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WRITTEN BY
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What I Learned About My Tiny Business From Paramount Pictures

I felt quite fortunate to be invited by the **Future of Music Coalition** to **testify before the Federal Communications Commission** in Washington, D.C., in the fall of 2009 about two issues: digital piracy and rural broadband access. The former, because I am a composer, and the latter, because I am a composer who lives on a small, remote, bridge-less island floating off the coast of the United States who has created and managed her career largely on the internet.

I was the sole artist speaking at the public hearing, seated at a large, bowed conference table with a handful of FCC commissioners and eight leaders in the entertainment and copyright worlds. Flanking me were Dan Glickman, chairman and CEO of Motion Picture Association of America; Frederick Huntsberry, COO of Paramount Pictures; Chuck Slocum, assistant executive director of the Writers Guild of America; Mike Carroll, professor of law, American University; Michael Bracy, policy director of Future of Music Coalition; Gigi Sohn, president and founder of Public Knowledge; Patrick Ross, executive director of the Copyright Alliance; and Kathy Garmezy, assistant executive director of the Directors Guild of America.

Even though I was a participant, I gazed around the room and felt like a very lucky fly on the wall to be able to hear national experts discuss such seminal issues as copyright and the digitization of our culture. Artists tend to spend time with other artists, so it was special to be surrounded by great thinkers from outside the music world.

It was also special to be reminded of how non-artists think. Only a few years ago, one would have expected to hear studio heads bemoan the big bad internet and the evils of digitization, focusing on the loss of income due to piracy, as opposed to the gain of wider worldwide markets. But instead, both the MPAA's Mr. Glickman and Paramount's Mr. Huntsberry were filled with praise for what the new technologies can offer audiences and the movie business. I was heartened to hear this shift in tone because it indicated what I assumed would be a shift in attitude. The digital world is not going away, and all of us, on all edges of the arts and entertainment industry, need to embrace and understand it in order to exploit it wisely.

So I was surprised when, in his testimony, Mr. Huntsberry dramatically pointed to **a very large banner** he had brought with him that ran across much of the length of the hearing room wall. Its graphic timeline represented rampant camcorder piracy of the 2009 blockbuster movie *Star Trek*, from perpetrators in countries including Russia, the Philippines, the Ukraine, Germany, and yes, the U.S., and the millions of dollars in DVD sales losses that Paramount suffered as a result. Huntsberry declared that Star Trek cost the studio a fortune to make, (the *L.A. Times* reports that Paramount "spent $140 million on the film, along with an estimated $150 million on marketing and distribution"), and he admitted, "we're not actually in profit until we are in the ancillary revenue streams. So to the extent that we are forced to compete with free-by-theft content, which is not really hurting the theatrical window as much because the theatrical window is really a social experience—people do love going to the theatre—it is an issue when it comes to DVD sales and also online sales downstream."

I am sympathetic to the serious problems of this kind of copyright infringement. But when I heard, "we're not actually in profit until we are in the ancillary revenue streams," my eyebrows made a beeline for my scalp as my jaw dropped. A good portion of that ancillary revenue comes from DVD sales. And everyone, including the movie studios, knows that income stream has been gradually drying up into a mud flat over the past ten years, and is far, far smaller than it was before digital piracy. Yet even after a decade or more of piracy being an enormous and unstoppable reality, the COO of Paramount is bemoaning that he's not proportionately collecting the same money he used to.

Of course he's not. Because his product is digital, endlessly duplicable, and therefore inherently worth less than when it was more scarce, the business model for all media has permanently changed. And yet Paramount and other large, long-established companies are still desperately grasping on to the old paradigms of the way they expect to make money, even though those archetypes are rapidly disappearing.

After each of us had finished delivering our prepared remarks, the floor was opened for a question and answer segment. Out of my league, but shamelessly happy to jump into the fray, I thought about how movie studios traditionally enforce a window of time between the theatrical release and that of the DVD, with the intent of protecting movie theater ticket sales. Of course, since nowadays pirates go to the theaters on the opening night bringing a camcorder as their date, then upload freely available, if terrible quality videos of the film, the concept of keeping the DVD special is a thing of the past. If someone wants to see something badly enough, all they need to do is Google their way to any number of illegal download sites and make enough popcorn not only for the movie, but for the time it will take them to access a crummy copy of it from the far reaches of the globe.

I asked Mr. Huntsberry, "If Paramount were to release a high-quality stream or download available for $3.99 on the very same day of the theatrical release, wouldn't that put a major dent into what's going on with these silly looking camcorder streams?" Many people would much prefer to get the verified Paramount product and would be willing to pay a modest amount to do so. Paramount's entry into the on-demand digital market wouldn't eradicate all piracy, but it's likely that the studio would make at least a few of the millions of dollars it had been losing. My view is that the studio has to get in the game and be a player, since it can't control the game.

Huntsberry's response was that mine was a fair question, but that if Paramount released a digital version of the film the same day, then the pirates would have a perfect copy to distribute. True, but that ignores the greater issue: Paramount would finally be in the very tournament from which they had been completely shut out, and would still profit to some degree.

More to my point, Paramount has a value-added advantage that none of the pirates in Odessa has: access to movie stars. In the digital age, the only thing that has intrinsic worth is something that can't be duplicated. People cannot be duplicated. If a movie studio offers a download for four bucks that comes with a password to access a video chat room at a specific time where Your Favorite Hunk of a Star or Your Favorite Film Composer or Special Effects Designer is on the other end, willing to respond to your question, well then...I'd say that's something that has worth.

For better or worse, we now live in a culture of immediate gratification, because we can. Thanks to the web, everything is available all the time. If someone lives in a place without a first-run movie house in their neighborhood and has read a great review on the web of a film the day it came out, they are going to want to see it, and will no longer be willing to wait X number of months before it's available on Netflix. This is the reality of our society, and we are foolish to think otherwise.

So what did I learn from this exchange at the FCC? That during a time of technological upheaval, there is a great benefit to being very small and untethered to traditional ways of doing business. Independent artists and publishers are faster to adapt and able to think creatively about how to operate because we are fluid and edgeless; our expectations are not obstructed by preconceptions because we have not been around long enough to acquire them. Meanwhile, large established companies still conduct business in much the same way as they always have, because the model with which they are familiar worked for a long time. Multi-billion dollar movie studios are losing money because they expect to be making it where it used to be found, not where it currently is.

A tiny, indie publishing company like mine knows very well where it is not going to find money, because my business began after the internet arrived and I have no illusions of where my income may and may not come from. Case in point: mechanical royalties. None of my wiser peers expects to make gobs of money from their CDs, no matter how much money (their own equivalent of 300 million) they spent to produce them. We know that our CDs, precious as they may be to us, are simply advertising for what we do and must be considered as such. We treat the requisite costs as PR expenses. And by being realistic about our expenses and projected income sources, our return on investment might actually proportionately end up being higher than that of a billion dollar company. Imagine that.

Darwin's "adapt or die" concept is accurate. He wrote, "It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change." Our greatest asset in the 21st century is our ability to change. Quickly. To think on our feet and to release our expectations of how things "should" be. Artists are, by definition, extraordinarily creative. We must use our creativity not only to make our art, but also to make our art thrive. No one is more naturally equipped for the new challenges of this century than the most fluid thinkers of all: us. Use that power, and change your world.

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Composer Alex Shapiro has balanced her life in music with her involvement in civic issues for many years. In the 1990s she chaired the State and National Legislative Action Committee for the ACLU of Southern California, for which she also served as vice president of the board of

directors, and was a public speaker for the ACLU on privacy and First Amendment issues. More recently she has lobbied senators and congresspeople on Capitol Hill with ASCAP members on behalf of ensuring audiovisual performance download rights, and testified in September 2009 at a public hearing of the FCC in Washington, D.C., on digital piracy and net neutrality. Shapiro currently serves on the board of directors of the American Music Center.

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