



# ANTI-PIRACY FACT SHEET

Asia-Pacific Region

Illegal motion picture and television piracy is a thriving international enterprise. The Motion Picture Association (MPA) estimates that its member companies lose approximately US\$1.2 billion each year in potential revenue in the Asia-Pacific region alone, and US\$6.1 billion globally. In many countries, MPA member company losses are far outstripped by production, theatrical exhibition, home video distribution losses to local industry, as well as losses to governments in uncollected tax revenues. Consumer spending losses on filmed entertainment worldwide are estimated at US\$18.2 billion.



In 2005, the MPA's operations in the Asia-Pacific region investigated more than 34,000 cases of piracy and assisted law enforcement officials in conducting more than 10,500 raids.

These activities resulted in the seizure of more than 34 million illegal optical discs, 55 factory optical disc production lines and 3,362 optical disc burners, as well as the initiation of more than 8,000 legal actions.

## THE MPA'S ROLE

The MPA represents the interests of six international producers and distributors of theatrical films, home video products, and television programming: Buena Vista International, Inc.; Paramount Pictures Corporation; Sony Pictures Releasing International Inc.; Twentieth Century Fox International Corporation; Universal International Films, Inc.; and Warner Bros. Pictures International, a division of Warner Bros. Pictures Inc.

The MPA, on behalf of its member companies, directs a comprehensive worldwide anti-piracy program. Begun in the U.S. in 1975, the program has several objectives: to strengthen industry security measures, to strengthen existing copyright protection through legislative activity, to assist local governments in the investigation and prosecution of piracy cases, and to provide technical support in the criminal and civil litigation generated by such investigations.

The MPA directs its Asia/Pacific anti-piracy activities from a regional office in Singapore. Worldwide headquarters are in Washington, D.C. and Los Angeles, California. Additionally, more than a dozen anti-piracy offices represent the MPA around the region.

On a worldwide basis, entire markets have been transformed from almost universal piracy to legitimate businesses for both American film suppliers as well as other foreign and local filmmakers. MPA 'source investigations', coupled with security measures, have helped identify and expose international piracy networks that reap enormous profits from stealing the intellectual property of American filmmakers. These profits come at the expense of U.S. studios as well as undermining film producers, distributors, exhibitors and retailers of all nations.

## THE ECONOMIC PICTURE

Moviemaking is a risky business. Contrary to popular belief, moviemaking is not always profitable. Only 1 in 10 films ever recovers its investment from domestic (U.S.) theatrical exhibition, and only four out of 10 movies ever recoups its initial investment.

In 2005, MPA member companies released 190 films, and the average cost per MPA feature film including negative and marketing costs was US\$96.2 million. Although the U.S. remains the largest market for MPA member company films, the international market is very important to the success of U.S. films.

Today, American movies and TV shows are exported to more than 150 nations. The losses suffered to piracy are not only losses to MPA member companies, but also represent a significant loss to local economies. On average, two-thirds of the licensed sales revenue generated overseas stays in the individual countries with one-third going to the governments and one-third to local businesses.

Like every business, the motion picture industry relies on its profits to invest in future products. As piracy negatively impacts profitability, there is less available investment capital. Less capital means fewer movies can be financed, which means jobs are not created and local goods and services are not consumed. The effects of piracy are felt through all sectors of a nation's economy.

In the U.S., copyright industries – movies, home video and television programming, music and sound recordings, books, video games and software – create new jobs at three times the rate of the rest of the economy and are responsible for more than five percent of the nation's total GDP.

## THE LAW

By and large, the countries in the Asia-Pacific region have strong anti-piracy legislation. In addition to criminal remedies, copyright owners may also file civil lawsuits against infringers. Worldwide, more than 80 nations have copyright laws. The MPA and its affiliated organizations work to strengthen these laws, when necessary, and suggest appropriate penalties as part of copyright reform. In some parts of the world where copyright laws are weak or nonexistent, successful charges have been brought against pirates under other statutes, such as stolen goods, trademark violations, smuggling, and failure to pay customs duties. Although the laws are generally good, there is a lack of deterrent sentencing in almost all countries in the region. The MPA is working with the governments of these countries to increase the penalties for copyright violations.

## ORGANIZED CRIME

There is abundant evidence that intellectual property theft has become a preferred fundraising activity for organizations that also number among their pastimes drug trafficking, prostitution and people trafficking. In many Asian countries, including Japan, Hong Kong, India, Malaysia, Korea and the Philippines, copyright theft is included under organized crime or money laundering statutes. For good reason. The piracy business returns stellar profits. Markups on pirated goods average over 1150%, far exceeding differential profits on those from the illegal drug trade. Organized criminal gangs owe and feel no allegiances to governments and nation, nor do they distinguish between local and foreign businesses. The nature and extent of organized crime, and particularly international organized crime, requires an unprecedented response from nation states and the international community. It requires an aggressive allocation of resources in the areas of enforcement, legislative and judicial reform, and education, an allocation of resources that is commensurate with the billions of dollars that are being stolen by these organized criminal networks from the world's creative industries and businesses.

## ILLEGAL DUPLICATION

In order to maximize revenues, a movie studio typically releases a film according to a sequential schedule. Often that chain includes a first exhibition in U.S. theaters, followed by international theaters, the domestic home video market, pay cable, network television and finally broadcast TV syndication. Due to language and special marketing considerations, international home video distribution may trail the domestic release of a film by six months or more. When piracy occurs at the beginning of any of these release cycles, downstream markets are negatively affected.

**Optical Discs:** Pirated optical discs being produced by the hundreds of millions are the biggest piracy problem in the Asia-Pacific region. Pirated optical discs have flooded the market and have seriously affected all aspects of MPA member company businesses – theatrical, home video and television. The main sources of these illegal copies are either 1) an illegal camcorder copy made during the theatrical

showing of the film or 2) an original DVD, by breaking the encryption code to make identical illegal copies. While the majority of pirated optical disc product seized by the MPA is manufactured on advanced commercial replication lines, the declining cost of high-tech equipment and blank discs has led to the proliferation of DVD burner laboratories as well. Working with law enforcement agencies around the world, the MPA seized more than 81 million illegal optical discs in 2005.

**Theatrical Prints:** Theft of a film print from a theater, film depot, courier service or other industry-related facility for the purpose of making illegal copies is a serious form of piracy. Prints may also be purloined from legitimate advance copies used for screening and marketing purposes. At this stage, the pirate is able to make relatively high quality videotapes and optical discs from the theatrical print. It is now very common for pirates to use hand-held video cameras to shoot illegal copies right off theater screens in the U.S. Illicit optical discs made from these copies flood the markets in the Asia-Pacific region within days of their theatrical release in the United States.

**Counterfeiting:** Counterfeit labels and packaging often accompany illegally copied videos and optical discs, especially when they are manufactured for export. Sophisticated labels and markings have been developed by motion picture studios in an attempt to foil counterfeiters as much as possible. Although not a serious problem in the Asia-Pacific region, counterfeiting is prevalent in a number of countries, including Japan and Korea.

**Source Investigations:** As optical disc piracy has become the region's number one problem, the MPA has shifted its focus to address the sources of pirated discs and the pirates who distribute illegal product.

As blockbuster movies increasingly feature near-simultaneous global release dates, illegal camcording – and audio recording that is dubbed onto video camcorder elsewhere – in cinemas is spreading throughout Asia and poses one of the biggest threats to the film industry today. Camcording is a major source of pirate material currently being illegally traded; it occurs at the start of the distribution cycle and therefore negatively impacts the economic opportunities for a film throughout the rest of its life cycle.

Pirate optical disc facilities are capable of producing millions of illegal discs each year, which are then distributed worldwide and sold in stores, on the streets, at swap meets and by street market vendors. Masters for these optical discs are normally videos camcorder right off movie theater screens or copies of a genuine DVD made by breaking the encryption code to make identical illegal copies of the DVD. Counterfeit labels and packaging sometimes complete the process but usually there is no attempt made to hide the fact that they are illegal discs. Pirated optical discs are putting hundreds of legal video outlets out of business throughout Asia. These pirates pay no royalties, no taxes and circumvent the normal censorship channels.

## SIGNAL THEFT

The illegal use of MPA member company product on cable TV systems is another serious problem in the region. Pirates have made businesses out of supplying consumers with illegally received pay channels. This includes receiving signal feed from other cable operators and illegally transmitting it to additional households. Technical safeguards and a vigilant program aimed at prosecuting signal pirates exist and are enhanced regularly. The MPA is increasing the use of civil actions, and continuing its support of criminal prosecutions, to attack these illegal operations.

## UNAUTHORIZED PUBLIC PERFORMANCES

'Unauthorized public performances' is another form of piracy wherein film product is exhibited without the permission of the copyright owner. This could include 'public performances' during which an admission fee is charged by an institution or commercial establishment that shows movies to its members or customers without the permission of the copyright owner. It could also include the 'streaming' of video via the Internet.

## IDENTIFYING ILLEGAL PRODUCT

The presence of any of a series of indicators can help point to pirated product, including the absence of special markings on the packaging, unofficial labeling, tape or disc length that does not correspond to the film's running time. In most countries in the Asia-Pacific region, there is no attempt made to hide the fact that the product is pirated. Pirate product is sold in cheap packaging, the title has yet to be released

in video or optical disc format and the price is ridiculously low. No legitimate film producer can stay in business by selling a major title for fifty U.S. cents.

## INTERNET

Online motion picture piracy is the unauthorized use of copyrighted motion pictures on the Internet. It is illegal to sell, trade, lease, distribute, upload for transmission, transmit or publicly perform motion pictures without the consent of the motion pictures' copyright owner.

Online piracy is a relatively new phenomenon, and, unfortunately, a growing trend. The MPA Internet Anti-Piracy program investigates all forms of online piracy including: Peer-to-Peer, Downloadable Media, Hard Good Piracy, Streaming Media and illegal Circumvention Devices. The MPA is working with the on-line community to develop safeguards against the unauthorized use and distribution of film industry product on the Internet.

## PEER-TO-PEER (P2P)

In many ways, the Internet represents the distribution dream for copyright owners – true video-on-demand via high-quality streaming or super-fast high-bandwidth downloads to the home or to an individual. However, it is equally clear that technology can be used as both a positive and a negative social force. Thanks to technology, movie pirates can now redistribute perfect copies of their stolen content, worldwide, within minutes of obtaining it.

Peer-to-peer (P2P) Internet piracy is the fast-growing online piracy problem facing copyright holders and is inextricably linked to so-called “hard goods” piracy involving illegal videotape and optical-disc copies, which the MPAA estimates costs its member studios \$3.8 billion a year. Losses due to Internet piracy are estimated at US\$2.3 and growing.

Every theatrical release of MPAA members' motion pictures in recent years has been pirated over the Internet and put on P2P file-trading networks, usually after the film has been illegally videotaped in a theater. In turn, hard-goods pirates have used those illegal digital copies to make illegal tapes and discs of the movies. Internet traffic management and network intelligence firm CacheLogic has estimated that 50-65 percent of all Internet download traffic, and 75-90 percent of all Internet upload traffic is P2P-related. The P2P research firm Big Champagne estimated that in September 2005 the average number of files available for download at any given moment on P2P networks worldwide was nearly 2.8 billion.

In Asia-Pacific, P2P piracy is a significant concern in countries with high broadband penetration rates such as South Korea and Japan, and is a threat in all countries with growing broadband user bases. In 2004, Japanese law enforcement authorities effected landmark prosecutions against P2P network pirates and the developer of a P2P network designed specifically to provide users with anonymity and as a result with protection from identification by police. In 2005, a Hong Kong court jailed a man for three months for illegally distributing MPA member company films via the Internet in the world's first criminal case against a user of BitTorrent technology.

## CIRCUMVENTION DEVICES

A circumvention device is any physical medium or digital file that allows for the circumvention of content protection devices put on films, videos, discs, etc. to secure the content. One such circumvention device is the software utility DeCSS. Other common circumvention devices include "black boxes" and other illegal signal theft boxes and Macrovision defeaters

## DOWNLOADABLE MEDIA

Downloadable media refers to online formats that allow motion pictures to be compressed and uploaded for direct download onto a computer. Pirates use downloadable media formats such as DivX, ASF and MPEG to illegally offer motion pictures to other Internet users. Typically, a pirate host will use illegal VCD copies of motion pictures to create digital copies that are recorded into computer files. Using online communication avenues, including chat rooms, Internet Relay Channels (IRC), FTP sites, newsgroups, file swapping utilities and web sites, the host offers these files to other Internet users, who then download the files onto their own computers.

## HARD GOODS

Hard goods piracy refers to the illegal sale, distribution and/or trading of copies of motion pictures in any format, including videocassettes and all optical media product. Illegal hard goods are sold on web sites, through auction sites such as eBay and Yahoo!, and via e-mail solicitations. To combat the prob-

lem, in late 2002, the MPA launched its “Tactics Against Auction Piracy” (TAP) initiative, taking quick action against several online sellers across the U.S. who were selling significant numbers of pirated DVDs via online auction houses. The MPA has since launched the TAP program in a number of countries around the Asia-Pacific region. It is our hope that this program will not only help protect unsuspecting consumers, but also send a message to those engaging in the illegal sale of movies that the motion picture industry is serious about protecting its copyrighted works.

## STREAMING MEDIA

Streaming media are technologies that allow for the transmission or transfer of data that is delivered to the user or viewer in a steady stream in near real time. Streaming is a more efficient format for those who do not have sufficient bandwidth to download media files. Streaming allows data from the file to be opened and watched while the remaining data and the file are still transmitting. Many legitimate sites, such as CNN, stream their shows for video-on-demand online.