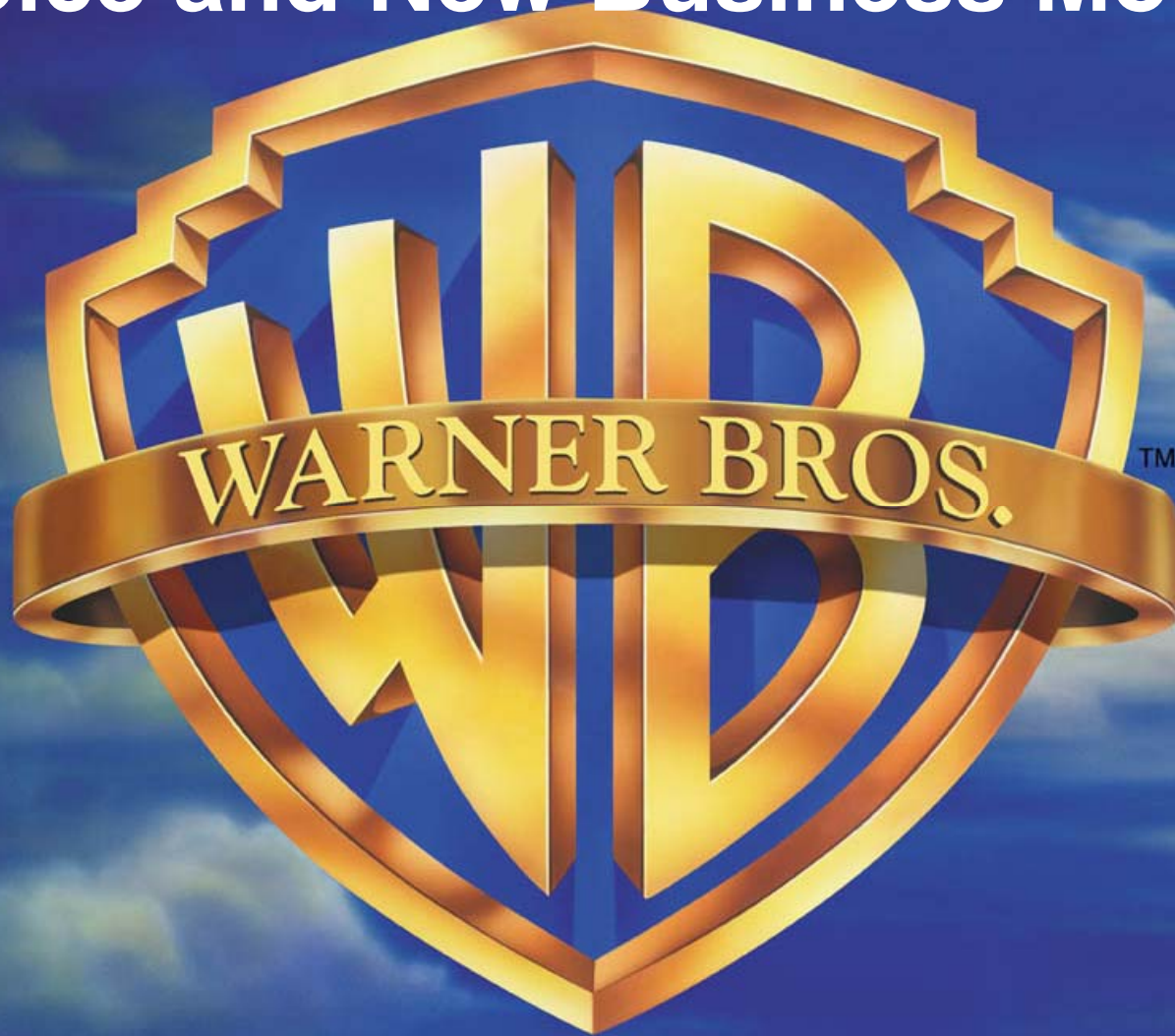


The New Frontier: DRM, Consumer Choice and New Business Models



Dean Marks

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

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.

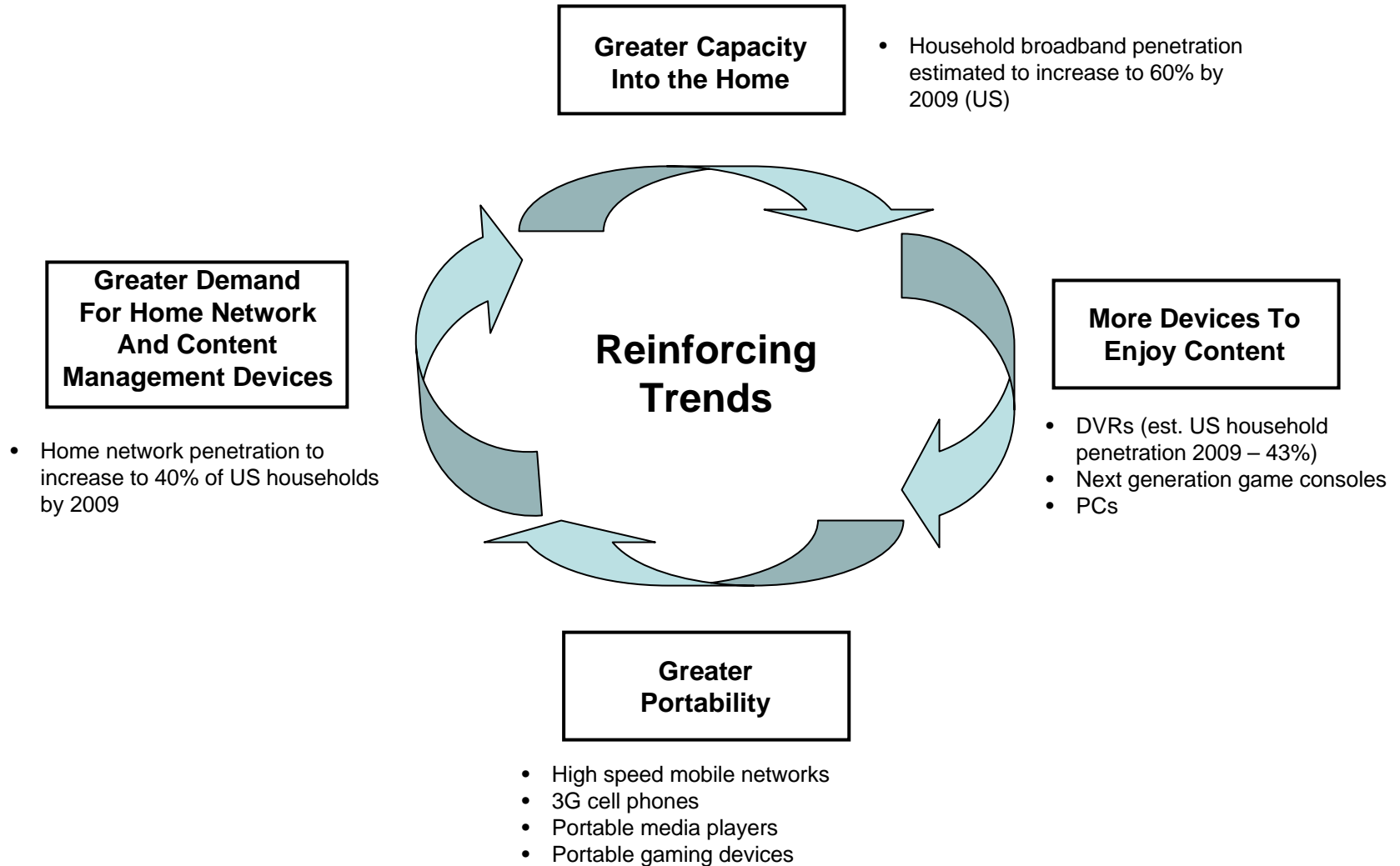
The WB Experience So Far

- 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

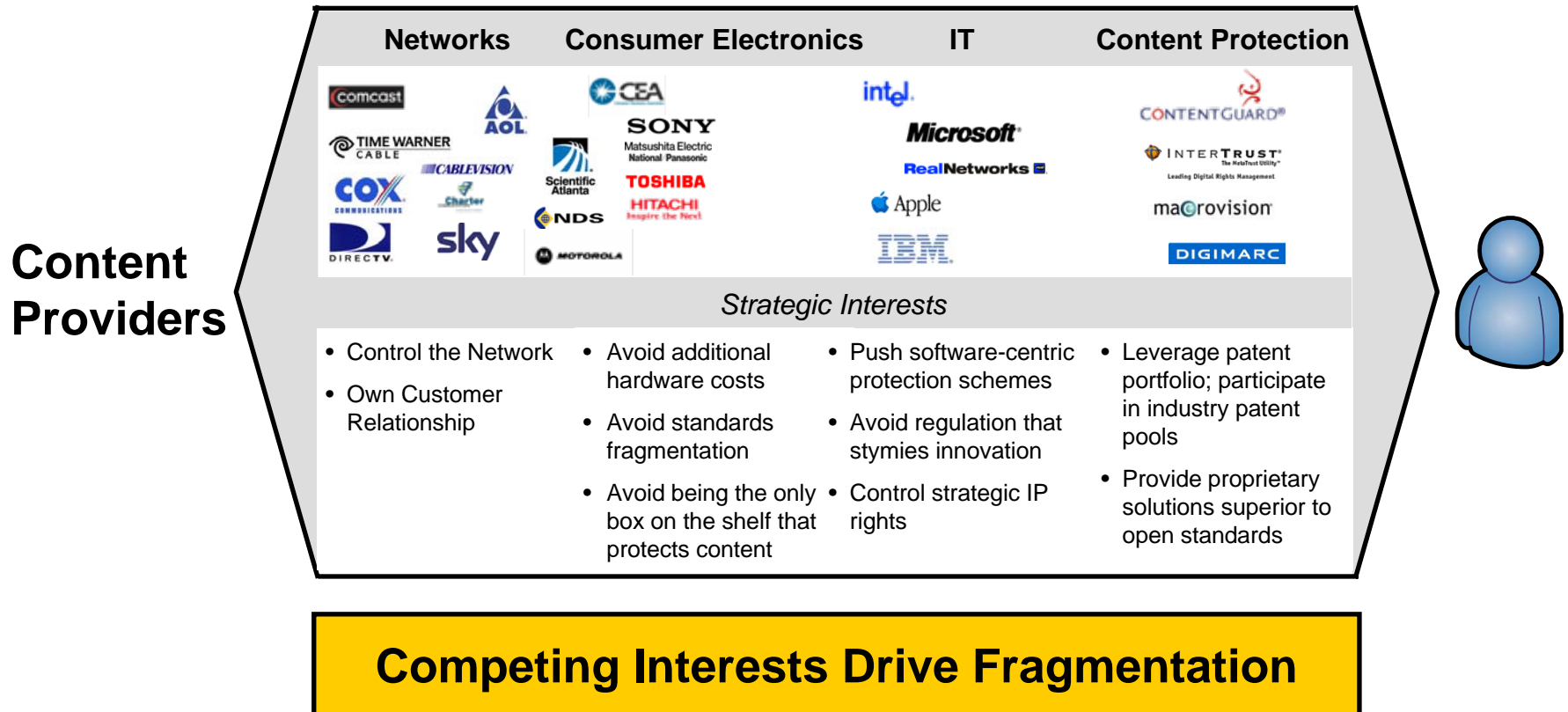


Satisfying Consumer Desires/Creating New Markets

- “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



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.