

Schapiro Exhibit 42

Message: Daily Clips 02.22.07

Daily Clips 02.22.07

From Jones, Angela **Date** Thursday, February 22, 2007 10:26 AM

To Bauer, Robert; Bernards, Kori; Calabrese, Cheryl; Denhard, Jennifer; Devido, Roberto; Dotan, Jonathan; Ellis, Mike; Executives; Fu, Margaret; Gordon, Marilyn; Graves, Joan; Kaltman, Elizabeth; Lee, Susan; Malcolm, John; Moloney, Geraldine; Phillips, Julie; Riffey, Katie; Schmitt, Karen; Seow, Isa; Smith, Andrea; Solot, Steve; Witt, Andrea; Oster, Seth; Cheetham, Matthew; Alessandra.fragata@fsb.com.br

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Subject Daily Clips 02.22.07

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MPAA Office of Public Affairs
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MPAA Daily News Summary

Thursday, February 22, 2007

Reuters (CNet News)

Google sees video antipiracy tools as priority

By Reuters

Story last modified Thu Feb 22 01:36:43 PST 2007

Google, racing to head off a media industry backlash over its video Web site YouTube, will soon offer antipiracy technologies to help all copyright holders thwart unauthorized video sharing, its chief executive said Wednesday.

"We are definitely committed to (offering copyright protection technologies)," Google Chief Executive Officer Eric Schmidt said in an interview. "It is one of the company's highest priorities."

"We just reviewed that (issue) about an hour ago," Schmidt said when asked what Google was doing to make antipiracy technologies widely available to video owners. "It is going to roll out very soon...It is not far away."

YouTube, which Google acquired late last year, plans to introduce technology to help media companies identify pirated videos uploaded by users. But, to date, the tools are only being offered as part of broader licensing talks, media industry insiders complain.

Schmidt declined to give a specific timeframe of weeks or months to cover all potential users, saying that any move would take time to cover all Google's services, including YouTube, and to be made available to all copyright holders wishing to use the antipiracy technology.

"It is not some product you can just build and leave alone," Schmidt said. Protecting copyrighted material is likely to involve an endless cat-and-mouse game to keep pace with hackers bent on breaking such security tools.

MySpace, the popular Internet social-network owned by News Corp., said last week it would offer its own version of copyright-protection services for free. MySpace is YouTube's biggest rival.

YouTube's "proposition that they will only protect copyrighted content if there's a business deal in place is unacceptable," a spokesman for Viacom, owner of MTV Networks and Comedy Central, complained recently.

Schmidt said Google plans to make video anti-piracy tools generally available to copyright owners. "We have to do that," he said, but cautioned that, "It takes a while to roll this stuff out" on a wide basis.

Earlier this month, Viacom demanded YouTube remove more than 100,000 Viacom video clips from the site after the two sides failed to reach a distribution agreement.

In a statement last week, YouTube said the process of identifying copyrighted material is not an automated process and required the cooperation of media company partners. For instance, a clip of a TV show owned by one company might contain music produced by another, making the process of identifying ownership difficult.

"These matters are very complicated and we are working with our partners to identify and solve these problems," YouTube said in an e-mailed statement issued last week.

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Posted: Wed., Feb. 21, 2007, 4:52pm PT

U.S. charges alleged pirate

Griffiths was leader of DrinkOrDie

By **WILLIAM TRIPLETT**

It took four years, but U.S. prosecutors have scored a major coup in extraditing one of the first suspects involved with some of the most notorious international Web pirate groups.

Hew Raymond Griffiths, 44, a Brit formerly living in Bateau Bay, Australia, appeared Tuesday in U.S. District Court in Alexandria, Va., outside D.C., charged with one count of conspiracy to commit criminal copyright infringement and one count of criminal copyright infringement. Maximum sentence for conviction on both counts would be 10 years in prison and a \$500,000 fine.

According to the Justice Dept., Griffiths was leader of an organized criminal group known as DrinkOrDie, founded in Russia in 1993 and eventually becoming a global operation. With the help of foreign authorities, U.S. officials executed more than 70 raids in five countries in late 2001, effectively dismantling DrinkOrDie. But Griffiths remained at large.

"Prior to its dismantling, DrinkOrDie was estimated to have caused the illegal reproduction and distribution of more than \$50 million worth of pirated software, movies, games and music," the Justice Dept. said in a statement.

Griffiths was also "an elder in the highest echelons of the underground Internet piracy community, also known as the warez scene," statement continued. "He held leadership roles in several other well-known warez groups, including Razor1911 and RiSC. In an interview published in December 1999 by an online news source, he boasted that he ran all of DrinkOrDie's day-to-day operations and controlled access to more than 20 of the top warez servers worldwide. In fact, Griffiths claimed to reporters that he would never be caught."

Griffiths was indicted in the U.S. in 2003. He fought extradition from Australia.

The indictment charges Griffiths with overseeing all illegal operations of DrinkOrDie, which specialized in cracking security codes on protected software and distributing it on the Internet. "Members stockpiled the illegal software on huge Internet computer storage sites that were filled with tens of thousands of individual software, game, movie and music titles worth millions of dollars," the Justice Dept. said.

Reuters (Yahoo News)

Professional content to boost new media sales: IBM

By Kenneth LiWed Feb 21, 1:41 PM ET

Sales of media on the Internet and on cell phones are expected to rise 23 percent over the next four years, driven by TV networks and film studios putting more of content online, according to a new IBM study.

IBM researchers estimated new media sales to grow at nearly five times the rate of traditional media, with the biggest surge coming from the Internet syndication of professionally produced programming, which is expected to jump 33 percent to \$25 billion.

That growth comes from strategies such as Walt Disney Co. offering episodes of hit prime-time shows "Lost" and "Desperate Housewives" for free on ABC.com, or Sony Corp (NYSE:SNE - news). offering a Star Wars-themed multiplayer game on its Web site.

The IBM report is backdropped by Google Inc.'s stalled talks with U.S. television networks to provide TV show programming to the top online video service YouTube.

Eyeing a potentially lucrative market to share advertising revenue with TV networks and Hollywood studios, the service has been in discussions for broader distribution deals.

Big media companies like Viacom Inc. and General Electric's NBC Universal are making their programming more widely available on the Internet, but have failed to land distribution deals with YouTube over deal terms and copyright concerns.

Viacom in February demanded YouTube remove more than 100,000 video clips from the service. NBCU lawyers also demanded the removal of unauthorized content from YouTube, according to a Wall Street Journal report citing unnamed sources.

Still, the Internet syndication of traditional media companies' programming will be a small part of the estimated \$655 billion of annual media revenue in 2010.

The IBM report estimated the music industry will have lost a staggering \$85 billion to \$160 billion in revenue between 1999 through 2010 after dragging its heels to meet the demand for digital media.

"Doing nothing is not an option," according to the report's findings.

The growth rates are on a compounded annual growth basis.

The music industry's reaction to rampant piracy has become a cautionary tale in the media business, spurring big media companies like Disney and News Corp. to forge new strategies to reach viewers wherever they spend their time.

"We're not moving from black and white to color TV – from one steady state to another," Saul Berman, IBM's global media and entertainment strategy leader, said in an interview last week. "We're moving from an era of stability to an era of constant change."

Growth rates are higher for new media businesses, but traditional media sales will still play the biggest role with estimated annual sales growth of 5 percent to \$340 billion by 2010.

So called "walled communities," or networks such as cell phone and cable networks that offer viewer-created programming and revenue from cable and satellite subscriptions and advertising, will rise by 10 percent to \$240 billion by 2010.

"New platform aggregators" such as YouTube and MySpace, which bring together myriad sources of user and professional programming are expected to rise by 16 percent to \$50 billion.

Slowing progress is a perception that returns on new media businesses are seen as more long term-focused compared to the "direct compensation" of existing businesses, Berman said.

eMarketer

'I'd Like to Thank the Academy, and Legal Downloaders'

FEBRUARY 22, 2007

Hollywood is set to add movie downloads to its revenue mix.

Instant gratification has a new name.

It has several, actually. CinemaNOW. Amazon Unbox. AppleTV. Netflix Watch Now.

These products and services are at the forefront of a budding legal Internet-delivered movie industry, which will reach \$5.8 billion in revenues by 2011, according to a new report by [Adams Media Research \(AMR\)](#).

Video downloads alone will account for \$4.1 billion in the US.

Although movie revenues still depend on making films people want to see, downloading is likely to help. Annual Hollywood box office revenues have averaged about \$9 billion in each of the past five years, according to the Motion Picture Association of America. Another \$4 billion a year would mean a giant leap for the industry.

Although the growth of movie downloading raises questions about the future of physical video stores, eMarketer believes that online rentals of physical DVDs will not be seriously impacted by the emergence of digital movie downloads for at least five years. The industry's overall home entertainment revenue picture looks good.

AMR's analysis points to a period of experimentation from 2007 to 2009, during which an ad-supported model will predominate. But as significant numbers of homes connect their TVs to the Internet, consumer spending on downloaded movies and TV shows should expand rapidly and exceed ad spending substantially by 2011.

eMarketer's own estimates for movie downloading are less exuberant, with online TV outpacing movie downloads through 2010.

Although movie downloading is likely a winning proposition regardless, the more conservative numbers recognize several barriers to growth.

As eMarketer senior analyst Ben Macklin notes, "Downloading a digital single or album or even a single TV episode is one thing, but downloading a full-length feature film is another.

"The important element in the success of the iTunes model is the ease of use and immediacy of receiving the product," Mr. Macklin added. "It is actually more convenient than going to a physical store and buying a CD.

"But the value proposition for movies is not quite the same. Apart from the fact that it may take hours to download a movie, the quality is unlikely to match a DVD, and the fact that a user has to watch it on a PC is not attractive to most people."

That said, it is still early days, and if users are able to burn downloaded movies onto DVDs or somehow easily link the PC to the TV, then the online movie sector will open up.

Decatur Daily (AL)

CULTURE SHOCK

Franklin Harris

Big media is watching your iPod

If you think you really own the songs you purchase and download from digital retailers like iTunes, think again.

The same goes for movies and episodes of your favorite television shows.

When you buy a compact disc or DVD, you can take it with you wherever you go, let friends borrow it and play it on any CD or DVD player. But you can't necessarily do that with the digital music and movies you buy online. The reason for that is something called Digital Rights Management.

DRM encoding embedded into songs you buy from iTunes, for example, prevents you from playing the songs on anything other than Apple's iPod or iTunes computer software.

When you buy a CD or DVD, a store clerk doesn't follow you home to see that you use it properly. But, in effect, that's what happens when you purchase digital media online. DRM is like Big Brother, always looking over your shoulder to make sure you don't use the product — for which you paid good money — in some way that the big music publishers and movie studios don't like.

DRM restrictions on TV shows are even worse. With some playback devices, downloaded episodes are automatically deleted or rendered unplayable after a few days whether you've watched them or not.

Not that DRM actually works, mind you. Hackers are always finding ways around it, in spite of legislation that makes doing so illegal. And even the most unsophisticated computer user can burn iTunes songs onto a CD and then copy them right back onto his computer as plain old MP3 files free of DRM. But DRM is an inconvenience, and it is an insult to consumers, who are treated like criminals.

The U.S. Congress, prodded by the Recording Industry Association of America and the Motion Picture Association of America, passed the Digital Millennium Copyright Act in 1998, criminalizing the production and distribution of technology designed to circumvent DRM. As science-fiction author and blogger Cory Doctorow has written, the main effect of the law hasn't been to protect copyrighted material but to stifle new media technologies.

"DRM isn't protection from piracy. DRM is protection from competition," Doctorow has written. He likens it the MPAA's initial opposition to VCRs — before, of course, the movie industry started making more money from home video than in theaters.

Illegal VCRs?

If the entertainment industry had gotten its way, VCRs would have been illegal. Now, it is getting its way, and digital technology is suffering for it.

But the battle lines against DRM are finally being drawn, spurred, in part, by an anti-DRM broadside from an unlikely source — Apple founder Steve Jobs.

Earlier this month, Jobs wrote an open letter encouraging the largest music publishers to abandon DRM.

"Why would the big four music companies agree to let Apple and others distribute their music without using DRM ... ?" Jobs wrote. "The simplest answer is because DRMs have never worked, and may never work, to halt music piracy."

Jobs may have an ulterior motive. European regulators want to force Apple to license its DRM technology to other companies, which would lead to consumers being able to play iTunes music on players other than Apple's market-leading iPod. For Jobs, mutual disarmament is a far better prospect than the unilateral disarmament Europe could force upon him.

But whatever his motivation, Jobs has reopened a debate that the big media empires had hoped to end in 1998. Consumers have little more to lose and their consumer sovereignty to regain.

Franklin Harris, fharris@decaturdaily.com, is assistant metro editor.

CNet News

Surge predicted for spending on video downloads

By Reuters

Story last modified Thu Feb 22 01:28:31 PST 2007

Annual consumer spending on Internet downloads of movies and TV shows will top \$4 billion in 2011, up from just \$111 million last year, according to a study released Wednesday by Adams Media Research.

"The Internet is going to revolutionize the distribution of video," says Adams Media Research President Tom Adams.

The growth will be fueled by the introduction of hardware devices such as Apple TV, a \$299 box that converts videos downloaded from the Internet into signals that can be played on high-definition television sets.

Apple is selling the boxes on its Web site and says they will be shipped later this month.

Adams Media Research is betting that video downloads will ramp up gradually as Apple TV and similar devices win acceptance among consumers.

The market researcher forecasts that sales of video downloads will total \$472 million in 2007, \$1.2 billion in 2008, \$2 billion in 2009 and \$3.1 billion in 2010, and then will hit \$4.1 billion in 2011.

It also predicts that advertiser spending on Internet video streams to PCs and TVs will approach \$1.7 billion by 2011.

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THE MISSISSAUGA NEWS

RCMP seizes pirated DVDs

The Mississauga News

Feb 21, 2007

Three Mississauga men and several local businesses have been charged with violations of the Copyright Act after officers with the Royal Canadian Mounted Police (RCMP) completed an investigation into the sale of pirated DVDs.

The investigation revolved around the sale of the East Indian movie Guru. The movie made its Toronto debut last month and is currently still playing in theatres.

There are no legal DVD copies of the film in circulation, police said.

RCMP officers allege that pirated copies of Guru were being sold for \$5. Unauthorized copies of the film's soundtrack were being sold for \$1, police said.

Investigators also seized illegal copies of the East Indian film Waris Shah that were also being sold, according to the RCMP.

"Piracy is wide-spread, not only in the Greater Toronto Area, but throughout North America," said RCMP Cpl. Cathie Glenn. "Just because many people are copying legitimate movies and music doesn't mean everyone has the right to infringe on the property rights of legitimate owners."

Charged with making for sale and selling infringing copies contrary to the Copyright Act are 34-year-old Jyoti Thapar of Mississauga, 55-year-old Ravinder Saini of Mississauga, 42-year-old Mukesh Patel of Mississauga and Balwinder Kaur of Brampton. Also facing charges is Royal Paan Ltd. on Airport Rd., Appollo Video & Audio Ltd. of Airport Rd., India Town Food Centre Ltd. of Dundas St. E. as well as several Brampton businesses.

ZD Net

February 22nd, 2007

Does DRM really limit Vista?

Posted by George Ou @ 4:23 am Categories: [Security](#), [Vista](#)

A lot of people have been screaming that Vista will deprive you of your rights with the inclusion of DRM technology. Bruce Schneier even **referred to this DRM issue as a "security" issue** for Vista even though he's merely referring to existence of **DRM** capability. We're hearing widespread rumors that DRM slows down game play. I even hear people blaming DRM for the lack of driver support in Vista. Is there really any truth to these accusations or is this simply anti-DRM anti-Microsoft hysteria? Are you actually being deprived of your rights by DRM? Vista DRM simply gives you the choice of playing back DRMed content and it does not prevent you from playing back non-DRMed content. I realize that DRM is a controversial issue and I'm not here to endorse DRM, but I wanted to set the record straight on Vista and DRM so let's examine the facts.

I've been **running Vista for more than a week** now and I've been able to play backed up DVDs and MP3s you've ripped which contain no DRM in them. I've also been able to play back DRMed content that I've either rented or purchased but no one forces me to buy DRM content and I can choose to only use restriction-free non-DRM content on Windows Vista. On the other hand if we look at something that refuses to implement DRM such as Linux, you will only have the ability to play back non-DRMed content and you're technically not even licensed to play back DVDs. While there are workarounds for this but it isn't with legal software and no one is supporting HD DVD or Blu-ray DVD playback on Linux because it doesn't offer the movie companies the DRM restrictions they seek. So based on some obvious facts that no one can really dispute since it's easy for everyone to verify, we can say with certainty that Windows permits the playback of DRM and/or non-DRM content while Linux only supports the playback of non-DRM content. There for it's logical to say that Vista DRM simply gives you the choice of playing back DRMed content and it does not prevent you from

playing back non-DRMed content. This is just like how iPods have Apple FairPlay DRM in them but it doesn't prevent you from playing non-DRM MP3 files so you have a choice of using DRM or not.

There are also widespread rumors that DRM will slow down game play in Windows Vista. These rumors came from an often cited "report" that never even attempted to produce any numbers on game playback frame rates but mere speculation. Never mind the fact that no one has even come up with any data to show that DRM does slow down video playback performance in any noticeable way, games don't even use DRM to begin with because they simply aren't concerned with MPAA Video and RIAA Music playback. It's ridiculous to make such a claim especially when zero testing or data was ever presented. Games render their own content and have their own super restrictive copy protection technology such as copy-proof CDs and DVDs (possible to bypass but not easily with most burning software). More importantly games have their own "activation" keys that only permit one instance of the software to be running at any given time so if you post your keys on the Internet you'll probably never be able to play the game again since someone else will be using it. It simply makes no sense for Games to be implementing worthless DRM technologies because they're already running the most draconian copy protection on that planet that checks in a central database every time you play the game. Game makers have been doing this long before the word "DRM" even existed.

Let me reiterate again that I am not debating for or against DRM. DRM will most likely become irrelevant and it already is since it hasn't stopped a single song or video from being pirated on BitTorrent. DRM will not die because of anything the Free Software Foundation does, it will most likely die from lack of business ROI (Return On Investment). The record companies are spending a ton of money on DRM technology and some of them have already started considering dropping DRM and simply use MP3s since they know DRM is useless. But let's rise above the hysteria that DRM causes everything from ruining your frag count in Doom to halitosis.

The Guardian (UK)

Hollywood faces up to DRM flop

The system designed to protect next-generation DVDs from pirates has been cracked - and even the hackers are surprised at how easy it was, says Bobbie Johnson

Bobbie Johnson
Thursday February 22, 2007

Guardian

This weekend, studio executives from Hollywood will be all smiles as they congratulate each other on their successes at the annual Oscars ceremony. But behind the grins, champagne and glamorous gowns, they are contemplating the biggest blockbuster flop in history. This time it's not a movie, but studio technology that hasn't lived up to its billing. The systems intended to lock pirates out of the new generation of high-definition DVDs have been cracked.

Both of the next-generation DVD formats - Sony's Blu-ray and Toshiba's HD DVD - use a protection mechanism called the Advanced Access Content System (AACS), a hugely complex and expensive beast aimed at rendering unauthorised copies useless.

But what took countless dollars and years of work to create was undone in just a few weeks by a hacker who in effect unlocked every single Blu-ray and HD DVD disc now in circulation.

Process circumvented

"The developers spent billions, the hackers spent pennies," said Cory Doctorow, an opponent of digital rights management (DRM) who blogs at BoingBoing.net. "For DRM to work it has to be airtight - there can't be a single mistake. It's like a balloon that pops with the first prick."

The hacker, "Arnezami", posted a blow-by-blow account of the process on the Doom9 website, a famous haunt for

crackers and pirates. It wasn't even a particularly complex attack; the only weapons used were an Xbox 360, a computer and a copy of King Kong. And instead of deciphering the complex cryptography that protects every high-definition movie, the hackers circumvented the entire process by discovering one of the crucial keys that unlocks the encrypted information.

Watching the protection unravel was like watching a cat playing with a ball of string - and even those doing the work could hardly believe such luck.

"Wow, I think I did it," Arnezami wrote. "It's pretty incredible that a carefully thought-of encryption system is now reduced to, at worst, a guessing game. Somebody should feel very ashamed."

Over the years, the Hollywood machine has become as famous for its flops as its successes. Where films like *Jaws* once ruled the cinemas all summer, modern blockbusters are built for impact - lavish multimillion-dollar productions that spend a week on top of the box office charts before fading into history.

The same seems to be true of DRM systems, which are costing more and more to develop despite being broken with increasing speed. In the late 1990s it took a Norwegian teenager, Jon Lech Johansen, months to crack DVD's DeCSS protection. These days that must seem like a luxury.

"Blu-ray is incredibly well-designed," says Bruce Schneier, the chief technology officer of BT Counterpane and a respected security expert. "If they're smart, they'll have been expecting this, and if they're lucky they'll be able to fix it - not with the DVDs that are already out there, but with ones coming in the future."

At first some doubted Arnezami's claims, but it quickly became apparent that the processing key was able to unlock almost anything that came its way. Within days the system's creators, the AACS licensing authority, responded.

"AACS has confirmed that an additional key has been published on public websites without authorisation. This is a variation of the previously reported attack on one or more players sold by AACS licensees," said a statement. "Although a different key was extracted, this represents no adverse impact on the ability of the AACS ecosystem to address the attack. All technical and legal measures applicable to the previously reported attack will be applicable against this attack as well."

The language is measured, but reading between the lines reveals otherwise. Arnezami's revelation is treated dismissively, but is not refuted; in fact, it is only the "AACS ecosystem" that has survived.

In other words, producers will be able to change the keys on forthcoming products to try to prevent this crack from being successful in the future. The effects have already rippled through the industry. Fox, one of the major backers of Blu-ray, has delayed a raft of high definition movies it was preparing to release, presumably to recode them and tighten up procedures.

In the meantime, customers are left waiting empty-handed while Hollywood carries on spending money on a system that failed to do its job properly.

Impossible problem

Even the assumption that AACS has a backup plan to beat this particular crack is debatable, because nobody can be sure what measures are being taken. The AACS licensing authority was invited to take part in this article, but refused.

Campaigners continue to argue about the rights and wrongs of digital rights mechanisms - but what good is any protection system if it fails?

Meanwhile, as the studios look to restrict their official products even further, the Swedish anti-copyright group The Pirate Bay - identified by the US-based International Intellectual Property Alliance as one of the most dangerous groups in the world - is distributing BitTorrent versions of Oscar-nominated movies with impunity at oscartorrents.org.

"The movie industry learned from the music industry's lesson - that you should never offer too perfect a product, so that you can sell your customers an improved version later," says John Buckman, whose online record label, Magnatune, does not use protection systems. "The appeal of BitTorrent files is not only that they're free - they are a better product than you can buy at any price." And free, too, of DRM.

In the end, say experts, vested interests are at play, and a whole industry of companies and experts is profiting from the false promise of a silver bullet for piracy.

"It is an impossible problem, like making water not wet," says Schneier. "These systems are supposed to be able to recover from breaks, but the cracks are going to get better. It's a never-ending arms race."

How the hackers did it

Both Arnezami and another hacker, Muslix64, who managed a similar attack, realised that it is easier to bypass the protection system than try to decode it. A high definition DVD includes a number of software 'keys' to decrypt the content; there's also one built into the player. One of the keys identifies the movie. By watching the information streaming from the DVD itself, Arnezami was able to pick up one of those codes - and realised that the "unique" identifiers were actually based on simple information such as the title of the movie. A couple of steps later, Arnezami was able to spot another more useful key, which helped circumvent the decryption process. Hackers are now building software that can exploit the hack and play any high-def disc in any computer - which in turn will open the door to free copying. Fixing the crack will be expensive and awkward for the movie studios: future pressings of DVDs will need to use different, unbroken keys, and it is likely they will have to randomise the codes on every future HD and Blu-ray DVD rather than use the same one for every copy of a movie.

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The Hollywood Reporter

FrameFlow in Sony's Imageworks fold

By Nyay Bhushan

Feb 22, 2007

NEW DELHI -- Sony Corp.'s Sony Pictures Imageworks has acquired a 50.1% equity stake in Indian visual effects and animation studio FrameFlow based in Chennai, South India. The company will now be called Imageworks India.

Some reports indicate that SPI acquired the stake for \$5 million, but Sony officials declined comment on the sum involved.

Founded in 2003 as FrameFlow Llc., based in Atlanta and Los Angeles, the company delivers visual effects and animation services with a state-of-the-art production operation in Chennai and has worked with Sony Pictures Imageworks' Culver City facility on such projects as "Click," "Ghost Rider" and the upcoming "Spider-Man 3."

Imageworks India's expansion plans include a new facility that "will eventually have a strength of about 300 personnel," said Don Levy, Sony Pictures Digital Entertainment senior vp communication and marketing. "The idea is that that the India facility will be integrated with our existing production pipeline offering our core services in digital production."

Sony executives Wednesday also lauded the Indian company's staff for its work on previous collaborations.

"The level of professionalism and quality of work that we experienced in working with the FrameFlow team was exemplary and gave us the confidence to extend and establish a strong long-term relationship," said Jenny Fulle, Sony Pictures Imageworks executive vp, who now will also serve as co-managing director of Imageworks India. "We are very excited about expanding our capacity with Imageworks India in Chennai."

Rumors of SPI acquiring a major stake in FrameFlow first appeared in November, but they initially were denied by FrameFlow India managing director Abhaya Kumar (HR 11/27).

The Hollywood Reporter

Paramount relaunches Aussie distributor

Commits to local production investment

By Pip Bulbeck

Feb 22, 2007

SYDNEY -- Paramount Pictures officially relaunched a distribution company in Australia Wednesday with a commitment to invest in locally produced films, Paramount Pictures Australia managing director Mike Selwyn said.

The entry into Australian production was in line with the studio's "aggressive" strategy to build its footprint in international markets, Selwyn said in an interview. "We've said we want to be part of local industry development where there is a strong local industry," he noted. The move comes with the unwinding of the Paramount and Universal 24-year-old global distribution partnership in United International Pictures.

In Australia, Paramount Pictures Australia will release product from Paramount, DreamWorks, DreamWorks Animation, Paramount Vantage, MTV and Nickelodeon and it will continue to distribute Universal Pictures films until June 30.

The newly-minted PPA is also eyeing a closer working relationship with other Viacom divisions, particularly MTV Networks Australia and Nickelodeon.

Selwyn said the recent link-up between MTV Films and Paramount in Europe could provide a template to be repeated in Australia, New Zealand and Asia.

Investments in locally produced features, Selwyn said, would be in a budget range of AUS\$15 million-AUS\$30 million (\$11.5 million-\$23 million), aiming to bridge the gap between local independent features, which are made for under AUS\$10 million (\$7.7 million) and the big-budget studio productions that use Australia as a shooting destination.

Paramount would look to do co-productions, provide some equity and/or pre-sales and distribution guarantees, Selwyn said. "We are not looking to be a tax-based investor but a genuine producer. Hopefully the Paramount brand coupled with Australian talent can unlock some of the funding problems in Australian films," he added.

Selwyn will head up a team of local and studio-based Paramount execs that will be put in place in the next two to three months, and which will assess projects that he said will need to have "strong Australian and overseas potential."

USA Today

Vivendi CEO sees technology helping, not hurting, TV, movie business

Posted 2/21/2007 11:43 PM ET

Vivendi is one of the world's least-known media and entertainment powers, and that suits CEO **Jean-Bernard Levy** just fine.

He joined as COO in 2002 as Jean-Marie Messier was ousted as CEO. Messier spent lavishly to turn the once-sleepy Paris-based water services firm into a force in Hollywood.

The high point was Messier's acquisition of Seagram, the liquor giant that owned Universal's music company, movie studio and theme parks.

But it was too much. French and U.S. securities officials later fined Messier for issuing inaccurate information about Vivendi's finances.

Levy, 51, helped to engineer asset sales to clean up the mess. Notably, General Electric's NBC agreed in 2003 to pay \$3.8 billion for an 80% stake in Universal Studios.

That cleared the way for Levy, who became CEO in 2005, to focus on operations, including the world's No. 1 music company and a fast-growing video game operation.

He recently discussed his company's businesses and plans with media reporter **David Lieberman**. Some excerpts:

Q: You didn't take advantage of the opportunity you had in January to sell your 20% stake in NBC Universal.

A: It is a very valuable asset for Vivendi. NBCU is moving very quickly toward digitized content that can be distributed over many different types of platforms. NBCU is making good progress in terms of its ratings for prime time and its overall strategy of investment in various kinds of content.

Q: You're not afraid that the Internet will do to TV and movies what it's done to music?

A: When you're in a transition phase, you aren't always sure that a new business will take off quickly enough, and you may suffer from the erosion of your former business. This is what's happening in music and somewhat also in broadcast television. But I believe that all the technology ... will create new revenues, new business models.

Q: How have you managed the transition at Universal Music?

A: We're migrating from a CD-only business toward a CD-plus-digitized-download business, and the download business is now 10% of our global revenues. It's more like 15% in the U.S. Over the last five years, we've sold all of our CD manufacturing so that we would not be at risk with respect to assets linked only to a declining business.

Q: Album sales industrywide are down nearly 9% this year.

A: Yes, but just tell me one record that's been released that has made an impression in the market. When the records are released, you'll see what the year looks like. We will have a very good year of releases. Mariah Carey is supposed to have a record; so is 50 Cent.

Q: How hard has it been to get paid when your songs and videos appear on social-networking sites such as YouTube?

A: YouTube has agreed to certain non-public terms where we get revenues when people use (our) copyrighted material. We proposed a similar deal to MySpace, but they didn't want to give it to us, so we are suing them.

Q: You're awaiting EU approval to pay \$2 billion for BMG's music publishing. Why do you like this business?

A: There's a lot of music (in movies, TV shows, toys and other venues), and it's growing steadily worldwide.

Publishing is a small part (of the business), but it's less dependent on the format, whether it's a CD or download.

Q: Would you like to expand your position in entertainment?

A: We may have some opportunities for expansion. We have acquired in the last 2½ years close to 10 (video game) development studios. It's as large an industry globally as the movie industry.

Q: Can that growth continue?

A: It's amazing, yes. It's the most attractive entertainment tool for a lot of people, especially 15- to 35-year-old males. The tribal effect is very strong among this population. Everywhere there is a screen and a link, there is a game.

Q: What's your greatest opportunity this year?

A: It's to bring (the game) *World of Warcraft* to a new level of penetration. We may be able to do more with more marketing.

We have not spent a lot, and just from the buzz, we have 8 million users worldwide including 2 million here, 1.5 million in Europe and so on.

Q: Have you repaired all the damage from a few years ago?

A: The company's completely sound today. Some people say our balance sheet is too comfortable — we should be more leveraged.

We have been able to create something that makes sense and that's growing and profitable and expanding.

Q: Would you like Vivendi to be better known?

A: We are very happy to be in second place behind U2 or *World of Warcraft* or NBC.

People won't buy a record because it's a Vivendi record. They'll buy because it's their favorite artist.

Blog Maverick

Snacks and Meals - The difference between Online Video and TV

Feb 21st 2007 12:34PM

Im not sure where I heard this analogy, but i loved it.

There is no better way to describe the difference between online video and TV than as snacks and meals.

Online video is the snack. Its short, its typically very familiar and easy to find, grab and digest. You grab a video snack when you have a couple minutes at home or at the office, or when you are bored and have a craving to do something, anything. Anyone can put together a snack.

If you try to make a meal of a snack, it becomes obvious it doesn't have the substance that can sustain a steady diet. Plus snacks are so simple, they are easy to get bored with.

TV on the other hand, is the medium that you will sit down and make a meal of. TV programs are a product that like a meal at your favorite restaurant, or your favorite recipe, you look forward to. TV programming is the meal that we make an appointment for. That we prepare for. That we set the table for. TV programming is the meal that we have high expectations for. If its not well prepared, we won't eat it again. Fortunately, because of their long history, we trust the chefs enough to come up with something new and bring us back to the table. (Even if we don't want to admit it)

Personally, snacks can be fun, but meals are much more fulfilling.

National Journal Technology Daily PM

Network Neutrality Debate Spreads To Wireless

by David Hatch

The network neutrality debate that has focused for the past two years on maintaining an open Internet is expanding to a new battlefield: wireless mobile services.

In a newly released paper, Columbia University Law School Professor **Tim Wu** sounded the alarm about the ability of consumers to use devices of their choosing on cellular networks now limited to proprietary equipment.

Wu emphasized that the FCC's "Carterfone" rules, which let consumers connect various gadgets to wired telephone networks, do not apply in the wireless arena. "These controls continue to affect innovation and the development of new devices and applications for wireless networks," he wrote.

Until now, net neutrality, the concept of requiring cable- and phone-based high-speed Internet providers to treat content equally, has mostly concerned mandating non-discriminatory Internet access. But reflecting the rapidly changing technology universe, the debate now encompasses the ability to connect devices and software unaffiliated with wireless carriers.

Wu's concerns have galvanized at least one company -- the Internet telephony provider Skype -- to weigh in on the issue. On Tuesday, Skype asked the FCC to initiate a rulemaking detailing consumer rights governing wireless systems.

But **Chris Libertelli**, senior director of government and regulatory affairs at Skype, clarified that the company is not seeking wireless neutrality. Instead, it wants the rules expanded to the non-wired realm, he said.

Libertelli emphasized that customers using Skype-enabled handsets still would pay subscription fees to wireless providers. "We stimulate demand for their networks," he said.

While he acknowledged that Skype users might be able to circumvent some charges assessed by wireless carriers, he insisted that expanding the rules is best for consumers. Skype enables free calling to others on its Internet phone network, both domestically and internationally.

The wireless association CTIA strongly objected to the demands. "Skype's self-interested filing contains glaring legal flaws and a complete disregard for the vast consumer benefits provided by the competitive marketplace," President and CEO **Steve Largent** said in a statement.

"Skype's 'recommendations' will freeze the innovation and choice hundreds of millions of consumers enjoy today," he wrote. "The call for imposing monopoly-era Carterfone rules to today's vibrant market is unmistakably the wrong number."

"In the United States, there are over 200 million mobile subscribers, and mobile revenues are over \$100 billion," Wu wrote in "Wireless Net Neutrality," which was published by the New America Foundation, a nonprofit public policy institute. "As the industry and platform mature, the wireless industry warrants a new look."

The professor argued that carriers are "in a strong position" to exert control over the design of mobile equipment. "They have used that power to force equipment developers to omit or cripple many consumer-friendly features," he said.

High Court Weighs Right To Patent 'Intangible' Code

by Andrew Noyes

The Supreme Court on Wednesday heard a transnational patent-infringement case involving the software giant Microsoft and telecommunications heavyweight AT&T, and the outcome could send tremors through the patent world.

At issue is a provision of U.S. law that permits a U.S. patentee to collect damages for global sales of a product based on the export of its individual components. In this instance, Microsoft components created domestically were shipped overseas, where copies were made and disseminated. AT&T claims that the code violates a company patent and wants to be awarded damages for Microsoft's foreign sales.

Microsoft petitioned the high court after the Federal Circuit Court of Appeals held that "software code alone qualifies as an invention eligible for patenting." The court reasoned that the statute in question is not limited to "patented 'machines' or patented 'physical structures.'"

Justice **Ruth Bader Ginsburg** and Microsoft attorney **Theodore Olson** both called the circuit court's ruling

"ambiguous." The panel's majority found that software created abroad by copying an exported master version has "essentially been supplied from the United States."

Olson contended that making an exact replica overseas does not constitute infringement under the U.S. patent system. In this case, a "golden master disk" is sent abroad and read by a machine, which creates a copy of the software, he said. AT&T has wrongfully claimed that "intangible" elements like "ones and zeros" of computer code should be protected, he said.

But AT&T attorney **Seth Waxman** argued that courts have long held that software can be part of a patented invention. Additionally, he said that because "component" is not defined by the law, judges should interpret the word using its ordinary meaning, which does not exclude software.

At one point, as **Daryl Joseffer**, an assistant to the U.S. solicitor general, emphasized the case's significance for U.S. global competition, Ginsburg noted a "strange silence" from international players that typically weigh in on a case of such presumed import.

Justice **Stephen Breyer** worried aloud about future, widespread ramifications of interpreting the law, as AT&T suggests, so that "the transmission of information is the transmission of a component." He singled out innovations in biology and medicine as potential casualties.

Besides Ginsburg and Breyer, Justices **Anthony Kennedy**, **Antonin Scalia**, **David Souter** and **John Paul Stevens** asked plenty of questions. Chief Justice **John Roberts** recused himself from the case but did not explain why.

The U.S. solicitor general and the Patent and Trademark Office filed friend-of-the-court briefs in support of Microsoft, joining the online retailer Amazon.com, the American Intellectual Property Law Association, the Software and Information Industry Association, and other tech stakeholders.

Microsoft and its allies said they believe that a ruling in favor of AT&T would put U.S. companies at a competitive disadvantage to foreign firms and could drive the U.S. software industry overseas, according to a case preview by attorney David George.

AT&T's supporters include: Philips Electronics; BayhDole25.org, a group that studies the 1980 law that gave universities and nonprofits intellectual property control of their inventions; and Research Corporation Technologies.

U.S.-India Relationship Is Improving, Official Says

by Winter Casey

The trend in trade liberalization between the United States and India is continuing, a top U.S. official said Wednesday.

Assistant Commerce Secretary **Christopher Padilla** presented a rosy outlook of U.S.-India trade relations during a roundtable discussion with journalists. The official used the briefing to outline the two-day meeting of the U.S.-India High Technology Cooperation Group that begins Thursday. The group was formed in 2002 with the goal of promoting high-tech trade, among other issues.

During the next couple of days, Padilla said the group will discuss ways to encourage such trade. The United States is India's largest trading partner, according to Commerce.

Padilla said India has far greater access to U.S. technologies because the United States has changed its requirements for "dual use" technologies, those with both military and commercial applications. He said U.S. trade relations with India, especially in terms of dual-use technologies, have continued to improve with better export policies, greater trade and increased dialogue between the countries.

The United States will look to continue building awareness in India that the United States welcomes investment and high-tech trade, Padilla noted.

U.S. export-control policies should reflect broader foreign policy relationships with the given countries, he said.

As an example, Padilla noted that the U.S. relationship with India has become closer in recent years than that with China, another economy of growing importance. Average export-licensing time for India is much faster than for China, he said.

Padilla said the export licensing approval experience for India is now in line with U.S. policies toward historically friendlier countries. He added that few exports to India require licenses now.

The United States has done some seminars to explain to Indian business that the United States favors tech exports to India, Padilla said. "We want to continue to encourage India to harmonize its export-control system."

Advanced tech exports to the United States from India also jumped by about 125 percent from 2002 to 2006, and Indian sales in the United States also have increased, he said.

Padilla said that in 1999, almost one-quarter of U.S. exports to India required Commerce Department approval, and now about 1 percent do. At the same time, the number of export licenses the United States requires of India has declined by 36 percent since 2004, and "this will continue," he noted.

Padilla touted a new "trusted customer program" with India that looks to make it easier for certain Indian firms to purchase dual-use technologies.

Commerce Secretary **Carlos Gutierrez** was scheduled to meet with Indian leaders last week to discuss better ways to enforce intellectual property rights, increase U.S. exports to India, and reduce red tape for U.S. companies trying to do business there.

Georgia Straight (Canada)

Oscars wild

If the Academy Awards follow tradition this weekend, most winners will be podium regulars—and then there are the exceptions

Those who don't like awards shows should probably unplug the television for the first two months of the year. They are everywhere, and they are all in prime time. That's a change from a decade ago, when the Grammys, Emmys, and Oscars were the only awards shows considered worthy of network exposure. Now the Golden Globe Awards, the Critics' Choice Awards, the People's Choice Awards, and the Screen Actors Guild Awards join the Grammys and the Oscars as January and February event television.

The Academy of Motion Picture Arts and Sciences moved its awards from late March to late February in 2004. (The Oscars will be broadcast Sunday [February 25] beginning at 5:30 p.m.) The official reason was to level the playing field between independent films and studio movies due to the lengthy and costly trade-magazine ad campaigns the larger distributors were waging. However, there was also speculation that the Academy made the move because it felt the Oscars would bring more revenue from network television if they accommodated "February sweeps", the name given to the period used by network affiliates to measure the ratings that will justify their advertising rates.

The other film-award shows took note of the move and scrunched into a four-week period between mid January and mid February, which means that members of most of the critics' organizations have to vote in December. The studios, their independent divisions, and independent distributors were already making thousands of videos in order to get the attention of newspaper critics' awards and the groups that hosted the televised awards shows: the Broadcast Film Critics Association (the Critics' Choice Awards), the Hollywood Foreign Press (the Golden Globes), and the Screen Actors Guild. Now, with even less time to get voters into theatres prior to the casting of their votes, the "screener" war has escalated.

Unfortunately, the release of thousands of DVDs prior to movies' theatrical release aided piracy and led to Internet downloading of several major films. The regulating organization of American film, the Motion Picture Association of America, which is run by the studios, tried to stop the sending of screeners but was accused, by independent distributors and executives of divisions of the major studios, of limiting their ability to compete. The indies assumed, probably correctly, that it would be easier for members of critics' groups and the academy voters themselves to find widely released studio films prior to deadline than to discover their own less ubiquitous gems.

Last year, with the screener regulations somewhat relaxed, one of the few truly independent distributors, Lions Gate Films, decided to invest in a bigger and better DVD campaign. They sent DVDs of the film *Crash*,