

NEW YORK DAILY NEWS WEDNESDAY FEBRUARY 12, 1997

Bootleg cable getting boxed

By **DILL FARRELL**

Daily News Staff Writer

If you want your MTV in Brooklyn and the Bronx, you better make sure you're paying for it.

Starting this morning, Cablevision of New York City will begin firing a "double-barreled electronic bullet" to zap out illegal cable boxes, a company official said.

Cablevision serves 450,000 customers throughout the Bronx and in two-thirds of Brooklyn.

Company officials said the electronic assault is its largest single effort to end the

use of illegal boxes.

"Every channel in Cablevision service levels, from Family Service to Optimum Preferred, will be subject to the zapping," said John Mc Elhinney, a Cablevision spokesman.

He said the enhanced signal bullet, which will be fired throughout the day, can be decoded only through legal, company boxes. Illegal boxes will be rendered useless.

Previous efforts to zap out boxes stealing premium service proved so successful that the firm decided to up

the ante to include all programming.

"After we zapped out premium service in the Bronx several months ago, we had a 17% increase in the number of customers upgrading their premium channel services," Mc Elhinney said.

In Brooklyn, where premium service was zapped last month, requests for premium upgrades rose more than 30%.

"We had so many requests for upgrades, we're still going over the numbers," said a Cablevision insider.

Premium channels on

the system include HBO, Cinemax, Showtime, The Movie Channel, MSG and Pay Per View Channels.

"We are putting thieves on notice that the party is over," said Mc Elhinney.

While there are no precise numbers on how widespread cable theft is in New York City, cable security experts estimate it's as high as 25% nationwide. Industry estimates put the costs of signal theft in the billions of dollars each year.

"This is not a victimless crime," Mc Elhinney said.

Piracy Suspects Plead Guilty

NEWARK, N.J. — Five of nine principals in a major set-top-piracy ring have pleaded guilty in a New Jersey federal court to multiple felonies.

The defendants were indicted in June in the largest government action ever taken against distributors of altered set-tops. Investigators believe that the ring may have laundered up to \$10 million in a Cayman Islands bank.

Joseph Russo and Frank Russo (the two men are unrelated) of Florida, owner-operators of Leasing Ventures, a firm that modified and distributed converters, pleaded guilty last week to multiple violations of federal anti-theft statutes. Each could be sentenced to up to 28 years in prison and up to \$2.1 million in fines.

Frank Russo Jr. and his mother, Joann Russo, also involved in related companies, admitted guilt, as well. The son faces up to seven years in jail and \$550,000 in fines; the mother may go to jail for three years and have to pay \$250,000.

Daniel Zielinski of Port St. Lucie, Fla., admitted to manufacturing boxes with names like "Boss" and "Stealth." He may also get 28 years in prison and a \$3 million fine.

Sentencing is scheduled for April 15 in Newark. **UPI**

February 3, 1997 Multichannel

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 Column 3



Smith drives his bus through a lane of tennis balls.

Georgia to Nashville on Tuesday. Drivers competed on how well they could drive their 40-foot vehicles through a serpentine course, parallel park, negotiate a double line of tennis balls and other precision skills. Five-time international champion Smith won the competition, which has been in Nashville for about six years. Judges came from throughout the country for the event. Smith and the second-place driver will return here later this year for the international competition.

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InterMedia shuts off cable pirates

57 of them face hefty lawsuits

By CATHERINE TREVISON
 Staff Writer

Nashville's cable company says it's sick and tired of cable free-loaders and it's going after them with lawyers.

InterMedia Partners Southeast is suing 57 television viewers for up to \$10,000 each in U.S. District Court, accusing them of pirating movie channels and pay-per-view programs.

"There are 152,000 customers in Nashville that pay us for service.

It's not very fair to them to look the other way," said Paul Janson, the company's regional marketing manager.

"Any business has to roll all of their costs into what they charge consumers. This is a way to pay our legal, paying customers back."

The company accused the sued viewers of paying for basic cable, but then snagging extra movie channels and pay-per-view programs with illegal decoders.

Cable companies catch theft by

TELECOMMUNICATIONS

sending out an electronic signal that tells them what's happening in each customer's decoder, Janson said.

When the company started sending the anti-theft signal last fall, it found 1,300 pirates, Janson said. So far, about two-thirds have settled the dispute by paying \$850 each to Intermedia, he said.

The company is tough.

One grandmother swore she hadn't pirated cable, and Janson believed she was honest. It turned

out that her two grandchildren, ages 18 and 19, had been pirating the signal, he said.

The company wasn't deterred. "She settled. She had to pay the \$850," Janson said.

It's expensive to send out the anti-theft signal, so the company doesn't do it all the time, Janson said. However, it plans to send the signal every so often and to keep prosecuting theft, he said.

"Will we do it numerous times during the year? Yes. We're not foolish enough to think if we do it once it will eradicate theft," he said. ■

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TELECOMMUNICATIONS

LCI International Inc., one of the nation's largest providers of long-distance telephone service, said yesterday it has reached an agreement with BellSouth Corp. to resell local service in Tennessee and elsewhere in BellSouth's nine-state region. LCI, which will buy space on the BellSouth network at a discounted rate for resale under its own brand name, said residential customers will be able to sign up for LCI service later this year. LCI joins a handful of others that have applied to offer local service in Tennessee.



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AGENDA

"Training Group Facilitation Methods," with Liz Allen Fey and Debra Grimes, Management Solution Group, today and tomorrow, Super 8 Motel, 350 Harding Place. Fee: \$350. For more information, call 320-0039.

"Financial Management Workshop," a two-part workshop presented by Steve Elliott & Associates, 6:30 p.m. Tuesday and Wednesday, Vanderbilt University Club, Nashville. No fee. Reserve at 385-0986.

MARKETS

Stocks fell sharply bonds slid, sending interest rates soaring, after another warning by Federal Reserve chairman Alan Greenspan that the market's meteoric rise poses an inflationary risk. Broad-market measures also took a hit during the session. The Bloomberg index was 167.98, down and tables on 2&3E.

From "Tennessee" 1/29/97

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Pages 2-12E

BUSINESS

THE TENNESSEAN

SATURDAY, JANUARY 25, 1997

Local stocks
Classifieds

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CABLE

InterMedia sues club over ball game

By **MICHAEL DAVIS**

Staff Writer

Nashville's cable-television company has thrown a flag for illegal use of the cable box against a Madison billiard hall.

InterMedia is suing J.O.B. Billiards Club on South Gallatin Road, alleging that the business showed a pay-per-view University of Tennessee football game last August without paying for it.

The suit, filed in U.S. District Court in Nashville, asks for \$110,000 in statutory damages and unspecified punitive damages.

J.O.B. owner Jim Blaylock insists that he did purchase the UT vs. University of Nevada at Las Vegas matchup, and has documentation to prove it.

"I have satellite and cable, and I bought it off the satellite," Blaylock said. "They assume I got it off their box. I have all my proof right here."

InterMedia spokesman Bruce Stewart declined to comment on Blaylock's defense. But owners of satellite-television systems can

order pay-per-view events without going through local cable providers.

InterMedia had priced the event at \$24.95 for residential viewers and \$200 for commercial establishments. Blaylock would not say what he paid for the game, but suggested that the company was just trying to harass him.

"You can get sued for anything, for spitting on the sidewalk," he said.

Stewart said the suit is part of InterMedia's increased efforts to crack down on cable violators. In November, the company sent letters to almost 1,000 local customers citing them for tampering with their cable boxes and asking for \$850 in settlements and fees.

The company received a "significant proportion" of responses to the letters, according to Stewart.

InterMedia estimates that cable theft cost Tennessee providers more than \$14 million last year. ■

Outboxed, Johnnie Cable's in a fix

ON TUESDAY, the search for Johnnie Cables from Brooklyn began.

Johnnie Cables is one of the biggest distributors in South Brooklyn of bogus cable boxes, those black-market devices that steal the signal from the Cablevision system and deliver premium channels, pay-per-view movies, concerts and sporting events for free to the homes of 25% of all cable customers.

Johnnie Cables, and hundreds of others like him, sell these boxes for \$20, and give customers a one-year warranty. For the last three years, approximately 56,000 Cablevision subscribers in Brooklyn have been sitting back watching cable movies, Mike Tyson fights, HBO, Showtime, Homebox, The Disney Channel and the Movie Channel for free.

How it works is: you order a Cablevision package for a price of about \$20 a month. They wire your house and give you a box on which you get a button for pay-per-view channels and an authorization button to select movies and sporting events. If you want a premium-channel package, you must subscribe by the month at an additional cost of between \$20 and \$30.

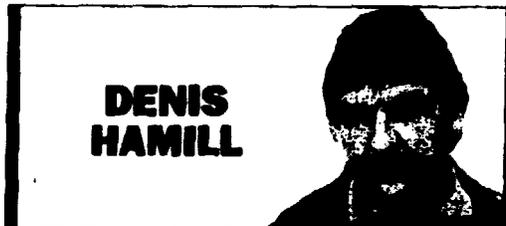
However, when the Cablevision box is replaced by a bogus one, the autho-

rization code and security blocks on the premium channels are bypassed by a special computer chip.

"Imagine if a car dealer was running a showroom where one out of every four cars was being ripped off," a Cablevision spokesman said to me. "You'd have to do something to stop it. We shot a 'magic bullet' in the Bronx a few months ago, and purchases of premium services went up by 17% the next week."

And so on Tuesday, Cablevision shot a "magic bullet" through its Brooklyn system, a highly sophisticated, scrambled signal that rendered useless all the bogus boxes that Johnnie Cables had sold by the thousands.

All of a sudden, the living rooms and bedrooms of Brooklyn went into chaos. When TV cable addicts tuned in, they got nothing but snow on the screen and the loud white noise not unlike that used in totalitarian government interrogation rooms.



**DENIS
HAMILL**

And then the mad, panicked, frenzied search for Johnnie Cables began in Brooklyn.

My friend Kenny has had four bogus

boxes in his house for the last three years — one in the living room, one in his bedroom, one in each of his kids' bedrooms. "This way, when my daughter wants to watch The Disney Channel, she can go to her room," he says. "My son can go watch a ballgame in his room. And I can watch a movie in the living room."

Kenny had been the bogus-box middleman between Johnnie Cables and all of his brothers and sisters and friends in the neighborhood. So as soon as the Cablevision magic bullet ricocheted like a dum-dum through the larcenous heart of Brooklyn on Tuesday, Kenny's phone began to jangle off the hook.

"What am I supposed to do with my kids without the Disney Channel?" one brother asked.

"Ever think of reading them a book?" Kenny asked. "I have four

calls into Johnnie Cables."

The call-waiting beep sounded and Kenny switched over to a guy named Lenny, who, between alcoholic rehabs, de-ices planes at JFK. "Yo, the porno channel is out, Kenny," Lenny said. "I can't live without my babes. Plus, tonight, no Playboy channel. You said I had a one-year warrantee."

"Hey," Kenny said. "Warranties don't cover your libido. Go out and meet a live woman."

ANOTHER CALL-WAITING beep brought Kenny's father on the line, growling that he couldn't get MSG Network. "I got money on tonight's game," he said.

Kenny hung up and tried Johnnie Cables for the fifth time in three hours. No answer. No machine. Later in the evening, Kenny went to the corner saloon, where most of the patrons were Johnnie Cables' customers.

"Anybody see Johnnie Cables?" Kenny asked.

"I bet he's home with the phone unplugged watching TV," said the bartender. "He's no fool. He got the new bogus satellite dish that takes all signals from outta space. He started hawkin' them last month. Musta got an inside wire that the magic bullet was coming."

'90s Problem: Cable Piracy on the Web

By LINDA HAUGSTED

The ads say, "We buy cable set-top. New, used and field pulls."

But this isn't a classified ad in the back of this paper or other trade papers. These are ads on

Web sites on the Internet, posted by hardware pirates, and they are proliferating madly.

Cable security experts estimated that there are 1,700 to 2,200 such sites on the Web, from mom-and-pop opera-

tions for the construction of a set-top "for less than the cost of one night's pay-per-view" to major wholesalers long known to the industry.

It's gotten so bad that at this week's Western Show, the National Cable Television As-

sociation's signal-theft committee will discuss creating a Web site of its own to counter some of the pirates' claims and to remind people that cable theft is illegal.

But other than that, the recourse of legitimate hardware

sales is unclear.

"It's clear [that] the technology has outpaced regulation," said Jim Allen of the NCTA's Office of Signal Theft.

Manufacturers have had luck in court prosecuting publications like *Nuts and Volts* for publishing pirates' ads that contain copyrighted trade names like Jerrid or General Instrument. But on the Web, who is the publisher? It's an issue so perplexing that interested parties met in Switzerland last week just to begin to define some of these copyright issues.

Attempts in the U.S. to regulate content, such as the federal initiative against pornography on the Internet, have

The NCTA may create its own Web site to counter piracy.

already been challenged. Security experts predicted that no cable operator will be willing to launch a potentially expensive First Amendment case on Internet content to stop the pirates.

So far, investigators attack Web pirates the same time-consuming way that they bat the print advertisers — by going undercover.

The international coverage of these pages is causing the most concern to vendors. Customers in other countries with controlled media have not seen these ads before, noted Stan Durey, director of security programs for General Instrument Corp.

"We have no proof [that] they are exporting this stuff. But if you're a customer of GI in Asia, you're sitting far away from the office of your vendor and you see on the Net these colorful, sometimes well-produced ads with our name ... it causes them great concern," he said.

Many ads state, "Stop paying high cable rates," even though some carry disclaimers telling the buyer to register the equipment with operators.

One home page features a screen-sized skull-and-crossbones and a maniacal laugh worthy of Blubbaard.

Another manufacturer poots the whole concept of a bullet. "It would be foolish for a cable operator to send out something which harms TVs and VCRs," the seller states.

Security experts are concerned that the demographics and impersonal nature of the Web may cause an uptick in illegal set-top sales. www

Multichannel NEWS
September 9, 1996

December 2, 1996

R.I. Op's Message Bags 175 'Black Boxes'

By LINDA HAUGSTED

Some viewers in Warren, Barrington and Bristol, R.I., got a programming surprise when they tuned in the Mike Tyson-Evander Holyfield bout Nov. 9. Instead of the clash of the

titans, a message was displayed on the screen for all in the home to see: "On Nov. 9, electronic security detected an illegal decoding device at this address."

Viewers then heard the theme to *Cops* and saw video of police approaching a house.

The viewers were warned to turn in their black boxes to their cable provider, independent Full Channel Cable, by 7:30 p.m., or face prosecution.

More than 175 people in the 12,600-subscriber system have turned in one or more unauthorized decoders, said

system manager Mike Davis.

The number could have been higher, but the story of the cable counterattack was the biggest thing going that weekend. Local TV trucks were parked outside the system's offices to catch scofflaws as they skulked

into the building. Davis said a few people called to acknowledge possession of pirate hardware, but they didn't want to come to the cable office if they were going to be photographed. The system let the amnesty deadline slide for two more days, he said.

The campaign generated no complaints from authorized customers; the system is a 100 percent mapped addressable system and, by us-

Local TV trucks parked outside the system discouraged some from turning in illegal boxes.

ing a combination of technologies, Full Channel delivered its message only to the target group. Because of the mapping, the system can continue to send the "unauthorized device" message, programming it to pop up on different channels, to any home that didn't respond to the amnesty offer.

Paying customers have called the system to congratulate the business on its anti-theft effort, Davis said. The system manager estimated that his company's sale of pay-per-view and premium units is depressed between 10 and 20 percent because honest customers are angry about paying for product that they know neighbors steal.

Davis thinks the black-box owners aren't really thieves; they've convinced themselves that using the converters is benign, like hooking up an extension phone. But that doesn't mean he won't follow through with prosecution.

In conjunction with the fight, Showtime Event Television conducted an anti-theft campaign. Viewers nationwide with illegal decoders could see an offer for prizes if they called an 800 number and repeated the code they read on their screens. Automatic number-identification technology allowed operators to track back to the signal thieves, and Davis said he will use any recordings from his area as evidence in court proceedings against viewers who do not surrender their black boxes. **mcw**

Persistent Pirate Nailed with \$245M Fine

By LINDA HAUGSTED

A federal court has slapped a Boston-area man, described as a significant player in pirate set-top distribution in the Northeast region, with a \$245.7 million fine for continuing in the business.

The penalty is to be paid to General Instrument Corp., which brought the suit against the pirate. But executives doubt that the company will recover more than "single digits" of the fine, due to a bankruptcy filing and other factors.

Thomas Grattan, who has done business as D&D Electronics Inc., is now a three-time loser. Injunctions against selling and altering set-tops were granted against Grattan and his business entities in 1987 and 1991. The latest fine, ordered by Judge William Young in U.S. District Court in Massachusetts, is for contempt of court.

According to court documents, Grattan was enjoined after the 1991 prosecution from selling cable-descrambling equipment, which he marketed nationally under the hardware names Universal 5000, Universal 4000, Universal 4000-A, SS/DB, Stealth J, Timeless J, Timeless Converter, Viewstar, J-Cube, Boss I through III and the SS/1 Combo.

But GI, which brought the original suit against Grattan, continued to monitor his activities following his 1991 court date.

Grattan declared bankruptcy following his 1991 prosecution, but he apparently obtained enough capital to re-establish a busi-

ness, this time under the name Northeast Electronics Inc., according to court documents. GI tracked related business entities to the Sarasota, Fla., area, where they were doing business as Halcyon Software Group, and to New Hampshire.

Following the investiga-

tion by GI executives, Grattan was arrested again in August. Business records showed that he had sold 4,812 descramblers between 1992 and July of this year. When he was raided, there were 112 descramblers in his possession, according to the court order.

Young said Grattan "flagrantly disregarded" court instruction, and the judge ruled that he had violated the injunction 4,915 times — the number of boxes he had sold or had on hand. The court multiplied that amount by \$50,000 to come up with the fine. Grattan must also

reimburse GI for investigation and court costs.

Stan Durey, director of security programs for GI, said the company is poring over an asset list that the court provided to determine how much the company may actually recover from the civil judgment. **MM**



Multichannel News
November, 25, 1996

BOSTON GLOBE NOV 13 1996

Cable firm KO's illegal viewers

WARREN, R.I. - While Evander Holyfield was knocking out Mike Tyson, Full Channel Cable was fighting back against cable thieves. The company used high-tech sleuthing to determine who had stolen access to the pay-per-view fight, and gave those with illegal decoder boxes until tonight to turn them in or face prosecution. Viewers using illegal decoder boxes to tap into Saturday's Tyson-Holyfield fight suddenly found themselves staring at a blank screen, then saw a message telling them they had been caught. Full Channel also aired a message that appeared only on illegal decoder boxes telling viewers to call an 800 number and recite a code on their television sets to win a prize. Tapes of callers reciting the secret code will be used if cases go to court. (AP)

Warner Cable offers 1-month deal to thieves

By ERIC HANSON
Houston Chronicle

People who are stealing service from Warner Cable have one month to become paying customers without fear of being reported to law officials.

"Cable theft is far from a victimless crime. It's a very serious problem in our industry," said Pamela Thorne, vice president for public affairs at Warner Cable.

Thorne said on Thursday that cable thieves cost Warner about \$12 million each year and that losses nationwide are estimated at \$4.7 billion.

She said cable officials estimate that between 8 and 10 percent of the people within the company's service area are receiving services illegally.

The company estimates the city of Houston loses more than \$600,000 annually in franchise fees and the state loses as much as \$1 million a year, Thorne said.

"Most people realize that in any theft situation, paying customers have to subsidize those who are stealing. The fewer the number of customers who pay for the service, the higher the costs are for honest customers," Thorne said.

In an effort to combat the theft, Warner has launched a campaign to encourage people who are not paying to sign up as customers.

"They can call without fear of prosecution or back payment of services, no questions asked. The amnesty program will run through Monday, Nov. 11," Thorne said.

She also said the company is going to put a team of 50 auditors into the field who will inspect every single cable tap in the service area.

"After the amnesty period, illegal hook-ups will be reported to law enforcement authorities," she said.

It is illegal under Texas law to possess, hook up or maintain cable services without paying for them.

Lester Blizzard, with the Harris County District Attorney's Office, said cable theft is a Class B misdemeanor punishable by a fine of not more than \$2,000 or a jail term of 180 days.

If a person is stealing service to make a profit, the crime becomes a Class A misdemeanor that carries a one-year jail term and a fine not to exceed \$4,000.

Telecommunications

Comcast plans crackdown
on illegal cable viewers

10,000 to 15,000 homes
are stealing services
in area, company says

By TIMOTHY J. MULLANEY
SUN STAFF

Television is full of cop shows. And coming to a Comcast Cablevision-equipped set near you is "Good Cop, Bad Cop."

Beginning today, Comcast will offer a monthlong amnesty to what it says are 10,000 to 15,000 local households that are stealing cable service. After that, they say, they're coming to get you — and have new technology to help them do it.

"After this is over, we're launching an all-out blitz on this," said Jaye Gamble, Comcast's area vice president for Maryland.

Comcast says cable theft

is a recurring problem, but one that is much smaller than before its last amnesty program in 1992. Back then, the company said it was losing \$7 million to \$10 million a year in revenue to cable thieves. Now, it says the figure is about \$3 million to \$5 million.

"We believe cable thievery accounts for as much as 3 to 5 percent of cable subscribers," company spokesman David Nevins said. "Cable theft is one of those issues, like minor shoplifting, that people kind of still pride themselves on being able to get away with. They don't always look at it as a violation of the law so much as putting something over on the big bad cable company."

Comcast serves about 300,000 accounts in Baltimore, Howard and Harford counties, claiming that it is in about 65 percent of all homes in

the parts of those counties it serves.

It's hard to get up-to-date information that shows whether Comcast's experience is better or worse than the industry average.

The National Cable Television Association said its most recent survey of cable theft came out in 1992. The trade group estimated that about 11 percent of cable service was filched in 1991, costing the industry an estimated \$4.7 billion in revenue, not counting pirated pay-per-view programs.

But the association also said only about 2,000 cable theft cases were prosecuted last year, a figure it said was up 25 percent from 1993.

Local and state officials said:

formal statistics are kept on cable theft prosecutions in Maryland, though there have been a handful of cases. Comcast said people prosecuted after the 1992 amnesty paid a total of more than \$2,000 in restitution, and one served 30 days in jail.

Maryland's cable theft law was significantly toughened in 1992 when the General Assembly passed a law initially drafted by Comcast attorneys. It provides for up to five years' imprisonment and a \$5,000 fine for offenders who, for a fee, help others illegally connect to cable. First-time cable thieves who hook themselves up can get up to six months in jail and a \$1,000 fine; second-time offenders, a year in jail and \$2,500.

Nevins said the new crackdown coincides with Comcast's \$100-

million drive to replace the cable in its local systems with fiber optic cable. Partly, the installation crews stumbled onto evidence of a lot of illegal connections while installing the new lines, he said, and partly Comcast is looking to protect its investment.

Gamble said the new system's software makes it easier for Comcast to scramble signals — a deterrent especially to people who have basic cable legally but are helping themselves to premium channels — and also makes it easier for Comcast to detect clues of theft, without on-site inspections.

Until now, most theft detection has come during audits, which have been held intermittently.

Nevins said Comcast will run an audit during November and December in an attempt to track down people who have not come forward during the amnesty.

Nevins said 10,000 people turned themselves in during the 1992 amnesty. About half decided to begin paying for cable service and the other half allowed the company to cut off the signal to their televisions.

navigator

BY CRAIG LEDDY

Quickly and quietly, a number of plans are emerging that together could amount to an unprecedented attack on one of the greatest plagues affecting the business: piracy. This summer was marked by renewed anti-piracy efforts by major MSOs, the NCTA's Office of Cable Signal Theft, Showtime and the Motion Picture Association of America, plus the formation of the Pay-Per-View Anti-Theft Task Force. All are taking aim at what some estimate is a \$6 billion annual revenue drain.

Stop, Thief!

Cable is mounting a much-needed assault on piracy

Successful raids on dealers, buying an illegal decoder is easier than ever. You can use the Internet to order black boxes or learn how to descramble signals. By dialing an "800" number, a black box dealer can determine what cable system you're on and what equipment you need. Security experts say that technology has advanced to the point where one box enables users to steal cable through their VCR.

Devices to defeat signal theft, such as the famous electronic bullet, are having limited effect. Digital technology promises to create a foolproof encryption system, but some MSO security directors worry that it will just give thieves another puzzle to solve.

The PPV task force, being coordinated through Request Television's Hugh Panero, is building a "war chest" for several worthy efforts: an on-air campaign to stress that, yes, stealing PPV is a crime; a bid to persuade magazines to stop running ads for black boxes (*Penthouse* just agreed); the establishment of a 1-800-NO-STEALS hotline for information about theft; and a crackdown revolving around a PPV event.

These initiatives need to be well-organized and well-funded if cable is to deliver a knockout blow. Today most corporations realize they cannot treat piracy as an unavoidable cost of doing business. These new efforts require their full support.



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Charter Security Officer Charged

By JOE ESTRELLA

In what's called a first, a security officer at a major MSO was charged with selling cable set-top boxes stolen from his employer's California warehouse.

Todd Seiders, 40, security director for Charter Communications in the Los Angeles area, was arrested and charged with one count of possession of stolen property.

Seiders was taken into cus-

tody by the Corona Police Department at the company's El Alhambra, Calif., office near downtown Los Angeles after authorities discovered his pager number among the seized records of a local distributor of illegal set-tops.

Corona Det. Dale Stewart said the records taken from the business of Joe Downs, a local resident who was purchasing abandoned set-top boxes and reselling them to a Texas outfit, indicated that Seiders may have peddled up to 50 stolen boxes.

Charter Communications officials in California, who insiders described as "being in shock" over the arrest, did not return phone calls requesting comment.

However, industry executives outside the company were less than surprised.

"Am I surprised?" said a veteran cable-industry security official, who asked for anonymity. "No."

The executive said Seiders' arrest was indicative of the fact that many MSOs don't invest the time or the money to hire "professional" security personnel.

"I don't think there's any business that's 100 percent clean," said another MSO security official.

Seiders is believed to have handled security for Charter throughout southern California.

Stewart said the cable boxes that sold in California for \$45 were bringing \$115 in Texas.

"It's unbelievable how much money the cable people are getting ripped off for," Stewart said.

The Corona District Attorney has 30 days to decide whether to pursue charges against Seiders. ■■

Multichannel News August 19, 1996

NEWS

Time Warner Wins a Piracy Battle in New York City

BY JIM BARTHOLD

Time Warner Cable of New York City won a major court battle last week against an alleged major pirate equipment supplier.

Judge David Trager of the U.S. District Court in Brooklyn last week issued a preliminary injunction ordering M.D. Electronics of Omaha, Neb., to stop selling black box decoders anywhere in the U.S. The court also froze the assets of M.D. Electronics' president Joseph Abboud and forced the company to post a \$1-million bond to secure a possible future judgment in favor of Time Warner. What's more, the court ordered M.D. Electronics to stop advertising its wares in magazines.

The decision was handed down af-

ter a six and one-half-hour hearing in which Time Warner attorneys argued that M.D. Electronics was selling and distributing so-called "pancake" decoders that descramble signals in existing cable converters; modified traditional manufacturers equipment; and manufactured its own line of products called Everquest with the intent to steal service in the MSO's Brooklyn, Manhattan and Queens franchise areas that count 1.1 million subscribers.

Daniel Lefkowitz, the lead trial counsel for Time Warner, said the MSO is confident the preliminary injunction will be made permanent in the next few months and that the MSO probably will move for a summary judgment based on the evidence it has

accumulated.

He called the \$1-million security bond "very unusual for a federal judge to do" and said he's "extremely confident" the final award Time Warner receives will "far exceed" that figure. "When I say 'far,' I mean it won't be seven figures; it will be more than seven figures," he added.

Time Warner sued M.D. Electronics two weeks ago after a year-long signal-theft campaign that included successfully seizing decoders, other assets and business records, as well as obtaining injunctions and other relief from distributors of illegal decoders.

Lefkowitz said M.D. Electronics is "a huge outfit and we believe they were the largest pirate company in the United States." ■

L.A. Ops Win \$69K Theft Restitution

LOS ANGELES — Two cable operators here received \$69,510 in restitution as part of the sentencing of two men believed to be at the heart of a Southern California cable theft operation.

The restitution was made by Kenneth Burton and Eric Meacham, who pled guilty to felony charges of conspiracy

and receiving stolen property. Los Angeles County sheriff's officers arrested the pair in a highly publicized raid in North Hollywood and other locations last March following an investigation by Continental Cablevision Inc. Authorities recovered more than 2,000 set-tops, cash and computer equipment.

Burton was sentenced to

three years of probation, a 16-month suspended sentence in state prison and 1,000 hours of community service, in addition to the restitution. Meacham received three years of probation and 200 hours of community service. The restitution funds were split between Continental and Tele-Communications Inc. **END**

Multichannel News August 5, 1996

The Sheriff Shot Twice

Cable TV piracy is now a multibillion-dollar racket—
and it's starting to get dangerous.



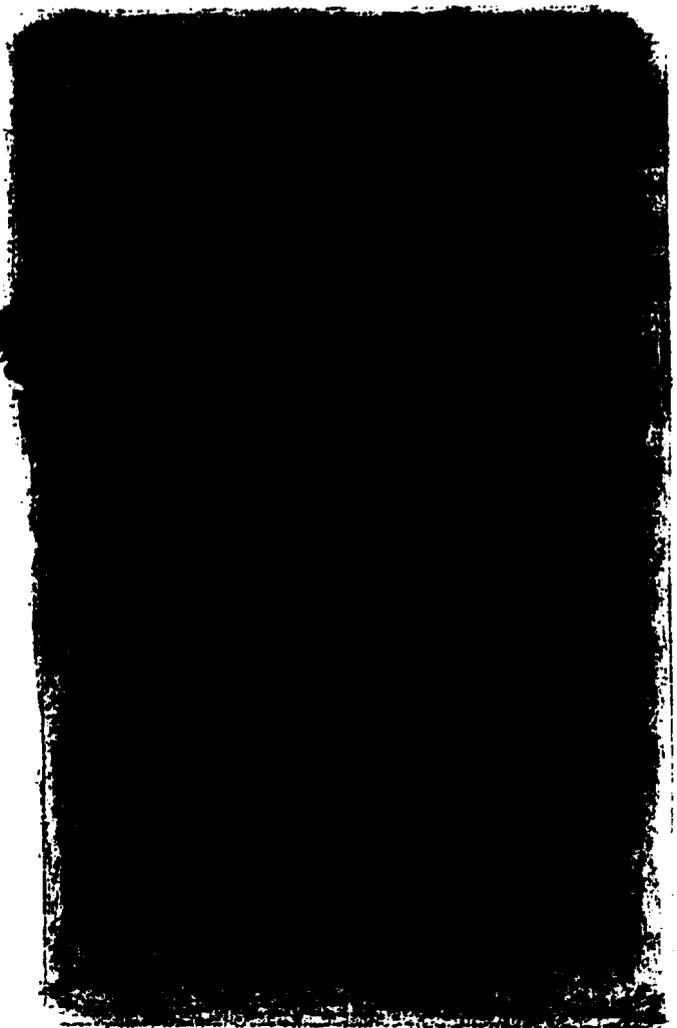
THE PIT BULL LIVED. It took two bullets at point-blank range—one through its head and another through its stomach—but it lived. ¶The Los Angeles County sheriff didn't want to shoot. But when you're pinned against a fence by an animal that's trained to treat your throat like a chew toy, you do what you have to. Especially when you're trying to chase down a crook suspected of running a major piracy ring that may have bilked companies out of millions of dollars. ¶The sheriff pulled the trigger

during a raid on March 7, 1996, at the North Hollywood apartment of suspected cable felon Kenneth Burton. The team that went after Burton thought it was prepared for everything—until the bust went down. "When deputies knocked on the front door and demanded entry, the residents released the dog into the rear yard," says Detective Richard Guy Hiles of the Los Angeles County Sheriffs Department, who led the Burton investigation. The pit bull charged one of the sheriffs and pinned him against the backyard fence. "It was an unfortunate incident," Hiles says. "We make allowances for dogs. We usually bring pepper spray or a fire extinguisher to scare them."

Fortunately for Hiles's men, the 51-year-old Burton had a lot less fight in him than the pit bull did. L.A. County sheriffs collared Burton and searched his apartment, where they found a trove of "black boxes" that could be used to pirate cable signals, along with what the police call theft-related gear—a cache of several thousand computer chips and software that could be used to reconfigure the boxes. Burton had been suspected of manufacturing chips that override the security and scrambling features built into the set-top boxes used for cable TV services. The evidence proved those suspicions were correct.

Meanwhile, just a few blocks away, another team of law enforcement officials paid an unwelcomed visit to Eric Meacham, identified as one of Burton's partners in crime. Meacham allegedly acted as the set-top setup guy, installing Burton's bogus chips into cable converters. The two then sold those converters to people who wanted to watch premium cable TV channels without paying premium prices. Luckily, no pit bull was on hand to greet cops at Meacham's place, and he was arrested without a fight. Sheriffs seized about 500 cable converters from the apartment.

Later, officers went to a third North Hollywood location, which served as a warehouse for the piracy ring. There they found another 2,000 set-top boxes. The boxes came from a



who's who of manufacturers: General Instrument Corp. (Chicago), Pioneer New Media Technologies Inc. (Long Beach, Calif.), Scientific-Atlanta Inc. (Norcross, Ga.), and others. They had been stolen from several cable TV operators, including Continental Cablevision Inc. (Boston), Tele-Communications Inc. (Englewood, Colo.), Century Communications (Stamford, Conn.), and Marcus Cable (Dallas).

PRIVATE INVESTIGATION

IN FACT, it was Continental Cablevision that started the investigation that led to the breakup of the Burton ring. The company's Western region security office had been keeping an eye on Burton for more than a year, all the while suspecting that he was illegally altering and selling stolen set-top boxes. As Continental built up its case, it contacted law enforcement officials in Los Angeles, who then took up the chase.

Continental had a very good reason to go after Burton: Piracy in its Western region was out of control. The cable company operates franchises that serve about 925,000 subscribers in that region, mostly in California. As many as 25 percent of all customers in a given franchise receive at least some cable services illegally, says Michael Bates, director of security at Continental. Experts estimate that the value

of stolen cable TV services is about \$4.7 billion a year—no small piece of change, especially considering that revenues from the entire cable TV industry totaled about \$23 billion in 1994. And that \$4.7 billion doesn't even include the theft of pay-per-view programming.

The most common form of cable theft is the rigging of set-top converters and descramblers to receive all programming—basic, premium, and pay-per-view—when only basic is authorized. That's the scam that got Burton and Meacham in trouble with the law. A second form of cable theft involves outright stealing of signals. In many cases, thieves shimmy up telephone poles to make an illegal connection to their living-room TV sets. Pole-climbing piracy is on the decline, mainly because cable companies have better procedures for monitoring illegal connections.

Cases like the Burton bust are starting to put a dent into the big-time distributors of set-top boxes used to steal cable service, Bates says. But the supply of doctored devices is far from drying up. "Each time a distributor is put out of business, one, or two, or three step up in his place," Bates says.

That raises some ugly questions: Why is the demand for illegal set-top boxes so high? And what drives otherwise law-abiding citizens to pay anywhere from \$150 to \$500 for the express purpose of stealing cable TV

signals? The answers aren't encouraging for cable TV operators.

Almost every cable TV executive involved in fighting cable theft admits that cable piracy is a socially accepted "victimless" crime. Call it the Robin Hood syndrome: Cable pirates are seen as underground heroes who rob from the rich (the bloated cable monopolies) and give to the oppressed (cable TV watchers who couldn't—or wouldn't—pay full price to watch *Wrestlemania* or the latest Jim Carrey movie). Then there's the issue of actual loss: What does the cable company really lose if a person who steals a signal wouldn't pay for it in the first place? After all, the cable company still can sell its service to paying customers, theft or no theft.

Often, there isn't even a clear recognition of what is legal and illegal. Makers of "alternative" set-top converters advertise in scores of respectable consumer magazines, such as *Popular Science* and *Popular Electronics*. Sellers of altered set-tops, "private label" units, and "pancakes"—thin housings containing pirate chips that work with brand-name set-tops—present themselves as legal businesses. They say it's up to customers to pay operators for all the services, and they counsel buyers to do so.

This is chutzpah on a grand scale, says the National Cable Television Association (Washington, D.C.). Who would buy an altered box if their aim

was to pay for the programming in the first place?

In a way, cable operators have themselves to blame for some of the serves-'em-right attitude about cable piracy. Until recently, cable companies had been too busy chasing after new customers to worry about theft. That's changing, now that the pool of new customers is drying up and operators are feeling the heat from new competitors, like direct broadcast satellite companies.

CABLE CRIMESTOPPERS

CABLE OPERATORS say they are now dead serious about fighting cable piracy. Companies are tightening internal security procedures to keep cable boxes out of the hands of thieves. In the past, it was pretty easy for cable pirates to get their hands on legitimate boxes—a fake purchase order or a bribe to a bean counter could help a pirate land dozens of boxes ready for doctoring. Now that operators are tightening the screws on their box supplies, things are getting a little dangerous. This past March—just about the time that Burton and Meacham were getting cuffed in North Hollywood—an employee of Comcast Corp. was shot in nearby Ontario, Calif., during a cable box heist.

While they fight the felons, cable companies also are putting out the

word to Joe and Jane Consumer that cable theft is a real crime. One strategy is to convince cable pirates to become paying customers, usually by offering amnesty to anyone who turns in an illegal box. Another is to convince thieves caught with illegal setups to become paying customers. Operators say that 40 percent of all cable thieves end up subscribing to the cable service.

That kind of dealing doesn't sit well with Michael Bates, who says Continental recovers about 100 black boxes per month. Bates says his company is "very proactive" in bringing civil actions against anyone accused of stealing service. Amnesty programs only work if cable thieves know they'll pay a high price if they get caught. "If there is no deterrent or consequences, amnesty is a joke," Bates says. "If we say, 'Give us back your box and let's let bygones be bygones,' by the time we're no more than a block away, they'll purchase another pirated box."

Things are looking up for the cable industry. In late June, "Operation Cabletrap" led to the biggest cable bust ever. A 92-count federal indictment charged nine people in Florida, Texas, California, and Hawaii with various cable theft crimes. The indictment charges that a ring of cable thieves operated plants to make illegal boxes in Florida and California. The crooks sold about 100,000 phony boxes a year, attempted to bribe an undercover agent with \$40,000 and a

Porsche sports car, and stole more than 16,000 black boxes—including 3,500 from a Los Angeles Police Department evidence locker. Five of those arrested have already pleaded guilty to federal felonies. Authorities hope to recover \$10 million in assets.

Meanwhile, improvements in technology should help make it a lot tougher to pirate cable signals. The big change is the switch from analog delivery systems to digital. The digital age will make cable systems more secure, experts say.

But there's still one big problem that technology can't correct. For cable TV felons, the punishment rarely fits the magnitude of the crime, as far as industry leaders are concerned. Case in point: Burton and Meacham pleaded guilty in Van Nuys (Calif.) Superior Court to a felony count of receiving stolen property. They were sentenced to 18 months in prison—and promptly released on probation.

Those sentences didn't thrill James Allen, director of the NCTA's office of cable signal theft. He says that the criminal justice system is taking "financial" crimes more seriously, but that California courts are known as being lenient. About the sentencing, Allen says, "I want to say it's a surprise, but I'm not surprised." ■

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FORUM

War on Signal Theft Enters New Dimension

By GEOFFREY L. BEAUCHAMP

As the industry enters a new era of fierce competition, where profit margins will be squeezed even tighter by technological advances and the availability of more programming services, theft of service will become even more costly for all segments of the industry, affecting not just cable and satellite system operators, but also premium channel producers, pay-per-view distributors and motion picture companies.

For that reason, a new front has been opened in the war against signal theft where the publishers of signal-theft ads are the principal targets.

The FBI has begun to aggressively prosecute cable theft, as evident from the recent "Cable Trap" indictment by a federal grand jury in New Jersey, where nine defendants were charged in the largest cable-piracy prosecution ever brought. Although continued federal law-enforcement efforts to combat cable theft will have a deterrent effect on the private vendors, the competing demands upon federal law-enforcement agencies mean that the industry cannot assume that criminal prosecutions will eliminate signal piracy.

In 1993, recognizing the need to address this problem, General Instrument Corp. sued T&L Publications Inc., publisher of *Nuts & Volts* magazine, in federal district court in Philadelphia. Facing liability under the Lanham Trademark Act and the federal cable-theft statutes, the publisher agreed in the court-approved consent decree not to publish ads for certain types of cable-theft devices and for other signal

products depicting GI's trademarks, products and model numbers. This consent decree was the first of its kind to restrict the publication of signal-theft ads.

Far more pernicious than *Nuts & Volts* magazine are periodicals like *Popular Science*, which also run ads for these devices. Not only do they provide a market for the sale of theft devices, but they also give them an air of legitimacy. Not surprisingly, these ads are often used by cable-theft vendors to convince courts that their products have achieved general acceptance in the consumer electronics marketplace.

One solution to the problem lies in a coordinated enforcement effort against the publication of signal-theft ads by all segments of the industry, not just by cable operators and equipment manufacturers. Program providers like The Walt Disney Co. (owners of *Multichannel News*), Home Box Office and Showtime Networks Inc. lose revenue, with PPV distributors perhaps the hardest hit.

The National Cable Television Association has estimated that the sale of theft devices costs the industry about \$4.7 billion per year. This figure will rise as the number of programming services increases more than one hundredfold with the advent of new technology.

Given publications' indirect role in the sale of signal-theft devices, the liability of a publisher of cable-theft advertisements is not as clear as that of a cable-theft vendor. Publishers of signal-theft ads may nevertheless be liable under the Lanham Trademark Act, the two federal cable-theft statutes, the Federal Copyright Act and the common law of many states. The First Amend-



BEAUCHAMP

ment of the U.S. Constitution does not immunize publishers from liability under those statutes because advertisements are deemed to be "commercial speech," entitled to far less constitutional protection than other forms of speech.

While vendors are presumed to know the nature of their products, it is important to show that publishers know that the advertisements they are publishing are for illegal signal-theft devices. A putative plaintiff must notify the publisher in writing of the offending advertisements. This notice letter should also contain an explanation of why the advertised devices are illegal, citing all relevant statutes, any appropriate Federal Communications Commission policy statements and regulations and any pertinent court cases.

Actual notice not only makes it possible to recover damages under the Lanham Trademark Act, but it also may render the publisher liable under the two federal cable-theft statutes. Moreover, courts are unlikely to find a publisher liable under such circumstances unless knowledge and intent are established.

Once these steps have been taken, legal action is then possible. Even so, the threat of suit by a single plaintiff may not be enough to persuade an otherwise reputable publisher to voluntarily agree to discontinue the offending ads. For that reason, it has become clear that a coordinated effort is required by all of those in the industry that are harmed by these advertisements. Such an effort would be very effective if done with the active involvement of PPV and premium program providers, the NCTA and the Motion Picture Association of America.

Antitrust concerns should not be a deterrent because of the illegal nature of the products themselves, as confirmed by the FCC and by the increasing number of successful court cases against signal-theft-equipment vendors. This is no different from the nationwide anti-piracy program already run by the MPA, which actually promotes and preserves legitimate competition.

The Telecommunications Reform Act of 1996 should invest the battle against signal piracy with even greater urgency. Under the guise of consumer rights and free enterprise, Congress came perilously close to mandating subscriber ownership of converter/descramblers, while ignoring the obvious threat to signal security that such a measure would entail. Thankfully, common sense

prevailed: Although the Act requires the FCC to issue regulations promoting the retail sale to subscribers of programming-access devices, including converter/descramblers, it also prohibits the FCC from issuing regulations that will "jeopardize security of multichannel video programming and other services offered over multichannel video-programming systems, or impede the legal rights of a provider of such services to prevent theft of service." How the FCC will ensure the creation of a retail consumer market for programming-access devices while preserving signal security remains to be seen.

Only a concerted lobbying effort and effective participation in the rulemaking process by all affected parties will prevent any FCC regulations from exacerbating the piracy problem.

In a highly competitive market with a greater variety of programming services, the explosive growth of electronic media like the Internet and the prospect of consumer sales of cable signal converter/descramblers, the threat posed by the advertisement and sale of signal-theft devices is greater than ever. A coordinated attack on the publication of these ads is the best way to counter this threat.

Geoffrey L. Beauchamp is a partner in law firm Wisler, Pearlstine, Talone, Craig, Garrity & Potash in Blue Bell,

Cable box scam in city

Ripoff artists pretend to be employees

Associated Press

Thieves passing themselves off as cable television employees have stolen more than 250 cable boxes from Philadelphia home owners in the past year — each time with the unknowing subscriber's blessing.

The scam artists identify themselves as cable employees, say they are there to pick up the cable box and walk out with it, said Ed Pardini, vice president and general manager of Comcast Cablevision of Philadel-

phia.

Most of the thefts have occurred in neighborhoods in the northeast and northwest parts of the city.

The scam works, he said, because the subscribers are expecting service calls. Comcast hires contractors to collect the boxes from customers who cancel service.

Company security officials are investigating the possibility that the thieves have access to internal computer lists of subscriber cancellations.

"It's a quick scheme," Pardini said. "Our primary concern is customer service. If our records are indicating a customer still has equipment ... there's a whole lot of unnecessary headaches in resolving their accounts."

The small, black boxes contain a computer chip that, if

programmed correctly, allows users to see scrambled pay-channels like HBO and Cinemax. The boxes sell for upwards of \$150 on the black market, said Vic Skowronski, a Comcast spokesman.

Most customers are not charged for the box if they fall victim to the scam, Pardini said. Comcast loses \$3 million to \$4 million a year to cable theft and about 30 percent of that is due to cable box theft, Pardini said.

Comcast has the following suggestions for subscribers:

■ Look for a photo identification; if it is not displayed, ask to see one.

■ Ask to see a pre-printed work order.

■ Only allow workers in the home during scheduled appointments. ■

Showtime takes on cable pirates

By Stephen Battaglia

NEW YORK — Showtime Networks Inc. has retained Telecommunications Security Inc. in an effort to crack down on theft of cable services, the company announced.

Showtime Networks will pick up the tab for TSI, a Pennsylvania-based company that specializes in cable security, to travel and meet with systems operators interested in developing plans to combat cable signal piracy. Operators that want to participate will pay for the implementation of the plan they choose.

Jeff Wade, executive vp sales and marketing for Showtime Networks, said premium channels such as Showtime are most hurt

by cable theft because the equipment that descrambles the services is readily available on the black market.

Wade said industry estimates show that \$1 billion in equipment related to cable theft is sold each year. The National Cable Television Assn. estimates that between 10%-30% of the country's 62 million cable subscribers are getting premium services for free. The estimated revenue loss to operators is \$7 billion.

TSI security consultants Phil Deming and Richard McCaffrey said cable theft cuts across social class and status because people don't perceive it as a crime. The consultants will try to convince cable operators that it's worth the

investment to battle piracy by showing the financial impact of theft to their systems.

Cable operators will be trained in gathering community support for the crackdown, with stories in the local media and communication to subscribers, law enforcement personnel and elected officials. Theft of services can mean fewer dollars in franchise fees to the cable operator's community.

Showtime has a great deal to gain in cutting down on theft as it has a major pay-per-view boxing business through Showtime-Event Television, which has the rights to heavyweight champion Mike Tyson's upcoming bouts. □

-----**SYSTEM NOTES**-----

PENNSYLVANIA

Philadelphia: Comcast Cablevision of Philadelphia estimates that theft of its cable service and equipment cost it over \$5 million a year in lost revenue, and the operator is doing something about it. Among those caught as part of an audit begun in February were two residents who were modifying and selling illegal converter boxes; two tavern owners who were receiving cable programming without authorization; two residents for theft of cable service; and one subcontractor for stealing converter boxes from subscribers' homes. Charges were filed against all of those people. Those snagged during the audit will be given the opportunity to become legitimate subscribers, and repeat offenders will be prosecuted.

Multichannel News 7/1/96

Illinois Times

SPRINGFIELD'S INDEPENDENT WEEKLY • THURSDAY, JUNE 27, 1996 • VOL. 22, NO. 45

Cox offers amnesty to cable pirates

But they'll track down TV thieves who don't surrender

The Cable Guy of the Midwest is a smiling man praying on the life of a frustrated, impatient cable customer.

But in real life, your neighbor could be the leech, perhaps not praying on your life, but draining them, your cable lines and connecting wires and coax cabling. Cox Communications estimates that about 100,000 to 200,000 households in Illinois have illegal cable hookups.

"If they want to get caught, they get it," said Ken Shaw, Cox's installation supervisor.

But Cox Communications is trying to prevent that. Starting in July, the company will offer amnesty to illegal hookups and get hooked up legally, without fear of prosecution and penalty. By turning themselves in, they will be granted what Cox calls "legal amnesty."

What do pirates get in return? They avoid getting slapped with the maximum \$1,000 fine and up to six months in jail they would merit by getting caught. And charges are expeditious; they would be caught.

Since October of last year, Cox has had one person whose primary job is dealing illegal hookups by going home to homes throughout Springfield. And installers and

repair workers are trained to notice pirated cable lines when out on their regular calls.

So far, the Sangamon County state's attorney has charged fourteen people with theft of service for illegally tapping into Cox Communications' cable lines. Four of those people pleaded guilty and received a penalty of a \$150 fine and one year's probation. The rest pleaded not guilty or failed to appear in court.

Cox has not yet presented another even close to the state's attorney, and in those cases illegal pirates become legal customers after being caught.

Through the house-to-house searches, Cox has estimated that about 3 percent of the households in the Springfield area steal a cable television signal, below the national average of 5 to 7 percent. Piracy costs cable companies about \$4.7 billion a year in lost revenues nationwide, and Cox loses about \$175,000 in revenues each year because of nonpaying customers, said Cox Marketing Manager Libbie Stein. Stein added that most cable pirates damage the cable infrastructure to tap in, and repairing it costs money, about \$100 per tap.

The Cox has begun punishing those who steal its cable-television signal in a subtle, it used to be that when an installer or repair person found an illegal hookup, they disconnected it and left a note on the victim's door inviting them to become a paying customer. "We might have made a mistake there," Shaw said.

The process of trying to weed out illegal customers has evolved over the years. In the past, the company hired one customer every four or five years to look for illegal

hookups. But the infrequency of the audits meant that a person whose hookup was disconnected could reappear and get free cable for years before getting disconnected again.

Five years ago, Cox began training its field staff to recognize illegal hookups. "The guys have a keen eye for it now," Shaw said.

Now, when a Cox employee finds an illegal hookup, they report in a month to make sure it's still disconnected.

According to Mike Giampetro, vice president and general manager of Cox's Springfield op., the company is spread out illegal hookups on an occasional company-wide but instead target problem communities. "It's basically going in a system where you have a recurring high of service problem," he said.

The "Cable Amnesty" campaign does have its drawbacks for Cox, though. When a Cox employee finds an illegal hookup that has caused damage to the cable infrastructure, they immediately connect the state's attorney for prosecution. But if somebody calls in to report an illegal hookup, even if it caused damage, Cox won't prosecute, and pirates uncover its cost. That's the deal Cox made with the public," Shaw said.

Luckily for Cox, though, the days when piracy is fairly common might be over in the foreseeable future. When all the cable infrastructure has been watched from central to state agencies, it will be more difficult for leech pirates to splice the lines. "It will be more difficult for them, either for us," Shaw said.

Showtime aims to take bite out of cable crime

BY KRISTINE GARCIA
SPECIAL TO ELECTRONIC MEDIA

New York—Showtime Networks aims to help its cable system affiliates do something about the estimated \$4.7 billion lost to cable piracy every year.

The network has hired Telecommunications Security Inc., an agency specializing in cable security, to work with multiple system operators and affiliates to create strategies to fight signal theft.

Showtime will cover the costs of TSI's initial presentation to individual systems addressing the scope of the problem and recommending what can be done to increase revenue. Showtime could not say what the price tag of the effort may be.

The MSOs and individual systems, however, will be responsible for the cost of implementing any TSI recommendations.

"We will hope affiliates take advantage of this revenue opportunity," said Jeff Wade, executive vice president of sales and affiliate marketing for Showtime Networks.

"There is a market here: the unauthorized subscriber."

According to TSI consultants Phillip Deming and Richard McCaffery, the only way to tap this market is through signal security.

The planning process includes researching the system's theft problem, investigating personnel, designing employee and contractor policies, and educating subscribers who perceive signal theft as a victimless crime.

Another problem facing cable operators is the sophisticated methods used by those selling illegal descrambling devices.

"They have glossy color publications [catalogs] that make it easy for the consumer because they seem so legitimate," Mr. Deming said.

In 1995 more than 2,000 theft-of-service cases were prosecuted nationwide, up more than 25 percent from 1993. Figures for 1994 were unavailable.†

Electronic Media 6/24/96

Man charged in cable device sale

NASHUA - A Nashua man who allegedly took out a newspaper ad to drum up business landed in jail, accused of selling devices to allow people to receive cable TV channels they aren't paying for.

Christian Spalthoff, 54, is charged with possessing and selling fraudulent communications equipment.

Police said the investigation began after a cable television company reported seeing a newspaper ad for cable converter boxes. Police said Spalthoff was arrested after selling one of the boxes to an undercover detective. Officers acting on a search warrant found about 25 more at his apartment.

It's illegal to make, offer for sale, transfer or give information on making the converter boxes. It's also illegal to have one. (AP)