

Can Apple convince recording industry?

By Jefferson Graham, USA TODAY Thu Feb 8, 7:23 AM ET

LOS ANGELES - Record labels have consistently rebuffed calls by digital music executives to sell songs online without copy-protection restrictions. But now that the CEO of the predominant online music retailer has joined the chorus, will labels pay attention?

In an open letter to the music industry on Apple's website this week, Apple CEO **Steve Jobs** said copy protection has only hindered sales and upset consumers. He called for songs to be sold without restrictions at Apple's iTunes and elsewhere.

"Apple is the fourth-largest music retailer," says Phil Leigh, an analyst at Inside Digital Media. "The labels have to listen. Jobs carries a lot of weight."

According to the NPD Group, Wal-Mart, Best Buy and Target are the top three music retailers, followed by Apple, then Amazon. Copy-protected songs have restrictions: A song purchased at iTunes will play easily only on an iPod, and not on a Microsoft Zune, for instance. Such digital rights management technology, or DRM, was designed to protect the record labels from unauthorized trading. But critics including Jobs charge that it's had the opposite effect.

CD sales have declined for years - they fell another 4.9% in 2006, according to Nielsen SoundScan - while online song swapping is way up. According to Internet measurement firm BigChampagne, some 15 billion songs were downloaded from unauthorized file-trading services in 2006.

Meanwhile, Jobs says, 2 billion digital songs were sold online in 2006, vs. 20 billion songs sold on CDs. Songs sold online are copy-protected, while CDs are not.

DRM hasn't stopped consumers from trading songs online. While the record labels have closed down most of the major song-swap services, including eDonkey and WinMX, new ones have popped up, including Azureus and BitLord.

"Digital music continues to be an overwhelmingly pirate market, because consumers realize the experience is better than the online store - they don't like songs with restrictions," says BigChampagne CEO Eric Garland.

But Ted Cohen, a former top executive at record label EMI, says DRM is justified, because "we need to protect content." If Jobs is truly serious about taking off restrictions, Cohen says, he should sell Apple software without restrictions on how many people can use it, and sell Disney and Pixar movies on iTunes without copy restrictions. Jobs is Disney's biggest shareholder, and the former CEO of Pixar.

"Prove you're serious and take a bold stance," says Cohen. "Otherwise, I find it all a bit disingenuous."

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