

What is piracy? essay sample



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Piracy is the unauthorized duplication of an original recording for commercial gain without the consent of the rights owner. The packaging of pirate copies is different from the original. Pirate copies are often compilations, such as the "greatest hits" of a specific artist, or a collection of a specific genre, such as dance tracks. The problem of piracy has arisen with the rapid advance of technology. New techniques of printing, recording and fixation of broadcast or recorded programmes have emerged, making it easy for the pirates to carry on their illegal activities. Piracy is an illegal and criminal activity. Who Suffers ?

Piracy costs the Music Industry and the Government millions of rupees each year. Not only does India rank among the top 10 countries affected by piracy, it loses an astounding sum of nearly Rs 450 crore (Rs 4.5 billion) to pirated music. Apart from adding nothing to the creative process, pirates evade payment of royalty, excise duty, sales tax and the promotion and publicity costs. CONSUMERS suffer when they discover that they have bought a poor quality product, and supported theft of intellectual property. Also due to poor quality of CDs, the CD player is also affected.

ARTISTS and other right holders suffer since pirate recordings do not earn them any royalties. When revenue from top selling hits is lost to piracy, companies cannot afford to invest in specialist areas and offer consumers a wider selection of music.

GOVERNMENT suffers as pirates do not pay taxes. It is estimated that piracy results in loss to the exchequer to the tune of some Rs. 190 millions in Sales Tax, Excise duty and Income Tax, in 1997.

PIRATES alone gain. When a pirated copy is sold, money goes to criminals, not to the artists, other right owners, Music Companies or the Government.

Piracy in films occurs under the following Circumstances

Pirated CD's

Illegally shown on Cable

P2P transfer

Availability on the NET

Music Piracy occurs due to following:

Availability of Pirated CD's.

Copying of cassettes.

Internet and P2P download.

Playing of Music in Hotels & Restaurants.

Public Events

Estimates attempting to measure the loss caused by piracy are problematic because of their methodology. A variety of problems arise: Decrease in Sales of Legal Copies

The number of additional authorized copies that would be sold is not equal to the number of illegally duplicated copies. Pirates typically sell their wares at prices substantially discounted from street prices; the substantial price discounts induce some people to purchase the product who would not

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otherwise do so. In addition, some unauthorized copies are produced for noncommercial reasons (e. g., making a copy for a friend). There is a substantial difference between getting a copy for free from a friend and having to pay the street price; hence some of these copies would not be purchased if the consumer had to pay something approximating the street price. Retail Price Effects of Piracy

Street prices are affected by the extent of illegal commercial copying. The availability of inexpensive, high-quality illegal copies reduces the demand for legal copies to the extent that some users buy illegal copies instead of legal ones. Interestingly, the effect on the street price of legal copies can either be positive or negative. ■ Positive: The street price will rise if most price-sensitive consumers switch to illegal copies while the most price-insensitive consumers do not. The resulting market for legal copies will have less price-sensitive demand, thereby causing the manufacturer's profit-maximizing price to increase, which partially offsets the reduction in sales attributable to piracy. ■ Negative: The street price will fall if consumers do not differ very much in price sensitivity. In this case all consumers are equally likely to buy from a pirate if given a chance, so that the effect of piracy is to make the demand for legal copies more price elastic. 3 If demand is more elastic, the profit-maximizing monopoly price falls and the proper calculation of the loss to rights holders must include profits lost on legally sold copies (because piracy forced the price down), as well as profits lost from pirated copies.

Estimating the Amount of Piracy

Assuming that the extent of unauthorized copying can be estimated with reasonable accuracy, one cannot assume that all unauthorized copies are

illegal and representing piracy. In fact, the exact definition of what is and is not an example of legal copying is a matter of controversy. Different opinions on the legality of various actions lead to different statistics on the extent of and hence economic consequences of piracy.

The Expectation of Piracy

The expectation of illegal copying may cause some products not to be marketed at all, because the manufacturer does not believe that legal sales would be sufficient to recover the costs of production and distribution. In this case the loss to rights holders is the profits and royalties that would have been earned had the product been created and brought to market.

Consumers also suffer a cost in this situation, equal to the difference between the values they would have placed on this product less the price they would have paid for it. Non-profit Losses

There are of course also losses from piracy that do not (directly) concern profits. Counterfeit copies of movies, for example, can degrade the reputation of the movie maker in the eyes of viewers who see those badly made copies. A Past Piracy Problem

In June of 1996, the largest ever video piracy operation in the United States was dismantled in New York. The nationwide counterfeit business sold more than 100, 000 pirated videos a week, grossing approximately \$500, 000. The investigation, dubbed “ Operation Copy Cat”, culminated when search warrants were executed by the New York City Police Department, assisted by the MPAA, on 17 locations, including four labs. Authorities arrested 36 people and seized 817 VCRs, 77, 641 pirated videos, \$40, 000 in case, 37, 000 blank

cassettes, more than 100, 000 sleeves, labels and other sophisticated equipment used in the duplicating process. The economic impact on MPAA member companies is estimated to be more than \$87 million a year.