

Hollywood Revs Up Anti-Piracy Push, Aided by 'Wolverine' Leak

By Michael White

April 6 (Bloomberg) -- Hollywood was already revving up to lobby Washington for tougher anti-piracy enforcement before "X-Men Origins: Wolverine" leaked onto the Internet.

The film's illegal posting last week, a month before News Corp. releases it to theaters, has given studios and their allies in Washington more ammunition to press for federal aid against piracy and highlight the cost to the economy.

"There are a lot of jobs that aren't going to exist because of theft, a lot of investments aren't going to be made," U.S. Representative Howard Berman, chairman of the House Foreign Affairs Committee, said in an interview.

Studios will ask Congress for added enforcement at a hearing Berman will lead in Los Angeles today and at another later this month in Washington. Hollywood also wants President Barack Obama to create a White House czar on intellectual property, as provided in legislation signed by his predecessor.

An unfinished copy of "X-Men Origins," a summer tentpole movie from Twentieth Century Fox, was leaked onto the Web and downloaded possibly hundreds of thousands of times, according to Berman. Three prior "X-Men" films had worldwide ticket sales of \$606 million, according to researcher Box Office Mojo LLC.

"Piracy is really a dagger in the heart," said Dan Glickman, head of the Motion Picture Association of America and the industry's chief lobbyist.

Industry Losses

Movie and DVD counterfeiting cost entertainment companies, including studios, theaters and video stores, at least \$18 billion a year, according to a 2005 survey commissioned by the industry. That includes about \$11.1 billion from illegal sales of DVDs and \$7.1 billion in Internet sales, said John Malcolm, head of the MPA's anti-piracy effort.

The problem is getting worse and is hurting home-video revenue, Walt Disney Co. Chief Executive Officer Robert Iger said at a Deutsche Bank conference on March 3.

Berman, a Democrat who became chairman of the foreign affairs committee last year, said the position will enable him to put pressure on foreign governments that don't abide by agreements to prevent piracy.

The recession may also help Berman convince others in Washington that theft of intellectual property is a threat to the U.S. economy. Glickman has pointed out that the film and television industries generate consistent trade surpluses.

Berman singled out China as a country that could do a better job of combating piracy. Last summer, during the Beijing Olympics, Chinese officials were aggressive in preventing counterfeit use of the official logo, Berman said. It demonstrated that they could do the same for U.S. films and television shows, he said.

Past Help

A telephone message seeking comment from the information office of China's State Intellectual Property Office wasn't immediately returned today, a holiday in China.

Premier Wen Jiabao told Francis Gurry, director-general of the World Intellectual Property Organization, in Beijing on April 1 that China will continue to strengthen intellectual-property protection, which he called "a requirement for national development and state-to-state contact" and a way to show "respect for the value of human labor."

Hollywood has turned to the federal government for help before. In April 2007, the U.S. Trade Representative filed two complaints against China at the World Trade Organization aimed at stopping piracy of movies, music, software and books. A decade earlier, the U.S. was poised to levy billions of dollars in sanctions against China before getting a pledge that the government would adopt new measures to curb illegal copying.

Hollywood Money

With a Democratic president and larger majority of Democrats in Congress, Hollywood is asking again. Democrats received 90 percent of the \$14 million that movie industry workers and executives gave in 2008 election contributions to federal candidates and political parties, according to the Center for Responsive Politics, a Washington-based research group. Obama received \$3.4 million. The industry is the top contributor to Berman, who represents Los Angeles' San Fernando Valley, furnishing \$1.3 million from 1989 to 2008. Hollywood executives including Walt Disney Studios Chairman Dick Cook will outline specific goals in their testimony. One of the industry's broader aims is to convince members of Congress that the film industry, like other U.S. businesses, needs help.

'Working People'

“There is this generalization out there that Hollywood is an entity that’s just rolling in money and is filled with movie stars,” Glickman said in an interview. “The film industry employs 1.5 million people. Ninety-eight percent of them are working people.”

While box-office sales are rising, theater attendance is only part of the picture. Most movies don’t become profitable until after home-video revenue and, in many cases, sales to television networks, are factored in, Glickman said.

“I’ve since talked to an awful lot of senators who didn’t understand it very well,” said Glickman, who served as agriculture secretary under President Bill Clinton and was a member of Congress from Kansas.

Ticket sales in the U.S. and Canada have increased almost 15 percent to \$2.57 billion this year, according to researcher Media By Numbers LLC. Attendance is up 13 percent. DVD shipments in the U.S. and Canada fell 32 percent in the fourth quarter, according to Los Angeles-based Digital Entertainment Group.

The industry would also like to restore tax breaks for studios that were stripped out of President Obama’s economic stimulus plan by the Senate Finance Committee.

“We hope we can get that turned around,” Glickman said.