

Software -- "Piracy" (Stealing) versus "Open Source" (Freebies)

by Laura Forlano

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What's hot this summer? If you have been riding the subway, you may have seen a big ad that starts "YIKES!" It is about software.

The advertising campaign by a watchdog group for the software industry called the [Business Software Alliance](#), is trying to get New York businesses to stop "piracy" -- illegal software use.

Illegal software use, commonly called piracy, is similar to stealing or making illegal copies of a book, CD, artwork or video. For example, a company might be using Windows and Microsoft Office software on 500 computers but they may only own a license to use it on 300 of them.

The anti-piracy campaign that is in New York subways is also targeting four other cities, including Atlanta and Oklahoma City (though it is not clear that the businesses in New York and Oklahoma City are somehow the worst offenders). For a month, the software industry was offering an amnesty, which they called a truce, that would allow anyone to request license for copies of software they were using illegally, without fear of incurring any of the fines. Normally, companies or individuals prosecuted for using illegal software can face fines up to \$250,000 or five years in prison.

The severe penalties have not been very effective as a deterrent. Worldwide, 37 percent of software was being used illegally in 2000 according to the Sixth Annual BSA Global Software Piracy Study. While North America has the lowest piracy rate in the world at 24 percent, in other regions such as Eastern Europe the rate reaches almost 90 percent.

Illegal software use results in a loss of \$11.75 billion for the global economy and a loss of \$2.6 billion in the United States.

The effect in New York has been calculated down to the very dollar. In 1999, software piracy cost the state of New York \$541 million in retail sales. We also lost \$101,438,483 in sales tax and \$351,511,820 in wages and salary. New York workers are also affected because less money for wages and salary means 5,592 fewer jobs. Despite their large populations, New York, New Jersey and Pennsylvania have the lowest levels of piracy at less than 20 percent.

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However, since demand for software is high in these states, the actual dollar losses are more substantial than in other areas of the nation.

What is odd about all the panic over software piracy is that there is a competing trend in the high-tech world, and that is what is called "open source" -- what somebody unsophisticated might call "freebies." It is software that can be used without a license; it is free to anyone who wants it.

"Open source" software is very secure and less vulnerable to viruses and bugs because the computer code is public knowledge. This means that programmers are constantly working to improve the software's security and reliability.

Copyright laws do not restrict the use and distribution of "open source" software. The original author is given credit for writing the software. but it is open to programmers to make improvements on it. This leads to more creative solutions and new technological breakthroughs. Popular "open source" software includes Linux (an alternative operating system to Microsoft Windows), Apache (Web server), Perl (for "live content" on the Internet), BIND (the provider of Internet domain names) and sendmail (email transport software).

On the other hand, the economic impact of "open source" software is extremely difficult to gauge. This is because it is downloaded for free from the Internet and redistributed by the creators and users. Since its use is growing rapidly it is possible that free software could be responsible for increased business efficiency and productivity. Thus, it may contribute to the recent growth of the technology sector. For example, according to the Open Source Initiative, Linux has an estimate of up to 27 million users and the Apache Web server is used for 50 percent of all servers.

The New York subway anti-piracy campaign targets employees of companies that may be using illegal software and encourages them to call a hotline to report violations. The flashy billboards with prominent Microsoft branding posed questions such as "How happy are your employees?" and "What would you do with an extra \$150,000?" to MTA riders. This campaign suggests that employees working in businesses that use illegal software may not be as satisfied as their peers using licensed software and that the price of using illegal software may be cost businesses \$150,000 each time they get caught.

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Certainly, the goal of the Business Software Alliance is to crack down on the use of illegal software. But, New Yorkers might be better off if we start to use "open source" software and reduce our dependence on monopolistic software companies. Maybe the Open Source Initiative will consider running their own subway advertising campaign encouraging riders to write their own software programs?

Now, THAT would scare Microsoft and other software companies even more than the fact that millions of copies of their software are being used illegally.

In Other News:

Last month, New York Democratic Senator Charles Schumer and Attorney General Elliot Spitzer voiced opposition to Microsoft's plan to bundle their Internet shopping, instant-messaging and music services into their new operating system Windows XP. The new system is scheduled to begin shipping on October 25. New York-based companies such as AOL-Time Warner and Eastman Kodak Co. have complained that Windows XP favors Microsoft products over those of competing companies. On July 24, Senator Schumer sent a letter to the Department of Justice attempting to block the launch of Windows XP. These complaints come at a time when public policy towards Microsoft has shifted due the unfavorable ruling that the company's Windows operating system is a monopoly. Despite these recent efforts, analysts don't believe that the new product launch will be delayed.

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