

## MS Assists in Largest-Ever Piracy Bust

**Stung by the loss of billions in revenue, MS helps FBI and police shut down a China-based counterfeiting ring. The global syndicate is responsible for most fake software around the world, Microsoft says.**

By Aaron Halabe

Microsoft's anti-piracy experts played a pivotal role in the sting this week of the biggest suspected counterfeit-software operation ever. Raids and arrests July 23 in China culminated a painstaking, six-year probe of a global syndicate accused of making and selling more than \$2 billion in phony Microsoft products.

In China, 290,000 discs were seized, worth \$500 million, and six manufacturing lines dismantled, the FBI said. In the United States, the agency confiscated \$2 million in counterfeit software.

"This case should serve as a wake-up call to counterfeiters," said Brad Smith, Microsoft's general counsel, in a prepared statement. "Customers around the world are turning you in ... and private companies will act decisively to protect intellectual property."

Counterfeiting robs the global software industry of an estimated \$40 billion a year. David Finn, Microsoft's associate general counsel for anti-piracy, wouldn't speculate on the arrests' long-term impact, but suggested that Microsoft has taken a big bite out of piracy for now. "The overwhelming majority of counterfeit software all over the world links to this syndicate in China," he said.

### 'Very Sophisticated Forgeries' Span Globe

The syndicate, based in the Guangdong province, allegedly started distributing the counterfeit software, certificates of authenticity, and retail packaging in 2001. The first counterfeit product involved in this probe, Windows Millennium Edition, appeared in Southern California in 2001.

Tens of thousands of customers subsequently contacted Microsoft after they discovered that they owned pirated software by way of the online [Windows Genuine Advantage](#) tool, which debuted in 2004. More than 1,000 submitted their software to Microsoft for analysis.

"We go to a lot of trouble to produce very-difficult-to-simulate materials in our discs – the edge-to-edge holograms and the security thread that's in our certificates of authenticity," Finn said. "These were very sophisticated forgeries with the kind of quality that most people even inside Microsoft wouldn't recognize as counterfeit."

Microsoft's global anti-piracy team comprises 75 attorneys, investigators, paralegals, forensic and technical specialists, intelligence analysts, and product-identification analysts. This group helped the FBI examine more than 55,000 forged software units that authorities had recovered via test purchases, raids, and Customs seizures. The counterfeits spanned 27 nations and five continents. They included Microsoft Office and Windows client and server versions, and 10 other Microsoft product titles in eight languages.



"I consider fraud and leakage prevention one of the company's most important priorities if we are going to win against piracy," David Finn said.



Copies of pirated software are displayed in a Beijing shop.

### Electronic 'Fingerprints' Pointed to China

As counterfeit products were recovered globally, security specialists identified subtle variances in Microsoft technologies, and distinguished unique product "fingerprints" using 175 characteristics that can indicate where a disc originated. With permission, Microsoft also evaluated e-mail exchanges between partners and suppliers, gathered invoice and bank-account details, and shared the data with law-enforcement officials.

"We had numerous meetings, information-sharing, and tactical discussions about where the offenders may be and the best methods of finding them and tracing the software," Finn said.

Following the information along distribution channels, authorities were led to a common source – the China group. China's government has come under increased pressure to step up its protection of intellectual property. It has been the subject of discussion among governments worldwide.

"The Chinese [Public Security Bureau] really took strong and determined action in this case," Finn said. "Governments and law enforcement agencies worldwide are increasingly aware of the importance of protecting intellectual property. This case is an example of China's commitment to that value."

### Combating Pirates Is an Uphill Struggle

The bust was part of a broader effort. In the past 18 months alone, worldwide law enforcement agencies seized more than one million units of counterfeit Microsoft software.

Despite the success, counterfeiters, like spammers and phishers, will continue to pursue weaknesses in software distribution, Finn said. Criminals will step up theft and acquisition of volume license keys, he predicted.

"We'll see increased pressure from the bad guys to get their hands on genuine software by taking advantage of vulnerabilities in our supply chain and distribution system," he said.

Previous offenders have self-identified as Microsoft partners to receive heavily discounted software. Intended for resellers to showcase to prospective customers, the software sometimes end up in the hands of bogus partners such as bowling alley proprietors or other small businesses, who sell the copies for profit.

"We have not been as sensitive to the fraud and leakage problems as we need to be, given the growing sophistication of the criminals looking to steal from Microsoft and our partners," Finn said. "We have ... sources of genuine media and product that pirates are not supposed to get their hands on, but they do," Finn said. "This is why I consider fraud and leakage prevention one of the company's most important priorities if we are going to win against piracy."

Do you have comments or questions



The light blue shaded areas indicate 27 nations from which counterfeit software was traced to a single syndicate.