

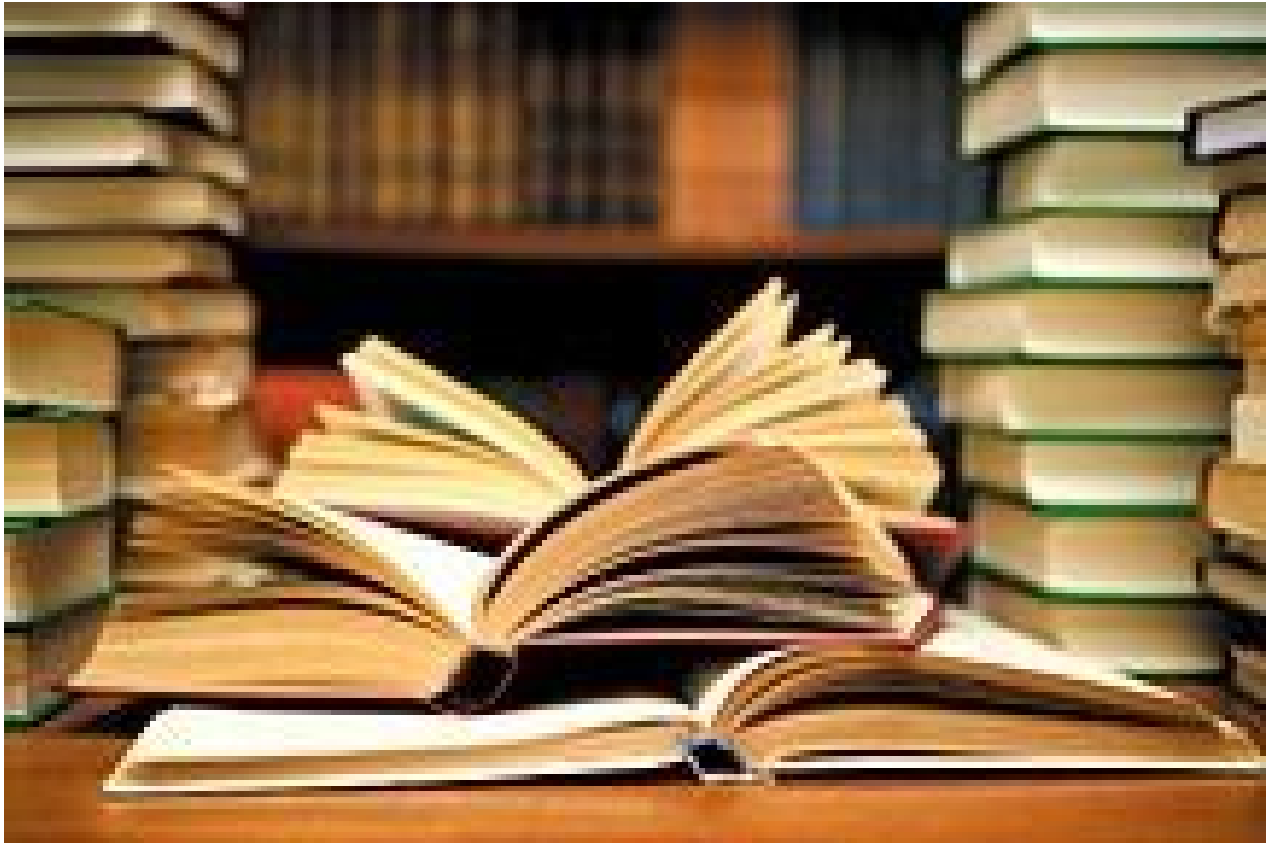
BILLING / FEES / INSURANCE

AOM Textbook Industry Threatened by Pirated DVD

ESTIMATED SALES LOSSES COULD EXCEED \$1 MILLION ANNUALLY

Editorial Staff

During the fall 2006 textbook season, which began in late August and extended through early October, Redwing Book Company, a major book distributor in the acupuncture industry, noticed an unprecedented decline in sales to schools of acupuncture and Chinese medicine all over the United States. Because Redwing must anticipate in advance the orders it will receive in order to estimate stocking requirements, it is in touch with schools and school bookstores on a regular basis and was aware that there were no nationwide enrollment declines, school closures or other events that could explain this phenomenon. In fact, given the marketing campaigns of several publishers and the enrollment estimates of the major schools, Redwing should have been seeing sales increases.



Bob Felt, one of the owners of Redwing, called most of the textbook customers at the schools and discovered what appeared to be an unexpected trend of downward sales. In some cases, the declines were relatively low percentages (10 percent), but still surprising. In other cases, the declines were very large (88 percent) and completely unexplainable. At every school contacted, there was some decline in sales, averaging 41 percent overall. Around this same time, publishers in the acupuncture industry began to hear rumors that a pirated DVD containing professional texts was in circulation at schools all over the United States. Although initially unable to find substance to these rumors, Redwing continued to follow the problem and track the downward trend in book sales.

The Scope of the Piracy

After many weeks of quiet sleuthing, Felt received a copy of one of the DVDs in circulation from an anonymous source. The DVD contained 162 books, almost equally divided between Chinese medical texts and Western medical texts, representing most of the books required of students in accredited programs - and with a retail value of more than \$5,000 per disc. Rumors suggest the disc is only one of several in circulation around the country, but no one in the Chinese medical publishing industry has been able to obtain any additional discs. Owners at the companies affected assume the different versions in circulation are the result of student-to-student selective copying.

The Financial Impacts

"This problem is huge," said Honora Lee Wolfe, marketing director at Blue Poppy Enterprises, Inc., which has been publishing books in the acupuncture industry for more than 20 years. "It is important to keep in mind that the figures we are looking at so far represent only one semester of a multiple-semester problem. We have yet to determine how this will affect sales in 2007, but we know that a few people have lost jobs because of it. I would not be surprised if at least a few school bookstores closed in the coming months."

Redwing saw an immediate and unprecedented drop in sales, beginning in August 2006, with a total net loss of \$225,757 in just three months. "This is unprecedented," Felt said. "Enrollments are stable or higher, textbook prices are either unchanged or higher, there are more schools, and yet sales levels have not been this low in more than a decade."

Since the pirated DVD also contains textbooks for the second-semester sales season (January-March 2007), equivalent declines are likely. A reasonable estimate of sales declines to be recorded by Redwing alone for the 2006-2007 academic year is \$450,000. This does not include the losses of individual schools and stores or the losses of several other publishers in the industry, including Reed-Elsevier and Eastland Press. Reed-Elsevier has estimated its losses at approximately \$200,000 for its Complementary Medicine Division. Projected over the academic year, the total damage caused by this pirated DVD can be conservatively estimated at \$650,000, with similar effects in the future, as long as the DVD remains in circulation. Were full information available from all publishers, it would not be surprising to see this piracy affecting more than 1 million dollars in sales in each academic year.

"In such a small industry, this level of intellectual piracy is devastating," Wolfe said. "If we cannot maintain control of our intellectual property, we have to really consider whether or not to keep publishing beyond the contracts we already have signed and whether to keep our current backlist in print at all."

Actions Taken So Far

"We are fairly certain of [by whom] and where the original DVD was created. Some computers that touch these disks may leave a fingerprint on them in one way or another," said Bruce Staff, business manager at Blue Poppy. "This information has been turned over to the FBI, because the amount of lost sales involved makes this crime a felony according to federal copyright law. We do not know how long it will take them to investigate the case."

In December 2006, a letter was sent out to every school of acupuncture and Chinese medicine in the United States, asking for their help in putting a stop to the piracy and offering some suggestions of how the problem might be handled. While the publishers involved in the creation of this letter considered whether informing everyone might have an impact on any FBI investigations, "We know that doing nothing will have a negative impact on our sales for the coming semester," said Staff.

School Response

Various options for schools have been suggested, from amnesty for students who turn in their copy of the disk, to requiring all students to bring their books to class in order to be counted as in attendance. Some schools are considering stronger responses, such as expulsion of any student caught participating in the piracy.

"Book theft is a great concern for our entire profession, presenting a question of both ethics and economics. It also creates a psychodynamic quandary that is difficult for the individual to overcome," said Will Morris, President of the Academy of Oriental Medicine at Austin. "Society expects people who wish to be physicians and healers to have high standards of behavior. Further, learners caught in such a crime are at risk of expulsion in any academic environment."

According to Ewa Hammer, director and CEO of Dragon Rises College of Oriental Medicine, the school is considering a very stringent policy in response to this issue. "While the policy has not yet been officially adopted, we are considering dismissal of any student caught possessing, duplicating,

or distributing this or any illegal DVD. Copyright infringement is a violation of the law and a violation of the high ethical and moral standards that DRCOM requires of its graduates."

Lixin Huang, President of the Council of Colleges of Acupuncture and Oriental Medicine (CCAOM), has strongly urged all AOM college administrators and faculty to take immediate and appropriate action to address this situation. Ms. Huang further states that, "it is essential that our students be instilled with a strong sense of impeccable ethical conduct during their formative academic careers. Those ethics, if insisted upon by AOM schools, will assist the students in carrying those standards into their professional and personal lives after graduation. It is absolutely essential for the benefit and reputation of the AOM profession that our students and graduates adhere to the highest ethical standards."

As our profession moves forward in the digital age, we can hope that Jack Miller, President of Pacific College of Oriental Medicine in San Diego, is correct in his assessment of the situation. "In this digital age, the issue of privacy is something we must all examine in our own conscience. Even though the law and our college policy is quite clear that this is theft and will be dealt with accordingly, it is unfortunately, difficult to police. Because of that, we have the responsibility, not just as healers but as ethical human beings, to be honest because it is the right thing to be for one another, not just because we fear punishment by the law. I think the digital age gives us many gifts, and maybe the greatest one will be to show us who we really are and what we're really made of. I am confident that acupuncturists and acupuncture students will rise to the challenge of this ethical dilemma."

FEBRUARY 2007