Internet Piracy: During 2005, the growth of Internet piracy, especially via File Transfer Protocol (FTP) servers and peer-to-peer (P2P) systems, quickly became a predominant piracy concern in Estonia. A 2004 Memorandum of Understanding between the local anti-piracy organization (EOCP) and Estonian Internet Service Providers (ISPs) has been used to enable the removal of infringing materials. In 2004, this memorandum was updated to allow removal of illegal copyright material from the public FTP servers of major ISPs. The MOU does not cover numerous local ISPs offering the FTP server service to swap music, film and software files. EOCP are the Business Software Alliance (BSA) will be addressing this issue with local Estonian ISPs. Despite some occasional cooperation, ISP cooperation remains generally problematic, with little or no response to take-down requests and no cooperation for information. For example, on March 23, 2005, EOCP and the Economic Police raided a private apartment in Narva and confiscated an FTP server belonging to and administered by a local ISP; the server contained hundreds of music and film files.

Optical disc piracy: Optical disc piracy throughout Estonia remains a serious problem. The Estonian market remains under threat from pirate optical disc product manufactured in other countries, notably Russia. As a general trend, however, the import of pirate goods is decreasing due to the growth of locally produced pirate CD-Rs and DVD-Rs. Retail piracy exists, but most pirates distribute their product at street markets, through mail order, and over the Internet. The main piracy centers are located in Tallinn and in towns in the northeast. The pirate goods in Tallinn harbor tourists' shopping centers continue to contribute to a significant suitcase piracy problem from Estonia to Finland. On June 30, 2005, after several months of work and weeks of surveillance, the Economic Crime Division of the Northern Police Prefecture discovered a major pirate warehouse containing over 10,000 discs (mainly DVDs and PlayStation® games). They also found evidence indicating that the warehouse had once housed a CD-R lab. One person was arrested. The distribution system operated by the pirates was well organized, with people placing orders by e-mail for delivery by courier. In addition, MPA reports that parallel imports also remain a problem in Eastern Estonia due to the border trade with Russia. The implementation of parallel import provisions into the Customs Act is urgently needed.

In 2005, Estonia received two optical disc plants. One factory is located in Taru city (one CD/DVD line) and the other plant, a subsidiary to the Lithuanian BOD plant, is in Tallinn (one CD/DVD line). This development strongly calls for the regulation of the optical disc production, as the government control in this field is almost impossible. The copyright industries' worldwide experience shows that the absence of such regulations, combined with a highly competitive market, can prove difficult for struggling OD plants wishing to comply with copyright laws, when competitors are generating revenue from illegal activities.

Other forms of piracy: The Business Software Alliance (BSA) continues to report that although end-user piracy continues to cause most damage to the legitimate software sales
market, Internet piracy, in particular file transfer protocol/FTP and P2P piracy, grew the most last year. According to BSA, reducing the business software piracy levels in Estonia could generate significant contributions to the Estonian economy. MPA reports that cable and satellite television piracy are also present in Estonia. Significant anecdotal evidence suggests that a considerable number of Swedish and Finnish visitors to Estonia acquire illegally copied music, films and software for their own use. Entertainment software companies report that the piracy situation is improving, particularly with respect to piracy at Internet cafés, with many becoming legitimately licensed by publishers.

**Criminal Enforcement:** Unchanged from prior years, the Estonian government attention to intellectual property crime failed in 2005 to be sufficient to deal effectively with piracy. IP matters simply are not a top priority for the local police or customs. The main problem involves a lack of customs’ investigation and surveillance work, which is essential to stop smuggling of pirate products over the border by a routine border control. This unfortunate situation continues despite regular meetings between EOCP and the Customs IP contacts: (a) to exchange information, (b) to introduce to the Customs the information obtained from the police investigations, (c) to discuss any obstacles occurred in IPR issues is Customs work, and (d) to provide IPR training to the customs officers as often as required. The copyright industries continue to urge Estonian Customs to exercise their existing *ex officio* powers in order to stem the flow of counterfeit and pirate product into Estonia from Russia and Latvia.

The police lack the will and resources to investigate piracy, especially duplication labs and warehouses, although an April 2003 agreement between rightsholders and police was aimed at securing improved assistance from police. Despite the fact that specialized IP units have been formed in different parts of Estonia, and different trainings and seminars have been provided to those units, the progress of copyright cases still remains slow, primarily due to unfamiliarity on the part of police and prosecutors with the subject matter. Evidentiary burdens, lack of police resources and, most particularly, significant staff turnover among police officers block effective enforcement because they present significant hurdles to cases moving forward. Prosecutors’ offices have been informed about these delays, and have sought to pressure police to accelerate the progress of investigations. Finally, Estonian courts generally only impose minimum sentences for intellectual property crime, despite the new Penal Law and Misdemeanor Act of 2002, which increased maximum penalties. The fines in misdemeanor cases remain low at around $400. For example, on November 23, 2005, one individual was sentenced in a misdemeanor case to a fine of 6,000 kroons (US$460) for trading over 700 pirate copies of music.

BSA reports that although its relationships with prosecutors have increased and been improved (primarily as a result of trainings conducted and sponsored by BSA), contacts with judges have significantly decreased. BSA reports that in 2005, 20 criminal raids involving unauthorized software took place, although BSA is not aware of any customs seizures taking place in relation to transshipment matters.

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1 BSA and International Data Corporation (IDC) released a new study on December 8, 2005, which illustrates global economic gains from reducing software piracy. This report, *Expanding the Frontiers of Our Digital Future: Reducing Software Piracy to Accelerate Global IT Benefits*, using 2004 data, found the following: by cutting the country’s software piracy rate from 55% to 45%, Estonia could add nearly $70 million to its economy, create roughly 330 technology jobs, increase local industry revenues by $44 million, and generate an additional $12 million in tax revenues. See [http://www.bsa.org/idcstudy/pdfs/Estonia.pdf](http://www.bsa.org/idcstudy/pdfs/Estonia.pdf).
Rightsholders contemplating legal action against Internet pirates in Estonia faced difficulties in 2005 in identifying infringers due to restrictions imposed by the Telecommunications Law. Rightsholders cannot obtain from ISPs, via a civil procedure, the identity of an infringing end user upon communication to the ISP of an IP address. ISPs may, however, be required to provide such information in both civil and criminal proceedings.

**WIPO Treaties:** The Ministry of Culture has prepared and sent for the Government approval the draft law ratifying the two 1996 WIPO Treaties, the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT). The proceedings in the Parliament should commence in the first quarter of 2006.

**Civil Code:** A new Code of Civil Procedure passed Parliament in April 2005 and entered into force in January 2006. Amendments to this code included implementation of the civil search and seizure remedy, a problem that Estonia had been almost a decade late in resolving. These amendments also implemented several provisions of the EU Enforcement Directive. However, concerns remain as to the availability of interlocutory injunctions against Internet service providers, and whether the proposals are compatible with Articles 9 and 11 of the Enforcement Directive.

**Criminal Code:** Reports also indicate the Justice Ministry is preparing amendments to the Criminal Code (we do not have further details on this development).

**Trainings:** BSA and EOCP offer trainings each year to Estonian enforcement agencies and prosecutors, although it appears that the appetite for such trainings is diminishing. Unfortunately, Estonian judges have been disinclined to participate in BSA training events.
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