APPENDIX B: METHODOLOGY
INTERNATIONAL INTELLECTUAL PROPERTY ALLIANCE (IIPA)
2012 SPECIAL 301 REPORT ON COPYRIGHT PROTECTION AND ENFORCEMENT

BUSINESS SOFTWARE

The Business Software Alliance’s calculation method compares two sets of data – the number of new software units installed (based on hardware shipments and software load), and the legal supply of new software units. The amount of pirated software is equal to the difference between paid-for or legitimate packaged software units and the total software base. The piracy rate is the percentage of the total packaged software base that is pirated.

The total amount of software, legitimate and pirated, installed during the year (the total software base) is obtained by multiplying the number of new hardware units and the number of existing hardware units getting new software by their respective software loads.

Hardware shipments are determined from tracking data on 60+ countries that IDC collects as a matter of routine. For the additional 30+ countries and markets, the data was either collected in-country or modeled regionally out of our rest-of region estimates. The basic tracking data is generated from suppliers, including local suppliers. Similarly, the hardware-installed base is based on this tracking data. The software load is the amount of software units installed and/or pre-installed (OEM) on the computers during the year. To obtain the number of software units for each type of hardware platform, including those running software on Windows and those running software on non-Windows operating systems, Ipsos Public Affairs surveyed more than 15,000 business and consumer PC users. In 2011 the surveys were conducted, online or in-person, in 32 markets that make up a globally representative sample of geographies, levels of IT sophistication, and geographic and cultural diversity. Respondents were asked how many software packages, and of what type, were installed on their PC in the previous year; what percentage were new or upgrades; whether they came with the computers or not; and whether they were installed on a new computer or one acquired prior to 2010. The results of these surveys were used to populate our input models for the other countries. Within software load, IDC accounted for:

- Software running on new computers
- New software running on existing computers
- Software obtained from retired computers
- Software obtained for free as shareware or open source
- Software that runs on Windows and non-Windows OS

Legitimate software shipments are determined by dividing the software revenues in a country by the average system value (ASV) for that country. Software revenues are captured annually in 60+ countries by IDC software analysts around the world. Revenues are gathered from interviews with suppliers in the country and cross-checked with global numbers and financial statements. For the countries not normally covered by IDC, the data were either collected in-country or modeled regionally out of our rest-of-region estimates. Software revenues are gathered by type – such as application, infrastructure, and development tools – and by software running on Windows and non-

1The 2011 survey covered 12 mature markets (Australia, Canada, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom, and the United States) and 20 emerging markets (Argentina, Brazil, Chile, China, Colombia, Czech Republic, India, Indonesia, South Korea, Malaysia, Mexico, Nigeria, Poland, Russia, Saudi Arabia, South Africa, Thailand, Turkey, Ukraine and Vietnam).
Windows operating systems. It was also allocated to software running on new systems bought during the year and on systems that were already in place.

ASVs are estimated country-by-country, by country and regional analysts, for five software categories (e.g., collaboration, office, security, OS, other) for each hardware type and Windows and non-Windows software. Prices were gathered from IDC’s pricing trackers, local research, and interviews with the channel. The included adjusting for OEM and channel-loaded software, as well as software from local suppliers. ASVs were gathered in the appropriate currency depending on how the country analysts collected software revenues.

Commercial value of pirated software is calculated off the piracy rate and the market for legitimate software in a country. For instance, if the piracy rate is 60% and the market $100 million, then the legitimate market is 40% of the total value of all software, which would be $250 million ($100M/40%). Pirated software is that total minus the legitimate market ($250M-$100M). Thus the value of pirated software is $150 million. The U.S. vendor portion of that commercial value is computed by multiplying the value of pirated software by the percentage market share of U.S. vendors in a particular country.

BSA’s 2011 software piracy statistics will not be available until after the filing deadline for this submission, but will be released in mid-May, at which time piracy rates and U.S. software publishers’ share of commercial value of pirated software will be available at www.iipa.com. The 2010 statistics reported in the country appendices follow the methodology compiled in the Eighth Annual BSA and IDC Global Software Piracy Study (May 2011), http://portal.bsa.org/globalpiracy2010/index.html. These figures cover, as discussed above, packaged PC software, including operating systems, business applications, and consumer applications such as PC gaming, personal finance, and reference software – including freeware and open source software. They do not cover software that runs on servers or mainframes, or routine device drivers and free downloadable utilities such as screen savers.

ENTERTAINMENT SOFTWARE

In select countries, the Entertainment Software Association (ESA) provides rankings to demonstrate anecdotally the growth of online game piracy through the use of linking and hosting sites to make unauthorized copies of particular ESA member game titles. The methodology underlying these estimates is as follows:

Vendors for ESA’s online enforcement program monitor for connection activity involving approximately 230 of ESA members’ leading game titles on major public P2P networks. The data is broken down, by country, based on the country of operation of the ISP.

This data is only a subset of the overall downloading activity occurring during the monitoring period, as it accounts only for file sharing connections made through certain P2P protocols (BitTorrent, eDonkey, Gnutella, Ares) for purposes of sharing particular game files. ESA’s reporting on P2P activity does not take into account downloads of these titles that occur directly from hosted content, such as games found on “cyberlockers” or “one-click” hosting sites, which appear to account each year for progressively greater volumes of infringing downloads.

Because it is premised on a selection of ESA member game titles, this methodology does not take into account piratical activity involving unmonitored member titles and titles of non-member publishers. In addition, this methodology likewise does not take into account piratical activity for unverified copies of titles being shared on P2P networks.
MOTION PICTURES

In select countries, the Motion Picture Association of America has provided estimates regarding activity around unauthorized copies of major U.S. movies on major peer-to-peer protocols during 2011. The methodology underlying these estimates is as follows:

Peer Media Technologies utilizes a network of scanning and monitoring technologies to report unique instances of a user attempting to download or upload an unauthorized copy of a major U.S. movie on a given day, across the most heavily trafficked online peer-to-peer networks (BitTorrent, eDonkey and Ares). A major U.S. movie is defined as a movie released in 1,000 or more theaters in the U.S. The file is identified based on filenames that a reasonable person would believe are associated with a specific release and the country is recorded from the country of origin of the user’s IP address.

These estimates reflect only a subset of movie-related piracy activity occurring during the monitoring period, as it accounts only initiated downloads or uploads of major U.S. films through the listed P2P protocols. It does not include (1) downloads/uploads of unauthorized copies of movies that are not major U.S. releases, including local titles, through these P2P protocols; (2) downloads/uploads of unauthorized copies of any movies via other P2P protocols or through non-P2P technologies (e.g. websites); or (3) streaming of unauthorized copies of any movies via any technologies. Also, since local language title versions for scanning – particularly in non-Roman characters (e.g. Japanese, Chinese or Korean) – are not always available from established sources, and access to foreign language BitTorrent sites may fluctuate, results in certain countries are likely underrepresented. Finally, these estimates do not cover any activity related to television content.

RECORDS AND MUSIC

The Recording Industry Association of America (RIAA) has in various markets data from the local industry or from executives with responsibility for the particular territory. Any estimates contained within the country appendices to this Submission are based on local surveys of the market conditions in each territory. Each submission is reviewed against a range of sources:

- Market surveys by anti-piracy personnel and/or third parties;
- Optical disc industry and CD-R burning data provided by third-party consultants;
- Legitimate sales;
- Enforcement data and anti-piracy developments;
- Historical piracy estimates;
- Where possible, economic indicators, professional surveys and academic studies of piracy or counterfeit goods.
- Where possible, legitimate revenue from online and mobile networks.

Any monetary figures as to harm to the music industry in most cases reflect estimates of the level and value of pirate sales of U.S. repertoire. This does not take into account downstream (or value chain) losses from high piracy levels acting as a drag on the economic development of legitimate markets. Where possible, losses and piracy rates occurring via online and mobile networks are reported and would be so designated in the text of the country report.