

# WHO CARES ABOUT SOFTWARE PIRACY ANYWAY?

## A DISCUSSION PAPER ABOUT SOFTWARE LICENSING AND COPY PROTECTION

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**Y**ou will know it takes a huge amount of work to develop your software and what a great feeling it is to see your creativity in use. However, while some developers get a kick out of simply seeing their software being used most of us would like some financial recognition for our work.

[The Business Software Alliance](#) (BSA), says 41 % of all software in use is pirated, and that's a pretty annoying if it's your IP that being stolen – 40% of the value could be coming to your bottom line. It's not just that someone is stealing your potential income; it's also the fact that your ideas and all that work that went into designing and testing your application is being taken abused without your control. This year's study shows:

**Piracy up on a global basis:** PC software piracy rate rose for the second year in a row, from 38 percent to 41 percent, largely because PC shipments grew fastest in high-piracy countries such as China and India.

**Dollar losses up:** The retail value of unlicensed software — representing revenue “losses” to software companies — broke the \$50 billion level for the first time in 2008. Worldwide losses grew by 11 percent to \$53 billion. Excluding the effect of exchange rates, losses grew by 5 percent to \$50.2 billion.

*Many developers prefer to avoid the ‘piracy’ problem or think it won’t happen to them, but the reality of the situation is that the problem is extremely large and it affects even the smallest software developers.*

If you doubt the scale of software piracy, the experience of a customer of Nalpeiron gives a very clear “real world” example. The customer had sold 7,000 copies of its software, but had 40,000 downloads of the upgrade! In other words, for every copy sold legitimately, a further five illegal copies were in use. They had no idea about this problem until it was too late; they had lost \$100,000s in desperately needed revenues. ***They didn't think they needed protection until they saw the cold hard facts!***

### IF THEY COPY MY SOFTWARE THEY WOULD HAVE NEVER PAID ANYWAY

This is an interesting argument I do hear and we believe it is simply “putting your head” in the sand. If people can do so easily, as you have a home grown protection scheme or none at all, then maybe that's true but what about all your own customers and businesses that could clearly afford to pay you, why do they “pirate software” as many have been proven to do?

In our view it's a combination of lack of tools to easily manage licensing for end users i.e. they don't know how many licenses they have bought over time and just install on all their PCs regardless or they can easily do it, so they do. What a lot of users don't realize when they purchase software, they are actually purchasing a license to use it, not the actual software. Most users don't bother to read the EULA and just install until they are prevented from doing so.

However, if the software is protected properly then much of the “casual” copying is removed and this will result in a revenue bump from 10-20% in our experience. So not all 41% of the piracy reported will convert to dollars but a big proportion can do, and for most developers that's a good deal of money that's easy to collect with the right attitude and supplier support.

## I DON'T WANT TO MAKE MY END USERS ANGRY

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You need some way to protect the intellectual property rights of your software but you don't want to make life too painful for your end users. Anyone who's cursed licenses that don't allow us to use software we've legitimately licensed, or struggled to find a hardware dongle or move licenses between PCs, will know how annoying copy protection can be.

Nalpeiron finds that many software developers shy away from using copy protection because they believe it will irritate their honest customer base, and that they won't actually get that many extra sales from people who would otherwise pirate the software. Many products do aggravate users but high quality user-friendly solutions do exist and buying one that matches strong protection with ease of use is our advice.

For example, Nalpeiron produce a hosted solution that makes it very easy for end users to activate or move their licenses with one click on the Internet, or they can "self serve" from a browser if behind a corporate firewall or use the powerful hosted CRM solutions that come with the service to get licensed fast and easily, without the usual hassle. Indeed, users can even login to the "portal" and see what licensing they have bought and consumed!

## IT'S JUST TOO MUCH HASSLE AND COST TO PROTECT MY APPLICATIONS

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What we need is a simple to buy and simply to deploy system that doesn't cost the earth. One that doesn't need lots of maintenance and capital cost would be great too. A hosted model meets these needs at a low cost and without the hassles of "rolling your own" protection.

Today many of the older styles of licensing are being replaced with modern technology using the Software as a service (SaaS) model that enables fast execution and time to market, pay as you go pricing and very little setup and capital cost. You can use a Hosted Licensing Service to manage the licensing – generating encrypted keys plus tracking, managing, revoking and reporting on the licenses along with preventing license infractions.

One attraction of a Service is that it is automated and managed for you, so freeing you from the need to devote expensive engineering and capital resources to handling the licensing side. This reduces the overhead on skilled staff spending time issuing authorization keys and sorting out licensing.

## LOW COST "WRAPPER" SOLUTIONS SEEM TO BE EVERYWHERE, ARE THEY THE ANSWER?

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Wrappers are easy to use and cheap, no doubt, but they have one big flaw – they are easy to "crack" and that crack will unlock every software product that used the technology. An API-based copy protection system (not a wrapper) that lets you include copy protection code in your software so that each installation is uniquely associated with the customer's particular computer is far more secure. There is no generic 'crack' on the web to unwrap every application; your protection is unique to you. A good system doesn't rely on entries in the system registry or on a 'fingerprint' file as Nalpeiron believes such techniques are also very poor protection.

## WE WANT A LIGHT TOUCH; WE DON'T JUST WANT TO "SHUT OFF" OUR CUSTOMERS

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There's nothing more annoying to customers than just being locked out of their software. The whole "guilty until proven innocent" model doesn't show your users much trust or respect. The best type of solutions are flexible and user friendly. For example the Nalpeiron Licensing Service™ uses an automated 'Overdraft' facility to handle any "over use". If someone within an organization exceeds the license limit, the license code and the associated registered user details are flagged along with the details necessary to enable customer service staff to contact the user of the code to find out more. You then have the choice of either allowing the use to continue, or to ask for more license fees! Either way the user gets the "benefit of the doubt" and is not treated harshly.

## I NEED THE LICENSING TO WORK WITH ALL MY OTHER SYSTEMS LIKE CRM AND E-COMMERCE

This is a very big reason many developers are forced to build their own licensing system in-house. Almost all older style systems are very inflexible, don't support modern technologies or simply provide a server script that needs work to integrate.

Popular products like Acreesso's Flex require extensive customization and installation that can cost more than building your own system. What developers need is a modern web based service that exposes a full range of secure software and web services API's so it can be controlled by their systems quickly and simply.

## HOW DO WE DECIDE BETWEEN A HARDWARE DONGLE AND SOFTWARE ACTIVATION SERVICE?

We often get asked this and it's a big question. Both will provide about the same level of protection if you choose a high quality solution, despite the myths to the contrary. Both have benefits and issues. The main reasons people like dongles is that they are very simple plug and go. The downsides are they are expensive (\$30-40 per user), get lost and stolen and are rather an old paradigm. In today's "now" world, shipping hardware seems very arcane.

## DO WE DEFEND OURSELVES FROM PIRACY OR JUST ACCEPT IT?

This is always a heated debate and my view is that you need to decide what side of the fence you want to sit on!

So in our opinion if you sell a professional product and want to keep most of your customers honest and also treat them with respect you can either not bother and hope for the best or use a "friendly" copy protection scheme. As the founder of a company that makes Software Licensing Solutions, you can guess I am pro sensible measures to keep customers honest without creating real hassles for them and turning them off.

My company Nalpeiron (<http://www.nalpeiron.com/freetrial>) has many customers like you that have seen big increases in revenues as well as lower support costs when using Software Copy Protection.

It's a trade off both in terms of your own view on IP protection and the likely returns vs. the costs. I founded my business because I wanted to protect my IP and also the end user experience and if that's what you are looking for too then using a strong software protection solution could be what you need too.

## NALPEIRON LICENSING SERVICE: OUTSOURCE TO REDUCE COSTS AND DRIVE NEW REVENUES NOW.

The Nalpeiron Hosted Licensing Service™ (NLS) is the solution of choice for over 1000 software developers of all sizes, including Reuters, Symantec, Asyst and Texas Instruments.

**NLS lets you add secure, flexible licensing to the software you write. Helping you grow your software business using modern software licensing tools that increase customer satisfaction, reduce costs and drive revenues.**

Experience the Nalpeiron Licensing Service™ with a fully functional 30 day trial. Check out these features:

- Simple, easy and fast to deploy (hosted/on-premise)
- Hosted service - free support & maintenance
- Platform agnostic - Windows (x86 & x64) and Mac
- Easy integration with your own systems
- Maximize revenues - ActiveMarketing plug-in suite
- Reduce costs - lower engineering/capital costs

Test your application in a live environment and review the whole process from setup to integration in just a few hours. Visit [www.nalpeiron.com/freetrial/](http://www.nalpeiron.com/freetrial/)