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Expensive Anti-Piracyware Threatens Open Standard

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By Lucas van Grinsven, European Technology Correspondent

AMSTERDAM (Reuters) - A handful of technology companies are overcharging for anti-piracy software needed for digital music stores on the Internet, preventing the emergence of open standards, electronics goods makers said on Friday.

Several consumer electronics makers balk at the $1 charge for anti-piracy technology proposed by the Open Mobile Alliance (OMA), they told Reuters. The OMA is a group of handset makers, wireless telecoms operators and other technology companies.

Mobile phone makers and consumer electronics makers said $1 per device is too high a price only to protect music and video against illegal copying. They will not be able to recoup that money through revenues expected from digital entertainment.

"This kind of price is certainly unreasonable. It's not in proportion to the economic value," said one senior executive at a top five mobile phone maker who declined to be named.

He points out that last year alone 684 million mobile phones were sold. If handset makers had put anti-piracy protection software in those phones, the $684 million in royalties would have exceeded total digital music sales on the Web last year.

A senior executive at a global top three consumer electronics maker agreed that "this is too expensive." Consumer electronics companies are keen to make devices interoperable with mobile phones, so consumers can play tracks stored on their phone on their home TV or stereo, or vice versa.

They are reluctant to sound too harsh, however, because the irony is that they desperately need the OMA's anti-piracy technology which is the first open standard that can be used by all electronics goods technologies are owned and controlled by individual...
companies such as Apple for its iTunes Music Store and Microsoft.

The man in charge of the OMA's anti-piracy working group which has put together the open standard, stresses the technology itself has been accepted by all. The problem lies with the price charged by the companies which own the patents.

"The terms (for OMA DRM 1.0) have kicked up a lot of dust. People are debating if these are reasonable terms," said Jan van der Meer, chairman of the Digital Rights Management (DRM) working group at the OMA.

HOT ITEM

"DRM is a hot item. There are many opportunities for an open (anti-piracy) system. There's a real need for it, but the terms need to be reasonable," Van der Meer added.

In order for an industry standard to be open, it should be available to everyone at fair and reasonable terms.

Electronics goods makers hope that MPEG LA will be willing to cut the terms, which it still calls "proposals."

MPEG LA is the organization which has pooled essential anti-piracy patents owned by five companies: InterTrust and ContentGuard, two very small but powerful DRM companies, plus consumer electronics giants Sony Corp (NYSE:SNE - news) (news - web sites) and Matsushita Electric Industrial Co Ltd from Japan, and Dutch giant Philips Electronics.

Handset makers Nokia (news - web sites) and Sony Ericsson (news - web sites) and consumer electronics producers Sony and Philips declined to comment on the issue specifically. MPEG LA was not immediately available to comment.

Robert Ashcroft, senior vice president Sony Network Application & Content Service Sector, said in general terms that his company is on a "strategic direction to find ways of open and interoperable services and devices."

The issue is particularly delicate, because it emerges one week after a surprise opening up of music technology companies related to Microsoft’s and Sony's online music stores. They would both support the OMA's standards for music compression and piracy-protection technology.

It was seen as an industry breakthrough, and a victory for consumers who would not be restricted to a small set of portable music players, such as Apple's iPods for iTunes tracks.