

# **FACES OF** Internet Piracy



# Introduction

In April 2009, the Business Software Alliance (BSA) launched the “Faces of Internet Piracy,” featuring four individuals that through the click of a mouse drastically altered their lives forever. What seemed like a victimless act turned into a life-changing experience for Danny, Tommy, Diane, and William. These individuals turned from businessman, track star, grandmother, and software programmer to criminals. How? They got caught offering illegal software over the Internet through for-profit Web sites, auction sites, and private servers. They are now paying for their actions with jail time, community service, and financial settlements.

After having presented the story of the software pirates, BSA now wants to tell the story of the “good guys” of software piracy.

These good guys include Andrea Sharrin, Deputy Chief of the Computer Crime and Intellectual Property Section at the Department of Justice; Jeff Ray, Chief Executive Officer for SolidWorks; and Jason Calhoun, Enforcement Manager for Rosetta Stone. Their stories will help to provide an in-depth look at what law enforcement officials are doing to crack down on software pirates, as well as how piracy adversely affects those in the software industry and beyond. These new perspectives will also help offer a more rounded picture of the issue of software piracy.

The Internet is plagued with software pirates who await the opportunity to offer illegal software to online consumers. Some vendors sell illicit products via auction sites and Web sites; others offer free software for download on private servers. Regardless, these individuals knowingly break the law and are under the misguided assumption that they will not get caught.

Unfortunately for them, the anonymity of the Internet is no longer a safe haven for individuals peddling their illegal wares. The BSA, working with the FBI and local law enforcement agencies, has intensified its efforts to track down and prosecute online software pirates, and their efforts are paying off. Consider this:

- In 2009, BSA effected the removal of 36,921 illegal software auctions worldwide, with a total suggested retail price value of \$430,694,296. This represented the removal 883,221 of member software products, 20 percent more than the previous year.
- In addition, BSA sent over 7.3 million takedown notices worldwide to Internet Service Providers (ISPs) targeting P2P software distribution, a 378 percent increase versus the previous year. It also sent 152,286 takedown notices (up 13 percent over 2008) to nine of the largest BitTorrent indexing sites worldwide.



▶ Launch the video interview.

## DANNY FERRER

**D**anny Ferrer of Lakeland, Florida did nothing to hide the fact that he was selling illegal software online. In fact, he prominently advertised the sales on popular search engines. But his venture came to an abrupt halt when the FBI descended upon his operation in late 2005. An FBI investigation determined that Ferrer had been running a for-profit website selling counterfeit and illegal copies of software such as Adobe and Autodesk. In fact, Ferrer sold more than \$20 million worth of copyrighted software products on [www.BuyUSA.com](http://www.BuyUSA.com) at prices substantially lower than the suggested retail price. **“Buy USA was a website that I initially set up towards the very, very end of 2002, actually it was more like 2003 where people could purchase copies of some of Adobe’s software, such as Photoshop 7, Illustrator, other high-dollar software at greatly reduced price.”**

The software products purchased on the website were reproduced on CDs and distributed through the mail. On the CD-R discs, Ferrer included labels that featured trademarks of the legitimate software companies and had a serial number that allowed the purchaser to activate and use the product, tactics that were meant to dupe the consumer. Ferrer and his co-conspirators pocketed more than \$4.1 million selling copyrighted software that was used to purchase luxury cars, numerous airplanes, a helicopter, and boats. These items were all confiscated by the FBI.

**“I’m very remorseful for what I did. I would almost beg people out there, don’t do this. Don’t do it as a hobby. Don’t do it as a business. Don’t think that it’s OK. It’s not OK and you are going to get caught. You are going to get caught and you are going to pay the price. And the price that you pay is not just going to be financial. You are going to lose your freedom. You are going to lose your family. You are going to lose the respect of your peers. You are going to be a criminal. I am now a convicted felon...”**

Ferrer was sentenced in federal court to six years in prison and fifty hours of community service. Additionally, Ferrer had to pay more than \$4.1 million in restitution for the nearly \$20 million in loss of sales to the software publishers.

▶ Launch the video interview.



## TOMMY RUSHING

**T**rack star turned software pirate...that's what happened to 24-year-old Tommy Rushing when he began operating numerous for-profit websites that offered pirated software for download. **"I am a software pirate. I sold illegal, I sold software which is downloadable initially from a site. And I took that, and I called it backup software. And people were able to go in, purchase the software and download it from a server..."**

**"...it started my sophomore year in college through a mutual friend; I met another guy who was doing the same kind of, same line of work and, you know, he introduced me into it..."**

On [valuesoftwareales.com](http://valuesoftwareales.com), [allsoftwaredownload.com](http://allsoftwaredownload.com), [esoftwarevalue.com](http://esoftwarevalue.com) and [priceslashsoftware.com](http://priceslashsoftware.com), Austin, Texas-based Rushing offered illegal software titles including Adobe and Macromedia. Claiming it as backup software, Rushing and his co-conspirators offered individuals the opportunity to download the software from his website or purchase both the download and CD. Rushing would burn the software on a CD-R and then mail it to the unsuspecting consumer. Between early 2006 and September 2007, Rushing and his "partners" sold a combined retail value of \$2,500,000. When sentencing is concluded, the defendants have agreed to forfeit a luxury car, HDTV(s), computer equipment, and approximately \$40,000 in cash.

**"...you have a boat, so you have a boat. You have a brand new Hummer. You live in a very nice house. Let's say you go off in a trip to Cancun, Mexico. You come back, everything's gone. Everything in your house, your TVs are gone, your computers are gone, your boat is gone, your Hummer is gone, and all the stuff—on the kitchen counter is a seizure notice with, you know, everything that the governments taken. And then, you know, your letter that says, basically you've been convicted of, you know, software piracy."**

**"You know what? I feel ashamed and also feel confused. You know, I've wasted four years of my life doing this illegal activity. Now, you know, where I could have used these four years doing something constructive with my life..."**

Rushing faces a maximum penalty of five years in prison, a fine of \$250,000 and three years of supervised release. At the time of this writing, sentencing is scheduled for December 2008.



[▶ Launch the video interview.](#)

## DIANE GOINS

In August 2008, BSA announced a judgment in the amount of \$250,000 against Diane Goins, 55, of Richmond Hills, GA. **“Having the judgment against me is the worst thing in the world that could happen to me...”** Goins had been selling counterfeit copies of Corel software on eBay to supplement her retirement income. **“Somebody from BSA ordered a piece of my software and they had it tested.”** The investigation showed that between January and May 2008, Goins sold more than \$212,000 worth of unlicensed software on eBay.

Online auction sites are among the most popular destinations on the web, with millions logging onto buy and sell a vast array of products including software. In fact, estimates have pegged the problem in the range of 50-90%. Some of the most frequently sold titles on auction sites include products by Adobe, Autodesk, Corel, Intuit, McAfee, Microsoft, and Symantec.

▶ Launch the video interview.



## WILLIAM VEYNA

**W**illiam Veyna of Wichita Falls, Texas got caught trading, uploading, and downloading copyrighted material. Veyna got started by talking in chat rooms and socializing with other individuals online. Veyna soon became part of a group that gave him access to the trading of copyrighted material and became a “site operator”, providing access of copyrighted material to thousands of people online. Veyna was a significant member of a software piracy group that distributed copies of software, movies, and games with a combined value of more than \$50 million. **“Before this, I had a good job at a software company, making \$60,000 a year and with a good retirement and pension plan.”**

Through an undercover sting operation, Veyna was caught and given fifteen months jail time and ordered to pay \$929,000 restitution.

**”So, it really doesn’t matter if you’re somebody that’s selling and making millions off pirated software, or your just doing it for a friend. Trading, uploading, and downloading illegal software is illegal and it cost me a felony. And every time I go on job interviews, I have to put I have a felony...”**

▶ Launch the video interview.



## ANDREA SHARRIN

**A**ndrea Sharrin works for the Department of Justice's criminal division, where she holds the title of Deputy Chief of the Computer Crime and Intellectual Property Section (CCIPS). As Deputy Chief of CCIPS, her main focus is on helping to oversee and implement the department's criminal enforcement strategies for combating computer and intellectual property crimes worldwide. This strategy has three main components: prosecuting criminal intellectual property violations, enforcing intellectual property laws, and helping to set both the legislative and policy goals for the department as they relate to intellectual property.

**“Software piracy is a crime that causes real and significant consequences. It hurts the economic security of this country, takes away American jobs, and undermines confidence in our economy. There are real victims of software pirates, and not just software companies, but also consumers. By either knowingly or unknowingly downloading or using illegal software, individuals put their computers at risk of infection. Perhaps more importantly, they also risk exposing sensitive files and personal information, like tax records, to criminals. Piracy is a serious issue that Congress is very aware of and concerned with, and they have created laws to criminalize this behavior.”**

In order to stay abreast of the rapid changing world of intellectual property crime, Andrea relies on a very experienced network of prosecutors. CCIPS has close to 40

expert attorneys who work exclusively on computer crime and intellectual property. Additionally, CCIPS has a state-of-the-art cyber crime lab run by number of technicians which is used to help computer crime investigations.

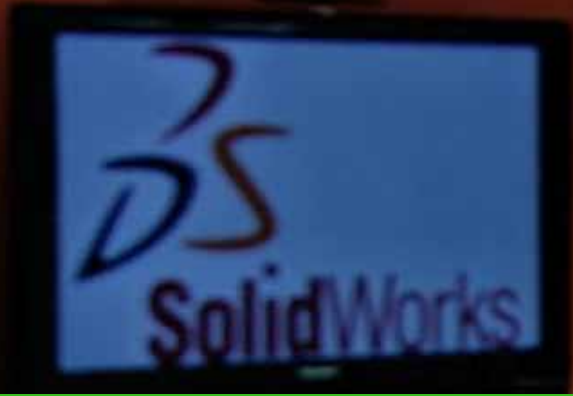
As part of her network, Andrea also works very closely with 94 US attorneys' offices around the country that have specially trained personnel dedicated to prosecuting intellectual property crime and high-tech crimes.

**“Make no mistake about it – if you're caught committing software piracy or any other intellectual property crime, you will be prosecuted. If you are convicted, you will go to jail. Some people don't realize this, but this is a federal felony offense that carries with it years of jail time.”**

Both Andrea and her department treat intellectual property crime very seriously. In fact, Attorney General Eric Holder has made the criminal enforcement of intellectual property rights a top priority for the Justice Department and has brought together other federal agencies, law enforcement, and the private sector to share ideas and develop new ways of combating this problem.

**“Software piracy is a crime because it's a real and significant economic issue with real consequences in this country. It undermines the economic security of this country and confidence in our economy.”**

▶ Launch the video interview.



## JEFF RAY

**J**eff Ray is the Chief Executive Officer for SolidWorks, a leading software company in providing 3D computer-aided design software. Engineers, designers, and other creative professionals use SolidWorks software in designing some of the world's greatest products, from medical devices used to save lives to the bicycle that Lance Armstrong rode to win the Tour de France seven times. As CEO, Jeff's job is to ensure that SolidWorks continues to be a market leader in delivering top-level computer-aided design software

Due to the high quality and, therefore, high demand for his company's software, SolidWorks has experienced an extremely high level of software piracy.

But what is more important to Jeff is that piracy harms his customers. More than half of SolidWorks' customers spend more than 70 percent of their time using the software, making it an integral part of their job. Pirated software will often have a much lower quality than legitimate software, meaning that it can have features that fail, may not communicate effectively, or even have viruses that harm users' computers. This hurts his customers' ability to deliver a quality product and, therefore, their ability to stay competitive.

**“Our customers use our product to improve their competitive abilities. They're trying to design better products for their customers. They're trying to bring those products to market faster. They're**

**trying to improve the quality, so that the experience that their customers have with the products they build really exceeds their expectations. Our customers are in brutally competitive markets, and anytime someone is using stolen software or pirated software, they really hurt our customers in their ability to compete effectively.”**

To help stem the spread of pirated SolidWorks software, Jeff's company has to spend both time and resources monitoring the internet and alerting Web site administrators when pirates are selling illegitimate software online. SolidWorks also engages in a significant amount of awareness-building around this issue to make sure IT communities are aware of piracy in their locales and the impact it has on their industry.

**“Software piracy hurts everyone who is trying to really help people design better products; products that really help us in our daily lives.”**

▶ Launch the video interview.



## JASON CALHOUN

Jason Calhoun currently serves as Enforcement Manager for Rosetta Stone, where he is in charge of the company's intellectual property protection and enforcement initiatives, including anti-piracy, anti-fraud, copyright, and trademark protection.

As the Rosetta Stone brand became more and more recognizable to consumers, the company began to notice an increase in the overall piracy level of their software. Rosetta Stone knew that it had to take swift action to not only protect its revenue and brand reputation, but to protect its customers as well.

**"It's very common that when consumers buy pirated software, that the software does not actually work. The other thing is, is that when you buy software from an unauthorized source you don't exactly know what it is that you're getting. You may very well get other things in addition to, such as malware or spyware. And you very well may end up getting your identity stolen."**

Jason helped develop a system for Rosetta Stone that constantly monitors the Web sites, search engines, and the Internet in general, for any individuals or companies that appear to be selling unauthorized Rosetta Stone products. If software piracy is suspected, Rosetta Stone will pursue infringers whether they sold one copy or hundreds of copies. Penalties for software piracy can reach up to \$250,000 per infringement, as well as up to five years in prison.

To keep a level playing field with the pirates, Jason also relies heavily on individuals reporting piracy through various reporting Web sites. This helps Jason to better understand the threats that are out there and identify the biggest copyright infringers.

**"The best way for consumers to protect themselves from buying pirated software is to do their homework and research the company that manufactures the software prior to purchasing it. This can include a simple phone call to the company to find out if the source that they're thinking about buying from is an authorized source of distribution of that software, or even just looking at the Web site of the company that they are planning buy software from."**

Before assuming his current role, Jason served as Web Operations and Release Manager, Software Development Manager, Senior Software Developer and Web Developer, all at Rosetta Stone.

**"I was one of the top software developers at Rosetta Stone, involved in the building of new Rosetta Stone software products and contributing to innovative developments. Now, 100 percent of my time goes into protecting our own intellectual property, and I no longer develop software. This should serve as an example of how companies have to devote resources that could be used for building better products to protecting existing products from copyright infringement."**

# Take Their Word For It...

**While software pirates engage in the illegal activity, they are clearly aware that their actions hurt software developers. Listen to what these software pirates have to say:**

“Pirate software has a false sense of security and false notion, where everybody thinks it’s a victimless crime, or that the companies like the RIAA or the BSA have so much of money to waste that they’re making money, that they won’t notice. But it’s not a victimless crime. It’s not only that those companies are protecting the rights, it’s also the individual developers that spent time, because it takes time to create software...”

— **William Veyna | Convicted Software Pirate**

“People think that software piracy is a victimless crime. Well, it’s not a victimless crime. You are hurting the company. You are hurting the programmers...”

— **Danny Ferrer | Convicted Software Pirate**

“These companies have put a lot of time and money into research and development. It’s their intellectual property, which I stole. People think that copyright infringement is not theft. There is no difference. You are stealing somebody’s property and you are doing it for your own gain.”

— **Danny Ferrer | Convicted Software Pirate**

# Buyer Beware...

## TIPS FOR ONLINE CONSUMERS

**Educating yourself on how to identify illegal software helps protect you from online scams. Here are 10 helpful tips from the BSA that will steer you in the right direction:**

- **Trust your instincts.** Check the online seller's price against the estimated retail value of the software. If a price seems "too good to be true," it probably is.
- **Make sure it's authentic.** Be suspicious of software products that do not include proof of authenticity such as original disks, manuals, licensing, services policies, and warranties.
- **Beware of backups.** Avoid sellers offering to make backup copies. This is a clear indication that the software is illegal.
- **Steer clear of compilations.** Be wary of compilations of software titles from different publishers on a single disk or CD.
- **Get seller's contact information.** If you cannot contact the seller after making a purchase, you may have no recourse if the product turns out to be pirated. Make certain to get the seller's address, if possible.
- **Keep Receipts.** Printout a copy of your order number and sales confirmation and file them for your records. This information will help build your case if it is pirated and further action is needed.
- **Ensure secure payment.** Make certain that the Internet connections you are using are secure.
- **Understand transaction terms.** Get a clear understanding of the merchant's policies concerning returns and refunds, shipping costs, and security and privacy protection before you complete the transaction. Most importantly, look for a trust mark from a reputable organization to make sure the online retailer is reliable and has a proven track record of satisfying customers.
- **Do your homework.** Before making a purchase, do as much research on the seller and vendor as you can. Check the seller's rating or feedback comments when on an auction site. Some of the most frequently sold titles on auction sites include products by Adobe, Autodesk, Corel, Intuit, McAfee, Microsoft, and Symantec.
- **Ask the experts.** Contact the BSA with any concerns or questions by calling **1-888-NOPIRACY** or visiting our website **[WWW.BSA.ORG](http://WWW.BSA.ORG)**.



# It's a Crime

**S**oftware piracy is a crime and can result in serious legal and financial consequences including fines of up to \$250,000 per copyright infringed and five years in prison. Over the past several years, BSA has supported the DOJ in the investigation and prosecution of more than a hundred individuals involved in illegal distribution of copyrighted software. Sentences have ranged as high as 84 months in federal prison and ordered restitution of over \$900,000.

## Know It, Report It, Reward It

Know It, Report It and BSA will Reward It! If you are aware of counterfeit or pirated software being sold over the Internet, report it to the BSA and you could be rewarded up to \$1 million! In April 2008, BSA expanded its popular Rewards program to individuals who report the sale of illegal software over the Internet including auction sites, websites, FTP, e-mail, bulletin boards, chat (IRC, ICQ, etc.), news groups, or any other unauthorized distribution of software using the Internet.

BSA offers rewards of up to \$1 million for qualifying reports received via its hotline or online reporting form. Confidential reports can be made by visiting [www.nopiracy.com](http://www.nopiracy.com) or by calling **1-888-NOPIRACY**. Reward payments are subject to eligibility requirements, the details of which are available in the website.