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## **VALUERICH COMPANY CONNECT**

### **FEATURING SMALL-CAP COMPANIES**

**Clearly Canadian Beverage Corp.** (OTCBB: CCBEF)

**Material Technologies, Inc.** (OTCBB: MTTG)

**DNAPrint Genomics, Inc.** (OTCBB: DNAG)

**USA Video Interactive Corp.** (OTCBB:USV0)

**Rocket City Enterprises, Inc.** (Other OTC: RCTY.PK)

**SORL Auto Parts, Inc.** (NASDAQ: SORL)

USA Video Interactive

# Out of Sight Security

By: Denelle Swaim



Image: iStockphoto.com

**Hundreds of years after becoming infamous for plundering the seas,** a different type of pirate is finding ways to wreak havoc in today's society. In this era of YouTube and video-on-demand, digital video piracy represents a multi-billion dollar global concern that screams out for a viable long-term solution.

With its proprietary SmartMarks™ digital watermarking technology at the helm, **USA Video Interactive Corp. (OTCBB: USVO; TSX: US; BSE/Frankfurt: USF)** is waging an attack on modern digital pirates by adding anti-piracy solutions to existing distribution channels and "embedding the proof to catch the crooks."

While anti-piracy initiatives are nothing new, the Company recognizes that combating pirates, who illegally duplicate and distribute various forms of the latest digital television and movie media, requires aggressive enforcement to protect intellectual property

rights without infringing on consumer fair use rights.

## Billion\$ at stake

The Motion Picture Association of America has reported that the worldwide motion picture industry, including foreign and domestic producers, distributors, theaters, video stores and pay-per-view operators, lost \$18.2 billion in 2005 as a result of piracy. Yet, despite rapid technological developments in recent years, little has been done to success-

***The movie and television studios are reportedly spending more than \$100 million a year in an effort to stop illegal content distribution, with little to show for it***

fully curb ongoing piracy and copyright infringements.

The advent of digital video content (both on-demand and online) has only compounded the piracy problem. During 2006 there was a tremendous surge in companies deciding to distribute and sell video content over the Internet. Part of that growth was due

to Apple Computer's announcement in October 2005 that five popular television shows would be available through its iTunes online store. Numerous companies followed suit and made their video content available to consumers on the Internet. However, piracy remained one of the major concerns preventing content owners from committing more of their content to the digital medium.

Digital media presents very specific problems. While analog media loses quality with each copy generation, digital media files can be duplicated an unlimited number of times with no deterioration in quality, making them attractive prey for pirating. Plus, the growing popularity of YouTube and similar digital video sharing Web sites means more distribution outlets for the stolen material.

The movie and television studios are reportedly spending more than \$100 million a year in an effort to stop illegal content distribution, with little to show

for it. This high cost could be greatly reduced with an effective tool.

### Hidden secret messages

USA Video Interactive's SmartMarks are invisible, irremovable, forensic "digital watermarks" designed to protect copyrighted digital videos and on-demand movies from piracy. SmartMarks are embedded into each video frame and provide the source of origin that is necessary to enforce intellectual property right infringement for even the highest technology digital media. When pirated DVDs or other digital media protected with SmartMarks reach law enforcement, they are digitally encoded with evidence that the courts can use to indict and convict individuals who steal the original material.

With SmartMarks, producers and distributors of film and television content have unprecedented, secure access to a

disrupting the content. They work with existing production and distribution technology, so no new equipment in the distribution or playback environment is required. SmartMarks can also be implemented on nearly all forms of digital content, everything from traditional media platforms to newer, digital and on-demand media.

### A Smart forensics team

A key differentiating factor of the Company's solutions is that they achieve their aim of deterring piracy without restricting fair use by paying consumers. Legal consumers continue to have the freedom to enjoy content in their own ways, which includes copying and archiving, and enjoying it on different platforms at different times. Legal television and video digital content can be enjoyed without disruption, while still protecting intellectual copyright and

## ***USA Video Interactive's SmartMarks are invisible, irremovable, forensic "digital watermarks" designed to protect copyrighted digital videos and on-demand movies from piracy***

wide range of distribution markets and methods that would otherwise represent a significant piracy risk. Virtually irremovable, USA Video Interactive's SmartMarks are proven to survive a broad spectrum of attacks, including attempts at digital-to-analog conversion, resampling, resizing, reformatting and other typical content transformations. Efforts by pirates to defeat SmartMarks' encoding renders the content virtually unusable.

Like traditional watermarks, SmartMarks are lightweight steganographic devices, meaning they offer a hidden secret message without visually

promoting effective enforcement.

USA Video Interactive's Patrick Gregston, Business Development, underscores that point. "SmartMarks let consumers enjoy their videos in the way that they have become accustomed to – even when enjoying new, on-demand methods – while fighting piracy by providing effective forensic evidence for the proper authorities when copyrights are abused," he says.

A traditional market approach has been to use technology to preempt intellectual property rights violations. Though it seems like a simple solution, technologically-enforced copyright



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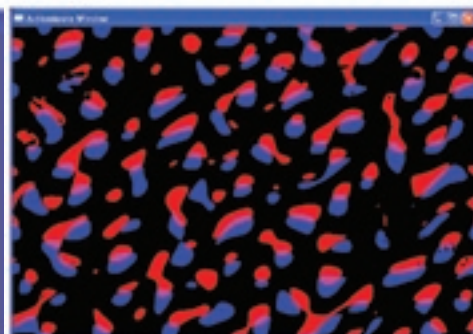
protections have historically created controversy and legal difficulties for content providers.

Consumers have thwarted attempts to protect intellectual copyrights, citing privacy concerns and fair use difficulties. As a result, companies including industry giants Microsoft and Sony have faced numerous lawsuits in the wake of their attempts to institute anti-piracy solutions.

One of the most common and controversial means of waging a preemptive strike against piracy is Digital Rights Management (DRM). Using DRM technology, companies attempt to control the use of digital media by preventing access, copying or conversion to other formats. DRM has a large number of vocal opponents who hold the position that, through DRM, copyright holders are attempting to restrict use of copyrighted material in ways that violate



#1 -- SmartMark info is entered



#2 --What the invisible SmartMark data looks like inside the video content



#3 -- SmartMarked video content is identical to the original video

the rights granted to them. Additionally, DRM is not an infallible solution. Pirates have consistently shown they have the ability to hack the various DRM methods Hollywood uses.

USA Video Interactive's products focus on enforcement rather than prohibition. SmartMarks' embedded digital information on copyright-protected media make it possible to capture copyright infringement information when the system is abused, not to stop it altogether or inconvenience legal consumers. Management equates USVO's products to embedding a forensics team inside content to uncover the proof needed to stop piracy.

### No silver bullet

Management believes watermarking is the best long-term solution for combating piracy, since it does not impede consumers' rights to fair use and it stays invisible within content so that it can be used to trace back to a pirate.

However, as the industry determines what anti-piracy direction it will take, many companies are looking to implement multiple strategies and not rely solely on DRM. Watermarks provide an attractive additional option and furthermore, SmartMarks are fully compatible with DRM.

While competitors seek to capture the overall market by providing a "one-size-fits-all" or "silver bullet" approach to anti-piracy initiatives for the entertainment industry, USA Video Interactive recognizes that long-term, success against intellectual property rights infringement requires effective approaches that are both agile and cost-effective to work in conjunction with consistent enforcement.

Gregston says, "The truth is that there is no one universal solution to growing anti-piracy problems, but we are able to customize our copyright protection solutions to work in conjunction with existing digital and traditional content in a way that makes sense for each enterprise, and that allows anti-piracy enforcement and consumer enjoyment in tandem.

"At USA Video Interactive, we not only offer simple, agile solutions to a goliath

problem that continues to plague the entertainment industry, but we do so in a way that meets the demands of each enterprise."

### Hollywood's escort service

USA Video Interactive's technology continues to evolve in response to market opportunities. In 2006, the Company announced the development of MediaEscort™, a software application designed to meet Hollywood's need to protect online movie distribution from piracy. MediaEscort, which resides on a customer's video server, is the mechanism that automatically and seamlessly embeds SmartMarks in each frame of video content.

The new product built upon what the Company had learned from its initial watermark technology, MediaSentinel™, which has been successfully tested on content distributed by broadcasters and IPTV in India. With MediaEscort, howev-

er, SmartMarks were adapted to work for real-time Internet video downloads.

Both MediaEscort and MediaSentinel provide customers with a simple, lightweight, forensic embedding product that can easily be integrated into their existing infrastructure. Additionally, unlike competitors, USA Video Interactive's solutions require simple engineering. With minimal processing space needed to embed SmartMarks into each frame, the Company's anti-piracy solutions are both effective and customizable to each client's needs.

In November 2006, the Company announced that one of the six major Hollywood studio divisions had chosen its MediaEscort product to protect their video content distributed over the Internet. In May of this year, USA Video Interactive completed and delivered the first of two installments of MediaEscort to the major Hollywood customer, whose identity will be revealed upon the upcoming final product delivery and installation.

### Customized copyright protection

Since 1986, USA Video Interactive has been designing and marketing unique

digital watermarking, streaming video and video-on-demand systems, as well as digital media delivery solutions that allow live or recorded digitized and compressed video to be transmitted seamlessly via the Internet, intranet, satellite or wireless connectivity.

Now, as a smaller firm who has been designing unparalleled technology for an extended time, USA Video Interactive is well positioned to address copyright protection for the latest digital, instant transmission media at the enterprise level.

SmartMarks are already available through the Company's service partner Lightning Media. Existing clients include DIC entertainment, a leading children's media company, and FilmMates Entertainment.

"Producers, filmmakers and especially distributors need to take an active role in fighting piracy. I believe SmartMarks technology can help in preventing

theft," said Jay Malla, Senior Vice President of Distribution and Business Strategy,

FilmMates Entertainment in a USVO testimonial. "Now our investors can rest assured that the latest technology will help in protecting their investment as their films are distributed into new markets worldwide."

### Leaving its Mark

As technology continues to improve the way we view and enjoy media, so grows the need to protect the rights of a giant industry designed to benefit from our insatiable demand for entertainment.

USA Video Interactive recognizes that it is a global imperative to protect digital entertainment against intellectual property rights infringement, but this must be done without ruffling consumer feathers or interfering with their ability to enjoy their legally purchased media.

As it continues to pursue domestic opportunities and works to replicate its successful model worldwide, the Company is well poised for full commercialization. At the same time, USA Video Interactive may just leave its own distinctive mark on the giant media and entertainment industry over the long term. **VR**