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Responding to Impact Technologies
CINEMA AND THE IT GENERATION
Business Lunch

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St. Petersburg, Russia
2012

Moderator:

Mike Goodridge, Editor-in-Chief, Screen International

Panelists:

Rajesh Chharia, Founder, Chief Executive Officer, C J Online Pvt; President, Internet Service Providers Association of India (ISPAI)

Dmitry Grishin, General Director, Mail.Ru Group

Christopher Marcich, President and Managing Director, Motion Picture Association in Europe, the Middle East and Africa

Miriam Sapiro, Deputy US Trade Representative

Sergei Tolstikov, Executive Director, Federal Fund for Socio-Economic Support for Domestic Cinematography

Front row participants:

Sam Klebanov, President, Cinema Without Frontiers

Anna Krutova, Advisor to Management Board, Film and Television Producers Association

Oleg Rummyantsev, Managing Partner, Rummyantsev and Partners Consulting Agency

Evgeny Savostyanov, Senior Vice-President, Sistema Mass-Media

Sergei Selyanov, Producer, General Director, STV Film Company LLC

Sergei Semenov, Head of Legal Services, Producers Guild of Russia NPP

Linda Valter, Vice-President, Lakeshore Entertainment

M. Goodridge:

I would like to start by introducing myself. My name is Mike Goodridge. I am the Editor of *Screen International*, which is a London-based entertainment publication covering the worldwide film business. The topic of the panel is Cinema and the IT Generation. We are looking at the attempt by the film industry to come to grips with how they can deliver films to the IT generation in an effective and profitable way, not just in Russia, but in the United States and all over the rest of the world. It has been, I would say, a turbulent few years for the film industry. It has struggled with a bunch of different things: changes in consumer habits, changes in consumer spending, the economic crisis of course, the collapse in many ways of the DVD market, and the fact that television stations are not buying films like they used to. Then there is the constant nagging problem of piracy, which was traditionally a DVD problem but has now become an Internet problem in a very severe way.

We are going to talk about these various issues from a number of perspectives this afternoon. I do not want it to be a panel about piracy as such. I want it to be a panel about how the industry can take advantage of the new consumer and the new delivery systems in the most effective way. We have a very illustrious panel up here and very illustrious people in our front row. I am going to start by introducing the panel, and I will ask them to tell us what they do. We will start with Christopher Marcich, who is the President and Managing Director of the Motion Picture Association in Europe, the Middle East, and Africa. Chris, tell us what your responsibilities are.

C. Marcich:

Thank you, Mike. My responsibilities are to manage our outreach to colleagues in Europe and to try to develop a coherent approach to dealing with the challenges of the Internet right across the region, because it is a global challenge. It is not something which you can deal with at the national level. We also try to make sure that the best practices that are emerging in a number of European countries do have the opportunity to be known elsewhere and serve as a model. Apart from that,

we engage in a number of other legal government relations and management issues across the region on behalf of the studios, but we do not do commercial work for them. We do not do business deals.

M. Goodridge:

Thanks. We will come back to you, of course, Chris. Next we will hear from Sergei Tolstikov, Executive Director of the Federal Fund for Socio-Economic Support for Domestic Cinematography. Sergei, please go ahead.

S. Tolstikov:

I represent the Cinema Foundation. You all know what we do. We are interested in finding a solution to the issues that are the focus of today's meeting.

M. Goodridge:

Thank you. Next we will hear from Miriam Sapiro, who has come straight from Washington, the Deputy US Trade Representative. Miriam, you are familiar with the problems of the film industry, of course: it is a huge export for the US.

M. Sapiro:

Yes. It is a great pleasure to be back in St. Petersburg at the Forum. My first trip here was in 1986 and I think you all know how much this city and the country and the economy have changed since then. Among my responsibilities at the Trade Office, I do indeed have the pleasure of supervising intellectual property rights, both protection and enforcement.

M. Goodridge:

Thank you. Next to Miriam is Rajesh Chharia; he is the Founder and Chief Executive Officer of CJ Online, an ISP in India. He is also the President of the ISP Association of India. Rajesh, please go ahead.

R. Chharia:

Thank you, Mike. Good afternoon, everyone. This is a great opportunity to look at the framework of India, especially in the IT and cinema sectors, and try to gel both these things together so that the masses are able to watch movies through IT. As the President of the Association, my responsibility in the ISPA is to take care of the industry, to gel with the policymakers and also to take care of the users. Thank you.

M. Goodridge:

Thank you, Rajesh. Next to you is someone from the Internet side of the debate: Dmitry Grishin, General Director and Co-Founder of mail.ru. Dmitry, please go ahead.

D. Grishin:

Hello everybody. I am the CEO of a Russian Internet company called mail.ru. We focus on games, social networking, email, and instant messaging. This is our area of interest. I think our audience is approximately 60 million users per month. Approximately 70% of this audience is from the Russian Federation and 30% is from outside of Russia, for example, Ukraine and Belarus.

M. Goodridge:

Thank you. I am going to start with Miriam and Chris. The Hollywood studio business still accounts for probably about 60-70% of the worldwide film market. How is this business affected in general by the rampant piracy on the Internet, and how is it coping with new legal methods of downloading or incorporating new legal methods of downloading into its business?

M. Sapiro:

Thank you, Mike. Let me try to provide some context, as you asked to shape our discussion on this very distinguished panel that I have the honour of being on. I

know we have a very knowledgeable audience, so I want to also be sure we leave plenty of time for questions.

I think we all know that the film industry has changed radically in the Internet age, from how we watch movies to how businesses operate. I think this kind of transformation presents us with some very significant opportunities, but also some very serious challenges. Russia, in particular, stands to benefit tremendously from the potential of cinema in the IT arena. Russian consumers, of course, benefit every day from the diverse and extensive array of legitimate content that is now much more readily available. Russian creators and innovators get to reap the hard-earned benefits of what they have accomplished, and I think this really helps the Russian economy, which is of course the interest that brings many of us together here at the Forum.

Russia is a very important and growing market and we want to work with you to develop fully. Admissions are up 85% since 2006, and in 2011 further growth saw admissions at the box office reach over USD 1 billion. While the screen count also rose to over 3,000 across Russia right now, we think the market remains what we call 'under-screened'. Again, there is potential there for Russians and Americans, as well as others.

At the same time as we are seeing this phenomenal growth and potential in the Russian market, we are very aware that creators in the film industry, like the creators in Russia that I mentioned, stand to lose if we do not also have very strong protections for intellectual property rights and for the enforcement of those rights. I would say piracy is the chief threat that is facing Russia right now. This threat deprives consumers, the Russian economy, and innovators of the kinds of benefits that I outlined. I think there are also additional costs. For example, piracy unfortunately deters foreign investment, and greater foreign investment is very much an objective of the Russian Government. I had a very good discussion earlier today with First Deputy Prime Minister Igor Shuvalov, and both governments at the highest levels are putting a real emphasis on building a trade partnership and an investment relationship. Unfortunately, piracy deters that investment. Piracy can

also depress the tax base in Russia in two ways. Copyright infringers obviously do not pay taxes, and legitimate businesses that are struggling to compete with infringers have lower revenues, so that the governments cannot have the kind of tax base that they would otherwise have. I think that they are some relevant costs around what is going on.

Do you want me to say a few words about enforcement in particular? If you look at the hard goods market, I think we have seen some remarkable progress. Legitimate movie DVDs stand little chance, of course, of competing with cheaper pirated versions, which are often the product of illegal camcording. Likewise, box office receipts suffer when first-run movies have to compete with black-market editions. Strong protection of the intellectual property rights I just outlined, including over the Internet, is critically important in order to protect creative rights, and also to promote foreign investment and economic development: all of which, of course, leads to creating jobs. This is a challenge we face in particular in the United States right now, trying to create more jobs, making sure people have the right skills so that they are both able to find work and qualified to compete in the 21st century. This is not, by the way, a United States perspective, although as Mike said, I did just fly in from Washington. As a member of the G8 with the United States and other G8 partners, Russia agreed just last month to recognize the importance of intellectual property rights and their connection to stimulating job growth and economic growth.

What does this mean for cinema? I have explained this in terms of the rights for writing, producing, distributing, and viewing movies. This is not just for foreign films. Russia has a very rich cinematic tradition. From the films of Eisenstein, Pudovkin and others, to more recent films like *Burnt by the Sun*, which I have yet to see but would like to, considering it got an Oscar for Best Foreign Film, to *The Return*, another great Russian film, and *How I Ended the Summer*, which has also been highly recommended to me. As soon as I have some free time, I am going to try to get to the Russian movies. But these films from the Russian movie industry also need strong IPR enforcement to thrive. While I am told that films do well on their first

release in Russia, Internet piracy unfortunately undermines this positive feature of the cinema industry.

What can we do to try and help? Governments, in my view, have to provide a strong framework for IPR protection. They then have to follow up with enforcement, otherwise what good is the protection? Russia has already taken very significant steps through its accession to the WTO, which is set to happen this summer. My team and I had the pleasure of working closely with First Deputy Prime Minister Shuvalov and his team to make Russia's accession a success. That is set to happen this summer and, as part of the accession process, Russia will take on what we call the TRIPS Obligations, which are important IPR commitments in the WTO framework. Russia has made additional commitments that include establishing an IPR Court by 2013 and amending the law on activity licensing, which means that infringers cannot renew their optical media disc licences. When Russia accedes to the WTO later this summer, I think there will be very significant benefits for the domestic movie industry in this country, as well as for foreign films that are entering the market, and also for copyright holders and the rights that many innovators rely upon.

What is key, I think, is to quickly move into an enforcement environment, where Russia will fully implement the civil remedies, the criminal enforcement commitments, and the border enforcement commitments that it has made. In terms of additional steps, we are urging Russia to introduce legislation, which happened recently, and to see if they can strengthen it on what we call Internet service provider liability (ISP liability). A strong ISP liability regime will, I think, provide the best possible incentives for ISPs to want to cooperate with rights holders and to protect copyrighted works. The legislation that I would view as successful would establish liability for ISPs that promote or benefit from copyright piracy, which is a serious concern, including the transfer and the posting of infringing material, as well as caching and search engines that violate the piracy rules.

Last but not least, there should be a strong notice-and-takedown provision consisting of international norms. We are not saying that Russia should look to the

United States model. We are saying Russia should look to international models, so that they will have a strong notice-and-takedown regime that can provide for the swift removal of infringing content. As I said, Russia has made very good progress, and we are pleased to be a partner in this effort, but it does seem that additional steps are necessary in order to really promote and nurture a legitimate, sustainable Russian film industry.

M. Goodridge:

Thank you, Miriam. Chris, I want to ask you about your experience in Western Europe. Let us look at the example of France, where a law was passed in 2009 to hold the Internet access subscriber liable if they were caught downloading. After a series of warnings, they could lose Internet access. Has that proved successful?

M. Sapiro:

Are you talking about the famous HADOPI?

M. Goodridge:

Yes.

M. Sapiro:

As I said, every country does it a little bit differently. What is really important is to find that balance between having an open environment and cracking down on what is illegal in terms of infringing materials. France has done this in a certain way. I am not going to speak for the French government, but my impression is that they have found their experience works well. We have our own system called the Digital Millennium Copyright Act (DMCA). Again, we are not suggesting Russia should import what we have done, but simply look to it as we think it is a good model for how to draw that critical balance between IPR rights that every country wants to protect and nurture and the importance of having an open Internet, while at the

same time dealing quickly with illegal activities so it does not become a process for abuse.

M. Goodridge:

Can I bring Dmitri in at this point? Dmitri, what is your opinion on Internet controls in a company like mail.ru?

D. Grishin:

Looking at markets like Russia or China, I am a big believer that the best way to fix the problems we are talking about right now is positive motivation, not negative motivation. If you look at the Internet right now, it has a big audience and it is growing more and more. We also see that more and more people are starting to use or consume heavy content, meaning videos, heavy games, etc., because of the improvement of broadband in Russia. People are starting to use videos more and more and to watch television online. We see this use growing every day. On the other side, we see the growth of user-generated content, where people upload their personal photos, videos from parties, and things like that. This is also growing a great deal; people are uploading more and more of their personal content, and the quantity of this content is also growing in very fantastic numbers. It is millions of pictures every day and millions of hours of different kinds of cinema or movies, not professionally made but rather user-created. This is especially the case if you look at current improvements in smartphones: now almost all smartphones have a camera, and they also provide a lot of motivation for people to make videos, so it is growing very fast. So on one side we have professional content, and on the other side we have a lot of content uploaded by users themselves.

Secondly, I think you can make a comparison with games. I remember, and perhaps you know, that this was a huge problem for games and it is still a problem, but the best solution which we have seen in the games industry was to find a new business model. I am a big believer that videos should come with some kind of framing model, where people get part or all of the content for free and either watch

advertising, or access premium features for a fee. I am a big believer that this is the only way to change the situation in Russia.

Thirdly, I think one of the key problems for people using pirated content is that there is no place to find good content on the Internet, even if you are willing to pay. If you try to find a big library like iTunes where a person can easily pay and find all the content they need, well, this does not exist in Russia yet. We see that payment systems are improving right now, and we conduct a lot of discussions with users and check on their behaviour. Five years ago, people in Russia were not ready to pay for content over the Internet. Now, people say, "Yes, if we have a convenient way to pay, and if there is a big library of videos available." We are already having many discussions about professionally bringing all of this content to the Internet. It will help a lot because, at the moment, if you want to find a movie or some kind of content, you type it into a search engine and you cannot find a version that can be legitimately bought. This has happened.

M. Goodridge:

So it is an immature market in that sense?

D. Grishin:

Yes. I believe in two things. First, we should push the free-to-play model, which will help the market a lot. Second, we need to bring more and more content online with easy access. It should be a very simple user experience. If you go to a site and you need to register, then you will need to enter a lot of information after which you take maybe one film. Then you need to find another thing, so you go to another site and fill in all the information again. This will not work. I believe positive motivation will definitely work, as we see in the example of games. Nearly all gaming now is switching to the free-to-play model, and it works very well.

M. Goodridge:

So, in your experience, if offered a user-friendly model, the Russian teenager would be prepared to pay?

D. Grishin

I can say that if iTunes, for example, were available in Russia with a lot of good content which was easy to pay for, it would dramatically increase the number of digital sales. But it is not here yet, and neither are other networks of this kind of service. Second, for most of the videos, the free-to-play model is definitely the best way to approach people, to get them to start using professional content and then pay for it later. You cannot just stop everything. We would get even more black zones than now. This is very important to understand. This is my belief.

M. Goodridge:

Chris, obviously in America we have special video-on-demand services like Netflix and iTunes. Have these gone a long way towards curtailing illegal downloading?

C. Marcich:

Thanks Mike. I think that it is part of the answer, yes. It is a necessary part of the solution but it is not enough. I am optimistic and I see signs that the issue is being addressed in an overall way in certain markets, and the markets are stabilizing. I am optimistic that globally we will ultimately arrive at the sort of solutions that we found for other areas of illegality, whether in our sector or in others. They are imperfect but acceptable. We will never be able to completely eliminate forms of illegality. It is an aspiration that we cannot meet. But the conditions have to be there, and one of them is that the content sector must make the effort to make a variety of legal services experimenting with different business models available. There is not enough of that in Russia yet, partly due to the fact that some of the other necessary conditions have not been met. One of these is that it has to be clear that there will be a serious effort made to contain illegality. That is not just about illegal downloading by individuals and file-trading. We are also talking about illegal

businesses on the Internet, many of them hosted here in Russia. Those may hold the real key to the future.

Why do I think we can deal with it? I think we can deal with it because the Internet and the ISPs and the other intermediaries like search engines are now too big and too much a part of our lives to fail to take responsibility. They are purveyors of communication, they are purveyors of news, they are purveyors of entertainment, and they educate our kids. Where do our kids go first to find out information? Libraries? Forget it. They go to Google. The Internet is a source of healthcare, and it delivers financial services. What does that mean? It means that if we are a responsible society, we will see fit to frame that kind of important player, one that is pervasive right across the globe and pervasive in our lives, with appropriate regulation. It is inevitable.

We cannot hand the keys of that vehicle over to search engines and their allegedly neutral algorithms. They are not neutral; they run society for us because those search engines take us where the search engines want to take us. They also enable service providers who offer illegal sites and services to operate without respect for other laws that society has seen fit to put in place with respect to protection of minors, ratings and so forth, and, for that matter, their contribution to cultural diversity and cultural creativity in these countries is also in question. There is a host of reasons why societies will see fit to take responsibility, and governments will do what they need to do to put an appropriate regulatory framework in place. That is being done in a number of countries now. You mentioned France. I could also add the UK and others, where governments have provided a framework, where rights holders are making interesting and exciting new services available, and where we are seeing a difference in terms of the levels of theft and the level of responsibility of the players involved in the Internet ecosystem. That is crucial. Ultimately, the solutions will come about through dialogue between the interested parties, and through an appropriate regulatory framework. I am happy to say that, here in Russia, I see that the Russian legislators and the Russian Government are looking to possible solutions, and I commend those activities. I think that they can look at

what has been happening elsewhere in Europe and at what has worked; that would be great, as it is possible to make progress. With that progress will come an environment that will be good for all concerned, and I do echo what the ambassador said about Russia, emphasizing its contribution to cultural creativity over the decades, its important role as a partner of our studios in terms of producing audio-visual works, and its importance as a market and as a thought leader in this space. Those are some introductory remarks from me.

M. Goodridge:

Do you not think that the industry itself has to respect new consumer habits? There is a need for speed. Yes, films should come out in the theatre first, but we should not have to wait three and a half months before they come to paid TV or DVD.

C. Marcich:

I think that the industry, the content sector, has to respond with offers that are responsive to consumer demand. It is not for me to decide when exactly movies should move from one mode of exploitation to another, but I think that, if you look at the historical trend, you will see that the history of the industry has been to respond to developments, to new opportunities, to new platforms, and to new technologies, and I think it will be the same with the Internet. But as I said before, and as I will say again, that has to happen within the context of a comprehensive environment that is conducive to making the Internet the sort of place where we can do legitimate business, which can serve society in the way that it needs to.

M. Goodridge:

Sergei, I just want to ask you about Russian cinema. What are the issues facing Russian cinema online? Are people pirating Russian films? Are people watching Russian films online?

S. Tolstikov:

At the start of this discussion, Mike asked us to leave aside the technological aspects of piracy and to get on to the more general questions. Still, our conversation seems to be heading more in that direction. So I should also like to say a few words on that.

I think I speak for almost all of the film community when I say that it is a bit Pollyanna-ish to expect that positive motivation will reshape the audience and make people stop stealing. Yes, stealing is what it is. Without certain institutional measures, there can be no full, true positive motivation. To positively motivate people towards something – free access and all that – there have to be certain rules of the game.

Unfortunately, there seems to be this illusory gap, as if the Internet community is something outside the usual bounds of humanity. This is a profound misconception. People on the Internet: that means all of us. We are on the Internet and here, at the same time. Separating the Internet from humanity, country, and government is a profoundly mistaken notion. I know that the entire film community is in agreement with me. To ward off any illusions on the part of our contract partners and international partners, I will say that the Russian film community stands for very serious work in this area, which is already underway on a number of issues. I will not get into the details because that is a whole, serious conversation unto itself. There have been victories and setbacks there too. As in all countries, the work is not easy. But we hope to see the light at the end of the tunnel, sooner or later.

Now I will allow myself to speak more philosophically, as Mike proposed. The theme of this discussion at the 2012 Forum is the IT generation. We were eating ice cream before this event, and Evgeny, who was with us, said that the epithet 'IT generation' came about as a comparison with the TV generation. So the IT generation is this new stage and we are moving ahead. But if we look back 60 years, you will remember that we had a similar set of problems then too: the TV generation versus the cinema generation.

Looking at Germany, between 1957 and 1969 audiences fell from 800 million to 237 million, or almost a 75% drop. That is quite a dire situation. I am talking about

German cinema now so you can remember the scale of the disaster or transformation that cinema underwent at the start of the TV era. Is that good or bad? It is natural. Something new appears; forms change. But the biggest accomplishment of this TV age, I think, is that cinema did not disappear.

Cinema has two competitive mega-advantages: first, the fact that it has films that are really and truly artistic and contain artistic meanings, and the second, that it is a form of recreation; cinema is entertainment and an attraction. Many films have to be viewed in a cinema in order to be truly appreciated. But the second part of cinema did not disappear either. Cinema adapted: TV picked up some elements from cinema, but also gave a certain impetus to the development of cinema. In its institutional aspects, TV is a completely different form of video consumption.

So currently we have IT versus TV versus cinema. Does this mean that we might lose something at this stage? Of course. At the moment, I am just talking about cinema, and what it lost when TV made its powerful assault on the audience. Does this also mean we can prepare better for this current situation? I absolutely think that we can. These two competitive mega-advantages of cinema are still there. It is a way for people to enjoy recreation as a group or collective, and it always will be. Humans will always want to come together, which is fortunate for cinema. Every year there will be new generations which, thank goodness, will go to the cinema.

It is natural that some of the formats of cinematic product are changing, as they did under the sway of TV. I think artistic sensibilities will be energized on a deep level. I think there will be more short products that are 25 to 30 minutes in duration, but the thought put into making them will be just as deep as it is in film.

The question of reaching that one fine day when online monetization will compensate for all the losses we are incurring at this particular stage is very important. Why? Because I cannot imagine how to get through this stage painlessly. We have to regulate this stage and compensate for losses, and build mechanisms, just as we did when TV affected cinema. I am not talking about America because the US is a separate story. Cinema there is worldwide, transnational, and the international markets largely compensate for domestic losses. But looking at

European models, the impact of TV led to a situation in which all state systems for supporting cinema are largely dependent on TV resources: France, Germany, and Spain in part.

The question is how to now include such a new entity as the Internet in the system for state support, if this support should exist at all for cinema. Otherwise, it will be too late. In Russia's experience, we can clearly see that TV to some degree saved our cinema in the 1990s but was not at all included in the system of state support. The state support system is not systemic even though it is, well, a system. Sorry for the tautology. It is funded directly by the federal budget and does not allow all the aspects of cinema that are related to TV to be re-created organically.

We have to find mechanisms for cinema and the Internet to cooperate. We cannot allow the Internet to skip along under blue skies while cinema drowns. The stakes are too high. We are confident that cinema will not disappear. It will find new ways to survive and thrive, as well as new formats. But we absolutely must think about this.

To conclude, the patterns of growth in the online community will lead to positive aspects too. The process will become more civilized, but it will be a bitter pill to swallow. We need a clear, unified position on the part of the cinema community and all the people who work in this area, so that that bitterness can be made as slight as possible. Thank you.

M. Goodridge:

Thanks, Sergei. I want to introduce Rajesh now, who of course comes from a different perspective. He is from India. Rajesh, you have a particular theory, I think, on Internet and film distribution?

R. Chharia:

India and Russia have worked together for a very long time when we are talking about entertainment. India has a population of 1.2 billion, out of which 65% are rural, who have the lowest entertainment cost through cinema. Cinema is their

lifeline in the rural portion, but we are finding a little bit of diversification after the introduction of the TV and regional content. Still, the Internet is the cheapest and best media for carrying any sort of content to the user.

The ISP industry and our government are very much concerned about piracy. In 2008, the IT Amendment Act was approved, and in 2010, a new ruling was approved, wherein any sort of pirated content is totally illegal and the person who is hosting this content on their data centre is responsible. That content has to be removed immediately, within 36-48 hours.

I want to bring one thing up. Everybody is targeting the ISPs, but in my opinion, the ISPs who are also data centres are responsible. But the ISPs who are just providing highways are not responsible for providing any pirated content to the user. A very long time ago, the ISP fraternity gave a solution to the MPA, which is what Madam Miriam has also suggested. Why are we not becoming a partner and starting to host a complete library in the data centre of the ISP, so that the user is able to download or can view that movie locally, without wasting any money on the Internet cloud or international bandwidth? The speed to the user would be much faster, and the quality would be much better. I think this is under discussion in the MPA, and they will make a very good decision on this.

Why do I say so? I am giving you a short introduction to the IT industry in India. India started in IT through communications in 1997-98. Today, we have 943 million mobile connections, the most penetrated country for the mobile, and every month we add approximately 10-12 million mobile connections. All those mobiles are smartphones, and all those smartphones are carrying movie clips, video, songs, and a lot of other applications. Our Internet mobile connectivity is at 100 million, and our government has given us a target of 175 million broadband connections to be reached by the end of 2017, and 600 million broadband connections by the end of 2020. We are very optimistic that we are going to achieve that target, because government and industry are working together and starting to create a complete infrastructure of the Internet and IT in the rural portions of the country. We have 250,000 rural villages which have to be connected by the end of this year, and I feel

that the cinema will be a great tool for sending regional content to the rural user, so they should be able to avail themselves of this low-cost entertainment in their home. There is one more thing that I want to put forward to the movie fraternity. We are forgetting our old-style works. We are just putting new movies into the cinema halls. Old movies are gone, and if someone wants to see that old movie, then the Internet is the best tool to see it. I have made a very short presentation in this regard. I quote a showman of our country, who is also a showman of Russia, Raj Kapoor. I think a lot of Russians know about Raj Kapoor, and a lot of Indian Hindi movies, Bollywood movies, are very popular in Russia. Some examples are there in my presentation. Mike, would you give me the opportunity just to go through a very short presentation? You will be able to recognize those stars, and you will understand how the Internet is helping that old memory exist into the present time.

To the Russian people, the ethos of Indian films: the melodrama genres, the extricated good and evil personalities, colourful characters, costumes, songs, dance and locations, all of this makes the audience sympathetic. Indian cultural films guarantee a financial return. For example, in 1963, *Love in Simla* was a super-duper hit in Russia. Similarly, in 1984, *The Disco Dancer* had the highest audience rating in Russia, and in 1972, a movie called *Seeta aur Geeta* made a marvellous saga hit in Russia. Raj Kapoor, from Bollywood, is more popular in Russia than in India. I think they started copying Raj Kapoor over in Russia, and some of the Bollywood songs of Raj Kapoor are very popular right now in Russia. This is a popular song which you will find in Russia, and it reflects Russia. He is a star who frequently visited Russia and became very popular here. Russian artists are also very popular in India. The Russian actress Kseniya Ryabinkina has the popular hit movie *Mera Naam Joker*, and a lot of other Russian stars are working in Bollywood movies.

Our main theme is IT, and IT and cinema are working together. A lot of multiplexes and malls have been generated in the country, and everybody wants to see the movies in the multiplexes, in the malls. But IT is still the best tool for viewing old movies and movie clips.

I will talk about some of the things that have been done in India to stop piracy. An audio cassette manufacturer, way back in 1995-96 when audio piracy was at its peak, came out with a very low-cost audio cassette which completely abolished audio piracy over there. The same has been done in our country by bringing the cost of DVDs and CDs down by buying the title. In India, the use-and-pay theory is very popular. Selling 200ml bottles of shampoo is not working, but the 10g sachet of shampoo is very popular. That has been our experience.

In India the mobile rate is the lowest possible: half a cent. That is why I suggest, from the Internet fraternity, that if we allow these movies to be downloaded legally at a low cost, looking at the mass user base, we will find that piracy can be resolved very quickly. Internet media can be used in a good way for cinema. We are doing a lot of blocking right now. Even our legal judiciary has taken very strong action against pirated movies and the Internet fraternity are helping our judicial system and the studios to control the movies. Still, I want to suggest to the studios and the moviemakers that we are very concerned about their investment, but at the same time they should also target some of the applications and some of the tools through which these movies are getting downloaded, as well as some of the major data centres where this pirated content is being hosted. If we were able to control those things, we would not need to discuss the issue of cinema and IT that we are discussing right now. Cinema would become popular through IT, through the Internet. Thank you.

M. Goodridge:

Thank you, Rajesh. I want to introduce some of our front row participants to contribute to this discussion from their different perspectives. Let us start with Oleg Rummyantsev who is a Managing Partner of Rummyantsev and Partners Consulting.

O. Rummyantsev:

Thanks, Mike. I think this discussion is exceptionally timely, since it really is an IT generation that we have around us. So here is the question: as parents, as fathers,

do we hold ourselves responsible for how our children turn out? This question is above all a moral choice. I am absolutely sure that Dmitry Grishin, who speaks of positive signals, still resorts to prohibitions sometimes when raising his children. I am absolutely sure of this: otherwise, child-rearing is impossible, just as our approach to solving this problem is impossible. There is the carrot and the stick. This is a worldwide practice. We all are for the carrot. There need to be business models, and we ask our Hollywood partners to put effort into looking for business models in Russia. What Ekaterina Chukovksaya is doing with the idea of a rights registry is intriguing, for example. We will not get anywhere without business models. Positive motivation is great, but we have to have the stick too. You should not be doing business if you are breaking the law.

Why are information intermediaries seemingly exempt from liability? We have to look for the people who make illegal content available, but at the same time, the information intermediaries are often making enormous profits. For instance, the VKontakte social network is a website business based on piracy, on the unauthorized use of intellectual property. The numbers show this unambiguously. Facebook does not have this. They took the Facebook model and added on the unauthorized use of intellectual property. If you are going to copy another model, then copy the best.

We are acceding to the WTO right now, and that is very fortunate: soon Russia is to sign the TRIPS agreement, in which regard we will need to improve our legislation and take preventive and enforcement measures. There are two sides. We have now been able to create a rights holders' alliance which includes representatives from different industries – mainly the cinema and TV industry – and we have submitted our amendments to the country's leadership and the State Duma as part of the campaign to change the Civil Code. We have been fighting long and hard to get the State Duma and Russian Government to listen to our position, the rights holders' position.

Thank goodness that we have come to realize the necessity of compromise: here we have the Chair of the State Duma Committee for Civil, Criminal, Arbitration and

Procedural Legislation, Krashennikov, stating that there needs to be a compromise between the IT industry and rights holders. Other participants in the process are talking about this too. This is great.

We may reach a compromise on open licences: open licences are possible for individuals, but I do not imagine this working with film studios or cinema publishers. We are already reaching a compromise on enforcement measures, which is a direct offshoot of the European Directive, European legislation. But here we have gone a bit further than European legislation. Why should we blindly copy the DMCA or ten-year-old European directives? It has been ten years. Yes, we are making a step forward, above all with regard to preventive measures. We are counting on the practice of our courts. In December, the Presidium of the Supreme Arbitration Court decided in the Top 7 case that when looking at the liability of intermediaries, the entire set of services provided by those information intermediaries must be taken into account.

I think that this practice needs to be reflected in the legislation, whether in Europe, England, Scandinavia, or Russia. Our law is not precedent-based. We have to establish that information intermediaries bear general liability. In which cases are they freed from liability? In cases in which they proactively prevent violations of intellectual rights, in which they quickly take action after finding out about illegal or unauthorized use of intellectual property, and in which they do not make money from that kind of unauthorized use. That is the crux of the thing.

Let us put in a norm whereby you cannot make money from unauthorized use – on VKontakte, say – and everything will be alright. Go and do peer-to-peer, person-to-person, social communication. We are all against Internet censorship. We are for freedom on the Internet. The Constitution forbids censorship, and as one of the creators of that remarkable document – not remarkable in all its parts, but in some – I would like to say that we persist in opposing censorship.

When we were in the final stage of discussing the law 'On the Protection of Children from Information Causing Harm to their Health and Development', the Administration of the last President removed from the law the liability of information

intermediaries, sites, to block child pornography, supposedly to avoid censorship. My friends, that is absolutely absurd. In a state governed by the rule of law, your freedom ends where you violate the freedom of others or of third parties. I think that the law on protecting children from certain types of information will soon be fixed and approved. These are things of a kind: if we protect our children both here and against theft, which should not be allowed to become an everyday practice, then the IT generation has potential.

I would like to stop there. We are looking for a compromise, a very difficult compromise. I am sure that Russian legislation will soon have new standards that will help us all. Thank you.

M. Goodridge:

Thank you, Oleg. We talked earlier, Dmitry, about the fact that there were not any legal downloading services. Are there not *any* legal downloading services? Why are Apple or Netflix not coming into Russia? Chris, do you know?

D. Grishin:

Yes. We have legal services in Russia that are growing, but the issue is that they represent a very small percentage of content, very small. There is not one place where you will find 50% or even 25% of the content. It is tiny, very tiny.

A. Akopov:

I am Alexander Akopov from Amedia. I am addressing Dmitry above all, since we have had dialogue on this topic for a while. Our industry is carrying out – strictly – all the recommendations of the Internet industry and of Dmitry Grishin personally. By January 1 of next year, all the content of the American majors, American TV, and the best series will be available in the Russian Federation on the same day as they are released in the United States. All of the best films will be available. We have worked on this, and that is how it will be. So we have implemented two of your recommendations at a go: first, the recommendation for positive motivation – we

have created it – and second, the recommendation on making content available. I would say that 95% of our audience's needs will be legally available on the Internet: that is, practically all American and all Russian content.

D. Grishin:

Can you say which labels will be taking part?

A. Akopov:

I will say openly: everyone is. All the majors are taking part. We are very much hoping for Indian content, which is actually very popular in Russia. I even remember some songs from films I saw as a child; I sang them myself.

But, Dmitry, since we have gone down the path of civilized collaboration and started to implement your recommendations, we wanted to encourage you to implement ours before they become law. There is no doubt that they will become law, because unfortunately the arguments of Internet service providers are based on the idea that society cannot force us to do certain things. I want to point out that when society and the government require it, they can obligate business to prevent crimes. These are philosophical thoughts, but still. For instance, when necessary for society, the government tells airlines and airports to let people on aeroplanes in a certain way. When society and government need to, they tell banks to process financial requests in a certain way. Not to mention medicine, cafés, restaurants, and our venerable Sanitary and Epidemiological Service: you know, we have this wonderful service which, fortunately, does not cover the Internet yet. So for government and society to compel Internet service providers to prevent crimes related to intellectual property is quite a natural state of affairs, not just in Russia, but worldwide.

So we call for one thing: let us negotiate before laws are made, because who knows who the people adopting them will be and how the laws will be drawn up. We know that your side wants to negotiate. I see this in your reaction. We have always been proponents of reaching an agreement before the police get involved.

D. Grishin:

I will comment in Russian to better convey my emotions. I agree; it is quite right that there needs to be a compromise. I do not want to say that everyone is good or everyone is bad, but for the last year or two we have been really attempting on our side to deal with the main complaint against the Internet: that its main income is premières of films in cinemas, and that the first three weeks after the première are the key ones. When we are notified, we try to work to remove this content. This does not always work perfectly. As far as I know, all the major Internet providers are building up their support services and response systems in different ways. This is good. Everyone knows there needs to be a compromise; the main question is what it will be like.

Now as far as whether, as you say, negative things can be done for the good of society – probably they can. However, we need to be careful, since we know from history that there are plenty of examples of different people who came to power for the good of society then began to do bad things or got into systems related to weapons. You yourselves know that history has plenty of examples of cases in which initially positive motivation for societal regulation gave way to very negative things. So I submit that we must be careful. That is the first point.

Secondly, there is another fine point in regulating Internet technologies. Technologies change rather quickly. Mobile phones appear; more and more new ways of delivering content appear, and we have to be careful in order not to regulate or expend much energy on regulating things that will become less relevant with time. Technologies change so quickly, and I know that many politicians say that before regulating something, you need to wait for the system and situation to settle down. Let us see as precisely as we can what the main source of access is, be it desktops, mobile web, or something else. We have to be very careful here, or else we will regulate something that will end up being irrelevant. That is also important to keep in mind. Thank you.

M. Goodridge:

Thank you. Let me call on Anna Krutova, who is Advisor to the Management Board of the Film and Television Producers Association. From the producers' point of view, Anna, is what we are discussing something that is out of your control? Are you at the mercy of distributors and pirates? How do producers protect themselves?

A. Krutova:

It is hard for me to issue prescriptions. I am not an IT person and can only say that Russia has a Film and Television Producers Association, bringing together the 24 largest companies. Alexander Akopov and Sergei Selyanov (from the CTB film company) are representatives of the association. Defending intellectual property is the main cause for this professional community.

I will say a few phrases that are easy for people to comprehend. I have little regard for the position of the Internet community that is growing in Russia. It seems strange that only Dmitry is present at this discussion. Where are our colleagues? Where is Google? Where is Yandex? They are not here, unfortunately. I know that Google will be holding a round table on this topic today, and I know that their vision is the polar opposite to what we here are talking about. I encourage my colleagues Dmitriy Rudovsky and Evgeniy Savostiyanov to go there. The topic is muddled there – something about culture and art and how the Internet helps all that – and we, the rights holders, are real scum who do not let culture grow, do not let people watch cinema if they do not have money, and so on. I think this is all less than forthcoming and is playing fast and loose with things. Dmitry, I am not referring to you; we have met on multiple occasions, and I am glad you are sitting here with us. This speaks to your position and the fact that you are working in this area.

Sergei Selyanov once said, and I think he will say today, some important words: they have put the rights holders in opposition to the leading-edge Internet community, which is democratic, and saying, "Give it all to the people", and here we are, saying, "No." That is not true. The people creating films have always been the leaders. For centuries, Russia has had people carrying forward freedom of speech, people who told the truth, no matter what the government was like. We all know

about those heroes. We are the ones expressing our position honestly, clearly, and transparently. We create for people. But what we do is the only way we can earn money, make companies, keep them afloat, and grow. So that is not at all true.

As Alexander Akopov rightly said, if someone is making money on someone else's work, the law needs to step in. You cannot just earn money at the expense of the content producer by sending this information to viewers completely for free. Yes, we have a huge number of legislative initiatives. We are fighting for this natural right to receive money for our own work, as Oleg Rummyantsev correctly stated. Yes, it is very difficult. Yes, the government has an Internet lobby. All that is the case. I think that our American and Indian colleagues know how hard this work is in Russia.

I would now like Elena Muravina to speak. She works in Los Angeles and knows how important this is from the legal perspective. She can tell us about some very simple tools that exist and need to be employed in this arena.

M. Goodridge:

Elena Muravina, please.

E. Muravina:

All the topics I have heard today are the right ones to talk about, I think: the idea of the Internet being a young industry that is still settling down. We are still going through the stage where the relationship between the old forms of entertainment and new ones is finding some sort of resolution. Also important is dialogue between traditional entertainment formats – cinema and TV – and the new formats, the Internet.

I am a lawyer working in Los Angeles. I am a member of the Los Angeles Copyright Society and of the Executive Committee of the LA County Bar Association for Intellectual Property and Entertainment Law. I participate in conversations and conferences like this about once a month. All these topics are quite familiar, and a very important one gradually comes out of the woodwork. It is one we have touched on today: the topic of compromise. Unless both sides, which are seemingly standing

in opposition right now, come to the same table and start to make some joint decisions, there will be no real move forward.

The technical solutions exist. Dmitry is right: technologies are speeding forward. But on the other hand, they are speeding forward in all areas. Technical solutions to protect content have their place, and we all know about them. It is not necessary to wait until rights holders remind you that content is being stolen on your site. You can find this out yourselves just as quickly.

The technical measures are there. It is always a question of will, however. If both sides want to find a joint solution, then finding it will be a fairly quick process. As the industry and technology progress, that solution will change. It is key that both sides try to find a joint solution instead of yelling past each other.

As a lawyer, I know that when two sides are going to court and we are trying to find a compromise, we always say that the best compromise is when both sides come out of the negotiating room a bit dissatisfied. I hope that both sides can try to find a solution in which both sides will be a bit dissatisfied, but the public will be quite satisfied. Thank you.

M. Goodridge:

Thank you. I believe we have another speaker here.

A. Kuzyaev:

Thank you. Allow me to introduce myself. Today I am wearing an unusual hat, so to speak. I am Chair of the Perm Financial and Industrial Group.

There is a lot of talk here about the Internet and rights holders, and very little talk about the people who connect you: cable and telecoms providers. So I too wanted to say a few words.

Firstly, I support the rights holders wholeheartedly. Our country needs legislation that will protect rights to all types of intellectual property, including multimedia. Stealing is wrong, and this issue needs to be dealt with.

But there is another problem as well. Dmitry is in the minority here, I see. Honestly, I fear that we are a country where copyrights have been violated more than anywhere else, but in this case I want to defend Dmitry to some degree.

We have one project called ER-Telecom under the Dom.ru brand. Today we have about five million Internet users in 42 Russian cities. We worked on getting rights to multimedia content from the main rights holders. Let us start with an honest statement about Russian rights holders: the share of specifically Russian multimedia – Dmitry is absolutely right here – is only 10%, or maybe even less. These are the films that our public watches. Most of the copyrights and films today are content of non-Russian origin, mainly from Hollywood. The Indians too have a small share: 5% to 7%, or maybe less.

Why am I providing these details? In the first place, let us not hold on to any illusions: clearly, our former countrymen who now live in America can give examples of how everything there is good. But honestly, the European market is still made up of 30%–40% pirated content. The problem with copyright is not going anywhere.

So why I have risen to Dmitry's defence? There is no reason to throw stones at piracy and Internet freedom. The Internet is a new way for people to communicate worldwide. When we tried to get rights from the copyright holders, it turned out that they did not want to change anything. One of the main goals of the rights holders is to maintain the status quo and stay stuck in the old world, where people line up in rows to go to the cinema and pay the prices that are convenient for the rights holders. This is not going to happen. The pirates are changing the way the rights holders' world is built.

We need to develop new methods that are up to the task of selling films. Forget about where a ticket 'should' cost USD 10. In the biography about Steve Jobs that came out just recently, it quotes him as saying that we need to make it so that you can download music legally for just USD 1, for USD 0.99. We need to make it so that people can watch a film legally for USD 1.5. We need to make it so that you can watch a film after five or ten days, not 40 days, for USD 5; and then after two weeks you can see the film for USD 1. We need to make it so that your art and copyrights

are as accessible as possible through new technological solutions. Unfortunately, the rights holders are not going along with this voluntarily. It is piracy that is forcing you to keep up.

I think the process we are seeing now is a process of growth. Any process of growth has two sides, new and old. It is clear what everyone involved in this process needs to do: instead of just seeing our own interests, we need to create a new future. We need to make it so that the people who are pouring their money and soul into art and making multimedia can receive their just income. Internet users need to have a convenient, accessible, and economically rational way of acquiring this content: not after 40 days, as the rights holders insist now, but right after it appears. We need to find new modi operandi for the world of content to exist digitally. Thank you for your attention.

M. Goodridge:

Thank you.

From the audience:

Hello. We have been participating in this discussion for a while, and I have the impression that we are fighting piracy by legal means alone. There have been a lot of laws ever since Hammurabi and a lot of methods of punishing stealing, but the person who invented the lock probably did the most anyone ever has to prevent theft. So I wanted to speak from the IT sector on what can be done technologically to try to solve this question that so vexes the lawyers, Duma deputies, networks, and others gathered here.

As a foundation that works to protect authors, we have conducted research: about 85% of users who download content are not aware that they are downloading it in pirated form. About three quarters of that 85% are ready to shy away from illegal downloading if they are officially informed that this is illegal downloading and that this could result in penalties against them personally. What we propose is returning the so-called 'users' who are committing the piracy to the discussion, and to put the

term of 'user' into this discussion between lawyers, rights holders, and information intermediaries.

Based on these principles, we have invested in a technology that seems rather simple. We took the approach of anti-virus companies and developed certain signatures, basically like parts of a virus, which we use to infect audio and video files. We inoculate them, as we say. So when the file is viewed or downloaded, a special anti-virus agent pops up with a notification. This is a personalized message containing the user's IP address, so the user knows that from here on out he is personally responsible for violating the law.

If the user continues watching or downloading the file, information about the IP address and the copy that he is watching is entered in our database. If the user is prepared to pay, he is prompted to use a payment system and pay *de facto*: this is the question you mentioned. If the user refuses, a special report that he tried to watch the video illegally and refused to pay is produced. He becomes a *de facto* criminal with regard to the rights holder. The information containing IP addresses can be given to the rights holder, and the rights holder can file a complaint with law enforcement. It is relatively easy to use the IP address to find out who was doing that. If the user keeps watching the file, the embedded agents delete the file, or, if it is being watched over a network connection, they stop the connection. It is a simple technological solution. Elementary, really. The technology has been internationally patented and we will announce our business model this autumn. We encourage all rights holders to inoculate their files with us. Thank you, and all the very best.

D. Grishin:

I have a question: will it be necessary to install special software on user computers to do this?

From the audience:

We plan to come to an agreement with anti-virus companies so that this anti-virus agent – this is basically anti-virus software – is distributed with the standard anti-virus programs.

D. Grishin:

I see.

From the audience:

The IT folks understood what I was saying, right? Thank you.

M. Goodridge:

Thank you. Do we have any more contributions from the floor?

From the audience:

So the right holders pay: they can pay for the inoculation. That is it should be: when you get your child vaccinated, you can pay for the vaccine. We have not built the business model yet. We have created the technology, and now we are working out the details. Then it will be ready to go big. Thank you.

S. Selyanov:

I am Sergei Selyanov, from CTB and the Film and Television Producers Association. I represent an organization and producers' association that is clearly committed to the timely resolution of today's topic. So I am speaking up at the very end not to add new thoughts, but to give voice to the official position of Russian producers at this most important Forum. I will in large part repeat what Rummyantsev, Akopov, and Anna Krutova have said; they are partners and members of our association.

The rights holders have come together on a new level. We have found common cause with the music industry and book industry, not just on an abstract or ideological level, but on a practical level too. Things are easier. Our front has

become broader. This offers hope that soon we will solve three problems, which I will name.

I would like to thank Dmitry Grishin, whom we are seeing yet again, for not just leaving us rights holders talking amongst ourselves and adopting beautiful, threatening solutions. Really, thank you. I owe you, and if you ever decide to lay waste to rights holders at a conference, I am always ready to show up and play the part of the lone victim.

I really liked today's event. We know that these conferences are not always good. There are a lot of them, but this one was very high-quality, one of the top three. I have enormous experience with conferences and round tables on the topic, and this one was very good.

So here are those three problems I mentioned: The first is legislative. Do we solve this through compromise or not? The second is the business model. Everyone should be making money, from the Tier 1 providers at telecoms to the information intermediaries, all these platforms and sites, everyone who is ready to deliver content to customers. Everyone should be making money. This business model has several variations on it, but this is all in theory. It needs to be enacted in practice, without legislative pressure and without coercion. Otherwise the IT industry will not go along with it. We know this, so I refer back to my first point. Third, we need to develop the legal sector online. I think Akopov's remarks were very germane here: American content accounts for 90% of this most lucrative traffic. But our 10% would still mean a great deal to us.

Even so, today there are many legal distributors of content online. We support them in different ways. This is an important topic. As they say, "Where and how can we download, and for free too?" Recently I have been giving a million of these examples. I say, "YouTube." We have been making a children's TV series, *Luntik and Friends*, among other things. These are short animated stories. We will have a billion views on YouTube by the end of the year. That is a billion legal views. Users are able to go in and watch for free, legally, one billion times. So do not tell us that it

is impossible and that a solution cannot be found. This is all doable, but it is difficult so long as the pirates are the ones holding all the cards.

We have a request of the MPA, which Chris is representing here. I have made it on multiple occasions. Our request is related to what Akopov said. We would like for studios to more actively create the conditions which would allow content from American majors to be legally distributed in Russia: if possible, not just on a paid model, but on a free, ad-supported model. Without you, we cannot resolve anything here. When the majors start putting out content for distribution that is legal and free to the user, the situation will improve markedly. The discussion of business models will stop being abstract.

Last of all, on an emotional and ideological note: I am deeply offended by this treatment of rights holders as old-fashioned bloodsuckers. Saying that everything has to be available is like Maoism. We have to grind up and quash the intellectuals, deprive them of the right to vote. They are the doers, and we will consume: we are free, democratic, progressive, and modern. We were born today and they were born yesterday, so let them do it. That is Maoism, a cultural revolution. By grinding intellectuals into the dust, you get a country with no future. When the people in the government have these conversations, I say, "Why did you build Skolkovo? You put billions into it. Do I have the right to go there, sack in hand, take all your patents, and jet out?" "No", they say. "Yes, I do", I respond.

Private property is sacred; what is there to discuss? This is on the same level as, "Thou shalt not kill." What needs to be discussed is not this topic and not freedom of information. The Filmmakers' Union played an enormous role in abolishing censorship at the dawn of Russian democracy. We are categorically against censorship. But using terminology to deliberately deceive, and calling entertainment the 'free exchange of information' is an outrageous, foul, and unseemly corruption of the term. Here we are, exchanging information. But what about if we are riding a roller coaster? Those are different things.

Thanks to everyone. This was a fine discussion. Thank you.

M. Goodridge:

Thank you. We have Linda Valter here from Lakeshore Entertainment, which is a Los Angeles-based production and sales company that makes a very expensive product and disseminates it throughout the world.

L. Valter:

We try. Earlier today, I was at the IT Panel across the way and they were talking about how to nurture the domestic Russian IT industry. I was not there for the entire thing, but IPR never came up as far as I heard. I think that industry needs to understand that it is just as dependent on IPR as the entertainment industry is. Apple, Google, and Microsoft would not be nearly what they are without strong IPR. I think these two, our industry and IT, can work together trying to find a Russian model to the solution, so that we can both make good products and make money. Thank you.

M. Goodridge:

Thank you, Linda. I just have one question, actually. What is your perception of the Russian market from Lakeshore's point of view? It is obviously a growing market, as we talked about, and it is probably an under-screened market. There is huge potential growth in this market. Is it going to grow further? Is it something you take very seriously?

L. Valter:

We take it very seriously. As somebody touched upon earlier, it is under-screened. I think India is in the same situation, where the distribution of content will be over the Internet more and more. It is just like in the US and other countries: we have not built out broadband as far as we can. Russia is such a big country, and India and China are the same situation. That is why it is so important to understand and to develop proper protocols now before it goes to millions more people, so that we are all singing from the same hymnal, so to speak. It is a very under-served market. We

are very interested in doing business in Russia, and we see it as a very welcoming environment.

M. Goodridge:

Yes, thank you. We are coming to a close. Does anybody have a last addition? Rajesh, please go ahead.

R. Chharia:

After listening to all your comments about the Indian market and affordability, I can say that India is in the same situation. Yash Raj Films is the topmost Bollywood banner in the country, and they are putting their movies onto the Internet cloud after a month at a very low, affordable cost. What the Indian film fraternity are planning is to have their first showing of a released movie with a higher cost, and after a month has passed, the movie will be available at a low cost.

We have to understand that purchasing power is differentiated in a vast country like Russia, India, or China. The purchasing power of Europe cannot be compared with the purchasing power of India, China, and Russia. We have to understand that, and in view of that we have to make a good business model for those countries with multiple million mass users. We have got 943 million mobile connections and half a cent per minute calls, and still a lot of foreign service providers are looking towards India as a big market. The ISP fraternity suggests that if the movie players, the studios and the banners come to India, talk to the ISPs and try to make it so that low-cost content is available to the Indian user, piracy will be resolved.

M. Goodridge:

Thank you for that thought, Rajesh. Thank you very much. Chris, did you want one last word or not?

C. Marcich:

I hesitate to say anything more after Sergei's passion and emotion. You asked me a question earlier: did I think disconnection was a proper solution to the behaviour of end-users? No, I do not think it is a proportionate solution. I also wanted to point out that courts have ordered site blocking and site blocking has been implemented in 12 or 14 European countries now. The Internet has not been broken and as far as I know, freedom and democracy continues in Europe, so do not believe the propaganda from Google and others. It is propaganda.

M. Goodridge:

Thank you. Let us hope so. Thank you to everybody for your participation.