Digital rights in question as business model

By Antony Bruno

Sun Oct 15, 4:43 PM ET

SAN FRANCISCO (Billboard) - If the music industry truly wants to loosen Apple's iron grip on digital music sales, it should start allowing music to be sold without digital rights management protection.

That's the theory posited by several music services these days in response to the whipping they're taking from the dominant iTunes Music Store.

The issue, of course, is interoperability. The iPod remains the most popular digital music player on the market, and only music purchased from iTunes or copied from the user's CD collection will work on the device. The exceptions are unprotected MP3-encoded files.

As such, many Apple competitors would like to sell music in MP3 format so they can compete with iTunes and still be compatible with the popular iPod device.

Perhaps the most successful example of this is eMusic. Despite a music catalog limited to independent label fare, the service facilitates more music downloads than any other save iTunes. The reason? eMusic's entire catalog is available to consumers as unprotected MP3s.

But the major record labels by and large insist their music must have some sort of DRM protection before they'll license it for digital distribution. Increasingly, the wisdom of this stance is coming under scrutiny.

DEBATE HEATS UP

Traditionally, the loudest anti-DRM voice has been the radical "copy-left" movement, a group of advocates who focus primarily on consumer rights. But executives in the broader digital music ecosystem -- such as Yahoo Music general manager David Goldberg and eMusic CEO David Packman -- are taking labels to task with a more
business-oriented argument.

DRM, they say, simply forces consumers to buy hardware with proprietary technology that enriches software companies rather than artists or labels.

The conversation has heated up now that Microsoft is preparing to enter the race with another closed system as part of its Zune strategy. Once Zune is launched, there will be two large, deep-pocketed digital services offering music that is not only incompatible with each other, but also with the many other digital music devices and services already in existence.

"That doesn't sound like a very exciting future to me," Packman said during a recent panel appearance at the Digital Music Forum West conference in Los Angeles. "There's no way you can say with a straight face that that's something consumers want. This has to get solved for the industry to grow."

What's more, opponents insist that DRM, in fact, does nothing to protect music. Virtually every form of DRM has been hacked, including Apple's FairPlay and Microsoft's WMA encryption of tethered subscription files. Not all digital music consumers are aware of these workarounds, but tend to discover them the minute they find they can't play their music on their device of choice.

PROTECTION A FALLACY

"The notion that a track I buy in DRM is protected and one without DRM isn't is a fallacy," Goldberg says. "It's all nonsense. Music is never going to be protected, and anybody who tells you that is not being honest. Yes, you can put up speed bumps, but the people who really want to steal music are going to steal it. So you're just making it hard for people who want to do the right thing to get the music they legitimately purchased on the devices and services that they want."

This difficulty, Goldberg continues, only serves to dissuade consumers from buying music legally and instead keeps unauthorized peer-to-peer services in business. He calls the protected a la carte download model a "failure," noting that legal digital download figures have remained flat all year.

"There's been no growth this year at all," he says. "The market has stalled."

On a month-to-month basis for this year, average monthly downloads are flat, just as they were last year, averaging around 10 million a week. Of late, average weekly downloads have slightly slipped, from 11.5 million in January to 10.7 million at the end of September. That's after an all-time high of almost 20 million downloads the week after Christmas.

According to the most recent SoundScan year-to-year figures, digital album sales through October 1 have grown 115 percent over the same period last year, while downloaded individual tracks have grown 72 percent.

Yet these gains have not yet closed the gap with still-declining physical sales, which are down 8.3 percent from last year. DRM opponents say a la carte sales could do more to close that gap if restrictions were removed, but it is impossible to quantify whether this is in fact the case.

Yahoo Music is attempting to prove this theory by making Jesse McCartney's new album available in both protected and unprotected formats at the same price via a deal.
Digital rights in question as business model

Meanwhile, labels hope Microsoft's Zune or another entity will eventually mount a successful enough challenge to Apple that it will force Steve Jobs to open the iPod to competing services.

Reuters/ Billboard

Full Coverage: Digital Media & File Sharing

OFF THE WIRES

Digital rights in question as business model
Reuters, Sun Oct 15, 4:43 PM ET
Apple's Jobs doesn't see threats to iPod: report
Reuters, Sun Oct 15, 1:45 PM ET

NEWS STORIES

Piracy hits worldwide music sales at The Guardian (UK), Oct 13
Google Gambles on Web Video at The Washington Post (reg. req'd), Oct 10

Technology News

Apple's Jobs doesn't see threats to iPod: report
Reuters
Digital rights in question as business model
Reuters
Politicians caught on Internet candid cameras
Reuters
Virtual personal trainers, use with care
Reuters
Online brokerage account scams worry SEC
Reuters

Technology & Health Video

Pagan relics at the Vatican CNN - Fri Oct 13, 11:56 AM ET
NASA Researching New Space Shuttle AP - Fri Oct 13, 10:44 AM ET

Most Viewed - Technology

Disney says "non" to Mouse orgy
Reuters
Politicians caught on Internet candid cameras
Reuters
Teen questioned for online Bush threats AP
Virtual personal trainers, use with care
Reuters
What if Microsoft Held a Vista Party and Nobody Came? PC Magazine

Copyright © 2006 Reuters Limited. All rights reserved. Republication or redistribution of Reuters content is expressly prohibited without the prior written consent of Reuters. Reuters shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.