

RUSSIANS FINALLY FOILING PIRATES

By NICK HOLDSWORTH

MOSCOW Sales of licensed DVDs have more than doubled in Russia to 55 million over the past three years as a long battle against piracy is starting to pay off.

Lower prices for locally duplicated Hollywood movies, more police raids and groundbreaking deals to tackle pirate goods at retail outlets are turning the tide, says Konstantin Zemenchenkov, head of the Russian Anti-Piracy Organization (RAPO).

Zemenchenkov, a former KGB officer who has led the Motion Picture Assn.-backed agency since it was founded 10 years ago, says sales should double again to more than 100 million in 2008.

Hollywood studios have taken pirates on at their own game — affordable prices — while maintaining the high qual-

ity of licensed product by finding ways to cut costs.

"The Russian government always complained that the international movie industry was replicating DVDs somewhere else; now all MPA companies replicate here in Russia and their prices are cheaper, as they do not have to pay import duties," Zemenchenkov says.

Shorter windows between theatrical release and DVD sales have further increased the popularity of legal product with Russian consumers.

Lower prices for locally duplicated Hollywood movies are helping turn the tide.

When 20th Century Fox opened Bruce Willis vehicle "Die Hard 4.0" at Russian cinemas this year, legal DVDs were on sale within three weeks. Approximately half a million copies were sold within the first 10 days at prices of roughly \$6 a copy, or even cheaper at Moscow's big discount markets.

Arguing that you cannot beat pirates on price, the MPA long resisted calls to lower prices for licensed DVDs — which until

quite recently sold in Russia for as much as \$15 or more each, making them too costly for many local buyers.

Commercial piracy in Russia eventually won the day, according to Zemenchenkov.

Old-fashioned law enforcement also played a part in turning back the pirate tide.

In a series of major recent raids on pirate optical disc plants in Moscow, Novosibirsk, Siberia and a wholesale market in Krasnodar in Russia's southern Kuban region, RAPO experts backed by police and FSB (Federal Security Service, a successor to the KGB) teams, seized

more than three million pirate discs and two state-of-the-art DVD production lines.

"We had to rent another warehouse just to store our seizures pending court... orders to destroy the discs and dispose of the equipment," says Zemenchenkov, who is clearly enjoying RAPO's success.

It was not always so. A few years ago, as Russian government foot-dragging over

and police corruption undermined the fight, leaving piracy at a stubborn 90% throughout Russia, Zemenchenkov gave himself an ultimatum: See progress within two years or quit.

Sales of licensed DVDs in Moscow and St. Petersburg have risen tenfold, with licensed prod-

uct now accounting some 60% of sales.

Zemenchenkov still comes up with fresh ideas for protecting the rights of RAPO's film industry members. Earlier this year, he struck a deal with Gorbushka, Moscow's mega-electronics, music and movie market, for it to police a list of pre-release films RAPO provides. Traders found selling DVDs of movies that have not yet been officially released face a fine of \$400, and if they're caught a second time, will lose their profitable spot at the electronics mart.

And new civil sanctions giving cinemas greater powers to prosecute customers caught illegally filming movies inside screening rooms — the most common source of pirated films in Russia — come into force Jan. 1.

In his modest office, Zemenchenkov keeps a large glass vase full of industrially-shredded pirate DVDs as proof of his efforts. The war may not yet be won, but the trash in the jar proves RAPO is winning its battles.



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