



**Statement of John McCoskey
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**Before the House Judiciary Committee
Subcommittee on Courts, Intellectual Property, and the Internet**

**Hearing on “The Rise of Innovative Business Models:
Content Delivery Methods in the Digital Age”**

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Chairman Coble, Ranking Member Watt, and members of the subcommittee, thank you for the opportunity to testify on behalf of the Motion Picture Association of America and its member companies. Today, both in the United States and throughout the world, an explosion of innovation is occurring, irrevocably changing much of our daily lives. Advances characterized by Moore’s Law are giving us better, faster, cheaper electronics, computing power, storage, and communications. This can be seen in everything from the latest tablets and smartphones to automobiles with the ability to drive themselves. But where the majority of consumers will really experience this revolution is in the way they consume the content they love – the films, television series, and other video content they watch; the music they listen to; the books they read.

In the video business, these advances are affecting everything from “glass to glass,” that is, every element between the camera lens and the projector or screen where consumers experience our content. This is also a time of unprecedented change in consumer behavior. There

are now more mobile devices than people in the United States, and smartphones and tablets have outpaced sales of desktop and laptop computers combined.

As the primary advocate throughout the world for the American film, television, and home video industries, we are committed to promoting a climate that provides audiences with as many options as possible for experiencing the great video entertainment our country produces. Seemingly every week, our industry is rolling out innovative and often experimental offerings in response to consumer demand for more interactive, more immersive, and more portable entertainment. Whether in state-of-the-art cinemas, on the latest mobile devices, or on high-definition TVs, content creators are working every day on their own and in partnership with other technology companies to create innovative ways for audiences to easily access content.

Before televisions became commonplace in the 1950s American home, the only way audiences could experience the spectacles and remarkable storytelling of filmmakers was by sitting in a theater. More than half a century later, consumers have more options than ever for viewing their favorite content, and those options continue to grow almost daily. When watching on the silver screen, moviephiles can experience the latest cutting-edge visual and special effects in high-resolution digital 3-D and IMAX, surrounded by breathtaking digital sound. When at home, they can watch films and TV shows as they air or at the time of their choosing using a DVR, video-on-demand service, or Blu-Ray disc.

Nearly 42 million homes in the United States now have any number of Internet-connected media devices, including game consoles, smart TVs, and online set-top boxes. More than 90 legitimate online services are already enabling those homes to download or stream movies and TV shows, offering a service for every type of content consumer out there. Earlier

this year, the MPAA created a website called wheretowatch.org, offering a one-stop shop to connect consumers to that growing list of legal Internet video services.

Americans are visiting these services at an incredible, and growing, rate. Last year alone, U.S. audiences legally consumed *nearly 3.5 billion hours* of movies online. They spent many of those hours using a smartphone, tablet, or other mobile device on services like TV Everywhere, Netflix, Hulu, HBO GO, VUDU, Amazon, Target Ticket, and EpixHD, to name just a few. And because of partnerships with innovative consumer electronics companies, consumers have many new options for enjoying our members' content in their living room, enabled by affordable and easy to use devices like Roku, Chromecast, AppleTV, Xbox, and Playstation.

Our member companies have embraced this movement of portability, flexibility, and ease of access for viewers. One way they have done so is through "UltraViolet," a free digital storage locker that allows a consumer, after purchasing UltraViolet media – such as a Blu-Ray, DVD, or electronic purchase over the Internet – to then access that content on any UltraViolet-compatible device registered to them. Consumers have the option to either seamlessly stream the content or download it for later viewing without a broadband connection. Consumers can choose from a number of UltraViolet-enabled services, like Flixster, Wal-Mart's Vudu, Best Buy's Cinema Now, Technicolor's M-Go and Barnes & Noble. Our member companies—along with others in the Digital Entertainment Content Ecosystem (DECE) consortium of more than 60 studios, retail stores, and technology firms—created UltraViolet to further enable consumers to watch what they want, when they want, where they want. And because UltraViolet is powered by such a diverse consortium of innovative companies, consumers are not locked in to one portal and shift from one service to another as each continues to innovate. UltraViolet also enables sharing of content among up to five connected accounts and twelve devices. More than 9,500 titles are

available through UltraViolet, with the list growing every day. Consumers have registered more than 13 million accounts for UltraViolet to date.

The overwhelming success of these legal services and distribution models in the burgeoning digital marketplace is a testament to the success of the U.S. copyright regime, which promotes investment in both creation and delivery of content. Recognizing creators' property interest in their creations encourages them to create ever more innovative content. This in turn spurs investment in applications, services, devices, and other technologies for viewing that content.

The Copyright Act enables and encourages entrepreneurs to innovate and creates a competitive marketplace for these products and services. This is reflected in companies like Netflix, Hulu, and Amazon, whose online streaming services began as distribution outlets for content created by others, but now also drive development of new original programming. It can be seen with the recent YouTube Music Awards honoring the talents of both established stars and internet sensations; and it shows as Twitter – in partnership with leading content producers – continues highlighting the integration of social media platform with the TV viewing experience. And it is why all MPAA member companies stream their content online through their own sites, as well as through partner services. This includes advertisement-supported apps, like the NBC app, as well as apps powered by the TV Everywhere authentication model, like the TNT app, Watch ABC, Showtime Anytime and others. Each company has embraced online marketing through second-screen experiences like the distribution of exclusive content. And all of them use social media to interact with consumers on a regular basis. With licensing agreements under which consumers can rent films through YouTube, content creators are demonstrating a commitment to offer their high-quality content through the most popular platforms.

We are now entering an era many call the “Internet of things,” where more and more devices are becoming “connected.” According to estimates, 50 to 75 billion devices will be connected to the Internet by 2020. Many of those devices will be used to create, deliver, and consume media and entertainment content. But, in order to ensure that this growth in digital content and innovative delivery methods continues, it is imperative that all stakeholders in the digital ecosystem respect copyright in the digital environment. Everyone must do their part to protect the rights of creators and innovators. We all share a responsibility to curb abusive practices online that stunt investment in content, hurt the rapidly evolving digital marketplace, and harm the interests of consumers who benefit from these innovations. That means finding ways of working together in good faith on voluntary solutions where everyone shares in the responsibility of creating a healthy digital marketplace for the exchange of ideas, goods, and services; one that promotes creativity, investment, innovation, and job creation.

This is a transformative time for content creators and distributors of all types, but especially for those working in the American film and television industry. For more than a century we have produced programming that has inspired, thrilled, and educated audiences around the world. Our industry supports nearly 2 million jobs in the United States. It is responsible for 108,000 businesses across all 50 states, 85 percent of which employ fewer than 10 people. In 2011, the industry supported \$104 billion in wages; \$16.7 billion in sales tax, state income tax, and federal taxes; and a \$12.2 billion trade surplus.

We have been the beneficiaries of giant leaps in technology, and we are both media and technology companies ourselves. We have been responsible for our share of countless technological innovations thanks to the creative talent and skilled workers who call this industry home. We have made the transition from silent films to talkies; from projector reels to television;

from black and white to color; from analog to digital; from broadcast to cable and satellite, and now to the Internet. Stories once told exclusively on cinema screens are now told on screens of all shapes and sizes. We strive to adapt to the newest innovations and desires of consumers. As the marketplace continues to evolve in the digital age, we will continue embracing these innovations and the plethora of legitimate services for delivering content to consumers when they want, how they want, and on the platforms they want.

Mr. Chairman, Ranking Member, members of the subcommittee, I thank you again on behalf of the MPAA and our member companies for the opportunity to testify today. We look forward to working with you in the days, months, and years ahead to ensure that this revolution in content creation and delivery continues to be embraced by all members of the digital economy and that creators and makers continue to be encouraged to experiment and innovative. I am happy to answer any questions you may have.