manufacturing plants in the country located in this city. The amount of optical media produced in Paraguay significantly exceeds possible local use, and most of the production is legally exported or smuggled into Brazil. While the use of new surveillance tactics, like the use of helicopters, have somewhat improved enforcement efforts in this region, smugglers have reacted by shifting their activities to more vulnerable entry points into Brazil.
- **Tepito, Plaza Meave, Eje Central, Lomas Verdes, and Pericoapa Bazaar (Mexico City); Simitrio-La Cuchilla (Puebla, Mexico); San Juan de Dios (Guadalajara); and Las Pulgas (Monterrey).** Informal markets selling pirated audio-visual materials and counterfeit name-brand goods are widespread and well-entrenched in Mexico. By some estimates, there are at least 80 such markets located throughout Mexico. In Mexico City, Tepito remains the main warehousing and distribution center for infringing products and hosts scores of retail stalls. Past police raids on such markets are often conducted only at night to avoid violent confrontations that are common during daylight raids. The Office of the Attorney General (PGR) is sometimes accompanied by other enforcement agencies on these raids, allowing for charges of IPR infringement, safety violations, or tax evasion to be added to the criminal charges brought by the PGR.
- **Czech Border Markets (Czech Republic).** Hundreds of open air market stalls are notorious for selling pirated and counterfeit products near the Czech borders with Germany and Austria, including at the notorious Asia Dragon Bazaar in Cheb City.

Czech Customs officials adopted an organized enforcement approach in 2008, including targeting the markets for repeated raids, leaving its officers on site for several weeks, and informing the market vendors about what items can be sold legally and what constitutes IPR piracy. Pirated goods are retrieved for customers often from locked containers, warehouses, cars, or homes outside of the market, in order to escape detection from law enforcement authorities. The United States has urged the Czech Government to take sustained IPR enforcement actions, revoke business licenses from market operators who sell IPR infringing goods, and follow up with prosecutions of IPR violators.

- **Polish Markets (Silesia, Krakow, and Wroclaw, Poland, and Poland/Germany border).** Markets at Poland's border with Germany and bazaars at Silesia, Krakow, and Wroclaw sell pirated and counterfeit goods. Although Poland made some progress when border authorities conducted raids this past year at the border markets, further enforcement actions are needed to curb the piracy and counterfeiting in these areas.
- **La Salada (Buenos Aires, Argentina).** This is the largest of more than 40 well-established markets in Buenos Aires that have been cited as being heavily involved in the sale of counterfeit goods. An estimated 6,000 vendors sell to 20,000 customers daily. The market is reputed to be a haven for organized criminal gangs that operate from within it, resulting in little to no IPR enforcement. Raids by local police on flea markets where counterfeit merchandise is openly sold have not been frequent or widespread enough to lessen the availability of pirated goods. The most notable enforcement actions of 2008 were three raids conducted in the notorious street fair La Salada. These enforcement actions follow two 2007 raids which are thought to be the first such actions in La Salada. Buenos Aires provincial tax authorities indicated that a number of high-profile tax and IPR enforcement actions in the La Salada market are being planned for the 2009 calendar year.
- **Neighborhood of Quiapo (Manila, Philippines).** Street stalls in this neighborhood are notorious for selling counterfeit and pirated merchandise. Other notorious markets in Manila include Binondo, Greenhills, Makati Cinema Square, and Metrowalk. An Executive Order of November 17, 2006 establishes landlord liability for tenants who sell pirated merchandise. Reports indicate, however, that no landlords have yet been prosecuted for IPR violations.
- **Harco Glodok (Jakarta, Indonesia).** This is reported to be one of the largest markets in Indonesia for counterfeit and pirated goods, particularly well-known for pirated optical discs. Enforcement officials are reportedly reluctant to conduct regular enforcement actions because of the presence of organized criminal gangs. Indonesian law enforcement authorities have successfully utilized some U.S. assistance. However, overall lack of coordination at the national level continues to undermine Indonesia's efforts to substantially and measurably improve its IPR regime.
- **Panthip Plaza, Mah Boon Krong (MBK) Center, Klong Thom, Patpong, and Sukhumvit Road (Bangkok, Thailand).** These locations are notorious for openly selling pirated and counterfeit goods, and are all designated as "red zones" by Thai

authorities, which are markets targeted for increased raids due to their high piracy and counterfeiting rates. Though Thai authorities know these places are where infringing products are most readily available, the authorities have yet to implement a long-term effort to rid the red zones of piracy and counterfeiting. Moreover, rightsholders and authorities appear to have found little or no legal basis to hold landlords responsible for tenants' infringing activities, so there is little incentive for landlords in the red zones to cooperate in terminating the leases of infringing tenants.

- **Nehru Place and Palika Bazaar in New Dehli, Richie Street, and Burma Bazaar in Chennai, Manish Market, Heera Panna, Lamington Road, and the Fort District in Mumbai, and Chandni Chowk in Kolkata (India).** These locations are particularly well-known for the high volume of pirated software, DVDs, and CDs offered for sale.