

File sharing - good, bad or worse?

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Historical flashback

- a) Pianolas and phonograms
- b) Radio and music Publishers (blanket license solution)
- c) Film industry and television
- d) The VHS cassette (Supreme Court)
- e) P2P Napster close-down - anonymity

General process:

- Try to stop technology/firms involved in new disruptive technology.
- Gain time to adjust business models.
- Adjust business models and exploit new technology.

Unique in P2P context:

Attacking individual consumers (moral card)

Lobbying gave more draconian IPR regime

Vertical Integration leads to synergy effects.

File sharing has not been eradicated

File sharing has become more anonymous
(Napster, Kazaa, DC++, Bit Torrent solutions)

Many artists using file sharing networks for marketing. (Swedish artist Timbuktu on Pirate Bay)

BUT “all you can eat deals are emerging”
TDC (Denmark) Nokia (“comes wth music”)

Will content become like running water?

Research perspectives:

Musiclessons project 2005-2007 (www.musiclessons.se)

Downloaders are not a homogenous group of “commercial immoral pirates taking anything that’s free”

(content industry rhetoric)

1) Free riders - used to copy music from the radio. Few CD purchases, some concert tickets.

2) Samplers. Active users of P2P networks to find new music. Often purchase CDs and concert tickets.(cf.”home taping”)

3) Squirrels: More interested in technology than content. Store and swap huge quantities of data (films, music). Impossible to consume more than a tiny fraction.

FILM: frequent downloaders in all age groups
buy more cinema tickets than non-downloaders.(SOM 2007)

SOM 2006 - 2007 comparison:

Film downloaders and visits to cinemas:

Cinema visits	2006	2007
Never	10	7
Seldom	19	20
Frequently	31	33

And in the music sector..

Norway - BI Norwegian School of Management:
Users of “free” file-sharing services have paid to download music 75 times, compared to 7 for those who have NOT used free file -sharing.

Big Champagne: File sharing networks offer the “millions of recordings outside the catalogue of music Companies (out of print, live tracks, odds and ends..”
If it has been recorded and somebody wants it, it will be available somewhere.

**Canada: The Impact of Music Downloads and P2P File-Sharing on the Purchase of Music:
A Study for Industry Canada- “P2P tends to increase Rather than decrease music purchases”.**

Actual effects of P2P on the music business

- Major music companies' claims that woes are result of P2P **not** scientifically proven. Many down-loaders purchase more CDs, or buy more concert tickets. Others would not have done so, even without P2P (Edström-Frejman 2007)
- Considerable evidence that growth in concert revenues result of Internet activity.

STIM 2008/2007

Performance incomes 2008 904M 2007 873M = + 31MSEK

Phonogram licences 2008 250M 2007 278M = - 28MSEK

Note Performance fees from outside Sweden - 7 M SEK

A revenue shift is occurring from CD sales to live performances

Actual effects on music industry continued:

- Delays in established industry providing legal on-line variants has encouraged growth of P2P- still no legal Beatle downloads!
- Consumer trends become apparent within the P2P environment, rather than in the mainstream media activities (radio/TV)
- New business models developing outside major media firms
- record companies decrease artist rosters, become more Integrated in major media conglomerates/telecom firms etc.

But some are not doing too badly!

<u>Company + turnover</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Universal Music AB	246M	252M	230M
Universal Music Publish.	142M	135M	135M

Reactions to Industry Strategy

“Global Internet License” bill France (supported by 12000 Artists/performers. Response to more shares for artists when sold via iTunes etc.

German Independent Companies :Persecution of file sharers is turning fans into criminals.

USA “Nettwerk” record co pays for defence costs of 15 year fan who downloaded track by Avril Lavigne

UK Independent Record Companies “Value Recognition Right”
Growing interest: “flat-rate” solution (managers, academics)

Isle of Man initiative for telecom companies.

Pirate Party gets seat in the European Parliament 2009 (Sweden)

The Pirate Bay judgement

The Tracker - and a counter (centralised)

E mails - their “intent” to ignore IPR laws

An ISP or aiding and abetting copyright infringement?

Damages: unreliable measurements, but accepts that every download, had it not happened, would be an actual legal sale.

Judge Bias. Google “PB + Judge” 1,100,000 hits.

In a few years time, PB technology out of date,
Data transfers encrypted, data stored on individual
Computers. IP numbers hidden (proxy services)

Infrastructure policy, copyright and cultural diversity

- Cultural diversity has moved from traditional media and sources to the Net (= economic/creative potential)
- One-to-one delivery services can never compete with the range of choice on the Net, or delivery efficiency.
- P2P delivery services despite a tarnished reputation will be a fact of life in many sectors. The only reliable, efficient technology for an on-demand Broadband delivery system.

P2P Next - “developing an efficient platform for distributing materials over broadband networks using P2P Bit Torrent technology”

Partners: KTH, Delft University, Pioneer (set top box) EBU, BBC etc.

Hinders: legal/regulatory minefields -

Copyright law versus e-commerce law (conduit responsibility)

AVMS - clear distinction scheduled programmes/
On-line on demand. Catch up services??

Privacy/Integrity issues gaining momentum (Pirate Party, Sweden).

Extension directive, sound recordings (70 years)

**Potential: ubiquitous access to public service broadcasters
Archive materials. Interactivity, USG, “unleash the creative
Potential of EU citizens”**

Which business models will stand the test of time?

Subscription, à la carte, tip jar (pay what you feel it's worth) , sponsoring, etc

Or will music become a given for telcos, mobile operators? Where their financial muscle allows deals the record Industry cannot refuse?

And what do consumers feel is reasonable?

And what will happen to “copyright” - will it survive?

Darknets

Even if only a small fraction of users are able to transform content from a protected form to an un-protected form then distribution services are likely to make that un-protected content available for use ubiquitously.

Is DRM a solution?

Comes at a price, costs to “police”, less valuable Content for consumer, consumer rarely aware of DRM attributes.

Calls for a boycott!

Workshop challenge

Public Service opportunities

Goal? Encourage citizens to be creative/participate.
Risks? uncertainty regarding rights, UGC leads to protected copyright entering networks.

Meta data challenges - DRM for monitoring of aggregate usage or for control of individuals

An efficient technology in what sense? Energy, Range of choice, Reliability, Trust etc.

Access to unique content? Facilitating smaller groups with niche interests?