

MARKETPLACE

THE WALL STREET JOURNAL.

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MONDAY, MAY 10, 2004 B1

PORTALS

By LEE GOMES

Web TV Is Changing The Way Programming Is Watched and Sold

MEET HARI SREENIVASAN, journalism graduate, television anchor and media dis-intermediator. Mr. Sreenivasan is the host of ABC News Live, a news channel available only on the Internet. It's one of many early examples of the next phase of the Internet's evolution: as a competitor—or, perhaps, a complement—to the way people watch TV over satellite and cable.

The movie and TV industries initially viewed the Internet through the prism of Napster—simply as a means through which their content could be stolen. Lately, though, they have begun to realize that the Web gives them all manner of new ways to sell programming that has already aired. Who would say “no” to that sort of opportunity?

Thus, a growing number of big content companies are putting programming from “regular” TV out on the Web. Walt Disney, which also owns ABC and ESPN, has been especially aggressive in this regard. So has the BBC, which already has most of its radio broadcasting online.

It announced last week that it would be putting much of its TV up, too—though initially as a very limited test inside the United Kingdom.

Sports is another growing source of Internet TV. You can pay \$14.95 a month and watch Major League Baseball games at your desk—or even pay-per-view cricket, courtesy of Ireland's Setanta.com.

DON'T GO RUSHING over to your PC and expect to see a high-definition picture with Dolby surround sound. Video on a personal computer, while better than the matchbook-sized images of a few years ago, is still confined to a relatively small portion of the screen, and it offers quality levels that would get booted out of most living rooms.

But it's slowly getting better. In Asia, connection speeds are already so good that the Web can be used for full-blown, couch-potato-style TV. In Hong Kong, a new breed of Web-TV suppliers gives you a set-top box that lets you plug in an Internet cable; you then watch TV just as you would with cable or satellite. (Incidentally, you don't have any Microsoft software controlling things, despite the strenuous efforts of that company to make its player software a part of all Internet-enabled TV viewing.)

In the future, as networks get faster and new kinds of easy-to-use Internet-aware devices are sold for the living room, the role of the Internet in TV will only grow.

And that is where the media-disintermediation business comes in. Disintermediation means getting rid of the middleman, and right now, cable and satellite companies are middlemen because TV is whatever they say it is. But what if you could connect directly to, say, “The West Wing” without Comcast? Without, even, NBC? It would be the video analogue of getting your music directly from the artist. You wouldn't even need a TiVo, because the whole world would be your TiVo.

In practice, that probably won't happen with mass-market shows like “The West Wing.” For a long time to come, you'll probably still get them from a big network over cable or satellite, saved on a digital video recorder. But the Internet will make possible new ways to watch the show, such as paying to see an old episode.

OF COURSE, the Web is also likely to open up entirely new and previously unimagined programming possibilities—just as, in the print world, the Web didn't put old media out of business but did create entirely new genres, like blogs. The current explosion of Flash animations, funny clips and other Web eye candy is a taste of things to come.

In the end, “watching TV” is likely to take on all sorts of new meanings, including catching a pay-per-view game on your cellphone while sitting on the bus. Kids today, who send instant messages to friends while watching music videos while doing their homework, are already tuned into this emerging multiscreen, multimedia world.

There are technical and business issues to be ironed out, and policy ones, too. Cable companies sell us both Internet signals and TV programming. Maybe, says Timothy Wu, a University of Virginia law professor who has studied the issue, we should insist they not downgrade their Internet signal as a way of protecting their cash-cow TV business.

Internet TV has something of a Utopian appeal. Everyone has their favorite riff about the problems with current TV and what it, in a perfect world, would be like. Usually it's told in the form of a shaggy-dog story.

My own involves a desire to watch the BBC. I want to get the real thing, unexpurgated from London, not the dumbed-down BBC America version that endlessly recycles the same few hits and redubs the narrative tracks of some of its shows with American voices—the stupidly perky sort that made me want to flee American TV in the first place.

Of course, media disintermediation means different things to different people. To me, the Internet might be a way to watch the BBC. But to aspiring U.K. filmmakers who have struck out with the network, it's a way to get around the blockheads at the BBC who wouldn't green-light their projects in the first place. Crazy world, this Internet.

Send comments to lee.gomes@wsj.com. Selected letters run Friday at WSJ.com/Portals.

Videogames Go Hollywood

Coveting Rich Profit Source, Studios Seek Greater Control Over Titles Based on Films

By ROBERT A. GUTH
And MERISSA MARR

HOLLYWOOD'S dance with videogame makers is beginning to prove very profitable. But with movie studios wanting more control of the steps, the partners could start treading on one another's toes.

At the E3 videogame show in Los Angeles this week, crowds will check out new games based on “Spider-Man 2,” “Shrek 2,” “Van Helsing,” “The Chronicles of Riddick,” “The Lord of the Rings” and other big-ticket movies. Tomorrow at the convention, Japanese videogame maker Konami Corp. will unveil plans to create a game based on Walt Disney Co.'s “King Arthur.”

As games include increasingly better graphics and more-detailed story lines, they have become great vehicles for extending movie franchises. Studios now let game makers participate in the early stages of movie development so game and movie can be created in tandem.

That's fine with game makers, who are happy with the movie studios' roles as licensors and collaborators. But tensions are growing behind the scenes. The game industry is wary of any further encroachment by studios into their business—and they love to point out that Time Warner Inc., Disney and other film-studio owners got burned in the early 1990s when they tried to break into the business with their own game-making studios. The foray produced mainly red ink and high-profile failures like The Dig, a science-fiction game from LucasArts and Steven Spielberg. Hollywood retreated and settled on revenue it got from licensing the game rights for its films to established game publishers.

But the lure for the studios is back. According to research firm NPD Group, sales of videogame software in the U.S. were \$5.8 billion last year. And movie-based games are among the big sellers. Electronic Arts Inc. last year sold 5.5 million copies of its The Lord of the Rings game based on a license from Time Warner's New Line Productions. While Electronic Arts doesn't break out revenue by game, analysts estimate that the game grossed over \$100 million last year.

At issue for some game makers is the concern that Hollywood will turn their industry into a talent-driven business, where star directors, writers and actors command huge sums to work on a game. By contrast, big games companies see their future as less Spielberg and more factory floor, where a small cadre of companies control all aspects of game production and distribution.

“I don't believe that they play any role or function in facilitating the development of games in any way,” says Robert Kotick, chief executive of game maker Activision Inc., of moves by Hollywood studios and agents to get deeper into game development. “They would have the same value in participating in the process of making a new detergent for Procter & Gamble: They don't have a role.”

Clearly, Hollywood disagrees. Some movie studios, including Time Warner's Warner Bros. and Disney, are beefing up their game arms. Sumner Redstone, chairman of Viacom Inc., which owns Paramount Pictures, has also been buying shares of game maker Midway Games Inc.

Meanwhile, Hollywood agents say they see a growing role for themselves as brokers of writers, directors and actors for videogame makers. In the past year, International Creative Management Inc., Creative Artists Agency and United Talent Agency have either set up videogame divisions or dispatched agents to drum up new business from the tightening connection between movies and games. Agents will be working the show floor at



A screen shot from Konami's planned videogame based on the Disney movie “King Arthur”

E3, much as they did at a San Jose, Calif., game-making technical conference in March.

“Everybody's realizing that [videogames are] separate from a toy license or a lunch box or apparel,” says ICM agent Keith Boesky. “I think everybody's saying, ‘What is the approach that we're going to take, that best suits our business model, to make games?’”

Game makers and movie studios have already clashed over some game makers' insistence on using cheaper “voice actors,” instead of the voices of the actors in the film—even as the games incorporate physical likenesses of the actors into their games. Electronic Arts will show the latest version of its The Lord of the Rings game at E3, for instance, featuring the voice of Elijah Wood, as Frodo; but the game uses only soundalikes for Orlando Bloom's and Viggo Mortensen's characters.

To lessen its dependence on game makers, Warner Bros. last year hired Jason Hall, a 32-year-old games developer, to head a newly created gaming division. His mandate: Make

Warner as relevant in videogames as it is in TV and film. “The aim is to develop strong games alongside films so that even if the film doesn't make it into production, the game will survive as a stand-alone,” says Mr. Hall.

Buena Vista Games, a unit of Disney that licenses some properties to outside game makers, is increasing the number of games it publishes on its own. Challenges of timing—making a game can take twice as long as making the

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Microsoft, Sony Enter Epic Battle

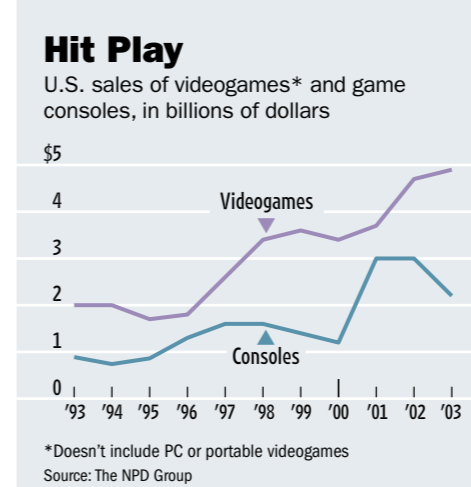
By ROBERT A. GUTH
And PHRED DVORAK

VIDEOGAME FANS will line up at a Los Angeles convention this week to duke it out in the newest release of the game Mortal Kombat. But beyond the on-screen clashes, another epic battle will enter its next phase: Microsoft Corp. vs. Sony Corp.

Sony and Microsoft don't plan to say much publicly about their next-generation videogame consoles, which are expected to hit the market as early as the end of 2005. But the struggle between the two makers of game systems will nonetheless dominate the E3 convention, which draws game developers, fans and industry executives.

The show will reflect an industry growing at a double-digit rate and one that is attracting increasing attention from Hollywood, sports leagues and advertisers, all hoping to tap into a market that has spread far beyond its child-play roots to reach mainstream, adult consumers. The outcome of the fight between Sony and Microsoft will have a broad impact on how the industry evolves in the next decade.

The biggest force at E3 will be Sony, whose PlayStation 2 game machine is selling in far higher numbers than Microsoft's Xbox console and Nintendo Co.'s GameCube. Sony will also be the center of attention with its new PSP, a hand-held device



for playing games, music and movies that it says will go on sale in the U.S. next year.

But Microsoft is determined to change the game. The company, in the unfamiliar role of underdog, will try to persuade game developers at the event to begin shifting their investment to a successor to the Xbox, code-named Xbox 360.

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Play It Again: Sims Game Is Hard to Trump

By KEVIN J. DELANEY

MAKING THE SEQUEL to the most popular PC game ever is a tall order. Just ask the producers of The Sims, the blockbuster title that lets players guide animated characters (a.k.a. Sims) through day-to-day life in houses and situations they conjure on-screen.

“Just having Sims be smarter Sims wasn't going to be enough,” says Neil Young, general manager of Electronic Arts' Maxis Studio division, which produces the Sims games.

After much creative soul-searching, Electronic Arts is expected to unveil a near-final new version of the No. 1 game at the E3 videogame conference in Los Angeles this week, and to announce a launch date at the same time.

It should have been on the market already. But some Electronic Arts executives worried that the new title wasn't different enough from the original. In January, they decided to delay its release to give the team time to add extra features.

The game's producers settled on the motto “Genes, Dreams, Extremes,” to describe the main new additions. The old Sims focus on characters' physical needs, such as sleeping and using the bathroom, has taken a backseat to helping them fulfill life aspirations such as wealth and romance with psychological intrigue. The new characters will age and have



A scene from the new Sims game as displayed at the company's Web site

babies, to whom they pass along physical and personality traits. In the version EA will show off this week, users can also play on their Sims' fears, pushing them into breakdown that only an in-game shrink can help them snap out of.

The palette of character attributes, architectural options and objects has expanded dramatically in the sequel. Players will now be able to tweak their Sims' noses and facial hair. There are 7,000 different permutations for objects in the game, including 12 versions of the Merokkan

loveseat. Players will be able to create and save videos of their games to share with friends. Upgrades to the graphics make The Sims 2 strikingly more three-dimensional than its predecessor—though in-game encounters remain “teen-rated.” Sims characters cuddle under the covers, with private parts censored by blurry squares any time they're naked.

About 120 people are currently assigned to the project, including 50 game testers. Bing Gordon, EA's chief creative officer, is still trying to make sure the formula is right. On the morning of April 30 he said he was heading to his office to put The Sims and the latest version of The Sims 2 side-by-side to compare the two.

The tricky birth of The Sims 2 illustrates how complicated it can be to update elaborate PC games amid changing audiences and a shifting videogame landscape. While the over-

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A New Tactic Against Obesity: Starve Fat Cells Of Blood Supply

By RON WINSLOW

IN A STUDY that offers a potential new approach to treating obesity—one already showing promise in cancer treatment—researchers said they melted away body fat in laboratory mice by cutting off the blood supply to fat cells.

After four weeks of treatment, mice that had ballooned to about twice their normal size on a high-calorie diet lost more than 30% of their body weight while continuing on the same food regimen, the scientists said. Untreated mice on the same diet continued to gain weight.

The agent was a drug the researchers designed for a two-pronged assault: It homed in specifically on blood vessel cells linked to fat tissue and then delivered a warhead that induced the cells to self-destruct. As the blood vessel cells died, the fat tissue essentially vanished.

“It was a striking effect,” said Wadih Arap, a cancer biologist at University of Texas M.D. Anderson Cancer Center in Houston, and co-principal investigator of the study. The results are being published in the June issue of the journal Nature Medicine.

Dr. Arap and other scientists cautioned that only mice have been studied so far and that what works in mice often fails in people. “The concept is intriguing,” he said, stressing that major challenges lie ahead before human tests could begin.

Even if additional research goes well, it would probably be several years before any treatment could reach the market.

Weight-loss drugs typically seek to suppress appetite or rev up the body's metabolism to make it burn more calories. But those agents are up against a complex system that doesn't have “a simple on and off switch,” said Julio Licinio, an obesity researcher at the David Geffen School of Medicine at University of California at Los Angeles. The body can quickly compensate for their effects, he said, often making it difficult to lose and keep off weight. The new findings are important, he said, “because they show you can decrease the amount of fat in a completely novel way.”

Inhibiting blood vessel formation, or angiogenesis, is beginning to make headway against cancer. Judah Folkman, director of vascular biology at Children's Hospital Boston, has long advanced the theory that tumors can be immobilized or killed by depriving them of the blood supply they need to grow. After a prolonged period of setbacks, the premise finally won validation this year when the Food and Drug Administration approved Genentech Inc.'s Avastin for colorectal cancer.

Fat tissue isn't malignant, but white fat in particular—the body's energy storehouse and the type associated with weight gain—requires a complex vascular system because unlike most other tissues, it grows and shrinks rapidly depending on eating and exercise habits. Dr. Folkman estimates that a pound of fat triggers growth of a mile of thinner-than-hair capillaries to support it.

In 2002, Maria Rupick, a cardiologist and researcher in Dr. Folkman's lab, and colleagues published a paper showing that when obese mice are given angiogenesis inhibitors they revert to their normal weight.

The new study advances the earlier findings by using an agent targeted specifically to blood vessels of white fat tissue using a delivery strategy being developed.

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Antifat treatment showed dramatic results in mice.

INSIDE

Media

Loss Widens At Martha Stewart

Martha Stewart Living Omnimedia reported a wider first-quarter loss as advertising revenue continued to fall. B4

Health

U.K. Listens to Prozac

British regulators are expected to review Lilly's application to have the antidepressant licensed for children. B3

Advertising

EDS Vows to Hang Tough

Electronic Data Systems comes out swinging in a Fallon campaign. B4

ClassifiedsB6-7