For YouTube, This Is a Test

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YouTube has suffered a one-two punch in the past two weeks.

First, Viacom asked for $1 billion in a lawsuit against YouTube, saying the video Web site failed to remove copyright-protected clips. And yesterday, some of the most powerful businesses in Hollywood and on the Internet joined forces to create an online video site of their own, taking some of the Web's most popular videos with them.

YouTube is at a critical juncture. Since it launched in December 2005, it has ridden a wave of popularity that led Google to buy it in a $1.65 billion deal last year. But now the site must figure out its relationship with major traditional media companies while also forging its business, which to date has relied on advertising posted alongside videos.

The partnership announced yesterday by NBC, News Corp., AOL, Yahoo and Microsoft creates a first-of-its-kind alternative to some of YouTube's most popular content: TV and movie clips and music videos that were often posted there without permission. Unlike YouTube, the new competitor -- which says it will launch its Web site this summer -- has proposed a wide offering of videos, borrowing the iTunes model of offering some files for free and others, in this case movies and TV shows, for a fee.

Industry experts aren't ready to announce YouTube's demise but say the company needs to revamp its strategy quickly.

The key for YouTube is to find a way to keep traffic coming back to the site even as it finds itself trying to pull copyrighted content as fast as users upload it, said Jennifer Simpson, an analyst at Yankee Group. "As these [copyright] issues are being resolved, it..."
becomes increasingly important for YouTube and Google to find really interesting and compelling user-generated content to attract users," Simpson said.

YouTube has formed a number of partnerships with TV studios, other media companies and musicians to provide video on the site, but many of those deals are for one-time events, such as clips from NBC’s fall lineup and CBS’s NCAA men’s basketball tournament. Today, YouTube features a roughly even split of amateur and professionally created clips.

From its inception, YouTube has run up against copyright problems. It hasn’t succeeded in striking long-term deals with major media companies. Viacom, which owns the rights to such YouTube favorites as ”South Park” and ”The Daily Show,” had been in talks with YouTube. But talks fell through, and Viacom instead signed a deal with Joost, its start-up video-site competitor, and sued YouTube.

YouTube claims that it is not violating copyright law because it takes down videos when media firms request that it do so. ”We value our relationships with NBC and Fox as they continue to upload content to promote their signature programming and look forward to working with them in the future,” Julie Supan, a YouTube spokeswoman, said in a statement.

Although YouTube didn’t forge major deals, its large inventory of amateur videos submitted by members is still a valuable asset, said Eric Garland, chief executive of BigChampagne, an entertainment market research firm.

YouTube has never been a destination site for watching television on the Internet but instead is more like a social network, he said. ”People go to YouTube to be seen and to see other people and to be a part of this community environment,” Garland said.
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