YouTube and Universal Music Are Said to Discuss Deal

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SAN FRANCISCO — Google’s YouTube and the Universal Music Group, the world’s largest music label, are in advanced discussions over a licensing agreement that could lead to the creation of a premium site for music videos, according a person briefed on the talks.

The discussions remain fluid and the terms of the agreement, which could not be learned, are still being negotiated. A final deal could still be weeks away, and its terms may be different from those being discussed currently, the person said.

The proposed agreement represent the latest effort by YouTube, the online video service, to attract premium content that might lure higher-priced advertisements. Music videos are among the most popular content on YouTube, but they have failed to produce significant revenue for YouTube or the music labels.

YouTube declined to comment on the talks, but in an e-mail statement it said: “We are always working with our partners to find creative ways to connect music, musicians and fans.”

A spokesman for Universal Music Group, which is owned by Vivendi, could not be reached for comment.

All the major labels have tried to renegotiate licensing agreements with YouTube that were signed in 2006 and 2007.

Music companies have been disappointed with those agreements, which have included a small fee for every video watched and a share of the advertising revenue.

Recently, YouTube added buttons next to some of its videos that fans can click on to buy songs from iTunes or Amazon.com, with a portion of the revenue going to the music labels.

Sony Music Entertainment reached a new agreement with YouTube this year. But discussions with other labels, including Universal Music Group, Warner Music Group and EMI, have dragged on.

In December, Warner Music Group removed its music videos from YouTube saying it “simply cannot accept terms that fail to appropriately and fairly compensate recording artists, songwriters, labels and publishers for the value they provide.”

The proposed agreement between YouTube and Universal Music Group is more sweeping than existing deals and could include the creation of a site that showcases not...
only music videos, but also other content related to musicians and bands, according to the person briefed on the discussions.

Eric E. Schmidt, Google’s chief executive, alluded to the challenges in hammering out deals with the labels at an investor conference on Tuesday. He said the two sides had disagreed over “how to compensate the music industry for the use of their music in things which are promotional.” Mr. Schmidt said he did not know how the disagreement would be resolved.