

# Pirates on the Digital Sea

*A study of copyright infringement and online piracy*



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Online piracy has been a worldwide issue for the past 15 to 20 years. Since the Internet began to gain popularity, people have found ways to share anything from anywhere in the world. People, companies, and organizations put music, movies, games, pictures, news articles, and every kind of file online. The problem is that a portion of that content is stolen, so sharing it, either for a fee or for free, is illegal. US copyright law states that when someone legally claims a creation as theirs--such as music, movies, or books-- others must have proper rights and permission to consume and distribute said content. Those rights are acquired by paying the owner of the copyright an agreed amount. Not paying for such content is considered stealing, and is called copyright infringement. So when someone buys a song, makes a copy, and puts said copy online for people to download for free, that's considered copyright infringement. Such practices became common as more users flocked to the Internet, and it gained the name "online piracy." Piracy has become very common in the past decade or so, and is known by most to be unquestionably illegal, and punishable by fines or jail time. Nonetheless, a vast majority of people continue to post and download illegal content online. Governments try to take down the many websites and programs used to share files, but more appear as fast as they are taken down.

This paper will cover what online piracy is, what impact it has on the economy, why people do it, and how our laws can deal with it. The bottom line is that piracy is stealing, and is never legal. But people exploit loopholes in our laws, try to justify sharing content, hide behind security programs and foreign law, all while continuing to transfer stolen content. Since online piracy is a relatively new phenomenon, there are still many social, political, and economical facets to the issue that demand further exploration. The technological and legal complexities, in addition to the international scope of the problem, makes it hard to regulate piracy and protect intellectual property while allowing people the

freedom of expression that the Internet embodies.

### **History of Piracy**

In US law, piracy is 100% illegal, and there have been many major court cases that define the lines of what is legal and what is not. The first of many cases was 1984, when Universal Studios sued Sony over its newest VCR recorders. The device, called Betamax, allowed people to record TV shows to a VCR to watch later. Universal, along with Disney and other studios, felt that people could use those recorders for copyright infringement, and Sony was responsible for inciting the crime. The court ruled that because Sony doesn't control how their customers use their products, they are not responsible for the customers' crimes. They also ruled that the Betamax was legal for personal use, like saving the show for later. Both these decisions were later applied to ripping DVDs and services on the Internet.(Sony)

The piracy of today started in 1999, when a program called Napster was founded by three young entrepreneurs. The application was one of the first Peer-to-Peer (P2P) file sharing platforms. It allowed users to search for and download MP3 (music) files directly from other users' computers over Napster's servers. Almost instantly, they were taken to court by the Recording Industry Association of America (RIAA) for copyright infringement. The ensuing legal case lasted for eight years, and made Napster an icon of online piracy (Kravets). From then on, P2P became the main way to share illegal files.

The idea of people sharing copyrighted content was not a new concept. For years before the Internet, people had made bootlegs of concerts, brought video cameras to cinemas, and made copies of

CDs. P2P was certainly not new, but digital files made it much easier to own, and the Internet provided a platform. Instead of going to a friend's house and swapping CDs, you could upload a copy of your file and put it online for anyone in the world to have.

The case that applied the Betamax decision of 1984 to the Internet was *MGM Studios, Inc. v. Grokster, Ltd.* in 2005. Grokster was a service similar to Napster that used P2P sharing to transfer music, movies, and other files between users. MGM sued Grokster for copyright infringement, claiming that the Betamax case should be reevaluated, and technology creators should be responsible for the product's use. Grokster had already won two previous cases based on the 1984 decision, but this suit was brought to the Supreme Court. After reviewing the suit and the past ruling, the Supreme Court ruled that Grokster was guilty of copyright infringement because the service was designed and promoted for illegal use. The Betamax was designed for personal recording, not illegal distribution. In addition, since all P2P transfers could be controlled by Grokster, they hold responsibility for not stopping any illegal activity. This ruling officially made P2P sharing illegal, and made not only the users responsible, but also the company used to transfer the files as well.(MGM)

Today, there are many programs that let you download files from others. The most common kind of program, introduced in 2006, uses a file type called torrents (Gil). Torrent files can only be opened by these programs, and contain a link to download the contained file. The smart thing about torrents is that it takes parts of the file from every person that is currently downloading it, or has ever downloaded it. That means the more people that download the same file, the faster the download goes for each individual user (Gil). This allows people to download large movie files, which may take half an hour or more when downloaded directly, in ten minutes. The more popular a movie is, the faster people

can get it. Since the service is free, it is most commonly used for illegal files. There are dozens of websites that offer torrent files to download, and often the same file is posted on multiple sites. This allows users from all over to share the file, and everyone benefits.

The other common kind of file sharing is direct downloads. Users upload files to a website, and other users download copies from the website. These sites act like public cloud (available anywhere through a web browser) storage, and can be used for anything, legal or not. There are many free, public storage sites that are used for pirated files. The biggest such site, called Megaupload.com, was taken down in January 2012. When it was running, Megaupload accounted for, “at its peak, 50 million passengers a day, a full four percent of global Internet traffic”(Graeber), and was “at one point...13th most frequently visited website on the Internet”(Perry). While the site was used for legal sharing, a vast majority of it’s content was illegal, and users that submitted pirated content were rewarded with premium service or even hard cash (Perry). The website was a free service, but also offered a premium plan with faster download speeds and more features. Experts estimate that Megaupload “generated an estimated \$25 million a year in revenue from ads and brought in another \$150 million through its paid, faster, unlimited Premium service”(Graeber), and the website’s owner, Kim Dotcom, earned around \$42 million a year (Perry). He quickly became something of an Internet celebrity, and was a leading advocate for online “freedom” and “privacy.” His manifesto is that privacy is a “basic human right,” and that governments use copyright laws to invade our private lives (Aguilar 1).

The only immediate downside to illegal downloads is that they are often riddled with viruses. Opening your computer to strange websites run by lawbreakers can have bad consequences. Downloaders can’t see the contents of a torrent file until they’re downloaded. All they see are file

names, not what's in them. Any download could contain malicious software. In addition to viruses, Internet companies can track a torrent file to your computer and suspend your service. Active downloaders avoid both these concerns by being careful with what they download, installing firewalls, and scrambling their trackable IP address.

### **Attempts to Curb Piracy and Enforce Copyright Law**

You may ask, "Why doesn't anyone put a stop to this, like Napster?" The answer is because of all the legal gray areas, made worse by the hundreds of thousands of users on these services. Napster hosted the files across their own servers, and that made them liable for copyright infringement. Torrent websites only have torrent files that access and aggregate data from other downloaders, with no actual stolen files on their servers. Torrent download clients only provide a bridge from user to user, hence the name "Peer-to-peer"(P2P). So the people providing the gateways for piracy are not liable, and there are too many users to go after individually. Internet providers (ISPs), like Comcast and AT&T, can go after individual subscribers for infringing their policy agreement, but torrent clients make it hard for ISPs to track their users. The government has tried to take down the websites that provide torrent files, but there are too many to be completely shut down.

Sites like Megaupload are easier to target and convict because the website holds the files. The government can convict those sites because they have the actual pirated files hosted on their servers and can control what is on there. The government can then charge the website with copyright infringement, and take it down. These sites stay up by finding loopholes and more gray areas. They move their content, use different country's laws, and keep their secrets locked tight, making it extremely hard to

take any down.

Nonetheless, last year Megaupload.com was taken down. US government agents raided Kim Dotcom's mansion home in New Zealand, arresting him and his partners in crime. New Zealand police swarmed his home, taking all the residents outside and charging Kim with copyright infringement, conspiracy to commit money laundering, and racketeering (criminal organization) (Graeber). The court case has had little progress so far, but the decision is sure to be long argued and fought over. In the meantime, Kim Dotcom has already created a new site called Mega.com. This new site uses even more loopholes to absolve him from any legal blame for the site's content. Anything users submit is encrypted, and they are the only ones that can access the file. Even the website administrators can not see the contents of the file, and therefore can not be blamed for allowing copyright content on their website. Other than that, the site will serve the same purpose as Megaupload. As quickly as one goes down, another comes up.

There have been many legal attempts to curb this growth and piracy in general around the Internet. China heavily censors its internet and monitors all its users. In the US, there have been talks in Congress about how to prevent internet piracy without censoring our own internet. Last year, two major bills called the Stop Online Piracy Act (SOPA) and the Protect IP Act (PIPA) were brought forward in Congress. There was an immediate uproar of disapproval from every corner of the country. SOPA, the larger of the two, was opposed by almost every online company, and many other major parties.

The Stop Online Piracy Act was introduced by Representative Lamar Smith, a Republican from Texas, in late October 2011 (McCullagh). SOPA was designed to take down any copyrighted content online that is being used without permission. If a website was hosting copyright content, the law would

allow the copyright holder to request the content be taken down. If the website refused, a court could order that website to be taken down completely (Johnson). The issue with the law is that the website does not have to be defended or represented in court; “The entire website can be condemned without a trial or even a traditional court hearing”(Johnson). Without any trial, any website, American or not, that has copyrighted materials, including pictures, music, or video, can be completely taken down with just the copyright holders request. Any attempt to visit the site in the US would result in a blank page with an error message (Johnson).

The extreme power of SOPA, combined with the bill’s vagueness, made many people nervous about how the bill could be misused (Johnson). Many of today’s most popular websites are filled with content the users upload, and the websites can’t fully control what is put on them. Facebook and Twitter are filled with pictures from movies, logos, and other copyright images that could possibly be “available for free under ‘fair use’ standards”(Johnson). Youtube is filled with movie clips, song bytes, and millions of copyrighted videos. Any site at all, legal or not, is threatened under this law. These huge sites used by millions of people can be entirely taken down with no trial. If you post one picture on Facebook that could be considered copyright, all of Facebook could be taken down permanently (Johnson). For example, if a user posts a picture of a movie poster saying how excited they are to see it, the studio may not want that poster so publicised. They would send a request to Facebook to take it down, and Facebook could say no, it doesn’t violate our policy. That company would then have the right under SOPA to block all access to Facebook in the US, making it inaccessible for all users.

This has huge implications for free speech. Our internet would be constantly monitored by company’s legal teams, taking down anything they think they have a right to. As Rebecca MacKinnon



states in her opinion article for the New York Times,

The potential for abuse of power through digital networks — upon which we as citizens now depend for nearly everything, including our politics — is one of the most insidious threats to democracy in the Internet age. We live in a time of tremendous political polarization. Public trust in both government and corporations is low, and deservedly so. This is no time for politicians and industry lobbyists in Washington to be devising new Internet censorship mechanisms, adding new opportunities for abuse of corporate and government power over online speech. While American intellectual property deserves protection, that protection must be won and defended in a manner that does not stifle innovation, erode due process under the law, and weaken the protection of political and civil rights on the Internet.

This kind of heavy censorship is already active in China, a communist dictatorship. The people there have very little free speech, and this act takes a huge step to a similar society. The Internet is a huge resource, and should be protected by all the same laws that offline interactions are governed.

What scared people the most was the possibility to abuse SOPA. The law would have given incredible power to copyright holders, and the public would have been left helpless. Companies' executive teams did not help the law, given that people already hugely mistrust corporate suits. The potential was clear for companies to take down any website they wanted on a whim, without a fair trial. Though not designed for such, the mere possibility--and in some opinions, inevitability--for such power to be put in someone's hands made people vehemently opposed to the law being passed.

People were very quick to voice their opposition to this legislation. On the White House official website, over 50,000 people signed a petition for the President to veto SOPA if it passed in congress (Espinel). The White House wrote an official response about "Combating Online Piracy while Protecting an Open and Innovative Internet"(Espinel). It examines the conflict of keeping the Internet free from piracy while allowing independent content creators to be free to make whatever they want. We need to

work together as a country to form a law that can keep the Internet open to everyone, allow free speech, yet still keep copyright material safe.

Another failed bill around the same time was PIPA, short for “Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act,” or the “PROTECT IP Act.” Very similar to SOPA, PIPA was meant to target foreign websites, where SOPA was designed for US sites. The main difference was that PIPA required more due process via court action than SOPA. This allowed it to advance farther through the legislative process than SOPA.

The turning point against the law was a nationwide digital protest on January 18, 2012. In the biggest online protest of all time, thousands of websites “blacked out” to show what the Internet would look like under SOPA and PIPA. Major websites like Google, Reddit, Craigslist, Wikipedia, Wordpress, Imgur, Pinterest, Flickr, and Amazon all went black for one day to show their opposition to the bills (SOPA Strike). Before the blackout, SOPA had 80 supporters and 31 opponents in congress. The day after, SOPA had 65 supporters 101 and opponents (Nguyen). Soon after, the both bills were brought to vote, and both were rejected.

A more recent attempt by copyright holders at curbing piracy is the Copyright Alert System. This new system allows copyright holders to collaborate with internet companies, and came into effect February 2013. Every illegal download can be tracked to the person that downloaded it, with the help of the Internet service provider (ISP). If a copyright holder finds you have been downloading their content, they can contact your ISP and take steps to stop you, called strikes. The first strike is a warning from your ISP about illegal downloading. The second would be a phone call, and after the third strike, your internet speeds would be throttled. The next two strikes have yet to be announced, but

speculations say it may not be very harsh. Legal action from the copyright holder or termination of internet service are possible consequences of repeat offences. Although these measures are now in place, there is still concern from experts that it may not be enough to stop most pirates(Aguilar 2).

### **Economic Effects of Piracy**

No matter what the government or ISPs try to do, there will always be piracy online. It has become part of our society, and has effects on companies' revenues and our economy. The most obvious is the loss in sales due to people stealing content. Thousands of people are downloading illegal copies of movies and music every day, and the people that put work into those media don't get a cent. Digital movies normally range from \$10 for most to \$15 for new movies, or can be rented for 24 hours for \$5. DVDs are also about the same, at \$15 for new movies. That means for each person stealing a copy, the studio loses \$15. Same goes for music; a song is \$1, and an album is about \$12. In addition to personal copies, people also go to movie theaters or concerts. Why pay \$15+ to see a movie once in theaters, when you can get a copy totally free? All these small amounts add up, and have huge effects on company's revenues.

Movies account for about 35% of all pirated items (Hodson). Added to TV shows, they both account for almost half of all pirated material. There are millions of people around the world downloading these movies. In 2010, the top ten pirated movies were downloaded a total of over 93 million times (Hodson). At \$15 each, that's about \$1.4 billion lost, on only the top ten movies. For any industry, that is a lot of money lost. Add the thousands of other movies and TV shows that are pirated, and that number would soar.

These robust calculations may not be 100% accurate, but they don't have to be. In 2005, the Motion Picture Association funded research on how much money was actually lost to piracy. They found that the major US movie studios lost \$6.1 billion in revenue (L.E.K.). This is from worldwide downloads; only 20% were from the US. 20% of \$6.1 billion is about \$1.3 billion, which is roughly what I calculated previously. Those are separate numbers, one from 2005 and one from 2010. So you can see that this is a constant issue, and has been for years. These numbers show just how much studios lose every year to piracy.

Possibly even larger than losses in digital sales are box office sales. Movies often make the most money when they are first released in theaters. Millions of people across the world pay to go see the new movie. Some people will wait until the movie comes out on DVD or on iTunes. Then there are the people that will download it illegally. These people would rather watch a movie in poorer quality for free than pay to see it in theaters. They either wait until it comes out on DVD or will download a bootleg. To clarify, there are two ways to pirate a movie; rip a copy of a DVD, which comes out good quality, or take a video camera to a cinema, which is poor quality, but you get the movie immediately. The second way has been around for ages, and is called bootlegging. These people take a video in theaters and then put it online for anyone to download, which becomes a problem for studios.

The problem is release dates in other countries. Movies are usually released in America first, then in other countries. So people in America pirate the movie and put it online for others to download before it's released in their country (Danaher). For example, international piracy is highest in China (Hodson). When a movie opens in theaters in America two or three weeks before it's released in China, Americans will put a copy online. That way, people in China will not only watch the movie

before it's even out, but also not pay for it. In a study to see how piracy has effected box office sales since 2003, Brett Danaher concluded that "we infer that pre-release piracy causes the foreign box office returns for a movie to decrease by 1.3% for each week of lag between the U.S. release and the foreign release of the movie." He also said it varies by kind of movies; action movies will lose 2% of revenue, but others will only loose 0.7% of revenues. In dollar amounts, the total box office revenue in 2010 was \$10.5 billion (Numbers). 1.3% of \$10.5 billion is \$136 million in box office revenue lost to piracy. That's not extremely far from Danaher's estimate from 2005 of \$250 million lost to piracy, where the total revenue was \$8.95 billion. He has more data and more accurate calculations, but the issue is still clear; piracy has significant effects on box office sales.

The next big victim of piracy is the music industry. Although it only accounts for about 3% of online piracy, music is what brought piracy to the public's eye (Hodson). It has been the focus on piracy since the Napster trials in 1999. And like movies, there are three ways music gathers revenue; online sales, physical CD sales, and concerts. Physical sales are declining due to digial ease and availability, but that makes piracy even more prevalent. People can download every song an artist has ever made in a matter of minutes, without paying a cent. Or they can get one song from many different artists. Uploading and downloading illegal music is so easy, almost everyone has done it sometime. Music piracy is so common, 95% of music downloaded online is illegal, and the average iPod has \$800 worth of pirated music (Hodson). Those are huge numbers, and easily show the scope of music piracy.

Back in 1999, Napster made the music industry completely rethink its online sales. They realized the Internet could be huge for music distribution, and they were not only missing out, but losing money. It didn't take long until iTunes provided that platform in 2001. Apple established the online

music sales model: 99¢ for a song, and \$10-\$12 for an album. That has become a standard, and is used as the benchmark estimate for losses due to piracy.

In 2007, the Institute for Policy Innovation (IPI) conducted a study on music piracy on the economy. They focus not only on the revenue lost, but also the jobs, salaries, and taxes lost because of piracy. They found that “U.S. economy loses \$12.5 billion in total output annually.” That’s the entire economy, not just sales revenue. They put the sales just from piracy around \$6 billion, almost exactly the same as movie piracy. The other \$6.5 billion in losses comes from job losses and taxes. They estimate the US loses 71,060 jobs in all industries due to music piracy, and \$2.7 billion in annual income for those workers.(Siwek)

On a brighter side, 2012 was the first year since 1999 that music sales have been up (Luckerson). This is not only from increased sales, but also a recent decline in piracy. The main reason for this is not a crackdown on downloading, but actually a better way to get free music legally. 2011 and 2012 saw the rise of online music streaming services. These services, like Pandora Radio and Spotify, allow users to sign up and stream music for free to their computers or smartphones. They make their money on ads and premium services, like the illegal sites, but they have deals with the record labels. This way, people can easily listen to as much music as they want, for free, without ever downloading a track. People no longer have the need to download music illegally because it’s readily available online, and it’s safe, easy, and 100% legal.

The last music revenue may be one of the few ways the industry benefits from piracy. Since concerts are a drastically different experience than listening on an iPod, their sales are not in trouble. If someone discovers a new artist, they could download their music illegally and not pay. But if they really

love that artist, they will be willing to pay for a concert when available. In this case, stealing music has resulted in a concert sale, which could easily cost more than an album.

Music piracy is even so accepted that the artists themselves are ok with it. Musicians care more about people listening to their music than paying for it (Palis). Big names such as Neil Young, Lady GaGa, Jack White, Nelly Furtado, and many others have publicly stated they don't mind people pirating their music. As Norah Jones put it, "If people hear it, I'm happy. I'm not going to say go steal my album, but I think it's great that young people who don't have a lot of money can listen to music and be exposed to new things"(Palis). That is how most musicians feel: listeners are more important than money. In an article for the BBC, Billy Bragg said that "Many young fans had discovered his music through file-sharing...and paid for his music in other ways, such as buying gig tickets"(Youngs). Paying for music could even drive young listeners away, because they don't have the money. And if they don't have money, there is no lost sale; there was never going to be one. There is only more exposure, and a chance to pay more in the future.

Although these studies, along with common sense, say that piracy affects revenue, piracy is legal in Switzerland. The government itself conducted a study on the effects of piracy on the industry, and found that there was none (Enigmax). Their law states that it is completely legal to download copyrighted content for your own private use. The government says that the Internet is a distribution tool that should be utilized, not banned. From the citizens surveyed, it was found that people that pirated content actually bought more as well. Their pirating just complimented their purchases, it did not replace them. A similar Dutch study found that "downloaders [were] reported to be more frequent visitors to concerts," and "in the music industry, lesser-known bands profit most from the sampling effect of

file-sharing”(Enigmax). The Swiss also oppose website filtering similar to SOPA for fear of hurting freedom of speech and privacy laws.

### **Rationalization, Support, and Public View on Piracy**

All these studies and court rulings don't change the fact that people still pirate music and movies. People have for years, and will more than likely continue. The question, then, is why? Piracy is illegal in the US and most other countries, but millions of people still do it. And these are not hard, mean criminals; these are your average, normal, (otherwise) law abiding citizens. Many of them would never even consider shoplifting a DVD from the store. Yet so many people steal music and movies online like it's nothing. Without thinking, normal people turn themselves into digital pirates, and that's 100% normal. Piracy has become a common crime, and is so widespread that society has come to accept it, and even embrace it.

One of the ways people come to accept it is by rationalizing it. Studies on the effects of piracy, as referred to above, are both used and completely ignored. As quoted in one of the studies, “...counterfeiters do not have to file annual returns to the Commission on the scale of their illegal activity, which means that the figures put forward for losses caused by counterfeiting are in danger of being subjective, hypothetical and methodologically flawed”(Marshall). The statistics from both opinions are estimates, and are treated as such across the board. Opinions and speculations are thrown in, but there is never hard proof of the effects.

Governments and groups against piracy point to the money lost to piracy. If each illegally downloaded file represents a lost sale, then the industry loses billions of dollars every year. And if those



losses continue their rate of growth, artists may not be able to support themselves. Content creators work hard on what they do, and deserve the credit and money for their efforts. That is why we have copyright laws in place.

Groups for piracy say that those statistics only assume each stolen file is a sale, and is a complete loss of money. They say that people often steal music and movies for the same reason most convicts steal; they don't have the money. If someone doesn't have the money to buy a movie, downloading it for free isn't losing a sale, it's gaining a viewer. That viewer can then tell others about the content, who then may have the money to pay for it. A prime example is the most pirated TV show: HBO's *Game of Thrones*. It is the most pirated TV show for two reasons; HBO is a premium, monthly service, and they make the DVDs very exclusive and expensive. People don't want to pay a monthly premium for one show, so the general public will wait till the DVD release. But HBO waits almost a full year to release the latest season. Meanwhile, each episode is available immediately online, for free, on P2P torrent sites. So many people willing to pay for the content are simply unable to, and see no other option than to illegally download the show instead. But even then, those people will talk about the show, and popularity will spread. Chances are someone with more money or patience will hear about the show from someone who stole it, and eventually pay for the content. Through them, someone stealing *Game of Thrones* resulted in a sale, or even a monthly subscription to HBO. Such chains of events help rationalize piracy.

Similar arguments are made regarding music. Many music fans like to experience new music, but may not want to pay for something they may not like. So they torrent an album or two, and get into an artist. That same person may then go and buy more albums to support the artist, or go to a concert,

buy a t-shirt, or other band merchandise. Once they're really into a band, they will start telling their friends. Music is a very social part of our culture; anyone who listens to music is bound to share. Those friends are now exposed to a new band, and will buy their music. It's all a chain of events connecting online pirates and people who are willing to pay.

Some people justify piracy by saying how people have always shared music or traded movies, and that had never been a problem in the past. Bootleg recordings of concerts were not only common, but often preferred by enthusiasts. People also copied cassette tapes or vinyl records to duplicate music, and never had been fined or arrested. The introduction of the Internet only made existing sharing easier. Opponents say that's exactly the issue: copying physical recordings was complicated, and therefore uncommon, and the Internet made the problem rampant and pertinent.

The final reason piracy doesn't bother people is that it seems like a victimless crime. When someone robs a store, they take the copy of the movie, and the store no longer has it. When someone puts a copy of a file online, they still have a copy. The uploader is sharing it willingly, and the downloader is just taking it. No one in the trade loses anything. But the anonymity of the Internet hides the fact that there really is a victim: the creators of the movie. In every illegal download, the company loses money in the form of a potential sale. Many downloaders don't realize that, and will continue without qualms.

### **Ramifications of Piracy**

All these discussions bring to light the many sides to piracy that make it such a hard issue to tackle. Pirates do not want to stop downloading, and any attempt by the government to stop them is

either ineffective or met with opposition from the public. If measures are not taken, piracy will continue and cause more harm to companies. Supporters deny this, and still continue to steal. There is simply no middle ground where both the public and the government can be happy.

If no decision is reached, then piracy will just continue. Although companies lose money to pirates, the money lost does not, and will not have a huge effect. Movie studios and record labels have survived and thrived despite internet piracy. Box office revenues in 2012 reached an all-time high at over \$10 billion, despite illegal downloading(Ernesto). Companies will continue to survive on legal sales, and pirates will continue to steal copies. The cycle will continue until a legal alternative is found. Music is already moving to free online streaming, and websites like Netflix and Hulu that stream movies and TV (for a monthly fee) are gaining popularity. Until those sites are free, piracy will continue.

If piracy does continue, how will it affect the public, and why should they care? Imagine if the lost sales really did harm companies. Studios would be unable to fund big-budget movies, which make the most money. Record labels wouldn't be able to support funding and advertising for as many artists, and could lose big-hit artists. There would be a general drop in production value and content, leading to declines in sales as well. The entertainment industry is a huge part of our economy, and often reflects the situation of the nation. When our economy is up, consumers will spend more on entertainment, and vice versa when it's down. A big drop in the entertainment industry could contribute to a deeper recession, and cause more economic problems.

Although that is an extreme, we still should be concerned. Piracy may not be a problem for big studios, but smaller indie studios would suffer more. They don't have any other source of income, and survive on sales. If lots of people pirate an indie movie, that studio could not make enough money to

survive. Small studios and businesses are an important part of our economy, and are just as important as big studios. Though they may not have a massive impact, they provide a financial foundation for the country.

Because of the inevitability of piracy, studios and labels have had to rethink how they distribute content. The Internet is the future of how we consume media, and piracy has caused companies to recognize that. Napster showed record labels how easily music could be distributed, and soon after, they adapted. Today, that model is still changing with online streaming with companies like Pandora Radio and Spotify. For movies and TV, sites like Netflix and Hulu allow users to watch unlimited movies for a monthly fee. All these services are new and risky to big companies and their investors. Since they have adapted, those services have grown and brought in more revenue.

## **Conclusion**

Since the introduction of the Internet, online piracy has pit copyright law and corporate profits against the general public's freedom of speech and right to privacy, with strong opinions on both sides. Those losing money from stolen content continue to enforce and augment copyright laws to prevent piracy, while those downloading fight fiercely for their "right" to share. This debate has raged for almost two decades, and is still a constant issue around the world. The global scale of piracy and the openness of the Internet only make this a harder crime to catch and regulate.

Making it even harder, there are many ways to pirate content. Online peer-to-peer sharing started with Napster in 1999, and evolved into torrents by 2006. Now not only are there millions of torrents online, there are also sites like Megaupload that host illegal content on their sites. These

websites and services stay afloat by circumventing US laws and hiding in foreign countries.

The problem with piracy is that each download is a violation of copyright law, and the original content creator loses money. The lost sales add up to billions of dollars in losses, which has noticeable effects on our economy. The movie industry loses over \$6 billion to piracy every year, and the music industry loses another \$6 billion as well. In addition to lost revenue, jobs and taxes are lost as well from pirating.

US legal actions to stop piracy, like SOPA and PIPA, have only been met with opposition from the public due to their vagueness and misallocation of power to the copyright holder. Both these laws allowed copyright holders to take down an entire website without due trial. Because of that power, hundreds of websites protested against SOPA, and caused it to fail. Internationally, Switzerland allows piracy, based on studies that show there is no economic effect.

Despite piracy being illegal in most countries, people will still continue to download illegally. It is easy to do and can be rationalized with common sense arguments. If someone pirates a movie because they don't have the money to buy it, then arguably there was no lost sale. Even if it was a lost sale, more downloads will spread the popularity of a movie or TV show, and drive up legal sales from others. The only way companies can combat piracy is by providing free and legal alternatives for consumption.

If we are to find any middle ground, we need to iron out all the legal and digital complexities of piracy. Then all parties need to agree on a deal that allows Internet users to be free to express themselves online without infringing on copyright. Until then, downloading free music and movies is something that people will fight for, and use any excuse to continue doing. Piracy will live on for now, and if companies do not adapt to the future of entertainment, then their ships will sink to the depths.

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