LOS ANGELES (Reuters) - A consortium of movie studios and technology companies backing the encryption system for high-definition DVDs on Thursday confirmed that hackers have stolen "title keys" and used them to decrypt high-definition DVDs through flaws in DVD player software.

Both the title keys and a number of decrypted films have been posted on peer-to-peer Web sites for downloading and copying, a spokesman for the Advanced Access Content System (AACS) Licensing Authority said.

The large size of the files and the high cost of writable hi-def discs make large-scale copying of high-definition DVDs impractical, but the attacks on the new format echo the early days of illegal trafficking in music files, AACS spokesman Michael Ayers said on Thursday.

"We want to make sure we address this now. It has a potentially limited impact now but some sobering possibilities," Ayers said.

The hackers did not attack the AACS system itself, but stole the keys as they were exchanged between the DVD and the player to strip the encryption from the film.

A large-scale failure of AACS could be a threat to the $24 billion DVD industry, which has started to cool and was counting on next-generation DVD sales to reinvigorate it.

"We certainly have not ruled out any particular response and we will take whatever action is appropriate," Ayers said.

The security breach affects both of the high-definition DVD formats -- Sony Corp's Blu-Ray and Toshiba's HD DVD, Ayers said.

The confirmation of the attack comes about a month after a hacker called Muslix64 described in an online posting how he defeated the encryption system by using DVD player software.

Reuters Photo: Movies in HD-DVD format are displayed at a Toshiba booth during the 2007 International Consumer Electronics Show...

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AACS LA founders include IBM Corp, Intel Corp (Nasdaq:INTC - news), Microsoft Corp (Nasdaq:MSFT - news), Panasonic, Sony Corp (6758.T), Toshiba Corp (6502.T) the Walt Disney Co (NYSE:DIS - news), and Warner Bros Studios, a unit of Time Warner Inc (NYSE:TWX - news).

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