Why DRM?

- Digital rights management allows for secure differentiation between offerings that consumers might choose to enjoy.
- Effective, consumer transparent DRM encourages more premium content to be available with greater variety in the offerings.

Your Digital Content Ticket

Select one:
- Watch Once
- Rent for 24 Hours
- Buy Permanent Copy
- Copy onto Portable Player
- Copy onto Home Server
- Burn DVD

Unauthorized Use

Permitted use
What Content Owners Expect from DRM

- Guideposts vs. Handcuffs
- Flexibility vs. One-size-fits-all
- Transparent vs. Cumbersome
- Renewability vs. Perfection
- Interoperability
New Business Models Enabled by DRM for Film Industry

• DVD
• HD DVD and Blu-Ray
• Video-on-demand (“VOD”)
• Subscription video-on-demand (“SVOD”)
• Electronic Sell-through (“EST”)
• Delivery of content to PC and portable devices, including by authorized use of P2P technology
New Business Models – What do Consumers Want?

• Rental vs. Own?
• Hard copy plus electronic version?
• Ease of transfer to portable devices?
• Subscription vs. One off?

All of these models being tested through various business deals. Common element: All enabled by DRM.
The WB Experience So Far

• Over 40 deals done for VOD, SVOD, and EST in the United States for film and/or television product.

• Delivery over traditional cable and satellite and over IP directly to PCs and portable devices.

• Range of deals with major distribution companies (e.g., Comcast, AT&T, Echostar) to major technology companies (e.g., Apple, Microsoft, AOL) to established video distributors (e.g., Amazon, WalMart, CinemaNow, Netflix, Movielink).

• Range of deals with smaller, more “start-up” companies, including Bit-Torrent.com, GUBA, Clickstar
DRM Enabled Flexibility

• WB EST movie deals: for single retail price consumer gets 4 copies for use on PCs and portable devices (with ability to switch devices in and out).
• VOD: consumer can download and then watch at her convenience over a 24 hour period.
• Rewind, pause, fast-forward functionality for VOD and Pay-per-view.
• Digital transfer of content among compliant devices in the home.
• Managed Copy for next generation disc (e.g., HD and Blu-ray).
• E-copy bundled with DVD purchase with EST for incremental charge (e.g., Wal-Mart and Amazon).
Technology Trends Result In Greater Consumer Choice

Greater Capacity Into the Home
- Household broadband penetration estimated to increase to 60% by 2009 (US)

Greater Demand For Home Network And Content Management Devices
- Home network penetration to increase to 40% of US households by 2009

Reinforcing Trends

More Devices To Enjoy Content
- DVRs (est. US household penetration 2009 – 43%)
- Next generation game consoles
- PCs

Greater Portability
- High speed mobile networks
- 3G cell phones
- Portable media players
- Portable gaming devices
Satisfying Consumer Desires/Creating New Markets

- “Whenever” – growing range of on-demand offerings and time-shifting capabilities.
- “Wherever” – multiple copies permitted for use on portable devices, transmission and portability in the “home” domain.
- “However” – view once, permanent copy, subscription rental
Why is DRM So Complex These Days?

Players in the Content Protection Value Chain

Networks
- Control the Network
- Own Customer Relationship

Consumer Electronics
- Avoid additional hardware costs
- Avoid standards fragmentation
- Avoid being the only box on the shelf that protects content

IT
- Push software-centric protection schemes
- Avoid regulation that stymies innovation
- Control strategic IP rights

Content Protection
- Leverage patent portfolio; participate in industry patent pools
- Provide proprietary solutions superior to open standards

Competing Interests Drive Fragmentation
Interoperability Challenge

• Content owners generally favor interoperability and encourage interoperability among DRM solutions.

• The one form of interoperability we have not accepted is to release our high-value content digitally in the clear.