Business News

Studios Not Sure Whether Web Video Innovator Is Friend or Foe

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Like any good geek faced with life's inconveniences, they set off in search of a technological solution, using Chen’s credit card and Hurley’s Menlo Park garage. In three months, they arrived at a technology that enables video to be posted online in minutes.

The idea attracted an instant following among budding videographers, who sent in their "Star Wars" spoofs, lip-sync performances bathed in the glow of their monitors and radical finger-boarding exploits.

But YouTube quickly became a magnet for video that is hardly homemade: the final seconds of the Florida versus UCLA basketball championship game, the Beatles' first performance on "The Ed Sullivan Show," highlights from the Turin Olympics and late-night skits from David Letterman and Jay Leno.

"The Simpsons," 'Family Guy,' '24,' 'Arrested Development' — Fox has a lot of popular television content, and we find our stuff pirated on video sites like this frequently," said Melinda Demsky, vice president of content protection for Fox Entertainment Group. "The troubling part is the sheer volume of the resources it takes to find it all. It's safe to say we've sent complaints about many hundreds of infringing files."

Chen said YouTube has worked aggressively to keep pirated video off the site by limiting the size of videos that can be uploaded, creating software that makes it easier for television studios to report infringing works and improving tools for removing all copies of a particular show or highlight.

"We're not the next Napster because we're not renegades trying to fight the system," Hurley said. "We're working aggressively with the content community to remove it."

But YouTube clearly benefits from the occasional copyright slip. Take, for example, the "Saturday Night Live" skit "The Chronic(what?)cles of Narnia," which leaked onto YouTube after its Dec. 17 airing. It attracted about 5 million online views — a total rivaling the show's 6.6 million viewers — before NBC asked that it be removed.

"When the 'Lazy Sunday' clip was released on YouTube, their traffic shot up 85%," said Josh Felser, chief executive of Grouper Network Inc., a website that helps people share photos and short video clips. "It's hard to imagine they were unaware of it."

Julie Supan, YouTube's senior marketing director, said the clip prompted two calls from NBC Universal — one from lawyers complaining about content infringement, the other from executives eager to discuss working together.

The "Lazy Sunday" episode prompted NBC to start posting video highlights from "SNL" and other shows on its own site after they air.

"I think you will see lots of these discussions going on," said Richard Cotton, general counsel for NBC Universal. "Ultimately, these conversations have to evolve into some kind of commerce. The kinds of high-production-value material that's represented by network television or programs like 'Saturday Night Live' are very expensive to produce. There has to be some way by which that investment is recognized."

Marketers have already recognized YouTube's potential for reaching the coveted young-male demographic group.

For example, British satellite television service BSkyB's ad agency posted a live-action re-enactment of the opening of "The Simpsons" (including a real-live Bart roller-skating over Homer's car) to accompany the start of the new season. And the Chicago band OK Go posted a backyard video of itself doing a dance routine to the new single "A Million Ways," spurring legions of fans to post their own renditions of the contagiously goofy performance.

The hope that YouTube can turn viral video into a vibrant ad business is what attracted Sequoia Capital. It invested $3.5 million in November and provided an additional $8 million last week.

The founders declined to say how they plan to make money, just that they expect to put advertising on the site.

Russell J. Frackman, the Los Angeles litigator who represented the recording industry in its lawsuits against now-defunct swapping sites Napster, Aimster and Grokster, predicted that mainstream companies pushing technological boundaries will become the next battleground in copyright disputes.

"Obviously, you still have the peer-to-peer sites around and other sites that are pretty egregiously infringing," Frackman said. "But what I think is happening is the focus is changing from the Napsters and Aimsters and Grokers, where pretty clearly their entire business plan is based on infringement, to the kinds of businesses like Google and others where the essential business is not necessarily built on infringement, but these businesses over the years are pushing the envelope for competitive reasons."
Google, for example, built its multibillion-dollar operation as a search engine. But its mission of making the world’s information accessible has put it in conflict with book publishers and a client of Frackman’s, adult magazine publisher Perfect 10 Inc., which object to its unauthorized use of copyrighted works.

“They can be just as damaging as the pirates in certain contexts,” Frackman said.

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