

Epic clash: Silicon Valley blindsides Hollywood on piracy

Sarah McBride and Lisa Richwine, Reuters

The massive online protest last Wednesday, in which Wikipedia and thousands of other websites closed down or otherwise protested and helped to kill controversial online piracy legislation, was widely heralded as an unprecedented case of a grassroots uprising overcoming backroom lobbying.

Yet a close look at how the debate unfolded suggests that traditional means of influencing policy in Washington had its place too. The technology industry has ramped up its political activities dramatically in recent years, and in fact, has spent more than the entertainment industry -- \$1.2 billion between 1998 and 2011, compared with \$906.4 million spent by entertainment companies.

The latest chapter in what has become an epic, decades-long battle between the two industries over copyrighted digital content began innocuously enough. Hollywood movie studios, frustrated by online theft that they claim already costs them billions of dollars a year and will only get worse, in 2010 started pushing for a law that would make it possible to block access and cut off payments to foreign websites offering pirated material.

In 2010, longtime industry friend Sen. Patrick Leahy, a Democrat from Vermont, introduced a bill, the Combating Online Infringement and Counterfeits Act, that passed the Senate Judiciary Committee unanimously but never went further.

In May last year, Leahy tried again, introducing his Protect IP (Intellectual Property) Act. In October, Rep. Lamar Smith, a Texas Republican who chairs the House Judiciary Committee, introduced a similar bill. The last major piece of copyright law, the Pro-IP Act of 2008, moved through Congress with little controversy, so the industry felt hopeful.

Through the end of September, Hollywood had outspent the tech industry 2-to-1 in donations to key supporters of measures it was backing. More than \$950,000 from the TV, music and movie industries has gone to original sponsors of the House and Senate bills in the 2012 election cycle, compared with about \$400,000 from computer and Internet companies, according to the Center for Responsive Politics.

Tech companies preferred backers of a narrower alternative bill. The computer and Internet industries gave more than \$291,000 to supporters of that measure vs. about \$185,000 from the content makers.

"They're both very powerful. They're all big players. They give a lot of money to politicians. This has to be a tough choice for many members of Congress," said Larry Sabato, a campaign finance expert who teaches at the University of Virginia.

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PAY ATTENTION

The bills had attracted no public attention, but in early September, Twitter co-founder Evan Williams, Foursquare co-founder Dennis Crowley and LinkedIn co-founder Reid Hoffman wrote to senators to oppose the bill. Later that month, the U.S. Chamber of Commerce marshaled a group of 350 companies to write in supporting it.

The introduction of the House bill in late October prompted more scrutiny. Critics including the Consumer Electronics Association fretted over issues such as whether U.S. websites could be shut down under the bill, and security risks to Internet infrastructure that they said may arise.

By mid November, technology executives were paying close attention. Many watched online as Google copyright counsel Katherine Oyama testified before a House Judiciary Committee hearing November 16. Another, Ben Huh, chief executive of the online media network Cheezburger Inc, would eventually help organize the Web blackout.

Members of Congress "basically beat up Google," said Huh, who tuned in from the office. "We were watching it going, 'This is incredibly unfair.'"

Later that day, he talked over the testimony with Erik Martin, general manager of the social news site Reddit.com. The two would later help lead the online blackout efforts, along with others such as Wikipedia founder Jimmy Wales.

Meanwhile, the White House was taking meetings from both sides. The first week of December, Motion Picture Association of America chief and former Senator Chris Dodd moved the MPAA's board meeting from its traditional site of Los Angeles to Washington, in part so executives could lobby on the issues.

Dodd, along with movie executives including Warner Bros Chairman and CEO Barry Meyer and Fox Filmed Entertainment co-Chairmen Jim Gianopulos and Tom Rothman, met with White House officials including chief of staff Bill Daley and Vice President Joe Biden, according to a person familiar with the situation. They hammered home why the law was needed to go after foreign sites.

TAKING TURNS

The following week, it was the tech companies' turn. Executives including LinkedIn's Hoffman, Google Chairman Eric Schmidt, and venture capitalists Brad Burnham and Paul Maeder met with the same officials to press their case.

Major tech companies then took out advertisements in newspapers including the Washington Post and The New York Times, saying the bills would allow U.S. government censorship of the Internet. The ads ran December 14 in the form of an open letter to Washington, signed by heavyweights such as Google co-founder Sergey Brin and Twitter co-founder Jack Dorsey.

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The ads ran as the House Judiciary Committee was turning back the bill. The proceedings streamed live over the Internet, allowing the public to watch many members struggling to fully understand terms such as IP address and DNS server.

North Carolina Rep. Mel Watt, for example, professed that he was "not a nerd and didn't understand a lot of the technological stuff." That opened them up to mockery in the blogosphere, with commentators questioning their ability to craft law around the Internet. "Dear Congress, It's No Longer OK To Not Know How the Internet Works," Motherboard blogger Joshua Kopstein wrote in a widely circulated post.

The weekend after the committee adjourned its hearing, opponents started an online petition to veto SOPA at the White House's "We the People" website. Within days, the petition had acquired 38,500 signatures, far exceeding the 25,000 required for review by the administration. An separate petition started in late October had already gathered more than 52,000 signatures.

A few days before Christmas, the House Judiciary Committee released the names of the many companies that supported SOPA. But that succeeded only in galvanizing further opposition: influential Silicon Valley investor Paul Graham took the unusual step of saying that any company that supported SOPA would be barred from Demo Day, an industry showcase.

People posting to the social-news site Reddit then suggested a boycott of one of the bill's supporters, the domain-name registrar GoDaddy, asking people to transfer their domains to another registrar. Many sites, among them Huh's Cheezburger, said they would switch. Just before New Year's Day, GoDaddy dropped its support for the bill amid widespread publicity.

Meanwhile, the White House was crafting its response to the online petitions. Three top aides to President Barack Obama, who won election in 2008 supported by online organizing and who has long been friendly to Internet industry concerns, weighed in on the issue in mid-January just as Hollywood was preparing to celebrate the Golden Globe Awards. The officials posted a response to the online petition and voiced concerns about the bills, while calling for improved antipiracy legislation.

That sparked a flood of media coverage and helped expand the Internet blackout to more sites. One popular protest, the brainchild of Instagram engineer Greg Hochmuth and YouTube Product Management Director Hunter Wall, allowed people to add black "Stop SOPA" banners to their Twitter and Facebook profile photos. On Wednesday, some 30 people a minute were adding the banners to their photos, Hochmuth told Reuters.

A FORMIDABLE COMBO

The combination of White House concerns, the impending online protest and the intense pressure on legislators from high-profile Internet industry leaders abruptly changed the dynamic on Capitol Hill. On Wednesday, as the blackout unfolded, support for the bills quickly crumbled.

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Some Hollywood executives acknowledge their own flat-footedness in trying to marshal public opinion as opposition mounted. While technology companies brandished the power of the Internet, Hollywood relied on old-media weapons such as television commercials and a billboard in New York's Times Square. It proved to be too little, too late.

One entertainment-company lawyer complained that opposing arguments were often inaccurate but spread like wildfire anyway on the Internet, leaving supporters scrambling to correct the information without the benefit of a strong online network.

"We do some of that (online) stuff, but it has to go through a committee of 14 people," he said. "The other side doesn't have conference calls. They just put stuff out there."

Both friends and foes of SOPA and PIPA do not think they have seen the end of this battle.

"Bills are a lot like zombies," said Cheezburger's Huh. "You never know if they're dead or going to come back."

When it comes around again, lobbyists on both sides will have learned some valuable lessons.

(Reporting by Sarah McBride in San Francisco and Lisa Richwine in Los Angeles, with additional reporting by Jasmin Melvin and Diane Bartz in Washington; Editing by Jonathan Weber and Maureen Bavdek)

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