

## CALIFORNIA'S SOFTWARE PIRACY CRIMPS BUDGETS; LOST REVENUES COULD HAVE FUNDED THOUSANDS OF HIGH TECH WORKERS AND POLICE OFFICERS

*Study Shows Software Theft is Significant Problem in Eight Key US States;  
Two California Companies Settle Claims of Unlicensed Software,  
Agree to Pay \$125,000*

**Washington, DC (July 16, 2008)** – The theft and use of unlicensed personal computer software in California is well above the national average, causing serious economic and social impacts. This is among the findings of the [2007 State Piracy Study](#), released today by the Business Software Alliance (BSA), an international association representing the software industry and its hardware partners.

The national average for software piracy in 2007 was 20%, meaning that one in five pieces of PC software installed in the United States were unlicensed. California's rate is 25%—which is also 25% above the national average and the second-highest rate of the eight states studied. Of the seven other states included in the study, piracy rates ranged from a high of 27% in Ohio to a low of 18% in New York. The study was conducted by IDC, the information technology industry's leading global market research and forecasting firm.

Software piracy in California cost software vendors an estimated \$1.36 billion, the highest of any state and higher than the *national* figure for ninety-eight other countries. Lost revenues to a wider group of software distributors and service providers cost an additional \$3.88 billion, enough to hire nearly 16,000 tech workers. The lost state and local tax revenues in California would have been enough to hire more than 7,500 experienced police officers.

"If one out of every four or five cars on California's roads were stolen property, it would be a major scandal," said BSA Vice President of Anti-Piracy and General Counsel Neil MacBride. "Not only is software piracy a problem for the industry, but it really creates headaches for the companies involved."

"The most tragic aspect is that the lost revenues to tech companies and local governments could be supporting nearly 16,000 new jobs and much-needed social services in California," he added.

The report describes several factors that affect each state's piracy scene. For example, California has the highest portion of workers in small business, which is more prone to piracy than big business due to a lack of resources and a higher-than-average use of volume licensing, which may lend itself to lax software management if companies fail to keep track of the number of software copies deployed. These factors push the state's piracy rate to 25%, well above the national average.

### Revenue Shortfalls Cost Jobs and Local Services

The following table shows the piracy rates of the eight states studied, as well as some of the associated economic and social impacts:

	2007 Piracy Rate	Lost State & Local Taxes in 2007 (\$M)	New Middle Schools (1)	Affordable Housing Units (2)	Police Positions (Sergeant) (3)	Propane Powered Transit Buses (4)
Arizona	21%	\$51	4	362	791	193
California	25%	\$556	28	2,884	7,524	2,098
Florida	19%	\$154	11	1,199	2,503	582
Illinois	22%	\$158	11	1,229	2,566	596
Nevada	25%	\$27	2	209	436	101
New York	18%	\$344	25	1,786	3,727	1,299
Ohio	27%	\$165	8	1,430	2,829	624
Texas	20%	\$223	11	1,732	4,018	840
<b>Total</b>	<b>20%</b>	<b>\$1,679</b>	<b>100</b>	<b>10,831</b>	<b>24,395</b>	<b>6,335</b>

1. Using data from National Clearinghouse for Educational Facilities

2. Based on data from [www.nationalpriorities.org](http://www.nationalpriorities.org)

3. Based on data from [www.salary.com](http://www.salary.com)

4. Based on purchases by Brownsville, TX, 30-foot coaches

### BSA Settles with Two California-Based Companies

Many companies continue to use illegal software in their day-to-day business, and thus BSA continues to focus on stopping such unauthorized software use. For example, BSA is announcing this week the conclusion of settlement agreements resulting from claims of software piracy involving two companies based in California. As part of the settlement agreements, Western Power Products Inc. of Bakersfield and Z Gallerie of Gardena paid a combined total of \$125,000 and agreed to delete all unauthorized software and purchase any necessary licenses to become compliant.

Each year, BSA receives nearly 3,000 reports of software piracy to its website [www.bsa.org](http://www.bsa.org) and hotline, 1-888-NO PIRACY. The majority of BSA's leads come from current or former employees who have information relating to the unlicensed software activity.

Under BSA's "Know it, Report it, Reward it" program, individuals who provide qualified reports of software piracy are eligible to receive up to a \$1 million cash reward. However, fewer than half of the sources opt for the reward. Informal studies conducted by BSA suggest that a key driver for reporting software piracy is the motivation to simply "do the right thing."

"For companies such as Western Power Products and Z Gallerie, not only can the use of unlicensed software potentially trigger an external audit or even a lawsuit, it can also create security vulnerabilities, productivity breakdowns and hidden internal support costs," MacBride added. "To avoid such risks, businesses must create, communicate, and enforce an effective software asset management (SAM) program," MacBride said. Organizations can download a variety of free SAM tools from BSA's website at [www.bsaaudit.com](http://www.bsaaudit.com).

The BSA-IDC State Piracy Study covers piracy of all packaged software that runs on personal computers, including desktops, laptops, and ultra-portables. The study does not include other types of software such as server- or mainframe-based software. IDC used proprietary statistics for software and hardware shipments and enlisted IDC analysts in more than sixty countries to confirm software piracy trends.

For more details or a copy of the complete study, visit [www.bsa.org/statestudy](http://www.bsa.org/statestudy).

**Business Software Alliance** ([www.bsa.org](http://www.bsa.org)) is the foremost organization dedicated to promoting a safe and legal digital world. BSA is the voice of the world's commercial software industry and its hardware partners before governments and in the international marketplace. Its members represent one of the fastest growing industries in the world. BSA programs foster technology innovation through education and policy initiatives that promote copyright protection, cyber security, trade and e-commerce. BSA members include Adobe, Apple, Autodesk, Avid, Bentley Systems, Borland, CNC Software/Mastercam, Corel, CyberLink, McAfee, Microsoft, Monotype Imaging, PTC, Quark, Quest Software, Siemens PLM Software, SolidWorks, Sybase, Symantec, and The MathWorks.

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