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Disney's Fight to Keep Mickey

"Disney is the only company we know that can legally manufacture earnings by dusting off an old classic and re-releasing it in theaters or video" Alan Gould, Oppenheimer Research, 1997

"Disney not only has the best portfolio of intellectual properties, but also is in the best position to monetize its IP.... With unmatched market and pricing power... many 'evergreen' properties consistently generate \$1bn+ in annual global retail sales." Alexia Quadrani, JP Morgan Equity Research, 2015

It was November 3, 2015, and the executive team had just left after presenting the fiscal year results.¹ The Walt Disney Company board of directors had serious matters to consider. It had been a fine year financially, but trouble lay ahead. The board worried particularly about the consumer products and studio divisions, which included movies, direct-to-video products, and licensing.

Disney's two 2015 animated movies had been profitable, although nothing like *Frozen* in 2014, which had generated \$1.27 billion in domestic and international box office revenue. Past experience promised that associated consumer products, plus digital and rental sales, would provide a solid stream of revenue several times as large over the coming three years—\$3–5 for every \$1 earned at the box office.²

However, Disney in 2015 had attempted to launch a new franchise linked to the movie *Tomorrowland*. The film cost \$190 million to produce, plus another \$112 million to promote and advertise, yet grossed only \$204 million worldwide. Disney would be announcing a write-down of around \$130 million; the franchise seemed a non-starter.³ The experience was yet further

¹ This case study was written from secondary sources, and is intended for educational purposes only. The opening is a fictional creation of potential board conversations, and is designed solely to promote classroom discussion.

² Martin, *The Walt Disney Company*, Credit Suisse First Boston ("CSFB") Equity Research, March 23, 1999.

³ Bank, *The Walt Disney Company—As Star Wars and Shanghai Opening Approach, Valuation Could Come More into Focus*, RBC Capital Markets Equity Research, August 2, 2015.

proof that successful franchises did not arise by magic, but required an unusual combination of skill, timing, and luck.

Conversation turned to revenue numbers for the library of classics, loosely bucketed as franchises created prior to 1980. The properties provided stable, substantial revenue, and for 25 years had been an underlying rock of Disney's financial performance. Importantly, there was none of the development risk involved in trying to produce new franchises. But that was also where the trouble lay. The oldest of Disney's impressive stable of animated characters—Mickey and Minnie Mouse, Goofy, Pluto, and Donald—were scheduled to begin coming off copyright in 2023.

Twice in Disney's history, Congress had extended the duration of federal copyright. Each time, the legislation added 20 years to the life of Disney's exclusive control over its first characters. Both times the extension occurred mere years before Disney's original copyrights were set to expire. The second time, the company had lobbied vigorously for the extension. However, the economic and political climate had changed since the last revision in 1998. The board doubted there was much congressional or public appetite for a third extension.

Disney had long since proven that it could create profitable, new content. However, new material was costly and success was far from assured. Disney was also a powerhouse in consumer products; its margins were the highest in the business—nearly 65 percent, due in no small part to the classic catalogue. The value of its brand name alone was estimated at \$43 billion, thanks largely to Mickey Mouse with his 97 percent global recognition rate.

The board had to be realistic about what to expect once the copyright expired, and to plan for that eventuality. Despite the acquisition and development of new franchises, Mickey & Friends branded merchandise still constituted 10 percent of total retail sales.⁴ Should that library start to produce less revenue as the iconic characters passed into the public domain, how would Disney compensate? How much value did those characters add to the Disney brand? To attendance at theme parks? Should Disney redouble its investment in new content? Should it again lobby for a copyright term extension, and at what price? The year 2023 was a lot closer than it might seem.

Disney, Before and After Mickey

Prior to founding Walt Disney Company, Walt and his brother Roy had run a small production company that worked directly for Universal Studios. Their first project was a live-action/animated film, *Alice through the Looking Glass*. In early 1927, Universal asked them to create a fully animated character for a new cartoon series, and Oswald the Lucky Rabbit was born, created by Walt and his animation partner, Ub Iwerks. After a fitful start, Oswald became a hit for Universal.⁵

⁴ Quadrani, *Disney—A Force to Be Reckoned With; A Deep Dive into the Consumer Products Division*, J.P. Morgan North America Equity Research, September 1, 2015.

⁵ Crockett, "How Mickey Mouse Evades the Public Domain," *Priceonomics.com*, January 7, 2016.

As Oswald reached peak popularity in early 1928, Universal started to hire away animators from the Disney brothers. Stung, Walt tried to get out of the contract with Universal and produce Oswald on his own. It was only then that he learned that Universal owned the rights. Walt Disney found himself without his animators, without his lucrative contract, and without his popular character. This experience inspired a lifelong determination to own and protect all future creations.

After losing Oswald, Walt and chief designer Iwerks set out to create a new character, fast. This was the start of The Walt Disney Company. After much back and forth and scuttled designs, they selected a cheeky, anthropomorphic mouse. Mickey's first appearance came in a test screening of a short called "Plane Crazy" that was poorly received by the audience. A second short called "The Gallopin' Gaucho" also featured Mickey, but no studio would distribute it.

On November 18, 1928, the Walt Disney Company produced "Steamboat Willie," a satire of a contemporary live-action movie released by another studio, and it was picked up by a distributor and shown in New York City. Disney considered this the first public appearance of Mickey Mouse. Within five years, Mickey Mouse was the most popular animated character in Hollywood, and would become the face of the Walt Disney Company around the world.

Over the next 50 years, Disney created hundreds of shorts, full-length movies, and cartoons starring Mickey Mouse. It also produced other full-length animated movies, beginning with *Snow White and the Seven Dwarfs* in 1937, and including such well-known classics as *Pinocchio*, *Cinderella*, *Sleeping Beauty*, and *Robin Hood*, all before 1980. The collection constituted what Disney considered its classics back catalogue.⁶

Many of the most popular movies in Disney's classic catalogue were based on well-known stories in the public domain. Disney was able to copyright these films as new works.⁷ By the 21st century, these older films were worth their weight in gold. New movies, while generating substantial returns at the box office and via licensed goods, were costly—animated films could run \$120–200 million to produce. By contrast, classics could be re-released on a regular basis at more than 85 percent gross margins.⁸

US Copyright, Pre-1998

Copyright was such an important concept that the right and obligation to grant it was written into the US constitution.⁹ Congress formalized the first set of rules, known as the

⁶ The "modern" collection started with *The Little Mermaid* in 1989 and included worldwide hits like *The Lion King*, *Toy Story*, *Cars*, and *Frozen*. By 2015, the studio had produced a total of 55 animated feature films.

⁷ Some estimates suggest that up to 50 Disney films are based on work that was already in the public domain.

⁸ Martin, *The Walt Disney Company*, Credit Suisse First Boston ("CSFB") Equity Research, March 23, 1999. Also Jayant, *The Walt Disney Company—The Fear Awakens: Growth Challenges Loom*, Evercore ISI, March 3, 2016.

⁹ Section 8, which enumerates the rights and obligations of the Congress, stipulates in article 8: "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

Copyright Act of 1790, and George Washington signed it into law. At first, copyright was granted for 14 years, with an option to renew for another 14. The law was amended in 1831 and again in 1909, eventually settling at 28 years with an option to renew for an additional 28 years.

Copyright protection existed principally as an incentive for innovation. It was an artificial construct peculiar to works of art because, once created, they were easily copied and shared. Protection mattered because, while the artist expended significant economic resources in creating a work, the same resources were not required to copy them. For example, to sell a book one need only reprint it, with none of the original investment (research, interviews, writing, etc.) required to produce it in the first place.

The vast majority of Disney's classic catalogue was created under the 1909 law. That meant copyright for Disney's 1928 creations, after taking advantage of the renewal option, was scheduled to expire in 1984. Luckily for Disney, the rules changed in 1976.

The United States had become a signatory to the Universal Copyright Convention (UCC) in 1955, but did not immediately amend US copyright law to conform to the UCC. Over the next 10 years, Congress commissioned multiple studies on copyright, and eventually passed a bill in 1976. The new law made wide-ranging changes to copyright law, codified the concept of fair use, defined the basic rights of copyright holders, and simplified the copyright term to a single period, without extension. With the simplification came a longer duration, to author's life plus 50 years for individual works, and 75 years for all work-for-hire.

The new law applied to existing works, not just new ones. So eight years before Disney's copyright on its early characters was due to expire, they gained an additional 19 years of protection, to 2003.

Disney Gets Involved¹⁰

While the timing of the 1976 extension was fortuitous, there was no evidence that Disney lobbied for it. That was not true in the late 1990s, as the next copyright expiration came into view. At the time, the licensing of classic library characters contributed \$358 million a year to net income. Additionally, Disney earned roughly \$90 million each time it re-released a classic movie on VHS or DVD.¹¹

In 1990, Disney opened a Washington office for the first time and hired lobbyists. After a public relations and political debacle over a proposed Disney America theme park in Virginia, in 1995 Disney added the well-connected former Senate majority leader George Mitchell (R-Maine) to its board of directors.

In 1997, House Judiciary Committee Intellectual Property Subcommittee chairman Howard Coble (R-NC) and Senate Judiciary Committee chairman Orrin Hatch (R-UT) proposed a bill to yet again extend the duration of copyright. The proposed Copyright Term Extension Act

¹⁰ The political elements and quotations of this section draw from two principal sources: Phyllis Schlafly, *Why Disney Has Clout with the Republican Congress*, Eagle Forum, November 25, 1998, and Alan K. Ota, "Disney in Washington: The Mouse That Roars," *Congressional Quarterly*, August 1998.

¹¹ *The Walt Disney Company*, Brown Brothers Harriman ("BBH") Equity Research, May 1998.

(CTEA) would extend the term to the life of the author plus 70 years, and to 95 years for corporate copyrights. As in 1976, the provisions would be retroactive. For Disney, this meant another 20-year extension on copyrights of its early characters. Supporters of the bill said it would provide incentive to produce new works in an age of technological innovation, and level the playing field with Europe, which had extended its copyright term several years before.

Initially, the act languished in the two committees. But Disney's lobbyists, along with other intellectual property advocates, were busy.¹² During the 1997–98 congressional campaign, Disney's political action committee contributed over \$800,000 to political campaigns (including 19 of the eventual co-sponsors of the CTEA), and in 1997 spent a total \$1.5 million on lobbying. On June 9, 1998, Disney CEO Michael Eisner met with Senate majority leader Trent Lott, and noted that the bill was at the top of Disney's "priority list."¹³ In fact, Disney's efforts on behalf of the bill were so vigorous that it acquired the mock title of "Mickey Mouse Protection Act."

While required by law to disclose its PAC donations, Disney did not comment publicly on its activities. "We regard our lobbying as proprietary to us. We don't wish to talk about it," said spokesman Thomas J. Deegan in 1998.¹⁴ As a matter of policy, Disney contributed equally to both political parties. Of the 12 Senate sponsors of the bill, 9 received contributions from Disney—5 Republicans and 4 Democrats, with the largest payments going to Hatch (\$6,000) and the two most senior Democrats.¹⁵ Of the 13 House sponsors, Disney contributed to 10—8 Republicans and 2 Democrats. The Disney PAC contributed a modest \$1,000 to Senator Lott the day he signed on as one of the bill's co-sponsors.¹⁶ In the words of Joe Shapiro, Disney general counsel since 1985:

Mickey Mouse is not a Republican or a Democrat... If you take a strong position either way, you are looking at offending roughly half of the people. Michael Eisner is very informed about public policy issues... I believe he doesn't think it's appropriate.¹⁷

Disney, which cared about its public image as a wholesome, family-focused company, did not publicize its lobbying. "We don't want to be obtrusive in making our point," continued Shapiro.

How does it enhance Disney value to shareholders to have the company perceived as a bunch of high-powered lobbyists? We want them to think of the people at Disney as clever filmmakers and theme park operators.¹⁸

Government professor Ronald G. Shaiko (American University), put the problem succinctly:

¹² Among organizations that supported the legislation were the [Songwriters Guild of America](#), the [National Academy of Songwriters](#), the [Motion Picture Association of America](#), and the Intellectual Property Law Section of the American Bar Association.

¹³ Ota, "Disney in Washington: The Mouse That Roars," *Congressional Quarterly*, August 1998.

¹⁴ Ibid.

¹⁵ Schlafly, *Why Disney Has Clout with the Republican Congress*, Eagle Forum, November 25, 1998.

¹⁶ Ota, "Disney in Washington: The Mouse That Roars."

¹⁷ Ibid.

¹⁸ Ibid.

Disney has very important issues confronting it on Capitol Hill. And like other media conglomerates, it suffers from the lack of a large base of constituents, employees and consumers who could help win more support in Congress.¹⁹

Despite a lack of public support, the bill seemed poised to pass. While there was some opposition from Internet publishers and legal scholars, the only serious objections came from the restaurant and hospitality lobby, which successfully added language that changed royalty rules for playing music at their establishments.

On a single day, October 7, 1998, the bill rolled through Congress essentially unimpeded. With support from Democrats and Republicans alike, both the Senate and House committees discharged the bill unanimously. It passed the Senate by unanimous consent without a roll call, and passed the House by voice vote under suspension of normal House rules. There were no hearings, debate, or notice to the public (the only public hearing was in 1995). President Bill Clinton signed the bill on October 27.

At the time, Disney's exposure to the risk of an expiring copyright received little public attention. In its annual filings, Disney itself made no mention of either the looming deadline or the legislative campaign. Nor did equity analysts seem to believe the risk from copyright expiration was significant enough to focus on. In over 250 equity research reports on Disney published in 1997–99, there was no mention of the pending expiration, the pending legislation, or the legislation once passed. Yet with the Disney classic library approaching expiry, the company reaped significant economic benefit from the CTEA.

Opposition Arises

Only after passage did the CTEA begin to draw criticism, especially its retroactive provision. If the bill's purpose was to provide incentives to produce new works, critics asked, why grant additional protection to existing works? Eric Eldred, an Internet publisher who published books in the public domain, in 1999 took the government to court on charges that the CTEA violated the constitutional requirement to set a limit on copyright protection.²⁰ In 1999 and early 2001 two lower courts decided against the plaintiffs, who then appealed to the Supreme Court, where it was accepted for oral arguments in October 2002. Eldred hired legal scholar Larry Lessig to argue his side. Support for and against the act poured in.

A group of prominent economists presented a famous *amicus* brief to the Supreme Court on behalf of the plaintiffs.²¹ They included five Nobel laureates—Ronald Coase (University of Chicago), Milton Friedman and Kenneth Arrow (Stanford University), George Akerloff (UC

¹⁹ Ota, "Disney in Washington: The Mouse That Roars."

²⁰ Greenhouse, "Justices to Review Copyright Extension," *New York Times*, February 20, 2002.

²¹ Amicus Brief No. 01-618 In the Supreme Court of the United States, Eric Eldred et al., v. John D. Ashcroft, Attorney General. By G.A. Akerlof, K.J. Arrow, T.F. Bresnahan, J.M. Buchanan, R.H. Coase, L.R. Cohen, M. Friedman, J.R. Green, R.W. Hahn, T.W. Hazlett, C.S. Hemphill, R.E. Litan, R.G. Noll, R.Schmalensee, S. Shavell, H.R. Varian and R. J. Zeckhauser as Amici Curiae in support of petitioners, May 20, 2002.

Berkeley), and James Buchanan (George Mason University). They specifically contested the net economic benefit of the bill.

If copyright was an incentive to create, they argued, the CTEA extension did little to further that aim. Economically speaking, a creator benefited from a 20-year extension because she would gain an additional 20 years' revenue from the material's sale or use. However, the economists calculated that the present value of a 20-year extension from 75 to 95 years, given reasonable assumptions about interest rates, was worth very little: roughly 0.33 percent of the economic value of the first 75 years.²² That return, they stated, would not weigh much with an artist deliberating on the economics of producing a work.

As for the CTEA's extended copyright for *existing* works, that had nothing to do with providing incentive for creative work, the economists pointed out. However, it did give current copyright holders a windfall, allowing them to continue to sell at a monopoly price at nearly zero additional production cost. The closer to expiration a copyrighted work was, the larger the CTEA benefit to the copyright owners, and the larger the cost to consumers. As the *amicus* brief put it:

Taken as a whole, it is highly unlikely that the economic benefits from copyright extension under the CTEA outweigh the additional costs. Moreover, in the case of term extension for existing works, the sizable increase in cost is not balanced to any significant degree by an improvement in incentives for creating new works. Considering the criterion of consumer welfare instead of efficiency leads to the same conclusion, with the alteration that the CTEA's large transfer of resources from consumers to copyright holders is an additional factor that reduces consumer welfare.²³

On January 15, 2003, the Supreme Court decided the case, declaring the CTEA constitutional by a 7–2 majority. Disney, for one, could count on copyright protection for its early characters until 2023. By 2015, the issue had made its way back onto the company's front burner.²⁴

Disney Finances

By 2015, Disney was a very different company from what it had been in 1998. For one thing, it was far more diversified, with less reliance on revenue from its copyrighted characters. The global multimedia conglomerate employed over 195,000 and had a market capitalization of

²² Amicus Brief No. 01-618 In the Supreme Court of the United States, Eric Eldred et al., v. John D. Ashcroft, Attorney General. By G.A. Akerlof, K.J. Arrow, T.F. Bresnahan, J.M. Buchanan, R.H. Coase, L.R. Cohen, M. Friedman, J.R. Green, R.W. Hahn, T.W. Hazlett, C.S. Hemphill, R.E. Litan, R.G. Noll, R.Schmalensee, S. Shavell, H.R. Varian and R. J. Zeckhauser as Amici Curiae in support of petitioners, May 20, 2002.

²³ Ibid.

²⁴ This assertion is part of the fictional creation for purposes of classroom discussion. The author does not know when or whether the board of directors first revisited the copyright issue.

\$174 billion.²⁵ That made it the 17th largest company in the United States, and 30th in the world. The company owned cable and television networks and theme parks worldwide. It produced movies, TV shows, and direct-to-video and stage content, and licensed its characters and franchises for the production and sale of consumer products via Disney-branded and third-party retailers around the globe.

For FY15, the company reported net revenue of \$52.5 billion and operating income of \$13.2 billion, for an operating margin of 26.8 percent (see Exhibits). Its five principal divisions had grown to include Media Networks, Parks and Resorts, Studio Entertainment, Consumer Products, and Interactive Media. The ESPN franchise alone accounted for 23 percent of operating income, more than either the Studio Business or Consumer Products divisions. Each division had several branches.

Media Networks included 1) international and domestic cable networks including the ESPN family of networks (80 percent ownership), Disney Channels Worldwide, ABC Family and A&E Networks (50 percent ownership) and 2) broadcasting, including the ABC Television Network, ABC Studios, television distribution, and eight domestic TV stations.

Parks and Resorts included 1) owned and operated parks and resorts, such as Walt Disney World and 2) managed parks and resorts which bore the Disney brand. The company licensed operations of the Tokyo Disney Resort.

Studio Entertainment produced and acquired 1) live-action and animated motion pictures under the Walt Disney Pictures, Pixar, Marvel, and Lucasfilm banners. It also distributed Indian movies through UTV and movies produced by DreamWorks under Touchstone Pictures; 2) musical recordings through the Disney Music Group; and 3) live plays through Disney Theatrical Productions.

Consumer Products engaged licensees, publishers, and retailers to design, develop, publish, promote, and sell a variety of products based on existing and new characters and other Disney intellectual property through its merchandise licensing, publishing, and retail arms.

Interactive consisted of 1) Interactive Games, which created, developed, marketed, and distributed console, mobile, and social games and 2) Interactive Media, which published content online through a portfolio of sites including Disney.com and the Disney Family Network.²⁶

Media Networks, the largest division, accounted for 44 percent of total revenue and 53 percent of total operating income. Parks & Resorts was next, with 31 percent of revenue and 23 percent of operating income. Walt Disney theme parks boasted a healthy 34 percent market share (150 million visitors a year) and included 10 of the top 15 global theme parks.

Studio Entertainment accounted for 15 percent each of revenue and operating income. It had become even more expensive to produce movies. New animated features cost from \$150–

²⁵ <https://finance.yahoo.com/quote/DIS?p=DIS>, accessed February 2017.

²⁶ Salmon, *Moving to the Sidelines*, BMO Capital Markets, August 5, 2015.

\$200 million. When they were successful, the payoff could be significant. Hits like *Frozen* or *Lion King* could bring in over \$1 billion at the global box office, and multiples of that over the life cycle of the movie. Those two hits, however, were made nearly 20 years apart; Disney released over 20 other animated films in the interim. Many of the animated features barely broke even; *Tomorrowland* cost the company \$100 million.

Consumer Products, which generated nearly \$45 billion in retail sales, made up just 11 percent of revenues but 14 percent of operating income. Of that, \$35 billion came from Disney/Pixar, \$7 billion from Marvel, and \$3 billion from a Star Wars franchise. Under a revenue-sharing agreement, the Studio Entertainment division benefited from consumer product sales. Thus, even movies unprofitable at the box office often earned back the cost of production in downstream rentals/video on Demand (VOD) and consumer product sales.²⁷

Altogether, Disney's 11 franchises produced over \$1 billion in annual retail sales (see Exhibits). Moreover, the company received licensing fees of 4–5 percent for all franchises (except Star Wars, which earned nearly 7 percent). The \$45 billion in consumer product sales generated \$2 billion in fees and \$1.4 billion in operating income, nearly the entire profit for the division.

First Off-Copyright Challenge

Under US copyright law, once the first work featuring a commercialized character loses its copyright protection, other parties can use the character for commercial purposes. The law left it far from clear, however, how much of a character's traits and likeness could be used, and in what way. Because Congress had extended the duration of copyright twice since 1909, as of 2013 very little copyrighted commercial material had passed into the public domain.

The first meaningful test case arose over the estate of Sir Arthur Conan Doyle and his Sherlock Holmes character.²⁸ Most Sherlock Holmes novels and short stories predated 1923 and therefore were no longer protected by copyright. However, 10 short stories produced between 1923 and 1927 were still under copyright. The estate had accepted that the foundational descriptive characteristics of Holmes had passed into the public domain, but insisted that developments in the later stories were still copyrighted. Those who used Sherlock Holmes-related material found it simpler to pay a small license fee to the estate than to risk litigation.

But in 2013, American lawyer and writer Leslie Klinger, who edited anthologies of new Sherlock Holmes stories, filed a lawsuit challenging the copyright and claiming that all Holmes characterization was in the public domain. The estate claimed that since the character evolved in the later stories, any and all writing about Holmes was still copyright-protected. The federal US District Court for the Northern District of Illinois in late 2013 and the US Court of Appeals in 2014 found for the plaintiff, but with a twist. US Court of Appeals Judge Richard Posner²⁹ concluded:

²⁷ Jayant, "The Walt Disney Company – The Fear Awakens: Growth Challenges Loom."

²⁸ Kerridge, "Who Owns Sherlock Holmes?" *The Telegraph*, June 20, 2015.

²⁹ Posner also taught law at the University of Chicago.

The Doyle estate's business strategy is plain: charge a modest license fee for which there is no legal basis, in the hope that the 'rational' writer or publisher asked for the fee will pay it rather than incur a greater cost, in legal expenses, in challenging the legality of the demand.... It's time the estate, in its own self-interest, changed its business model.³⁰

However, both courts ruled that details about Holmes mentioned solely in the later 10 stories were still copyrighted material.

Disney executives must have followed the Conan Doyle case closely for parallels to their own situation. Perhaps, as early Disney characters lost copyright protection, Disney nonetheless could retain rights to characteristics developed for later productions that remained copyrighted. To the degree possible, all Disney characters were trademarked as corporate symbols. So their use in theme parks, promotional materials, stores, and other products was protected in perpetuity, as long as Disney continued to actively promote them as part of the brand. What remained unclear after Doyle, according to top copyright legal scholars, was how much of the original characteristics of Disney characters would pass into the public domain after 75 years, and whether anyone might successfully challenge Disney to use them.

What's next? As Disney board members considered the copyright landscape in 2015, they had several questions for the executive team. How much would a further 20-year extension of the Mickey Mouse copyright be worth? How would that compare to investment in new films? To the cost of lobbying? From 1997–2015, Disney had spent \$87.6 million on lobbying; the figure for 2015 alone was \$3.67 million.³¹ Given what Mickey could be worth to Disney, how much might it be willing to pay in an effort to convince Congress to extend copyright yet again?

³⁰ McDermott, Will & Emory, "Judge Posner orders Sherlock Holmes estate to pay attorneys' fees for 'form of extortion,'" *Lexology*, October 1, 2014. See: <http://www.lexology.com/library/detail.aspx?g=6cfee8be-3740-4a03-8f50-9b97c3dc489d>

³¹ *OpenSecrets.org*, accessed July 1, 2016. Disney's expenditure was relatively modest. Total 2015 lobbying across all industries was \$3.2bn. The US Chamber of Commerce was the largest spender at \$84.7 million; #20 on the list spent \$12.4 million (see Exhibits).

Exhibits

Summary Income Statements, 2013–15³²

	FY2013	FY2014	FY2015
Revenue by Segment			
Media Networks	20,356	21,152	23,264
Parks & Resorts	14,087	15,099	16,162
Studio Entertainment	5,979	7,278	7,366
Consumer Products	3,555	3,985	4,499
Interactive Media	1,064	1,299	1,174
Total Segment Revenue	45,041	48,813	52,465
EBITDA by Segment			
Media Networks	6,327	6,715	7,242
Parks & Resorts	3,590	4,137	4,548
Studio Entertainment	822	1,685	2,117
Consumer Products	1,258	1,524	1,913
Interactive Media	(43)	139	164
Corporate (D&A Addback)	274	239	249
Total Segment EBITDA	12,228	14,439	16,221
Revenues	45,041	48,813	52,465
Segment Operating Expenses	32,813	34,374	36,244
Segment EBITDA	12,228	14,439	16,221
Corporate Expense	(531)	(611)	(643)
EBITDA	11,697	13,828	15,578
Depreciation	1,957	2,064	2,132
Amortization	235	224	222
EBIT	9,505	11,540	13,224
Equity Income	633	854	814
EBIT Inc Equity Income	10,138	12,394	14,038
Restructuring and Impairment Charges	(214)	(140)	(53)
Other Income (Expense)	(69)	(31)	-
Net Interest (Expense)	(235)	23	(117)
Income before Taxes	9,620	12,246	13,868
Income Tax (Expense) / Benefit	(2,984)	(4,242)	(5,016)
Net Income	6,636	8,004	8,852

³² Credit Suisse, *Disney Management*, November 2015

Summary Balance Sheets, 2013–15³³

	FY2013	FY2014	FY2015
ASSETS			
Current Assets			
Cash & Equivalents	3,931	3,421	4,269
Receivables	6,967	7,822	8,019
Inventories	1,487	1,574	1,571
TV Costs	634	1,061	1,170
Deferred Income Taxes	485	497	767
Other Current Assets	605	794	962
Total Current Assets	14,109	15,169	16,758
Film & TV Costs	4,783	5,325	6,183
Investments	2,849	2,696	2,643
Theme Parks, Resorts & Other Properties	22,380	23,332	25,179
Intangible Assets, net	7,370	7,434	7,172
Goodwill	27,324	27,881	27,826
Other Non-current Assets	2,426	2,304	2,421
Total Assets	81,241	84,141	88,182
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts & Taxes Payable and other Accrued Liab.	6,803	7,595	7,844
Current Portion of Borrowings	1,512	2,164	4,563
Unearned Royalties and Other Advances	3,389	3,533	3,927
Total Current Liabilities	11,704	13,292	16,334
Borrowings	12,776	12,631	12,773
Deferred Income Taxes	4,050	4,098	4,051
Other Long Term Liabilities	4,561	5,942	6,369
Long-term Liabilities	21,387	22,671	23,193
Total Liabilities	33,091	35,963	39,527
Shareholders' Equity			
Common Stock, \$0.01 par value	33,440	34,301	35,122
Retained Earnings	47,758	53,734	59,028
Cumulative Translation & Other	(1,187)	(1,968)	(2,421)
Treasury Stock, at cost	(34,582)	(41,109)	(47,204)
Total Shareholders' Equity - DISNEY	45,429	44,958	44,525
Non Controlling Interest	2,721	3,220	4,130
Total Equity	48,150	48,178	48,655
Total Liabilities & Shareholders' Equity	81,241	84,141	88,182

³³ Credit Suisse, *Disney Management*, November 2015

Major Disney Animated Features 2011–15, Estimated Adjusted Gross Margin³⁴

	Global Box Office Receipts	Production Costs	Estimated Promotion & Advertising	Gross Margin
Animated Film				
<i>2015</i>				
Big Hero 6	652.0	165.0	112.5	374.5
Inside Out	603.0	175.0	112.5	315.5
<i>2014</i>				
Frozen	1,273.0	150.0	112.5	1,010.5
<i>2013</i>				
Wreck-It Ralph	471.0	165.0	112.5	193.5
Monsters University	742.9	270.0	112.5	360.4
Planes	207.0	50.0	112.5	44.5
<i>2012</i>				
Brave	528.7	185.0	112.5	231.2
<i>2011</i>				
Cars 2	551.9	200.0	112.5	239.4
Mars Needs Moms	39.0	150.0	112.5	(223.5)
Tangled	590.7	260.0	112.5	218.2

Disney Properties Producing Over \$1 Billion in Annual Global Retail Sales³⁵

Character / Group	Estimated Sales
Mickey & Minnie & Friends	\$4bn
Disney Princesses	\$2.9bn
Winnie the Pooh	\$2.8bn
Cars	\$2.3bn
Star Wars	\$2.2bn
Monsters	\$1.5bn
Spider Man	\$1.3bn
Iron Man	\$1bn+
Avengers	\$1bn+
Toy Story	\$1bn+
Frozen	\$1bn+

³⁴ RBC Capital Markets, 2012-2015

³⁵ JP Morgan, September 2015. NB: This denotes retail sales for which Disney receives a licensing fee of between 5% and 7%.

Current Expected Copyright Expirations

Character / Story	Year of Expiry
Mickey Mouse	2023
Minnie Mouse	2023
Pluto	2025
Goofy	2027
Donald	2029
Snow White & the Seven Dwarfs	2032

Top Lobbying Organizations, 2015³⁶

Organization	2015 Spend
US Chamber of Commerce	\$84.7
National Assn of Realtors	\$37.8
Blue Cross/Blue Shield	\$23.7
American Medical Assn	\$21.9
Boeing Co	\$21.9
General Electric	\$20.9
American Hospital Assn	\$20.7
Business Roundtable	\$19.3
Pharmaceutical Rsrch & Mfrs of America	\$18.9
National Assn of Broadcasters	\$17.4
National Assn of Manufacturers	\$17.0
Alphabet Inc	\$16.7
AT&T Inc	\$16.4
Comcast Corp	\$15.7
CVS Health	\$15.2
National Cable & Telecommunications Assn	\$14.1
Lockheed Martin	\$13.8
Southern Co	\$12.9
American Bankers Assn	\$12.7
FedEx Corp	\$12.4

³⁶ *OpenSecrets.org, accessed July 1, 2015*

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