DRM, Interoperability and the Consumer

Preamble

- An important public and very heated debate
- The formation of an alliance between the general public and performers
- The proposal of a « Global License » i.e. a user fee hiding in each high speed connection is associated with the legalization of non-commercial exchanges between individuals
A dispute over the use of DRM (in particular for the music industry)

Explanation in Five Points

1- A certain hypocrisy
Is DRM a neutral tool/instrument which helps performers?

2-Take into account the use by consumers
(Study realized in February 2007)
DRM and Interoperability
(Point 2, Page 2)

Equipment used to listen to music files

Q10A. All used equipment

- Computer: 88
- Walkman digital MP3: 67
- Portable CD-player after having burned music files on the CD: 44
- Another portable digital device, like DVD, Playstation: 15
- Other: 3

Q10B. Equipment most frequently used

- Computer: 45
- Walkman digital MP3: 40
- Portable CD-player after having burned music files on the CD: 13
- Other: 1

Grades: 99% = A+; 95% = A; 90% = B; 80% = C; 70% = D; 60% = E; 50% = F
The possibility to read on portable devices of different brands (Buyers on I-Tune)
With an I-Pod it is possible to…:
(owne of an I-Pod)

- The possibility to only listen to music purchased on the I-Tunes site: 19%
- The possibility to listen to music purchased on other sites like Virgin Mega, Fnac, and others: 72%
- Don't Know: 9%
The importance of the ability to read on several brands of portable devices (in general)

<table>
<thead>
<tr>
<th>Basis (those questioned) - Results in %</th>
<th>Total Sample 1-A</th>
<th>Buyers of music on I-Tunes 2-A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Totally Important</strong></td>
<td>92</td>
<td>91</td>
</tr>
<tr>
<td><strong>Very Important</strong></td>
<td>71</td>
<td>67</td>
</tr>
<tr>
<td><strong>Of medium importance</strong></td>
<td>5</td>
<td>6</td>
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</tbody>
</table>

Buyers of music on I-Tunes 2-A
UFC-Que Choisir/Sony:

- The judge condemned Sony for fraud and « vente liée illicite »

but

- Take away the DRM: the judge did not favour for consumer’s right against the right to intellectual property
3-Interoperability and Switching Cost

The absence of interoperability brings:

- Direct Costs (the purchase of new software, equipment, and the loss of old files under the old DRM format…)
- Indirect Costs (the cost of learning…)}
4- Freedom of Exchange and Value Creation

- Do not limit the internet to be just a distribution channel
- Take into account exchanges between individuals in the process of innovation and the creation of value
- The restriction of these exchanges (DRM) can diminish global well-being
5- The Risk of Concentration and Segmentation of Culture

- Strategy of alliances between the information industry and the content (entertainment) industry.

- Eviction of independent producers or those not affiliated with information groups. The increase of concentration.

- The formation of technical enclosures but also cultural ones.