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## Sinking China's Video Pirates

Andy Greenberg, 03.22.09, 6:00 PM ET

Web-based video pirates, like their water-based counterparts, are moving targets. Even as Viacom continues its billion-dollar lawsuit against Google for hosting copyright-infringing clips on YouTube, far larger troves of free, full-length movies and TV clips have relocated to safe havens halfway around the world: streaming video sites based in China.

For media companies, that eastward shift means online infringers have become harder to root out than ever. But for Santa Clara, Calif.-based Vobile and its China-born chief executive, Wang Yangbin, it may be the basis for a booming business.

On Monday, the 120-person start-up plans to announce that it has signed an agreement with 56.com, one of China's most popular streaming video sites and, until a few months ago, one of the world's top sources of copyrighted streaming content. Using its audio and video "fingerprinting" technology, Vobile has been filtering content on 56.com as well as the less popular Chinese site Pomoho.com since mid-2008. Vobile's technology identifies copyrighted video and music files so that they can be scrubbed from sites' servers or loaded with ads placed by the copyright holders.

The two service deals make 56.com and Pomoho the first major Chinese video sites to address the problem of copyrighted content uploaded to user generated sites. And for Vobile, it may be the first two in a series of agreements that cement the start-up as the go-to service for copyright filtering in China--the company is also in talks with another top Chinese video site, Tudou.com. "Our profile here is dramatically increasing," says Wang, Vobile's 40-year old founder. "We want to have relationships with every user-generated content site in China."

Even as sites like YouTube, Dailymotion and Veoh have purged the vast majority of their infringing content in recent years, Asian user-generated video sites like 56.com, Tudou, Youku, Ku6.com and Megavideo have become frustrating black holes for intellectual property. A second layer of sites like Alluc.org, MovieTVonline.com and Sidereel.com--all based in the West--have made a business of cataloging pirated clips on those sites and linking to them for a global audience.

By some measures, as much as 65% of copyright-infringing full-length streaming movie and TV content online is now found on Chinese sites. The number of copyrighted clips appearing on sites like Ku6 and Youku has exploded about six-fold in the year ending in September of 2008, according to Vobile's data. (For an in-depth look at the numbers behind streaming video piracy's eastward migration, see "[Video Piracy's China Syndrome](#).")

That's where Wang's small company hopes to make its mark. Vobile launched in 2005 with \$3 million in angel funding, offering a "VideoDNA" service for media companies. By combing through thousands of its clients clips, the service creates signatures that allow the media companies to quickly identify their content on user-generated video sites. And unlike competitors with similar offerings, including Auditide and Audible Magic, Vobile has offices in Hangzhou and Beijing, with a total of more than 100 Chinese employees--a fact that Wang hopes will make it the logical choice for dealing with Chinese sites.

Vobile's big break came in 2007, when the Beijing-based media megalith Central Chinese Television (CCTV) asked the company to help it police Olympic video clips to prevent their spread on the Web. "Suddenly CCTV was facing this copyright issue themselves, and they'd paid millions for an exclusive broadcast license that they wanted to protect," Wang says. "They called us because we were local and easier to work with." The same year, Vobile received \$7 million in investment from Steamboat Ventures and AT&T.

In 2008, major U.S. media companies, including NBC Universal, Viacom and Disney, followed CCTV's lead and signed on to Vobile's service with an eye to policing the growing amount of pirated content on Chinese as well as Western sites. With those deals, Vobile's library of fingerprints grew to include practically every video clip that U.S. media companies aim to filter.

The revenue from those deals also began to add up. Though Wang wouldn't reveal the exact value of his agreements or Vobile's specific earnings data, he says the company's earnings doubled every quarter of 2008, and he expects the company to make between \$10 million and \$20 million in 2009, becoming profitable before the end of the year.

But Vobile's continued growth depends on deals like those it's struck with Pomoho and 56.com, Chinese sites using the service to police their own content. In an e-mail to Forbes, 56.com's chief executive Wang Jianjun wrote that the Vobile agreement is designed to focus the site's content on user-generated videos and avoid further risk of copyright infringement. "In a word," Wang writes, "56.com is a very socially responsible company and abides by the law."

But Chinese companies like 56.com may also share the motives of video sites like MySpace Video and Paris-based Dailymotion, which began using filtering services in 2007 in a bid to avoid lawsuits and win content deals from major media companies.

There's little doubt in the media industry that Chinese sites can prevent copyrighted content when they're willing to expend the resources, says Rick Cotton, general counsel for NBC. By NBC's count, only 1% of online viewing of the Olympics by Americans occurred on copyright infringing sites, a low piracy rate that may have partly been due to CCTV's use of Vobile.

"The track record during the Olympics makes clear that these sites can prevent the uploading of pirated content when they want to do so," Cotton says. "Clearly it's just a question of their willingness to embrace the goal."

In Wang Yangbin's quest to transform Vobile into China's copyright cop, that's a question that he'll no doubt be asking too.

(For an in-depth look at the numbers behind streaming video piracy's eastward migration, see "[Video Piracy's China Syndrome](#).")

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