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Protecting the Software Ecosystem:

An Update on Microsoft's Efforts to Combat Software Piracy

Microsoft's director of License Compliance explains anti-piracy programs designed to protect the company's customers and partners, while stopping counterfeiters in their tracks.

Microsoft has announced the Genuine Software Initiative which aims to highlight the company's commitment to protecting customers and partners from the risks of counterfeit and software piracy.

The Genuine Software Initiative focuses on increased investment in three key areas:

- **Education.** Microsoft is raising awareness among customers and resellers about the risks of counterfeit software to enable them to better protect themselves and ensure that their software licensing is in order. Microsoft Web sites such as How to Tell, at <http://www.microsoft.com/resources/howtotell>, provide detailed information and examples of counterfeit software.

- **Engineering.** Microsoft is continuing to invest in anti-counterfeiting technologies and product features that protect its intellectual property and alert consumers to the presence of counterfeit software. These technologies include improvements in programs such as Windows Genuine Advantage.

- **Enforcement.** Microsoft actively supports government officials and law enforcement agencies in taking action against software counterfeiters.

Already this year thousands of reports of counterfeit software have been filed by consumers through the Microsoft Windows Genuine Advantage Web site as well as by e-mail at piracy@microsoft.com. These reports have contributed directly to the filing of numerous civil actions against software pirates around the globe.

To get an update on what the problem of software piracy means for the industry and its customers, and what Microsoft is doing about it, PressPass spoke with Cori Hartje, Microsoft's director of License Compliance.

Can you tell us about the scope of the software piracy problem?

Hartje: Piracy is one of the most significant problems facing the software industry globally. Every week, software pirates steal millions of copies of copyrighted computer programs worldwide. The Business Software Alliance's 2005 piracy study found that US\$31 billion of software worldwide was pirated or counterfeit. Last year

that piracy amounted to 35 percent of all software used worldwide.

It used to be that we were dealing simply with unlicensed counterfeit copies of software, which hurt Microsoft and the ecosystem of partners that make a living selling our products. Today the problem is much bigger and it's our responsibility to do whatever we can to protect consumers and ensure that they are purchasing and using genuine software.

From an industry perspective, larger companies are still able to operate in the black, but the 35 percent piracy rate is a significant number for the thousands of smaller organizations that depend on the health of the software ecosystem to survive. Our Microsoft channel partners - representing thousands of small and midsize companies around the world - end up losing the entire system sale to companies that undercut the price by selling counterfeit copies of Microsoft Windows and other Microsoft software.

We know that software piracy is a big problem for the technology industry. But why should the average person care about it?

Hartje: A recent report from the market research firm IDC found that if the global software piracy rate was lowered just 10 percent over the next four years that this would contribute 2.4 million jobs and \$400 billion in economic growth to the global economy.

We're not talking about huge companies here. There are thousands of small businesses that are affected by this problem. Technology is a fundamental driver of economic growth around the world, from an international level on down to individual communities. All of these businesses are affected by piracy. Smaller businesses are affected by every sale, and that translates directly to people's livelihoods.

What are some of the most common ways that software is pirated?

Hartje: There's peer-to-peer piracy, such as what we've seen in the music industry, where users share software using CDs or via the Internet. We all probably get what are referred to as SPAM emails



*Cori Hartje, Director of
License Compliance*

that solicit the idea of making a "cheap" software purchase. Many of these are likely suspect transactions. There is full packaged product, or "counterfeit" software, where someone has taken the time to replicate the software and packaging for resale in order to dupe customers into thinking it's genuine. There are unscrupulous resellers in the channel - system builders that load unlicensed software onto computers and sell them. There's also what we call "mis-licensing," which is a misperception on the part of our commercial customers that they can buy PCs without Microsoft Windows and then use their volume-licensing agreements to load the operating system, meaning they are not fully licensed.

Also related to mis-licensing is another phenomenon we're seeing more often, which is the misuse of Volume License Keys (VLK) on a broad scale. Microsoft issues a unique key to customers who enter into volume licensing contracts. When a company's license key leaks, it can be used to facilitate counterfeiting by "unlocking" the software repeatedly. If a customer's VLK has been leaked or stolen, the customer may be limited from accessing the benefits of the tools and updates found on Windows Genuine Advantage (WGA). Customers should practice good control of access to the VLKs that have been issued by Microsoft. Customers should also move to using the new keys issued with new contracts.

Of those methods, which is causing some of the largest headaches for customers right now?

Hartje: The misuse of VLKs is a big problem, both for our corporate clients and for end-user customers who think they have received legitimate software. For the company whose key leaks and is then used in piracy, remedying that situation can be time-consuming and a headache for IT administrators who are tasked to deal with it. First, Microsoft must issue a replacement key, and then the company must deploy the new product key again across the entire enterprise. Of course, the amount of IT overhead involved really depends on the size of the organization, but it can be quite expensive in terms of time and effort for the IT department.

For end users, however, there is even more hassle. When VLKs are misused, it becomes apparent to us over time. Eventually we will disable a volume license key from the WGA program when we see that it is being used inappropriately. As we turn off these keys, customers are going to find out that they are not using a genuine product. In some instances, the next time they try to get downloads or updates from our Web site, they will discover that our system will not recognize their Microsoft Windows XP as being properly licensed. We've seen this quite often, and it can be frustrating for those customers who had previously passed validation through WGA, but must now purchase a genuine copy of Windows in order to participate in the WGA updates.

When we discover that a copy of Windows XP has been installed using a pirated VLK and subsequently turn off the key from the download center, we will also work to educate the customer that the original VLK was issued to on how to limit and hopefully eliminate the VLK usage outside their environment.

How can customers learn if they purchased counterfeit or pirated software by mistake?

Hartje: Microsoft launched the Windows Genuine Advantage program worldwide in July 2005. The program allows customers to validate their software and ensure they are receiving the capabilities they expect from Windows. To date, more than 150 million systems have been validated, and participated in the download services.

Customers are also able to file reports through the WGA site against resellers who have sold them counterfeit software. We have had more than 30,000 customers file counterfeit reports through the

WGA site and we investigate each lead that is filed. In some cases customers may be eligible for a no-charge copy of Genuine Windows to replace their counterfeit software.

Customers can come to our WGA Web site (<http://www.microsoft.com/genuine>) to validate their systems. Those who complete the process become eligible to receive no-charge add-ons, such as Photo Story, the OneNote trial product, Windows Media Player 10, Windows Anti Spyware (Beta) and other products. These software offerings provide our customers with a richer Windows experience.

What else is Microsoft doing currently?

Hartje: Microsoft's proactive anti-piracy approach is built on the three core efforts: education, engineering and enforcement. We're committed to advancing education among users to guide them towards the use of genuine software, to engineering sophisticated anti-counterfeiting and anti-piracy technologies, and to promoting the enforcement of existing intellectual property laws.

This isn't just about Microsoft. It is an industry-wide problem and we will continue to make investments to protect our legitimate channel partners, system builders and OEMs, and also in turn protect their customers. In the last 18 months, law enforcement agencies have seized more than 1.8 million units of counterfeit Microsoft software worldwide.

Microsoft also has programs to help level the playing field for legitimate resellers. For example, we obtain hardware and software from computer dealers across the country and then test the software and software components to determine their authenticity. If the product turns out to be inauthentic, we send cease-and-desist letters telling that dealer to stop their illegal activities and provide information on how the dealer can obtain and provide legal, genuine software.

In addition, we're working to close the loopholes that pirates use in validation processes such as stolen certificates of authenticity and the VLKs I spoke about. As we follow up on leads from customers through the WGA process, we continue to learn more about where piracy comes from. Customers and partners can expect to see us taking more deliberate actions to deter the rising wave of counterfeit and software piracy.

What should customers do if they suspect their software may be pirated?

Hartje: Counterfeit software can come from a number of sources. Consumers should make sure that they obtain all software from a reputable source. They can look to see what the genuine Microsoft looks like and pick up some tips on how to make sure they are getting what they are paying for at our "How to Tell" Web site (located at <http://www.microsoft.com/howtotell/>).

Consumers who suspect they are a victim of piracy can report it several ways. In the US they can email piracy@microsoft.com or call the Microsoft Anti-Piracy Hotline at (800) RU-LEGIT. For locations outside of the US, look on the website for your country contact information (located at <http://www.microsoft.com/piracy/>). Finally, if consumers want to report general industry piracy, they can look on the Business Software Alliance website (located at <http://www.bsa.org>).

Prior to joining Microsoft in 1990, Cori Hartje worked at Washington University in St. Louis, and before that was a public school teacher. She has a masters degree in Education, extensive doctoral studies, and will be focusing on educational issues while on the Board. www.microsoft.com

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