Online work emerges as big issue in Hollywood

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A steamy new NBC soap opera, "Coastal Dreams," is coming soon to a small screen near you. But not the TV -- the PC.

And it's not alone. CBS has a mockumentary, "Clark and Michael," while ABC's "Voicemail" is a voyeuristic peek into the life of a twentysomething single guy.

The Web series reflect the networks' headlong drive to harness the Internet and lure a young, and increasingly elusive, audience. Yet the online rush has heightened tensions between the major studios and networks and the unionized actors and writers who fear being shortchanged by this new digital frontier.

To handle much of the Web work, networks are relying heavily on nonunion scribes and guild writers who are quietly working outside of union contracts. In some cases, networks and television studios have created separate nonunion companies to create original online entertainment on shoestring budgets.

They also have launched digital studios that serve as "farm teams" for new concepts on the Web that might one day get drafted for the major leagues of prime time.

The issue of how to compensate talent for work distributed online is central to contentious contract talks with writers -- and could trigger the first major strike in Hollywood in nearly two decades.

"The more it looks like television is migrating to the Internet, the more important it is for us to ensure that writers are covered under a writers guild contract," said Patric Verrone, president of the Writers Guild of America, West. "We certainly don't want to get left behind the way we were with cable television, reality TV and animation."

Network executives are loath to further inflame the issue by discussing it publicly. Privately, however, several studio and network executives said they were not trying to circumvent the unions but instead attempting to adapt to a changing landscape in which entertainment plays out on multiple screens.

Many likened their situation to being in a vise grip, squeezed on one side by advertisers and fans demanding more online entertainment while pressured on the other side by guild officials who insist that ground rules be established first.

"It's something that our viewers are demanding," said one television executive, who asked not to be identified because of the sensitivity of the
negotiations. "We are doing a disservice to them by not providing it. We are going to provide it to them one way or the other."

Exacerbating tensions are the existing labor agreements, which are vague on wages and other forms of compensation for those writing for the Web.

The main agreement contains provisions that seem anachronistic in the Internet age, such as a stipulation that the length of promotional clips cannot exceed 4 minutes, 26 seconds, an arbitrary calculation rooted in older technology, namely the running time for 400 feet of film.

Caught up in the ambiguity are writers such as Richie Solomon.

The Burbank writer received three Emmy nominations in 2006 and 2007 for his work on "Stranger Adventures," an interactive online mystery series in which viewers find clues and compete for prizes. His work caught the attention of a major network that has considered developing a TV show based on characters he created.

If that happens, Solomon won't make a penny. His contract didn't provide for extra compensation beyond his online work.

"If it does get picked up, I basically would have created a network show for nothing," Solomon said. "There's a real potential for abuse."

Networks feel vulnerable as well. More than half of U.S. households have high-speed Internet access that enables them to watch video on YouTube, Yahoo and MySpace. An estimated 134 million Americans watched more than 9 billion online videos in July alone, according to ComScore Media Metrix, an online measurement firm.

That's raised the competitive bar for television programmers, who need to find new and more entertaining ways to keep twentysomethings and thirtysomethings tuned in.

"Everything has to be better, because now they have alternatives," said Jane Buckingham, president of Intelligence Group, a forecasting firm. "If the program's not good, they'll check out what's going on online. If that's not good, they'll go play a video game."

One executive described short-form online videos as "bite-sized appetizers" that help sustain a fan's interest when new episodes aren't airing.

"Those shows that have enough content online for the fan to interact with have a higher engagement factor," said Vivi Zigler, executive vice president of NBC Digital Entertainment.

In an effort to promote their prime-time shows in 2006, NBC made a major push to create Web episodes based on such shows as "The Office," "Heroes" and "Crossing Jordan."

But writers balked at the new work demands, alleging that they were being asked to do extra work without pay. That threatened the network's ability to deliver on a pledge to advertisers to reach fans wherever and whenever they wanted to watch their favorite shows -- whether online or on portable devices such as cellphones.

NBC filed a complaint in 2006 with the National Labor Relations Board, alleging that the guild was improperly holding up Web productions. The board sided with the guild after a judge ruled that the union did not violate labor laws.

The ruling didn't stop NBC or any other networks, however, from finding innovative ways to exploit the Web. Far from it.

NBC Universal has launched its own digital production company to create Web originals. It has also hired nonunion writers to create online
extensions of prime-time shows such as "Heroes," in which the tales of people with extraordinary abilities are continued in graphic online novels. These writers work closely with the producers and TV writers to ensure the characters and overall online experience is consistent with the show.

These nonunion digital production companies also are creating original content online. ABC, for example, has formed Stage 9 Productions to create original Web entertainment. CBS just launched ILab to make sexy re-edits of shows and eventually create original Web video.

In addition to providing fresh short-form entertainment for networks' websites, these studios also bypass talent agencies and their packaging fees, which have contributed to the soaring cost of networks' series.

Cable pioneer Turner Broadcasting System Inc., owner of TBS, TNT and Cartoon Network, is attempting to break new ground with its online comedy network Super Deluxe. The website features sketch comedy from unknown performers and such name acts as Bob Odenkirk and Dave Foley.

Oren Kaplan has produced several Web shows for Super Deluxe, including one about an usual call center in India and another about a guy who hates his roommates. With threadbare budgets ranging from $500 to $6,000 an episode, he said, paying union wages is unrealistic, adding that he pays actors about $100 a day -- a fraction of the union's minimum.

"I am a strong supporter of unions, but until they find a way to work with micro-budget Internet productions, I won't be able to hire their members," Kaplan said.

Guild officials say they have, in fact, negotiated deals with a number of independent producers offering more flexible terms than traditional network contracts. For example, the Screen Actors Guild recently announced a deal to cover an original Web series, "quarterlife," by Marshall Herskovitz and Edward Zwick, producers of the hit television series "thirtysomething" and such films as "Blood Diamond." The Writers Guild is finalizing a similar deal.

Such agreements are increasingly necessary to safeguard the financial interests of artists, especially as Web shows become incubators of talent and projects, said Jeff Hermanson, assistant executive director of the Writers Guild of America, West. As for the formation of nonunion digital studios, he called that, "a shell game they play when they want to evade their legal and moral obligations."

"This is the future of entertainment," Hermanson said. "Of course we're concerned."

Writers, actors and directors reacted angrily in 2006 to the ABC network's decision to pay residuals on sales of TV episodes from Apple Inc.'s iTunes store under a discounted formula. Apple recently disclosed that it had sold more than 100 million downloads of TV episodes.

The union also has clashed with CBS and other networks over the streaming of TV shows, saying writers aren't getting paid even though networks are selling advertising.

For their part, network executives have maintained that the streaming of shows is promotional and thus does not require extra pay, and that the economics of the business don't justify paying the kinds of wages and benefits unions are seeking.

"There's no business there yet," said the network executive who requested anonymity. "The cost of production, the cost of streaming itself and hosting, is barely offset by any type of advertising revenue we're getting at this point."

Meanwhile, a number of high-profile actors and writers are forging their own deals without the blessing of either the unions or the networks. Such
stars as Bill Murray and Will Ferrell are supplying comedy and offbeat skits to various Web ventures that give artists the kind of creative freedom they relish.

"I can cast who I want, I can write what I want and shoot what I want and it goes up on the site," said comic and filmmaker David Wain, who writes a short online comedies that appear weekly on My Damn Channel, which debuted in July. "It's a whole different way of getting your stuff out there."

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