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CLASH OF THE 3-D MOVIES

Five years ago when Disney decided to release *Chicken Little* in 3-D, they had to be thinking about a couple of things: One, as a tactic, taking a movie like *Chicken Little* and releasing it in 3-D might be a good marketing approach. It gave the studio something to talk about, and 3-D might create buzz. Two, strategically, it was a way for the studio to further the cause of digital projection. The studio hoped to accomplish two things: Anti-piracy might be better enabled with digital; and digital distribution could reduce print cost.

RealD was able to install, with the cooperation of Dolby, 89 digital 3-D screens in North America; and when *Chicken Little* opened on those screens on November 4, 2005, an amazing phenomenon occurred. The movie did a lot better in 3-D than it did in 2-D. With the success of *Chicken Little* Disney made an opening argument for the digital cinema. The Texas Instruments DLP projection system turned out to be a fine vehicle for stereoscopic projection.

At StereoGraphics, the originator of the ZScreen, the basis for the RealD selection device, we attempted to persuade TI to make their theatrical DLP engine stereo capable (their AV product was). RealD, who acquired StereoGraphics, tried to persuade them too, and maybe they made a dent. But the guy who was the most persuasive, according to my insider formerly with TI, was Jim Cameron.

With regard to piracy and preventing it, there may be some advantage to the digital cinema. I'm not sure. I'm not an expert on the subject of piracy, a sexy name for a sleazy crime.

I do have an ax to grind because practically every penny I've made has come from intellectual property. If creators don't get rewarded for their work it greatly reduces the incentive to create, and IP theft is simply put, an immoral act.

I'm sympathetic with what the studios are trying to do in terms of preventing piracy, but the only people they're going to deter with digital cinema encryption keys are technologically illiterate unmotivated people.

Organized crime gangs in any country of the world will have no problem pirating any movie no matter what precautions the studios take whether the release is on film or in the form of digital files.

In terms of print cost reduction, it's a dubious model. I've talked about it elsewhere my Digital Religion article; a projector can take many years to pay off, with the help of studio financing, but once that projector is paid off it may be obsolete or non-functional. Since the cost of a print is the same as the cost of the digital print fee, I can't quite figure how anybody is saving money, but I'm not a financial whiz. I've never been able to balance my checking account.

But something unexpected happened after the introduction of the stereoscopic digital cinema. The tail wagged the dog. What started as a clever scheme to foster a killer application to hook the exhibitor on digital projection turned out to be something else; it turned out to be a way to make a lot of profit as 3-D became the star.

Neither the public nor the exhibitors give a hoot about digital projection. But they do care about 3-D projection. It's the studios to whom the piracy and print cost issues count.

Digital! doesn't appear on the marquee -- 3-D does. Digital as an incentive to see a film, as a brand for making a ticket purchase decision, is so weak as to be meaningless. It's 3-D that's the draw.

It's time to rethink what the studios and exhibitors are expecting from the digital cinema. 3-D had originally been the way to get exhibitors to support digital projection. But the 3-D part is now much more valuable than the digital part. Because of the success of the stereoscopic cinema, *not the digital cinema*, there are now too few stereoscopic screens, only 5,000 in the United States.

Thus we have the not so heroic clash of the 3-D movies. Today we could have four 3-D movies playing profitably on many more screens: *Clash of the Titans*, *Avatar*, *Alice in Wonderland*, and *How to Train Your Dragon*. To give the reader an idea of the numbers that are involved, the last *Spider-Man* movie was released on 12,000 screens. (There is an economic argument to be made for digital projection for live broadcasts of concerts and such but it's subordinated to the 3-D application in importance.)

There are three companies in addition to mine, Oculus3D, that are offering film-based solutions. A good film-based solution would make a lot of sense, since there are approximately 140,000 theatrical motion picture screens in the world and only about 10,000 are digital 3-D. It's going to take a long time before the digital rollout becomes ubiquitous and there are many exhibitors all over the world, the United States included, who cannot afford the price of both digital projection and the 3-D products that add on to it. Yet there are more and more 3-D movies scheduled for release. Not only are the majors making 3-D movies, but there are independent movies to be released.

Happily a disproportionate share of box-office revenue is coming from 3-D movies, not only because of increased attendance, but because of the upcharge. Historically increases in ticket price have occurred with advances in motion picture technology like the introduction of sound, and the price never goes down.

The bottom line is that the public doesn't care if a movie is projected digitally or using 35mm film. What people care about is whether the movie is 3-D. So why say no to a good film-based stereoscopic projection solution? The studios can view it as an interim solution if they so desire but does it make sense to try to sell exhibitors a product by telling them it is soon to become obsolete?

And what does interim mean? NTSC color television was around more than half a century until it was declared an interim solution by the federal government. 35mm film projection has been here more than a century – is that an interim solution when you consider that civilization began 5,000 years ago?

There are not enough 3-D screens and there are a lot of 3-D movies on the way. Out of about 130 releases since *Avatar*, it and three other 3-D movies have made 33% of all theatrical revenue. Given that, if you ran distribution at a studio would you limit your releases to digital because of a strategic digital agenda?

Suppose there was a superb way to project 3-D movies with the potential of using the 135,000 35mm projectors in the world and suppose the 35mm projection system was as good as or better than 3-D Digital systems – much brighter, with better looking motion with a price a fraction of digital.

If the digital release of prints is a matter of faith, there's no way to change anybody's mind. Reason lives in a mansion and faith in a prison. If studios

have a digital strategy that says that all projection must be digital then what alternative can anyone offer if they have drunk the Kool-Aid? But whose Kool-Aid is it -- Jim Jones' or Ken Kesey's?

The stereoscopic cinema is here and it's probably here to stay and there aren't enough screens for all of the coming releases. It's going to take too long for the digital rollout to satisfy all the needs of the studios and the independent producers. So whether or not you view the digital rollout to be inevitable, right now the capitalists' mantra ought to be *Revenue Now!*

If the industry wants Revenue Now the way to do it is with both digital and film.