

SOFTWARE PIRACY: ATTITUDES TOWARDS SOFTWARE PIRACY

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ABSTRACT

Software piracy is a world-wide problem that is increasingly becoming more of a threat to businesses, economies, and shareholders. Although, student's awareness of its legal issues and punishment was positive, many individuals are unaware of the impact software piracy has on the economy. With many motivating factors, it is not surprising that software piracy is a global problem. Because the software industry has a high demand, software piracy is costing these industries billions of dollars each year. Even with many disadvantages of pirated software many people will continue to pirate software.

Software Piracy: Attitudes toward Software Piracy

Software piracy has been prevalent for the past decade. With high demand for software and limited budgets, students tend to pirate software. Although students are aware of software piracy's illegality, many misunderstand its concepts. Furthermore, students do not acknowledge its impact on individuals, businesses, and industries.

Purpose

The purpose of this study is to clarify the problems of software piracy. This study will inform the students about its effects on industries and the economy as a whole.

Scope

The study will analyze the meaning of software piracy, why it is so prevalent, and the attitudes toward software piracy.

Methodology

A survey of 100 students will be conducted. This survey will ask gender, age, knowledge of software piracy, and their reactions to various ethical situations. Some of the information and evidence collected for this study will be obtained from the *Wall Street Journal*, *Journal of Management Information Systems*, and several magazines such as *The Economists*, *University Business*, and *Commuting Canada*.

What is Software Piracy?

According to Davy (2004, para.3), an organization that promotes a fair technology market, software piracy has become "35 percent of business software." This percentage of piracy, which is later discussed, is a tremendous world-wide problem

(Nunes, Hsee, Weber, 2004, p1). First, what is piracy? Dictionary.com defines piracy as “the unauthorized use or reproduction of copyrighted or patented material.” Besides copyright law or patent law, piracy is considered as any use of a computer program outside its software licensing agreement (BSA, Anti-Piracy Information, 2005, Davy, 2004, para.3).

Various Forms

Now, the more relevant question is what action are considered connotes as piracy? According to the BSA (Piracy and the Law, 2005), software piracy constitutes as loaning disks, making copies for friends, loading a single copy on several machines, or distributing pirated software via the Internet.

It does not stop here; there are many other types of piracy that exist:

- ❖ End User Piracy- is any reproduction without a company’s or owner’s authorization such as: installing a single copy on multiple computers, distribution of company property, acquiring upgrades on illegal copies.
- ❖ Client-Server Overuse- this type “occurs when too many employees [or individuals] on a network are using a central copy of a program at the same time”.
- ❖ Internet Piracy- is another type that has grown out of control. This type connotes as any website that offers pirated software for exchange, “Internet auctions sites that offer counterfeit...software”, or Peer-to-Peer networks that allow transfers of unauthorized software.
- ❖ Hard-Disk Loading- is when a business or individual sells a computer that has illegal software installed.

- ❖ Software Counterfeiting- is the “illegal duplication and sale of copyrighted material with the intent of directly imitating the copyrighted product”.

(BSA, Types of Piracy, 2005)

Again, software piracy has many forms, but only two sides to its legality. It’s either wrong or right.

Legal Issues

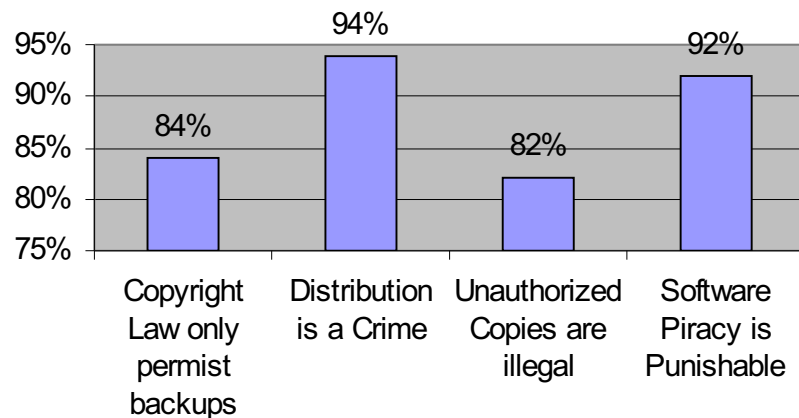
Software piracy greatly threatens the software industry. Piracy is not only considered a copyright infringement, but also a violation to the law. Such laws have existed since the early sixties. Although computer programs were not granted full protection until 1980, the United States Copyright Office began recognizing software as a “form of literary expression in 1964” (Davy, 2004, para.12). By 1990, copyright holders were given full authority over renting, leasing, or lending of their property through the Software Rental Amendments Act (Davy, 2004, para.12). In 1992, penalties were developed for copyright infringement. Such penalties involved “imprisonment for up to five years, fines up to \$250,000, or both” (Davy, 2004, para.12). Who is subjected to these laws? Both individuals and businesses (small and large), are held accountable and risk serious consequences. Furthermore, a company is liable for its employees’ actions concerning software piracy. If the employee is caught, the company can be sued whether the firm is aware or not. Any infringers are held liable under both criminal and civil law. Is there a penalty to employees or individuals who infringe? Yes. When caught, the copyright owner “may then choose between actual damages, which includes the amount it has lost because of your infringement as well as any profits attributable to the infringement, and statutory damages, which can be as much as \$150,000 for each

program copied” (BSA, Piracy and the Law, 2005). If this is not convincing yet, the government can further be prosecuted by the infringer. These lawbreakers risk penalties such as fines up to \$250,000, imprisonment, or both (BSA, Piracy and the Law, 2005). Thus, is piracy worth the penalty? No.

Student Awareness

Most students are aware that software piracy is a worldwide problem. According to a previous research of 100 students, which consisted of fifty-three males, forty-seven females, and eighty-nine percent under the age of twenty-five, the majority were aware of software piracy and its illegality. In figure 1, eighty-four percent of students were aware that copyright law only permits purchasers to a backup copy, ninety-four percent were aware that distributing pirated software is a felony; eighty-two percent understood that unauthorized copies are illegal, and ninety-two percent acknowledged that such violations are punishable by both fine and imprisonment.

Figure 1
Student's Awareness of Software Piracy



Factors towards Software Piracy

Advantages and Disadvantages

Comparing a purchased copy of software with a pirated copy of software there would reveal little or no difference in quality (Deka, 2005, para. 13). Pirated software offers high financial rewards (Deka, 2005, para. 12). Some of the disadvantages of pirating software are unable to retrieve updates, technical support, discounts on newly released software, virus-free, accurate software documentation, and no manual for a reference (Cheng, Sims, Teegen, 1997, para. 22-24; Davy, 2004, para.6-7).

Motivating Factors

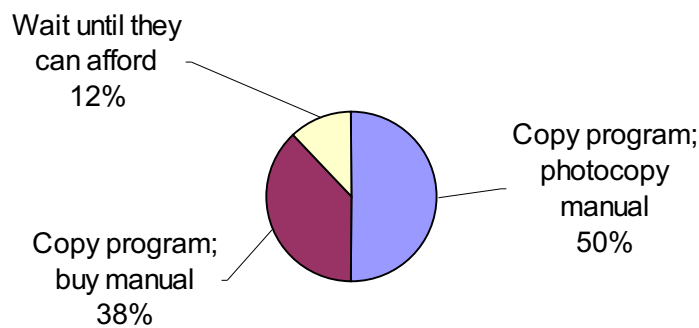
If people purchased all the software for their computers, it would cost more than their hardware (Deka, 2005, para. 13). The cost of software is the most important reason why individuals pirate software, especially when the software is priced above four hundred dollars a copy (Cheng, et al., 1997, para. 27; Hamblen, 1999, para. 6). The second reason driving piracy is to try out the software or use it for a short period of time (Cheng, et al., 1997, para. 30). Most individuals want to see if the software meets their needs before the purchase. Third, peer-to-peer technology gives huge availability to pirated software (Holleyman, 2003, para. 2). For example, Kazaa, Morpheus and Limewire give users instant access to copyrighted software at no charge (Holleyman, 2003, para. 2). Furthermore, the price of technology has dropped significantly over the past ten years (Sohn, Y.J., 1996, para. 5). Sohn (1996) wrote that the prices of CD recorders and CD ROMs dropped around eighty percent (para. 5). As a result, this makes it easier for individuals to afford the hardware to duplicate software. Also, there is a little chance of getting caught pirating software. Stealing candy from a store would not be

tolerated while pirating software valued at hundreds of dollars is usually overlooked (Cheng, Hsing K., et al., 1997, para. 28). “A recent study by Logsdon, Thompson, and Reid found a high level of tolerance toward unauthorized copying; software piracy is perceived as an issue of low moral intensity” (Cheng, Hsing K., et al., 1997, para. 29). As shown in the survey, all one hundred students chose to purchase the software rather than shoplift from a store. In addition, only fourteen percent of the students would refrain from making a copy for a friend. The lack of legality in pirating software is a big problem of this cause. In contrast, many small businesses are more prone to copy software than large businesses (Davy, 2004, para. 18-21). Davy says, “That small companies let software usage get out of hand unintentionally; the number of computers and users grow rapidly” (2004, para. 20). This situation leads executives to copy software without any worries of getting caught and makes their actions easily justifiable (Davy, 2004, para. 20).

Corporate Scenario

Imagine a corporate situation where an executive purchases software for his business and provides copies of the software to his employees. Next, those employees make copies for both their friends and relatives (Davy, 2004, para. 2). Does the company save money while its employees and relatives get a free program without doing any harm? No, this notion that copying software does not harm anybody is misleading and motivates many individuals towards software piracy (Davy, 2004, para. 3). In a recent study, one situation considered the student making a copy of Corel WordPerfect from their employer for personal use. As illustrated in Figure 2, eighty-eight percent of the students would copy their employer’s software regardless of the legal issues and only twelve percent would wait until they could afford to purchase the copy.

Figure 2
Who Would Copy Their Employer's Software?



Software Piracy: Affecting the Economy

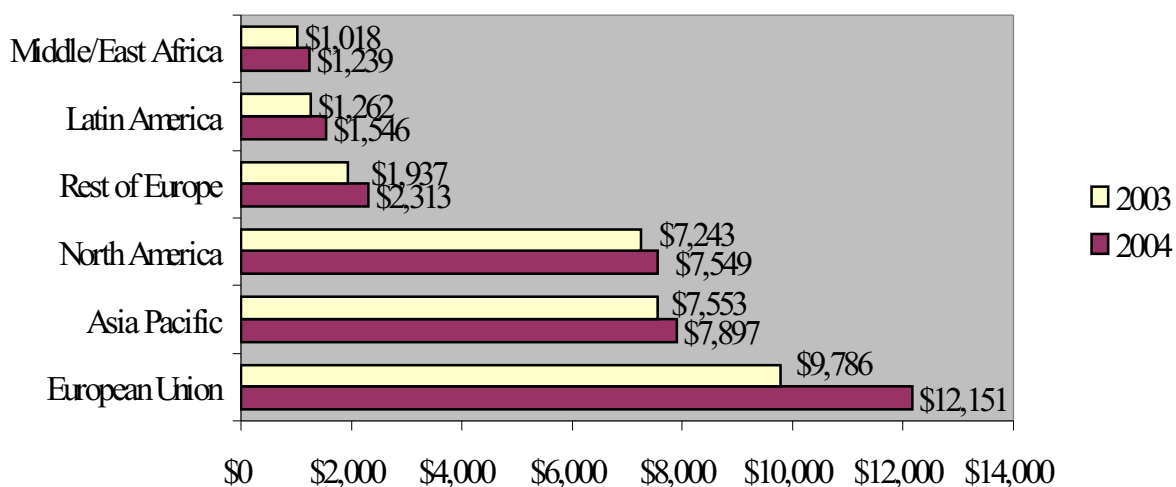
Taking Profit from Companies

Software piracy eventually hurts everyone, especially small technology-based companies. Because local software developers rely on the sale of licensed software, it is hard for businesses to compete with software piracy (Anderson, 2000, para. 2- 6). Unfortunately, as an economy becomes weaker and/or emerging markets are populated with new users, businesses become more susceptible to having a portion of its funds pirated (*BSA and IDC Global Software Piracy Study, 2005, p. 7*). According to a study done by BSA (Business Software Alliance), approximately seventy-six percent of companies realize that producing secure software is a major advantage (*BSA/ISSA Information Security Survey, 2005, p. 8*). These companies are losing sales and are unable to grow with the economy as a result of unprotected software.

Taking Jobs from Employees

As seen in Figure 3, according to *BSA and IDC Global Software Piracy Study* (2005, p. 5) losses due to piracy were substantial over the past two years, especially across the European Union and Asia Pacific. Consider Arizona and New Mexico on a small scale. Between these two states alone, software pirates have both taken ninety-five million dollars in wages and have drained thirty-two million dollars in taxes. This could have provided jobs for thirty-three hundred more employees (Anderson, 2000, para. 10). Now, consider the large country of India with its relatively less favorable economy. A reduction in software piracy, from seventy to sixty percent, could generate 48,435 new jobs for workers in the technology-based fields (Deka, 2005, para. 11). By stealing jobs from employees, piracy is greatly hindering the development of many economies.

Figure 3
Dollar Losses by Region (in millions of dollars)



Giving a Sense of Doubt to Shareholders

Undoubtedly, software piracy has created an uneven playing field in the stock market. As long as many people are pirating software, a struggle will exist for many businesses to stay open (Steel, 1999, para. 6). If software publishers can not sell their products in legitimate markets, there is no incentive to continue developing programs (*Businessline*, 1998, para. 2). Shareholders often doubt investing in markets that are easily persuaded by illegal activity and in markets that are unable to reach their potential values.

Providing Little Rewards

Consumers who choose to pirate software often find themselves getting burned when seeking technical support or trying to upgrade (Anderson, 2000, para. 8). Over time, software piracy leads to higher prices for people who buy licensed software. Also, it delays the funding and development of high-quality products (*Businessline*, 1998, para. 5). Whether to pirate or not is up to the individual consumer. Nevertheless, software piracy undoubtedly hurts everyone, especially those consumers who choose to obtain their software legally.

Conclusion

This study outlined the factors of software piracy, its legal issues and its effects on the global economy. Research has shown that individuals chose to continue pirating software regardless of the legalities and severe punishment. Many individuals are not aware of the domino effect caused from pirating software. Consider the Enron case where top executives have robbed money from their employees. Consequently, many of these

employees lost their retirement funds and have to get a second job to supplement their income. In addition, shareholders and other Enron employees lost a large amount of money. Similarly, software developers, shareholders, and future consumers suffer a financial loss when someone pirates software. Therefore, piracy is just as illegal and unethical as the Enron incident, and both acts are wrong and unjustifiable.

Recommendation

Amongst the economic devastation caused by piracy, there is hope. By educating oneself in this subject, one can reduce the effects piracy has on commerce. In addition, students and other individuals can reduce the rate of computer viruses and increase good ethics by not downloading copyrighted software via peer-to-peer programs. Software companies can lower prices to satisfy price-conscious consumers and increase demand. Furthermore, these companies can require a user-activation, prior to installation, to recognize proof of purchase. Any reduction in piracy will expand economic growth. Nevertheless, software piracy is a serious crime that should and can be avoided by taken the appropriate action.

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Appendix A

Attitudes toward Software Piracy Survey

1. What is your gender?
53% Female
47% Male
2. What is your age?
89% Under 25
11% 25 and above
3. Purchased software is covered by copyright law and generally allows for only a backup copy to be made by the purchaser.
84% True
16% False
4. Making copies of copyrighted software for distribution to others (software piracy) is a federal crime.
94% True
6% False
5. Making a copy of a software program owned by my company for use at home, unless expressly allowed, is a violation of copyright law.
82% True
18% False
6. Software piracy is punishable by both fine and imprisonment.
92% True
8% False
7. Your employer has purchased Corel WordPerfect for use on your computer at work. You have a computer at home and would like to have a copy of the program for you and your family's personal use. You would ...
38% Make a copy of the disk for use at home and buy a manual from Walden Books.
50% Make a copy of the disk and photocopy the manual for home use.
12% Wait until you could afford to purchase a copy yourself.
8. You visit a local computer software store and see Corel WordPerfect with a price of \$99. You would ...
100% Buy it now or if money is short, come back later to buy.
0% Shoplift the software.

9. You obtain a copy of Corel WordPerfect. A friend asks you for a copy of it. You would ...
- 58% Give your friend a copy of the program.
 - 22% Trade your friend a copy of Corel WordPerfect for a copy of software you do not have.
 - 6% Sell your friend a copy for \$25.
 - 14% Tell your friend that he/she must purchase a copy.