

March 24, 2010

**FILED ELECTRONICALLY**

To: Victoria A. Espinel, United States Intellectual Property Coordinator  
Office of Management and Budget, Executive Office of the President

From: Motion Picture Association of America, Inc.

Re: Request of the Intellectual Property Enforcement Coordinator for Public  
Comments Regarding the Joint Strategic Plan, 75 Fed. Reg. 8137 (February 23,  
2010)

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The Motion Picture Association of America, Inc. (MPAA) is a trade association representing the six major motion picture and television production studios.<sup>i</sup> On behalf of our member companies, and all of the hard working men and women who create and distribute the motion pictures and television programming enjoyed by consumers the world over, we appreciate the opportunity to provide information in support of your efforts to craft the initial Joint Strategic Plan as required by the PRO-IP Act.

As you will see in greater detail below, the livelihoods of millions of American creators, talent, craftspeople and workers depend upon a strong and vibrant production industry. Although overcoming challenges is not new to the American production industry, the rampant theft of movies and television programming is a particularly pernicious threat that requires a comprehensive and focused response from all stakeholders, including the federal government. In creating the Office of the USIPEC, Congress, working in a bi-partisan fashion, recognized the importance of protecting American creativity to our nation's overall strength. In developing the Joint Strategic Plan, and seeking public input, the IPEC has started a process which will ultimately help the United States more effectively protect the hard work and creativity of millions of Americans. We commend this effort, and are pleased to be a part of this process.

In addition to this filing, the MPAA will also provide data and recommendations under the auspices of the Copyright Alliance, as well as a filing from the International Intellectual Property Alliance addressing international enforcement issues, and as part of a joint filing involving many vital members of the American creative community, including the Directors Guild of America, the International Association of Theatrical and Stage Employees, the Screen Actors Guild, the American Federation of Television and Radio Artists, the Recording Industry Association of America, and the National Music Publishers' Association. This document incorporates by reference those comments and provides supplemental information to assist in the development of the Joint Strategic Plan.

As the United States, and in fact the world, has faced difficult economic times in recent years, the need to guard against the theft of intellectual property has become increasingly important. There is no question that the promotion and protection of America's creative product is in the best interest of our nation's long-term economic strength. President Barack Obama made this point very clear in recent comments in Washington, D.C:

[W]e're going to aggressively protect our intellectual property. Our single greatest asset is the innovation and the ingenuity and creativity of the American people. It is essential to our prosperity and it will only become more so in this century.<sup>ii</sup>

America's creative community makes products that consumers desire, creates jobs and helps keep our economy strong. The theft of intellectual property stymies creativity and innovation, costs Americans jobs, and hurts our overall economic strength. A study of the impact of piracy on the American motion picture and television industry found that in 2005, absent the theft of copyrighted movies and television programs, 141,030 new jobs would have been created, and American workers would have earned an additional \$5.5 billion in annual wages.<sup>iii</sup>

Accordingly, any truly meaningful consideration of intellectual property theft must include an understanding of who is most directly impacted by piracy. In this filing, we will provide the IPEC and the United States government with up-to-date, detailed information about the American motion picture and television industry and the men and women all across this nation who help make this industry a world leader. When the theft of intellectual property curbs production and slows innovation, it is these people that mostly directly feel the negative impact.

### **A Nationwide Enterprise:**

Traditional perceptions of the American motion picture industry conjure images of studios in Southern California, and on-location shooting on the streets on New York. While our industry is rooted in both of these historic places, today the American motion picture and television industry is a national concern with workers spread from coast to coast.

The motion picture and television industry is a major private-sector employer that supported 2.4 million jobs, and over \$140 billion in total wages in 2008.<sup>iv</sup>

This employment contribution includes the following direct categories of jobs, which generate \$41.7 billion in wages, and an average salary (\$55,600) 26 percent higher than the national average<sup>v</sup>...

- Over 296,000 jobs in the core business of producing, marketing, manufacturing and distributing motion pictures and television shows, across every major occupational group. These include people employed in film and television production-related jobs on a free-lance basis, part time or full time at major studios, independent production companies, and core industry suppliers like film labs, special effects and digital studios, location services, and prop and wardrobe houses dedicated to the production industry, among others.
- Over 453,000 jobs in the related businesses that distribute motion pictures and television shows to consumers, including people employed at movie theaters, video retail and rental operations, television broadcasters, cable companies, and new dedicated online ventures.

...as well as the indirect jobs and wages supported in companies doing business with consumers, such as retailers, themed restaurants, theme parks, and tourist attractions, and in a wide cross-section of companies doing business with the industry, such as apparel and accessory retailers, car rental and sales dealers, caterers, dry cleaners, florists, hardware and lumber suppliers, transportation companies, and thousands of other vendors.

### **Production in all 50 States:**

Jobs created by the industry are located in every state in America. Although many of the core production-related jobs are still located in California and New York, nearly 40 percent are now located outside those states. Every single state has jobs of this kind. Most notably, in 2008, these jobs grew significantly in states like New Jersey (+8%), Georgia (+31%), Pennsylvania (+33%), and Massachusetts (+45%). Following are a few specific examples focusing on the role that direct production-related jobs and businesses alone play in states:

- **Illinois** has the fifth most direct production jobs in America, after California, New York, Florida and Texas, with more than 7,500 direct production jobs and \$430 million in related wages. It's also in the top five nationally in production-related businesses, with more than 1,500 businesses in the state specifically dedicated to the production industry. It has the largest amount of industry vendors, after California and New York – with 4,700 vendors serving the production industry, totaling \$1.5 billion in payments from the industry, in 2008. Some key titles that filmed in Illinois during that period were the movies *Public Enemies* and *The Informant!*, and the television series *ER*, *Judge Mathis*, and *The Oprah Winfrey Show*. *ER*, which was the longest-running production ever to film in Chicago, contributed nearly \$33.5 million into the local economy during its 16-year stint filming in Chicago.<sup>vi</sup>

- **Louisiana** is home to more than 3,500 direct production-related jobs, which paid more than \$150 million in wages. There are more than 440 businesses in Louisiana dedicated to the production industry, businesses like the new full-service media production facility launched in New Orleans, Second Line Stages<sup>vii</sup>, and the new local film-transportation companies, NOLA Film Logistics and Hollywood Trucks.<sup>viii</sup> In total, vendors working with the production industry in 2008 numbered more than 1,300, receiving \$252 million in payments. Key titles that filmed in Louisiana during 2008 include *Cadillac Records*, *Miracle at St. Anna*, and *The Family that Preys*, and the television series *True Blood*.
- **Massachusetts** reached the top 10 in the country in direct production-related jobs, with more than 3,700 in 2008, a notable 45 percent increase over the number of jobs the year before. It has more than 1,000 specific production-related businesses, such as effects company Brickyard VFX, which saw its staffing almost double in 2008.<sup>ix</sup> Massachusetts was also among the leaders in the country in terms of industry vendor payments, with more than 3,400 vendors serving the production industry in 2008, receiving \$739 million in payments. Some key titles that filmed in Massachusetts during that period were *Shutter Island*, *Paul Blart: Mall Cop*, and *The Proposal*.
- **Michigan** is in the top 10 in America in direct production-related jobs, with more than 4,000 jobs paying nearly \$200 million in wages, and in production-related businesses, with more than 1,300. These production-related businesses include Detroit's "With A Twist" visual effects studio. The studio employs around 40 people, providing services including 3D effects that can be seen in the latest *Alice in Wonderland* film.<sup>x</sup> Vendors serving the production industry in Michigan were paid more than \$74 million in 2008. Key movie titles filming in Michigan during that period were *Gran Torino*, *The Day the Earth Stood Still* and *Whip It*. Additionally, Michigan will be the site of several new production studios, expected to create nearly 6,000 new jobs.<sup>xi</sup>
- **Pennsylvania** is also in the top 10 in the country in direct production jobs, at more than 4,700, one-third (33 %) more jobs than the year before. Pennsylvania is home to more than 1,200 specific production-related businesses, including Shooters Post & Transfer, a Philadelphia production company which doubled its employees from 33 in 2001 to 66 in 2008.<sup>xii</sup> Pennsylvania had the sixth most industry vendor payments nationally, with \$981 million paid to more than 2,500 vendors serving the production industry in 2008. Key titles that filmed in Pennsylvania during that period were *Marley & Me* and *She's out of My League*.

### **Small Business and Production:**

The motion picture and television industry is a nationwide network of small businesses, comprising more than 95,000 businesses in total in 2009,<sup>xiii</sup> including:

- Over 49,000 businesses involved in film and television production-related activities, including not only production studios but core industry suppliers such as wardrobe companies and camera equipment firms. These businesses are largely entrepreneurial small businesses: 93 percent employ fewer than 10 people. They are located in every state in the country; in fact, the majority (64%) are located outside of California and New York.
- Over 45,000 businesses involved in distributing films and television shows to consumers, including movie theaters, specialized video retail and rental operations, television broadcasters, and cable companies, among others. These businesses are also spread far and wide across the country – 80 percent are outside California and New York.

Motion picture and television production relies on a network of businesses to bring projects to fruition, not only the core industry suppliers noted above, but also innumerable general suppliers, such as caterers, lumberyards, apparel retailers and florists. In 2008, the production industry alone made \$40.0 billion in direct payments for goods and services to more than 144,000 businesses large and small, in every state in the country.<sup>xiv</sup> Business such as:

- A helicopter company in Ketchikan, Alaska
- An antiques business in a small town in Alabama
- A local production company in Little Rock, Arkansas
- A marketing company in Phoenix, Arizona
- A greeting card company in Boulder, Colorado
- A logistics company in Terre Haute, Indiana
- A lighting company in Boston, Massachusetts
- An air conditioning company in Gaithersburg, Maryland
- A local cinema in Charlotte, North Carolina
- A catering company in a small town in New Mexico
- An art studio in Portland, Oregon
- A paper company in Philadelphia, Pennsylvania
- A cleaning company in Nashville, Tennessee
- A stunts company in Park City, Utah
- A furniture moving company in Milwaukee, Wisconsin

### **Increasing the Tax Base:**

The motion picture and television industry is a significant tax revenue generator. In 2008, it generated \$15.7 billion in public revenues in the United States.<sup>xv</sup> This included \$12.9 billion in income taxes at the federal level, including unemployment, Medicare and Social Security, \$2.0 billion in income taxes at the state level, along with sales taxes on goods.

Other taxes paid, but that could not be quantified for this study, include corporate income taxes, property taxes and business license taxes. Also not included are tax revenues generated by indirect employment.

### **Competing Around the World:**

The American motion picture and television production industry remains one of the most highly competitive around the world. In 2008, the enduring value and appeal of U.S. entertainment around the world earned \$13.6 billion in audiovisual services exports, a six percent decrease over 2007 but over 30 percent more than in 2004.<sup>xvi</sup>

Moreover, this industry is one of the few that consistently generates a positive balance of trade. In 2008, that surplus was \$11.7 billion, or seven percent of the total U.S. private-sector trade surplus in services. The motion picture and television surplus was larger than surpluses of the telecommunications, management and consulting, legal, medical, computer and insurance services sectors.

### **Conclusion:**

In sum, the contributions of the motion picture and television production industry to our nation's economic strength are significant. Due to the hard work of millions of creators, talent and craftspeople, this industry provides consumers with products they want; creates jobs; helps our economy grow. However, the threat posed by the theft of intellectual property to the livelihoods of these people and this industry is real. For that reason, we commend the USIPEC for beginning the process for developing a comprehensive and effective strategic plan for the United States government to implement and help curb the growing problem that is the theft of copyrighted works. We are committed to this process and look forward to working with the IPEC and all relevant agencies in the coming days.

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<sup>i</sup> The Walt Disney Studios; Paramount Pictures Corporation; Sony Pictures Entertainment Inc.; Twentieth Century Fox Film Corporation; Universal City Studios LLLP; and Warner Bros. Entertainment Inc.

<sup>ii</sup> See “Remarks by the President at the Export-Import Bank’s Annual Conference,” at the Omni-Shoreham Hotel in Washington, D.C., March 11, 2010 (<http://www.whitehouse.gov/the-press-office/remarks-president-export-import-banks-annual-conference>).

<sup>iii</sup> Institute for Policy Innovation, “The True Cost of Motion Picture Piracy to the U.S. Economy,” by Stephen E. Siwek, September 2006.

<sup>iv</sup> Analysis of total jobs and wages (direct and indirect) using U.S. Bureau of Labor Statistics (BLS) data and SIC to NAICS bridge, industry data, and the RIMS II model of the U.S. Bureau of Economic Analysis (BEA).

<sup>v</sup> U.S. Bureau of Labor Statistics, National Compensation Survey

<sup>vi</sup> Chicago Mayor’s Office Press Release, “Mayor Daley thanks cast, crew and producers of Warner Bros. Television’s ‘ER’ for their contributions to Chicago,” 01/30/09.

<sup>vii</sup> Fox 8 News WVUE TV, “New Film Studio Gives Hollywood South Boost,” 03/03/10.

<sup>viii</sup> New Orleans CityBusiness, “Louisiana Businesses Building Movie Industry Infrastructure Needed...,” 10/05/09.

<sup>ix</sup> Boston Globe, “Film Boom’s Special Effect,” by Leslie Brokaw, 06/29/08.

<sup>x</sup> Action News Detroit, “Local Studio Helps Create Wonderland,” 03/10/10.

<sup>xi</sup> Michigan Governor’s Press Release, “Granholm: New Michigan Projects to Create Nearly 6,000 jobs,” 2/3/09.

<sup>xii</sup> Philadelphia Business Journal, “Lights! Camera! Local Impact!” 06/13/08.

<sup>xiii</sup> Analysis of Dun & Bradstreet industry reports.

<sup>xiv</sup> Analysis of studio and network survey submissions received, and industry data.

<sup>xv</sup> Analysis of employment and payments data, using income and sales tax rates.

<sup>xvi</sup> U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, October 2009. The category, “film and television tape rentals,” covers the rights to display, reproduce and distribution motion picture and television programming.