Online Piracy

Christian Helmers

16 April 2015
Online piracy

• Digital technologies:
  • Create, transform, copy data
  • Digital technologies: transmission, display and analysis of data through **copying**

• Enabled large-scale online **piracy**

• Piracy: illegal copying of copyrighted material online
  • Music
  • Movies
  • Ebooks/audiobooks
  • Software

• Note: *Piracy* is not an offense of timeless character, universally definable by a priori criteria. It is far richer and trickier than that. (Johns, 2009:4)

• Beware: often very ideological debate
P2P: Napster
## P2P: The Pirate Bay

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P2P: LimeWire *Pirate Edition* ("Not an equivalent, not a replacement, but the exact same thing")
### Movies Torrents

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### TV Shows Torrents

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Direct downloads: Megaupload
Direct downloads: many anonymous options

All your media, anywhere you go

Get Started   Learn More
Online piracy

- Digital technologies:
  - P2P music sharing software: Napster, KaZaa, Morpheus, Grokster, BitTorrent sites, etc.
  - Direct downloads, file repositories
  - Cracking software

- Enabled large-scale online piracy

- Importance of digital platforms for sharing

- File sharing market organized in private groups with tightly controlled access (non-profit)

- Filehosters often for-profit
• **Negative effect on copyright owner:**
  - Pirated copies substitutes for legal downloads (but lower quality files may limit substitution)
  - Inability to price-discriminate
  - Inability to control prices

• **Positive effect on copyright owner:**
  - Sampling (learning)
  - Space shifting (use P2P software to play legal music)
  - Recommendations
    - Increases demand for other related services (e.g. concerts) and products (e.g. merchandise)

• If piracy lowers prices, net effect on revenue unclear (lower prices could lead to increase in demand)
What is the immediate impact of P2P? (Oberholzer-Gee and Strumpf, 2007)

- Impact of P2P file-sharing on legal music sales
- Rise of file-sharing platforms coincides with decline of music sales
- Estimate effect of illegal downloads on legal sales
- Address endogeneity through German school kids (change in P2P supply during their holidays!)
What is the immediate impact of P2P? (Oberholzer-Gee and Strumpf, 2007)
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- Find no effect of file-sharing on music sales (even largest results suggest P2P responsible for less than 10% of overall sales decline)
- If anything, file-sharing increases diffusion, most file-sharing users would most likely not have purchased legal music anyway
What is the long-run impact of P2P? (Waldfogel, 2012)
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Music might be different...

- What makes (digital) music special?
  - Music and performance closely linked
  - Borrowing and copying commonplace
- Average musician makes little money from copyright (causal link with piracy? Unlikely!)
Music might be different...

Estimated annual music-related income

Source: DiCola, 2013
Music might be different...

Sources of music-related income

- Touring/shows/live performances fees (28%)
- Teaching (22%)
- Salary as an employee of a symphony, band or ensemble (19%)
- Session musician earnings (10%)
- Other (7%)
- Money from songwriting/composing (6%)
- Money from sound recordings (6%)
- Merchandise sales (2%)

Source: DiCola, 2013
Music might be different...

Sources of music-related income and copyright

Source: DiCola, 2013
What about movies? (Strumpf, 2014)

- Impact of P2P file-sharing on box office revenue
- Effect of releases of movies onto file sharing networks on stock prices at Hollywood Stock Exchange
- Find small impact on revenues
- Low quality of shared files and missing theater experience
- Maybe movies are special too...large screens, social interactions etc.
What about movies? (Strumpf, 2014)

Source: Strumpf, 2014
What is the impact of filehosters? (Peukert et al., 2013)

- Impact of filehosters on legal boxoffice sales
- Use unexpected shutdown of Megaupload to gauge effect of piracy on sales
- Differential effect on revenue of ‘small’ (negative) and ‘very large’ (positive) movies
- Evidence for importance of peer recommendations (which are enabled by piracy)?
What is the impact of filehosters? (Peukert et al., 2013)

Relative Weekly Worldwide Search Volume

- Megaupload, --- Megavideo

Source: Google Trends.

Source: Peukert et al., 2013
What is the impact of filehosters? (Peukert et al., 2013)

*Log Weekend Revenues, Over Time*

Mean over all countries, 2012, 2011

Source: Peukert et al., 2013
What is the effect of free access on piracy?
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**Game of Thrones Takes Crown for Online Piracy**

Nolan Feoney @NolanFeoney  |  Aug. 17, 2014

**Fans illegally download Game of Thrones 300,000 times every day**

_Correction appended_

_Game of Thrones rules over all challengers when it comes to online piracy._

Just a few months after setting online downloading records with its season premiere, the hit HBO show...
What is the effect of free access on piracy?

- What is the effect of accessibility on piracy?
- To what extent is piracy driven by a lack of legal access?
- Free access to music: Youtube, etc.
- Pay-per-view access to movies: Amazon, Netflix, etc.
- Empirical evidence hopefully soon!
What have we learnt?

- Strong push to eliminate piracy (e.g. Digital Millennium Copyright Act or Stop Online Piracy Act – SOPA)
- But futile
- And empirical evidence at best mixed – if anything does not provide evidence for substantial harm caused by piracy
- But piracy can have positive effects – directly for copyright holders and indirectly for consumers
- Still...anti-piracy measures can have important effects on internet access and access to digital content!

- **The pirates, in all too many cases, are not alienated proles. Nor do they represent some comfortably distinct outsider. They are us.** (Johns, 2009:4)