

UNLIMITED MEDIA
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Transcript of Presentation at DCIA P2P MEDIA SUMMIT LA
June 11, 2007

I am Memo Rhein and I have been working in the area of digital watermarking for 10 years.

To give you my perspective, my company Unlimited Media, provides music and DVD content to independent distributors around the world.

I recognised the need to ensure the integrity of our shared distribution system ...

...and therefore have increasingly committed my time and resources into finding an effective, state of the art DRM solution.

...my feeling ...like yours...is that the existing DRM solutions currently used in market are not working properly...

in my opinion they do not do what they were first intended to do

... protect owners rights,

...and just as importantly, for everyone here today,

...nor do they have the capability to unlock the potential marketing value that lies within P2P.

Let me explain what I mean by this.

Current Situation

Let's start with my thoughts on the current situation.

As an alternative to the existing restricted and close circled digital distribution platforms,

- P2P commercial opportunities are also being restricted by:
 - Low level acceptance/Rejection of DRM solutions due to lack of interoperability/standardisation
 - Under utilised tracking and traceability
 - Little or no effective copyright enforcement and analysis
 - No centralised recognition & evaluation system

Which has led to:

- Illegal exploitation
- Content duplication
- Grey areas
- Failure to account
- Renaming of content
- Copyright and IP devaluation

Clearly this was not the intention of everyone involved in the development of the current DRM solutions.

So...

We believe that the commercial development of P2P distribution is being inhibited by current DRM.

This is not a surprise to anyone here.

In fact many players in the market are talking about the death of DRM as we know it....without knowing what is going to replace it!

....and that's what I want to talk about now... as I think it will answer your question.

I believe that current DRM solutions have taught us 3 valuable lessons

Lesson 1

“DRM approaches thus far have weakened the content industry... by limiting commercial exploitation ...by limiting interoperability

...arguably this has done more damage than any illegal p2p site could have done!

And to the specific question of digital watermarking...

...it is not new as an alternative DRM technology.

...and to date it has demonstrated limited effectiveness.

Primarily because all the players in the market act in their own self interest - driven by a perceived need to protect their market share versus the competition.

...the end result - a disorganised approach”

So lesson 1 - Any future DRM watermarking system needs to work across all platforms to be effective in market.

What else have we learnt

Lesson 2

This “lack of interoperability has created end user frustration and irritation.

If new DRM is as intrusive as it has been in the DRM solutions to date...then the incentive to the end user to find ways around them will drive continued illegitimate market activities.

In other words continued failure from everyone’s point of view.

So lesson 2 – Any future DRM watermarking system needs to be unobtrusive and transparent to the end user.

In fact I would say that ideally it needs to go further than this and actually look to be openly invited and embraced by the end user.

Why do DRM solutions need to be hidden?

Why do they want to criminalise the end user?

Why can't we think of ways to include the end user?

...which is to say why can't we create added value for them?

...to think about what's in it for them?

Imagine a DRM solution where, from an end user perspective...

... Incentives and benefits are clearly apparent
... benefits obvious, wanted and therefore self promoting

Lesson 3

The next lesson – Lesson 3 - can be exemplified by the most recent attempt to implement another “hidden” DRM solution

Sorry to be blunt but it is my waythe latest DRM solution offered by “Itunes plus” tracks from EMI is a good example of how not to do it.

This is a concern because we expect similar solutions

...either based on or using the same limited technology are in the pipe line and are currently being offered up as state of the art and being considered by a number of other companies.

Why do I say ‘limited’ technology?

In our opinion the technology simply doesn't go far enough

... and is therefore of little or no use to the rights owner.

... and fails to unlock the potential marketing value created within the chain when in market.

If the technology could track usage - including the demands and requests of the most influential and valuable group of users

– the P2P social networks –

...then DRM would be transformed into a welcome and highly valued addition for all

For those of you who have not had a chance to take a look under the hood at the new 'itunes plus'/ EMI solution

... I can tell you that the information is embedded into the file and is lost as soon as the user changes the format from AAC to MP3.

So what use is that to the rights owner, distributor and anybody further down the value chain,

... the limitations are clear.

It is a very shortsighted solution.

It surprises me that this solution is being seen as state of the art yet still it fails to address the key issues of the current DRM solution.

In my opinion, better solutions are available

I know it is possible to create a watermark that transfers across platforms.

I can tell you because we have done it. Our watermark CUGate can be uploaded onto iTunes and it will remain in the files... even if they are transferred and released as vinyl disc!

So the third lesson...

New DRM technology must be more than an identification tag attached at some point in the value chain.

...it needs to also track and trace at every stage of the value chains creation which happens in market, in real time.

Only then will we have a complete chain of rights and title

...so that everyone who has been part of creating the value can be recognised for their contribution.

I stress that traceabilityright through to the end of the chain of rights is essential for the rights owner to be able to claim their rightful revenues and retain control over their product.

Accept nothing less.

To be effective in market, new forms of DRM, must feature traceability to identify each and every piece of additional information as the chain extends in market from rights owner to distributors and aggregators and eventual end users... it is not going to be good enough to only trace the first link in the chain!

It needs to be traceable from which ever end you look at it.

When this is achieved the DRM technology not only unlocks the marketing value by helping promote, market and distribute content in the virtual marketplace

But also creates opens up many new commercial opportunities such as new artist discovery and creativity.

These are the new rules of engagement for anyone working in this key area of development today.

The Solution

So, in summary, I think the new DRM needs

1. Interoperability

2. Needs to be unobtrusive and valued... creating a secure and trusted trading environment

3. Needs not only to identify but critically to track and trace...to create a complete chain of rights.

...which is created through usage.

Of course we do foresee issues ahead for this new DRM...

Non intrusive – means that we need more collaboration and co-operation between hardware and software producers

...and DRM providers.

We have a collective responsibility.

What does that mean exactly?.

We need to collaborate to ensure we can effect ...Call in function into the file, obtain approvals by the various Virus Blockers,etc.

But I think if we act together as an industry we can overcome these hurdles.

How do we know we're heading in the right direction?

Our DRM solution – CUGate – which we are launching this week here at Digital Hollywood... has already been reviewed by a number of key partners around the world – Multi-Media Production Association in Taiwan

....and closer to home for US, IntentMediaWorks

Investment in this industry will only be secured if we can demonstrate that we are able to agree on standards quickly to enable unbiased trade.

Unbiased trade is essential for this industry to survive. It is vital to give every Cosmos of Creativity, large and small, a chance to survive and flourish.

...and we're here to help by providing answers to questions like these and at forums such as this.

We're here to talk, we're here to do business!

Thank you.