



STATEMENT OF

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On Behalf of the

International Alliance of Theatrical Stage Employees,
Moving Picture Technicians, Artists and Allied Crafts
Of the United States and Canada
AFL-CIO, CLC

At the
Los Angeles Field Hearing of the
House Foreign Affairs Committee
Chairman Howard Berman

“International IP Theft”

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Chairman Berman and Ranking Member Ileana Roslehtinen:

My name is Matthew D. Loeb and I am the International President of the International Alliance of Theatrical Stage Employees, Moving Picture Technicians, Artists and Allied Crafts of the United States and Canada, AFL-CIO, CLC. Although I am unable to personally be present to testify before you today, I am grateful that you have permitted me to provide testimony through my designee, Michael F. Miller, Jr. who is an International Vice President of the IATSE. We truly appreciate this opportunity to set forth the plight of IATSE members, members of other unions and guilds in the entertainment industry.

The IATSE was founded in 1893 by a group of stagehands in New York City and has expanded throughout our 116-year history with local unions chartered throughout the United States and Canada. Today, the IATSE is the largest entertainment union in the world with nearly 120,000 members who are employed in legitimate theatre, motion picture exhibition, convention and trade shows, motion picture and television production, radio and television broadcasting and various other crafts of the entertainment industry.

The mission of the IATSE is to provide the finest representation for our members and to protect their best interests. Our union leadership does this by negotiating with employers in a fair and equitable manner. In this way, we obtain the best possible wages and benefits for our members. The benefits we negotiate are critical to the well being of our members,

especially in these very difficult times. Pension benefits are being challenged by the adoption of the Pension Protection Act of 2006, and the health care crisis is extraordinarily challenging.

For our members, the issues of combating Piracy and protecting Intellectual Property are of paramount concern. We stand with the movie and music industries in this arena. There are hundreds of individuals employed in the entertainment industry. These are hard working people who do not earn the millions of dollars in one movie as do many of the high profile actors with whom we are familiar. The relatively few actors who are able to command such wages are able to do so because of the box office receipts they secure.

The glitz and glamour of the motion picture and television industry are the fantasies created on the screen. Besides the famous actors and actresses, the number of individuals employed on the production of a given motion picture may be anywhere from 200 to 1,000 employees. They are not in front of the camera, but supply the absolutely necessary labor to make those movies, and work long, hard hours on a daily basis during the course of a film. The wages we negotiate for our talented and skilled members are higher than the minimum hourly wage. But it must be remembered that often our members have to make their paychecks last much longer because these are not permanent jobs. They are jobs that will end when production is complete and the next job they get may not be for months.

Because of the nature of our business we have attempted to ensure that our members and their families are taken care of by securing additional

revenue to be provided for them in the form of residual payments. In the IATSE those payments are contributed into the health and retirement benefits that our members so desperately need. Piracy is costing these individuals literally hundreds of millions of dollars a year in benefit contributions compounding the challenges we face in providing members health and retirement benefits. When studios release DVD's to the market our members share in the profits of those sales with these residuals. But, when pirated copies are selling on the streets or being illegally downloaded from the Internet, our members and many more workers see nothing.

What is piracy? Piracy is stealing, pure and simple. Anyone who sells, acquires, copies, or distributes copyrighted materials without permission is a thief. Downloading a movie without paying for it is the same as stealing a DVD off the shelf of a store. Making movies available on the Internet for downloading, selling pirated DVDs on the street, or taping (also known as camcording) and redistributing movies, live broadcasts or performances without a license are all forms of motion picture piracy.

Unfortunately, much of the public still perceives the illegal pirating of motion pictures, otherwise known as intellectual property theft, as a victimless crime. But **PIRACY IS NOT A PETTY, VICTIMLESS CRIME.** Piracy is a devastating economic attack that, in 2005 alone, cost our industry \$6 billion! And, as large as that sum is, it's only a fraction of the \$250 billion that copyright piracy costs the overall U.S. economy every year. In fact, a recent study revealed that in 2005, piracy cost the movie industry more than 141,000 jobs and \$5.5 billion in annual lost wages, while depriving state and local governments of \$837 million in tax revenue. That's money out of **OUR POCKETS**; money that could have gone toward roads,

schools, and infrastructures to help shore up American communities.

Who does piracy hurt most? Working men and women of our union, who every year experience **roughly \$100 million in lost residuals to their health and pension funds** due to intellectual property thieves intent on copying, acquiring, and distributing copyright materials in an unauthorized manner. While all consumers love something for nothing, the plain fact is that downloading a movie from the Internet without making a payment or without authorization from the copyright holder is no different than walking into a store and stealing a DVD off the shelf.

Downloading movies and music without the authorization of copyright holders is a growing international problem and we need to take action. Recently, the international community has gotten involved, and China, Russia and the European Union have drafted legislation to implement or increase criminal penalties for counterfeiting and intellectual property piracy.

Other international law enforcement agencies have recognized that piracy is a serious CRIME and are beginning to step up their efforts to prevent, or at least reduce it. Mexico has begun to step up its fight against piracy, by new advertising aimed at children and statements by officials denouncing piracy as an illegal activity that supports more sinister aspects of organized crime.

In Malaysia in 2007, the Motion Picture Association (MPA) used specially trained dogs to lead investigators to 1 million pirated DVDs, CDs and optical discs. The dogs were used again that year to sniff out and find a

stash of 150,000 pirated optical discs from video stores in Kuala Lumpur. In March of 2007, Chinese officials seized 1.64 million illegal DVDs in southern China.

The IATSE consists of members in both the United States and Canada and our Canadian brothers and sisters are seeking relief from the Canadian government in the form of anti-piracy legislation as well. Canadian movie theaters account for nearly 50 percent of all camcorder sources worldwide, and Canada's film industry has come out swinging. Amendments to Canada's Criminal Code were passed by the House of Commons in the 1st Session, 39th Parliament in 2006, which made individuals videotaping a movie, without the consent of the theater manager, subject to 2 years in prison; videotaping, without the consent of the theater manager, for the purpose of sale, distribution, or commercial transaction, now lands pirates 5 years in prison.

In addition, there is currently an initiative led by the Canadian Motion Picture Distributors Association (CMPDA – the counterpart to the MPAA in the U.S.) and other industry stakeholders to support amendments to the Copyright Act in Canada. A recent Bill did not make it through the 39th Parliament, but the Canadian government has said it will try again. The proposed legislation is similar to the U.S. Digital Millennium Copyright Act (DMCA); it would go a long way to tightening up copyright protection and allow Canada to meet its obligations under the World Intellectual Property Organization (WIPO) treaties.

A new report just released by the RAND Corporation, with funding provided by the MPA, shows a clear link between funding for organized

crime and movie piracy. There are not only economic reasons for stronger enforcement of IP laws, but public safety and national security reasons as well.

Many city, state and federal agencies here in the United States are aggressively targeting American-based piracy. New York City recently signed into law a Bill that upped the ante against pirates videotaping movies in theaters in their five boroughs. What was once a \$250 fine and 15-day jail sentence in New York City now means six months in jail and fines up to \$5,000. More recently, legislation was passed on New York's State level that criminalizes piracy with penalties for felony. Underscoring the anti-piracy movement is the fact that legislation has been enacted in 38 states, making camcording illegal.

Our industry, which accounts for 1.3 million jobs and \$10 billion in federal and state taxes per year, cannot find itself commanding any less attention than a Wal-Mart or a General Motors. The entertainment industry is no corner candy store, and motion picture pirates are not a scruffy gang of teenagers looking for kicks. PIRACY has become a highly evolved, criminal enterprise that is robbing billions from our industry. It is the THEFT of someone else's PROPERTY, and robs from those who work the hardest in the industry: IATSE craftspeople. Be aware and be informed. Protecting the motion industry benefits everyone.

What can we do?

First, we need to educate our families, our friends, and ourselves. We need to stop the theft we know about. We need to recognize piracy and who

it actually hurts and inform those around us about the facts. Just as this society punishes bank robbers, this society should punish, with just as much force, those pirates who rob us of our intellectual property. Sadly, the US government has not been in the forefront of this movement. In Fiscal 2008, there were only 11 federal cases brought for “trafficking in counterfeit labels for copies of motion pictures...”, and of these 5 defendants pleaded guilty and 1 defendant was tried and found guilty. We can only hope that the states are enforcing their laws more rigorously.

Second, we seek support the sponsorship of stronger legislation protecting intellectual property. On the federal level we now have the “Prioritizing Resources and Organization for Intellectual Property Act of 2008” (PRO-IPA). This Act increases penalties for violating US copyright and trademark laws, and creates a Cabinet level “IP Czar” to advise the President and coordinate federal programs and policy designed to combat IP piracy. What is important now is that President Obama appoint someone to that post so that proper focus may be given this issue by a responsible and accountable member of his administration.

We will continue to work with federal, state and local elected leaders to strengthen existing laws and enact new laws that protect us. After all, the movie industry is a significant portion of the economy: it accounts for about 1.3 million jobs, pays \$30.24 billion in wages, and pays \$10 billion in federal and state taxes a year. We all benefit from a thriving movie industry. The loss of more than \$6 billion in one year to piracy is totally unacceptable.

Six billion dollars in one year is an outrageous amount to have stolen from the pockets of the hard working employees who toil every day to make

stories come alive on the big-screen. You see, the majority of the workers hurt by piracy are not the big-name actors or the wealthy producers—they make up only a small percentage of the motion picture workforce. The people who are hurt the most are the ones working behind-the-scenes: us—each and every one of our members.

Finally, we want to reach out to the movie studios and employers of our members to work together to find new ways of encouraging LEGAL downloading of movies and content. We have to realize that technology is here to stay. The Recording Industry has finally given a model that MAY be worth following – encouraging LEGAL ways to acquire music. If the audience for movies, which is undoubtedly enormous, can be reached with quick, legal, high quality downloads, this would produce an economic benefit immediately. Remember how fearful we were about VHS and DVDs? Legal DVDs now account for a large amount of the profit any given movie may make. While legal downloads may not bring in as much profit, anything is better than the huge losses we face through piracy.

The entertainment industry is the largest exporter of product of the United States and right now, is one of the few areas in which our economy thrives. It provides revenue for our government and employment for a vast number of U.S. citizens. We must collectively take strong action against this problem as expeditiously as possible.

Motion picture piracy is not something we can ignore. Piracy is a serious crime. We in the IATSE, our union brothers and sisters, and about a million hard working men and women, are its victims.

On behalf of the IATSE, I am particularly appreciative of this opportunity to have testimony presented to you and I thank this Committee for inviting us to participate in your hearing and provide information we feel is important for you to know and consider when legislation is to be formulated, proposed and acted upon.

If the IATSE can be of any further assistance to this and other committees regarding this issue, we stand ready, willing and able to do whatever we can to protect our members and workers across this nation.

Thank you.