

# In Spain, Internet piracy is part of the culture

Illegal downloading of movies and TV shows is so prevalent that studios may give up selling DVDs in the country.

COMPANY TOWN

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Picasso and bullfighting are cultural touchstones in Spain. Now add Internet piracy.

The unauthorized downloading and streaming of movies and television shows from the Web is a growing problem for the entertainment industry around the world. In a few key countries such as Spain, however, it has become an epidemic that is forcing movie studios to consider no longer selling DVDs in the country.

A cavalier attitude toward piracy has made it mainstream behavior in Spain.

"Almost everybody I know downloads movies," said Mercedes Carrasco, 45, a student from Caceres who downloads about two movies each week.

"I don't think downloading movies for private use harms anybody," said Juan, a 41-year-old engineer from Madrid who declined to provide his last name. He said he downloads five or six movies a month, including recently all six "Star Wars" movies. "It's like exchanging a book with friends."

It's no surprise why average Spaniards think it's not a big deal: Unlike in the U.S., France and, under proposed legislation, Britain, piracy isn't against the law in Spain unless it's done for profit. The country's minister of culture, a former filmmaker who is backing a bill that would make it easier to shut off access to websites that facilitate piracy, blames the problem on deep-rooted cultural attitudes.

"Traditionally in Mediterranean countries, it's hard for people to understand that immaterial things can be worth as much as material things," said Angeles Gonzalez-Sinde.

Piracy is reshaping the movie business in Spain, much as it has done to the music business around the world. In 2003, there were 12,000 video stores in the country. By the end of 2008, there were 3,000.

Legitimate digital distribution isn't filling the gap. Apple Inc.'s iTunes, the world's biggest digital-media store, doesn't sell movies or television shows in Spain, as it does in Britain, France and Germany.

Between 2006 and 2008, illegal movie downloads in Spain went from 132 million a year to 350 million, according to research firm Media-Control GfK, at the same time that the number of DVDs sold or rented fell by 30%. Some studios now see Spain as a lost market.

"People are downloading movies in such large quantities that Spain is on the brink of no longer being a viable home entertainment market for us," said Michael Lynton, chairman of Sony Pictures Entertainment.

If this were an isolated example, Hollywood could handle the blow. But Spain is on the verge of becoming the second country in which piracy has ravaged what was once a robust business. In 2008, the last of the major studios shut down their operations in South Korea for the same reason.

With accelerating broadband speeds making downloads simpler -- and legal authorities struggling to keep up -- many fear that Spain is becoming the second domino in a chain that could threaten Hollywood's economic underpinnings.

"I worry about other countries a lot," Lynton acknowledged. "Including the U.S."

Spanish box-office receipts were up slightly in 2009, reflecting a worldwide trend of people going to movie theaters amid the recession as a low-cost social experience. But about half the profit for a typical motion picture comes from DVD sales and rentals.

"The same box-office dollar generates anywhere from three to 10 times as much home-video spending in Germany or the U.K. as in Spain," said Joe Drake, motion picture group president for Lions Gate Entertainment. "Piracy is a massive piece of that difference."

The downturn in the global DVD business, which traditionally has been a major source of revenue for the studios, has been cited as a major cause of thousands of layoffs roiling Hollywood over the last year as the studios make fewer films and tighten production budgets.

For anyone with high-speed Internet access, peer-to-peer networks make it simple to download movies in a few hours. At the same time, the growth of streaming-video sites -- many operated outside the law in Third World countries -- can cut that time down to seconds.

The problem may be exacerbated by Spain's telecom companies, said Gonzalez-Sinde, the culture minister. She said that they have subtly encouraged the notion that paying for high-speed Internet access brings a cornucopia of movies free, an idea that appears to resonate with the public.

"People pay 30 to 40 euros per month [for Internet service] to download up to 100 movies per month," said Madrid resident Andres Gesteira, 28. "It's not just to check e-mail."

Movie studios have responded by demanding stricter enforcement. Their new ideal is a "three strikes" law adopted in France last year that potentially cuts off Internet access for those caught pirating movies or music three times. A similar law is being debated in the British Parliament.

Recently, Spain's Cabinet approved a bill that lets judges quickly ban access to websites that offer pirated media. The measure is awaiting approval by the parliament.

"I'm confident it will help to change patterns, although anything with the word 'Internet' in it is controversial in Spain," Gonzalez-Sinde said.

Although the proposed law would not punish average citizens as does the one in France, it has created an outcry, with critics contending that it does not allow for a fair hearing before a site is cut off.

Opponents have rallied around an unpopular tax on blank DVDs and CDs that's meant to cover the cost of making copies of movies and music for friends.

"Many people think that the tax makes it more legitimate to download copyrighted material," said David Gomez, an Internet liberties activist in Spain.

When illegal Internet downloading and streaming become so entrenched in a country that it's a societal habit, however, it's unlikely that any policy change can quickly put it to a halt. Piracy in Spain, by this view, may be more akin to a disease, one that Hollywood must hope to contain before it spreads.

"Generally speaking, piracy is a cultural issue, and stopping it may be akin to how long it took drinking and driving to become socially unacceptable," said Bob Pisano, interim chief executive of the Motion Picture Assn. of America, who has been to Spain four times in the last year and a half to address the issue.

"We need to get a handle on it if we don't want to end up like the music industry, where their business model didn't keep pace with the realities of the new marketplace."

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