

STRATEGIC

Fans, labels are split on unlocked music plan

By Alana Semuels and Michelle Quinn, Times Staff Writers
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SAN FRANCISCO — SAN FRANCISCO — A world without digital handcuffs on downloaded music sounds pretty good to Eston Bond, a 21-year old senior at the University of Michigan.

Bond, a self-proclaimed music lover, is sick of the anti-piracy software that limits how he can listen to music downloaded from Apple Inc.'s iTunes and other online stores. If it weren't for those restrictions, he said, he'd buy a lot more music — and listen to it in more ways.

"It would free up a fair amount of my music collection to play on other audio players, and not be locked in to an iPod," Bond said.

Music fans who have long wished the recording industry would eliminate anti-copying measures gained a powerful ally this week: Apple Chief Executive Steve Jobs, whose company's iTunes and iPod dominate the online music market.

The recording industry's trade association and some musicians Wednesday derided Jobs' call for record labels to stop wrapping their songs in software that seeks to curb music piracy, but also prevents music purchased through iTunes from playing on Apple competitors' devices and vice versa.

Some loosening of restrictions is inevitable as the music industry grows more comfortable distributing songs over the Internet, the critics said. But they argued that setting music free would roil an industry that is finally pulling out of a five-year slump — one that coincided with the rise of Napster and other online services that allowed widespread piracy.

"It's too much right now," said bass player Jeremy Dawson of Shiny Toy Guns, a Los Angeles rock band. "They just started the healing process of the digital generation."

Rather than dump the copying protections, as Jobs advocated Tuesday, the labels might be more inclined to tweak the rules and restrictions that come with so-called digital rights management, such as restricting playback of iTunes songs to five computers.

"There's collateral damage if you knock out" digital rights management, said Ted Cohen, a former EMI Music Group executive and now managing partner at Tag Strategic, a digital music consultancy. "There's a reasonable midpoint that is consumer friendly."

So far, the four major labels have not said if they are considering selling music without electronic locks. They worry it would kill the incentive to buy music.

The Recording Industry Assn. of America, the record labels' trade group, suggested that Apple adopt an approach that Jobs has already dismissed: license the company's anti-piracy technology to rivals such as Microsoft Corp. and Sony Corp., so the music and devices they sell can all work together.

But a few labels and independent artists have experimented with ways to sell digital music without locks.

Through Yahoo Music, EMI sold tracks by Norah Jones and Christian rock band Relient K in the MP3 format, which places no limits on how often a user can copy a song or on what devices it

can be played on. EMI spokeswoman Jeanne Meyer called the experiment "positive," but wouldn't disclose further details.

In September, News Corp.'s MySpace partnered with Snocap Inc., a San Francisco start-up, to allow artists and other rights owners to set the price for their songs and sell them as MP3s via their MySpace pages. Snocap also lets unsigned artists sell songs for 39 cents.

Subscription services such as EMusic.com Inc. provide another alternative. EMusic's 250,000 subscribers pay \$10 to \$20 month to download as many as 75 songs. In the last three years the New York-based company has distributed 100 million unprotected songs, which can work with iPod or any other MP3 player, Chief Executive David Pakman said.

It's unclear whether these alternative ways to buy and sell music will solve one of the industry's biggest problems — piracy.

"Most of the youth of today has decided not to buy music anymore," Pakman said. "They might steal it or listen over the Internet. No one has figured out yet how to monetize what they are doing."

Two major labels are taking another approach: They have signed deals with Intent MediaWorks Inc., an Atlanta-based company that lets users of Limewire and other peer-to-peer networks download songs in exchange for viewing ads, said President Les Ottolenghi. He wouldn't identify the labels.

Although iTunes trumpeted that it sold 2 billion songs last year, 15 billion songs are illegally downloaded yearly, said Eric Garland, CEO of Big Champagne, a Beverly Hills-based online market research firm that specializes in entertainment. Songs wrapped in anti-copying software are pirated as often as songs that aren't, he said.

"What we have today is a dysfunctional honor-code system," Garland said. "The job for the music industry is to steal away from the piracy market. And they can do that by giving people a better consumer experience by making it easier ... to buy music online than rip it off."

Artists are divided about whether getting rid of digital restrictions would increase the amount of money they make from music.

Many are less concerned about the technical details of how their music is sold online than they are about continuing to get paid, said Jenny Toomey, a rock musician and national director of the Future of Music Coalition, a nonprofit organization that represents independent artists.

"Transitions are frightening," she said. "But that being said, the benefits of this technology can't really be underestimated."

But Peter Paterno, a music industry lawyer who represents Metallica, Dr. Dre and other artists, worries that abandoning locks on music is the first step in a long march toward giving away all music for free.

"The consumer doesn't think long enough about the fact that if they're not paying for music, there isn't going to be any music," Paterno said.

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TAG Strategic is a digital media and entertainment advisory firm focused on leveraging the core partners’ collective 50+ years of experience, execution and expertise across music, movies, television, mobile, infrastructure and media monetization. TAG provides high-profile services to media companies, branded properties and technology providers. Visit us at www.tagstrategic.com for more information.

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