



THE NATIONAL ASSOCIATION  
OF THEATRE OWNERS

## ***RESOLUTION***

*The Board of Directors*

*November 18, 2004*

*Dana Point, California*

***Whereas***, technology is being developed for motion pictures to be exhibited at movie theatres in a digital format; and,

***Whereas***, from 1999 to the present, digital versions of motion pictures have been exhibited to the public on an experimental basis; and,

***Whereas***, in March 2002, the major Hollywood studios formed a joint venture, "Digital Cinema Initiatives (DCI)," to establish and document voluntary technical specifications for an open architecture for digital cinema that ensures a uniform and high level of technical performance, reliability and quality control, and to examine and facilitate the development of business plans and strategies for the transition to digital cinema; and,

***Whereas***, DCI has sought and received the input of the National Association of Theatre Owners (NATO), individual movie theatre companies, and other segments of the motion picture industry in its process; and,

***Whereas***, DCI has shared its work on technical specifications with the Society of Motion Picture and Television Engineers (SMPTE), an organization that is engaged in the process of developing technical standards for digital cinema; and,

***Whereas***, on September 8, 2004, DCI announced both the completion of its overall system requirements and specifications for digital cinema with the upcoming release of Version 5.0 of the voluntary DCI Technical Specification, and the end of any significant business planning activities by DCI staff; and,

***Whereas***, DCI staff later announced that Version 5.0 will not be the final DCI Technical Specification, and no final technical specification has actually been released by DCI to date; and,

***Whereas***, recent press reports have indicated that several different business models are now being discussed by some of the major Hollywood studios; and,

***Whereas***, the members of the Board of Directors of the National Association of Theatre Owners believe that planning for digital cinema is at a critical juncture; ***now, therefore***, in order to maintain competition and promote the interests of movie patrons,



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***Be it Resolved***, that the members of the Board of Directors of the National Association of Theatre Owners do hereby describe some fundamental objectives regarding the potential transition to digital cinema, including but not limited to the following:

**With respect to quality, that**

The large-scale introduction of digital cinema must significantly enhance the theatrical experience and thus bring real benefits to theatre audiences; and that,

Digital cinema systems must provide a theatrical experience that is better than what can be achieved today with a 35mm answer print; and that,

Digital cinema systems must provide quality levels superior to the quality levels available in home entertainment systems; and that,

Movie studios and movie exhibitors should investigate a manner of “branding” the digital cinema experience exclusively for theatrical exhibition; and that,

**With respect to standards and competition, that**

The components and technologies used must be based on open and global standards that foster competition amongst multiple vendors of equipment and services and ensure that content can be distributed and exhibited anywhere in the world; and that,

Each of the components of the system must be built around clearly defined standards that ensure interoperability between different makes of equipment; and that,

The hardware used in the system must be easily upgraded at reasonable cost as advances in technology are made; and that,

The hardware used in the system must meet reliability requirements that equal or exceed the reliability of 35 mm film hardware; and that,

The digital cinema systems must permit a single inventory of content to be distributed and exhibited on all equipment installations; and that,

**With respect to security and operational control, that**

Content decryption keys must be delivered for all auditoriums within an exhibition complex for each movie; and that,



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The digital cinema system must support a policy of “No Dark Screen,” such that movies will play in a non-repudiate manner unless the exhibitor attempts to play the movie in a different exhibition complex, or outside the licensed play period (to include a reasonable testing period); and that,

The delivery of movie security keys to a playback system must irrevocably enable the playback of the movie for the duration of the engagement; and that,

The system must allow the exhibitor to have full discretion over the selection of auditorium, schedules, and presentation of advertisements, trailers, features and other content; and that,

Audit logs shall be owned and maintained by the exhibitor; and that,

**With respect to financing, equipment selection, roll out and ownership, that**

Because the installation of digital cinema equipment will result in significant savings to motion picture studios and significant costs to motion picture theatres, the motion picture studios should develop a universal financing plan pursuant to which the motion picture studios will be responsible for paying all costs related to the purchase and installation of digital cinema equipment as part of the initial roll-out, and operation, maintenance and upgrades of the equipment to the extent that those costs exceed ordinary operation, maintenance and upgrade costs of 35 mm film projectors; and that,

A universal financing plan must be supported by all major motion picture studios through one financial entity or a consortium of financial entities, and that all other motion picture studios willing to participate in the plan must be given the opportunity to do so; and that,

As part of their support for the universal financing plan, studios must commit to provide digital content where digital cinema equipment is available; and that,

The financing plan must permit participation of all exhibitors and all movie complexes and auditoriums, regardless of size or geographic location, within a reasonable time; and that,

Exhibitors must be able to select the equipment to be installed and to own the equipment at the end of the financing period; and that,

Exhibitors must be able to acquire playback equipment with confidence and knowledge that all studios will authorize movie playback for the life of the equipment; and that,



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Equipment manufacturers should provide exhibitors with costs analysis related to the maintenance, upkeep, life expectancy and likely obsolescence of any equipment prior to equipment selection; and that,

Complete digital cinema systems, based on specifications and standards, must be installed and tested for a reasonable time in a beta market prior to the initiation of a wide-scale roll-out; and that,

The roll-out sequence must ensure competitive fairness between all exhibitors and distributors willing to participate, with a region-to-region or market-by-market roll-out to be considered.

***Approved by unanimous vote of the Board of Directors of the National Association of Theatre Owners, November 18, 2004***

*Signed:*  
*Jim Murray, Secretary*