

STRATEGIC

Jobs Calls for End to Music Copy Protection

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By [JOHN MARKOFF](#)

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SAN FRANCISCO, Feb. 6 — [Steven P. Jobs](#), [Apple](#)'s chief executive, jolted the record industry on Tuesday by calling on its largest companies to allow online music sales unfettered by antipiracy software.

The move is a gamble for Apple. Its [iPod](#) players and iTunes Store have defined the online music market, and they have much at stake in the current copy-protection system.

Under terms reached with the major record labels, online music stores embed software code into the digital song files they sell to restrict the ability to copy them. Because Apple uses its own system, the songs it sells can be played only on the iPod. That limitation has drawn increasing scrutiny from European governments, pressure that Apple has recently begun to acknowledge.

Mr. Jobs's appeal, posted on the company's [Web site](#) Tuesday, came in the form of an essay titled "Thoughts on Music," but in essence it was a letter to the "Big 4" music companies: Universal, [Sony](#) BMG, Warner and EMI.

While he said that "customers are being well served" by the current approach to digital rights management — with online music retailers using incompatible antipiracy systems but nonetheless offering "a wide variety of choices" — the subtext clearly pointed to the prospect of change.

He dismissed one possible alternative, in which Apple would license its own system, FairPlay, allowing competing digital players to play iTunes songs and letting other stores sell copy-protected music for the iPod. Mr. Jobs said that approach would only complicate enforcement of digital rights management, as myriad companies would have to coordinate software and hardware updates.

Instead, he proposed that labels could shed digital rights management altogether. Mr. Jobs pointed out that only 10 percent of all music sold last year was through an online store and that music is already easily loaded onto digital players from CDs, with no antipiracy features.

Attaching digital rights management to music bought online has only limited the number of online music stores, he wrote.

“This is clearly the best alternative for consumers, and Apple would embrace it in a heartbeat,” he wrote.

Mr. Jobs’s move comes as the music industry appears to be facing a crisis. Sales of its mainstay product — the album — continue to sink, and sales of digital music, including individual songs, have not increased fast enough to offset the decline.

With a paucity of hit releases to start the year, industrywide album sales are already down more than 15 percent from last year, the worst January performance since computerized sales tracking began in 1991.

At a forum in France last month, Rob Glaser, chief executive of [RealNetworks](#), which operates the Rhapsody digital music service, predicted the widespread availability of unrestricted digital music within a few years. He said it was “an idea in ascendance and whose time has come.”

But Mr. Jobs is clearly the most powerful voice raised so far in support of a change. With the clout built on his company’s market share for both players and music, he has already prevailed against the labels in disputes over pricing.

Facing pressure to bolster digital sales, the four major music companies have only toyed with the idea of selling unprotected files — most notably with a personalized version of a Jessica Simpson song and the first single from the new album of Norah Jones. MySpace, the social-networking giant that is host to pages for countless independent and major-label acts, has embraced the unrestricted MP3 format for artists who choose to sell music there.

More recently, the industry has been abuzz with rumors that one or more of the major companies is preparing to lift restrictions on some portions of their digital catalog.

Jeanne Meyer, a spokeswoman for EMI, said, “The lack of interoperability between a proliferating range of digital platforms and devices is increasingly becoming a real issue for music consumers.”

The Universal Music Group, the Warner Music Group and Sony BMG Music Entertainment declined to comment. But several industry executives said they viewed Mr. Jobs’s comments as

an effort to deflect blame from Apple and onto the record companies for the incompatibility of various digital music devices and services.

There is a general sense that the industry is still unwilling to do away completely with copy protection, and no contracts have been signed yet to change the systems of distribution by any of the players.

A senior executive at one company, who requested anonymity to avoid straining relations with Apple, said that while labels might experiment with other forms of copy-protection software, “we’re not going to broadly license our content for unprotected digital distribution.”

Another digital music industry executive said that the record companies — many of them part of larger media companies involved in movie and television production — were concerned that lifting restrictions on digital music might have perilous effects on the parallel market for copy-protected video content.

Several consumer electronics and music industry executives said that if the music industry moved away from copy protection, it could potentially make it easier for competing music players. Mr. Jobs seems to be betting that anything that stimulates the sale of digital music can only help his company.

“It’s a bold move on his part,” said Ted Cohen, managing partner of TAG Strategic, an industry consultancy; he is also former senior vice president for digital development and distribution for EMI Music. “If anything can play on anything, it’s a clear win for the consumer electronics device world, but a potential disaster for the content companies.”

The global music trade group, the International Federation for the Phonographic Industry, based in London, has long pushed for “interoperability,” saying Apple should license its digital management system so that iTunes music plays on devices other than the iPod. But the industry has also stuck with the idea of some kind of digital control to prevent wholesale copying of musical tracks.

Officially, the industry chose to respond Tuesday by seizing on one idea that Mr. Jobs raised — licensing Apple’s own copy-protection system — even though he went on to reject it. “Apple’s offer to license FairPlay to other technology companies is a welcome breakthrough and would be a real victory for fans, artists and labels,” the [Recording Industry Association of America](#) said.

Mr. Jobs's statement drew criticism from some competitors, who argued that he was simply trying to get in front of a shift in industry strategy and claim credit for it.

Jason Reindorp, marketing director for Zune at [Microsoft](#), said Mr. Jobs's call for unrestricted music sales was "irresponsible, or at the very least naïve," adding, "It's like he's on top of the mountain making pronouncements, while we're here on the ground working with the industry to make it happen."

"He's certainly a master of the obvious," Mr. Reindorp said, adding that "the stars were already aligning" to loosen the restrictions.

In Norway last month, after a yearlong investigation, the government's consumer ombudsman ruled that iTunes violates national law by restricting playback to iPods. The government gave Apple until Oct. 1 to make changes.

Consumer agencies in six other European countries are looking into the legality of limiting how legally purchased songs can be played.

Late last month, as consumer groups across the region began banding together, Apple issued a statement that said, "Apple hopes that European governments will encourage a competitive environment that allows innovation to thrive, protects intellectual property and allows consumers to decide which products are successful."

In 2005, France lobbed the first legislative volley in the European effort to fight digital restrictions, but by the time the law was adopted last summer, most of the teeth were gone from the proposal. Now, the French are putting together a government commission that will rule on the legality of digital rights restrictions case by case.

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