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Thank you for that introduction, and for the opportunity to be here today.

I'm going to share some thoughts with you today on the current excitement in the music industry over our opportunities; the philosophy that has driven RIAA activities on-line to date and then I want to address the role of the peer-to-peer technology in these efforts.

For the last several years, the music community has recognized the amazing opportunities offered by the Internet. They have been obvious. Our traditional promotion and marketing efforts have been choked holed at radio and retail for some time; lesser selling but still popular artists have a hard time finding their fans in cost efficient ways, fans have needed more direct access to their favorite artists and easy access to every part of their creative output; and music lovers have needed the relational and community experience of finding new artists they love and sharing that experience with their friends. So the question isn't whether music is going to be commercially available online. It is and it will continue to grow. It must -- because it's great for consumers, and I fervently believe it is still a good opportunity for the multitude of entrepreneurs and technology developers who share a passion for serving this important need.

The question isn't whether peer-to-peer or any other particular technology is good or bad either. The question is whether they're going to be used -- whether they'll respect what artists create just like we in the recording business respect what the business sponsors and software developers in this audience create. And that's the challenge I want to place before you today. As I do, I'm going to be frank with you, and -- while I doubt you need the invitation -- I hope you'll be just as frank with me.

The RIAA has taken on quite a public role in the last couple of years. We used to be a quiet trade association serving the business interests of the music community in fairly simple ways with basic anti-piracy enforcement on the streets, supporting copyright legislation in the Congress and of course certifying gold and platinum records.

The digital revolution changed all that. Now we are at the heart of an exciting and sometimes contentious debate about the future of music -- indeed all on-line entertainment and the expectations of creators, fans and businesses alike. So let me tell you what drives us each and every day. First, there is the love of music -- and then there is the faith that in order for our country and our world to continue to have access to an amazing diversity of musical genres and exceptional artists, there must be reward for those who devote their lives to

creating music and those who invest in their work and bring it to life and to market.

I want to avoid some of the traditional he-said she-said stuff that is often in this debate. And I don't want to tread too much on old ground. But I do think it is important every once in a while to return to the fundamentals so we can constantly re-evaluate where we are going.

It is the songwriters' and the artists' and the producers and the record company's job to create that music, bring it to life and to market, and it is RIAA's job to protect it once it gets there. Therein has lied our central challenge over the last several years. We have had a three-part approach to the task: public education, enforcement and litigation. All of these approaches have worked together with one simple goal – to support the development of a legitimate on-line music market for everyone.

Are the works of artists valuable? The answer, in my view, is a resounding **YES**. I think most of us agree.

Morality is sufficient ground for putting a stop to the theft of intellectual property, but it isn't the only reason. I can think of two more.

The first is that, for new business models that take advantage of changing technology to flourish, we have to support a legitimate licensing structure. Why would artists and record companies continue to invest heart, soul and money into new digital opportunities when they have no hope of return for their effort? People have often asked me over the last two years why record companies took Napster to court instead of just licensing them. Well, the reason we were and still are in court is because they have taken the legal position that they don't need a license. So do many of their counterparts. After all, you tell me -- can a legitimate, licensed company, one that's paying royalties, compete on a level playing field with those who aren't? I often wonder now that Napster says it wants to get licenses why they would continue to take the position that they don't need them. It seems to me that if they succeed with their business, then they will be competing with others who don't have licenses and take the same position Napster used to take. What a waste of energy this whole exercise might be. Unfortunately, unless people step up to the plate and make their businesses legitimate from the start, you will never avoid litigation in the marketplace.

Second, intellectual property isn't just important for this medium. It's vital to the health of our economy.

Intellectual property lies at the core of American competitiveness and economic growth. In fact, it's our Number One export.

Foreign sales and exports of intellectual property are bigger than automobiles, aircraft and other manufacturing.

U.S. copyright industries achieved foreign sales and exports of more than \$80 billion last year. The same year, these industries accounted for nearly 5 percent of GDP -- adding more than \$450 billion to our economy.

Intellectual property is a foundation of the U.S. economy. And copyright law is THE foundation for intellectual property.

Now, let me try to pre-empt an argument I hear quite a bit when I make the case for protecting intellectual property. And that's that many developers and users are not in this market for profit. Some peer-to-peer networks have been created for the pure joy of it – the love of the game -- the service to others. They don't expect to make a dime off their creations and aren't looking to.

I understand that. And I respect it. But it sure is nice to have the choice, isn't it? Artists and songwriters don't have that choice. Their work is just taken. Even those that give their work away often and freely in the analog world are entitled to control in new markets if they choose. Their patience stops when systems are created and supported that provide wholesale misappropriation that takes away their choices.

You also may hear and think that copyright law stifles technology. In fact, we have the most thriving economy in the world and we have it precisely because we have found the right balance between innovation and protection. The hue and cry from some corners of the world suggesting the dismantling of intellectual property protection are, in my view, short-term thinkers looking for a popular cause. They won't change the pace of innovation and they won't create a marketplace. Some have suggested that the music should continue to be a free for all on-line and artists can find other ways to make money. Well, you should know that a very small percentage of artists tour. Older artists who depend on royalty income rarely can or do concerts. And importantly, the songwriters, musicians, producers and many other creative contributors who get paid when music is sold do not get paid in a world where the only income from music is by live events. And frankly, the artists' touring income derives directly from the popularity of their recordings that require a significant amount of financial investment from the record company to make happen. I saw that there is a session later today on other ways to allow creators to make money and I anxiously await the outcomes of their discussion.

And let's be clear: A lot of people would like to think this is just about record labels rather than artists. After all, it's easier to see a depersonalized record label to justify an action.

The truth is, since all record companies do with their profits is keep people employed to invest in new music, this is about artists as much as anyone. Especially struggling artists. It's also easy to say a millionaire rock star isn't going to be hurt by stealing a recording. In my view, that isn't really the point -- stealing from a successful person is just as wrong as stealing from a struggling one. But as long as you're looking for whom piracy really hurts, ask the guitarist in the coffee shop, or the group scratching out a living touring in a beat-up van. Dreams are made for fans and artists alike with new artists selling their music for the first time.

We envision a day—one not far off—when the consumer experience transcends technology altogether—when digital music is a seamless experience for fans—from the tops of their desks to the palms of their hands to the dashboards of their cars and beyond. It has been a somewhat bumpy road, these last two years but I am more optimistic about the future than ever.

It is clear that record companies haven't been as quick as some have hoped to get online. Maybe that encouraged piracy -- not excused it, to be sure, - - but encouraged it by not filling the vacuum of consumer demand.

But I hope you'll acknowledge this as well: Building a legitimate business model from scratch -- one that involves literally hundreds of millions of copyrights and interlocking creative rights, navigating incompatible DRM's and players and building customer service and ease of use that music fans have always enjoyed -- isn't quite as easy as people might think.

Some have argued for government intervention. I think that would be ill advised. The pace of the marketplace is too fast to accommodate such regulation. And who would want to dictate a "one-size fits all" business model? The proposals being circulated for legislative action would stifle innovation, competition and consumer choice.

The music industry's assets are in its music. To you they might be just files, but each one represents significant creative and financial investment. Getting the right business models and the right security and matching it with the right technology and the right customer experience is important. Believe me, no one wants to get this done faster than the recording industry. Given how few businesses have succeeded and how much money was lost in the last few years in the on-line space in so many other markets, it is hard to argue that the music industry has been imprudent in its caution. And the claim that so many businesses could have thrived if only record companies subsidized their development by giving away their core assets makes no sense. There are a multitude of companies who are working with the recording industry as partners. This collaboration is happening and it is essential for the development of these new businesses.

If we had it to do over, I think the recording industry would do it differently. Technology development and innovation might not have been left to the consumer electronics and IT industries as it was by the recording industry in the 80's, leaving our companies less than fully operational on that level when the wave of new opportunities hit again in the early 90's. But it is clear -- our member companies see an enormous opportunity here and now and are working diligently with technology partners to seize it.

New subscription services are being launched in the coming days and months. Virtually all RIAA member companies are participating in launches of these multiple services. I think the initial offerings will be very good. But they will get better as technology develops and the desired consumer experience has better definition. A lot of progress is being made and more will be done.

So where does peer-to-peer technology fit in with all this?

In the public's mind, peer-to-peer technology is all about stealing music and increasingly stealing movies. As I said before, I know that you are here at this conference because you know that is a limited view of the technology. The problem with peer to peer is not the technology, but how it is used. The multiple exciting applications for P toP that are being discussed over these few days show the limitless potential of the technology in multiple ways. The ability to achieve cost savings on storage and bandwidth, the web tools, the meeting applications, the communications applications, the customer service applications are all extremely exciting.

The fact that I was invited means that someone out there knows that peer-to-peer technology is getting bad rap. Not just for trading unauthorized copyright files but for many things:

Increasing security concerns and even national security concerns at this delicate time. Peer-to-peer will get attention because of the soldier risk in denial of service attacks, the spread of viruses that endanger national computer network infrastructure and other things of current concern.

The fact that it is also used as a transmitter of child pornography has not gone unnoticed by many federal and law enforcement authorities.

Unless the legitimate peer-to-peer community addresses these problems, proactively, the fundamental benefits of peer-to-peer will always be limited.

So here's my challenge: The peer-to-peer community must recognize these problems and work to fix them. If you do, there isn't a doubt in the world that companies want to work with you. Many have asked me why the record companies have given up on peer to peer. In fact the opposite is true, they haven't even gotten started. I am confident that if the fundamentals I discussed

were really addressed by the brilliant people in this room, then peer-to-peer technology will be an important factor in the equation of the digital entertainment business.

Right now we have lawsuits and cease and desist orders; we have no security, not a single legitimate business offering for music, no security, no sound quality or creative control over the look and feel of the files and a large segment of the development and user community who never want to see these networks be required to have licenses to trade copyrighted works. Frankly, that benefits no one, not even the users who think they are getting a free ride.

Because in the end, if the people in this room and the people I represent can't make a return on investment both in terms of money and energy, then these networks and this technology will never reach its full potential.

Instead of more technological development we will have less, instead of more new music, we will have less, instead of new opportunities; we will be pushed to stay with the status quo. And that won't work.

Obviously, in a free market, our approach isn't the only one, nor, for that matter is peer-to-peer. What we seek -- and what I hope you'll embrace -- is an open market in which everyone competes with mutual respect on the value of his or her creations.

That doesn't mean we're stopping our legal efforts. We have no choice but to continue them as long as copyrights are being infringed. But we also know legal efforts won't get music online.

Legitimate business models will.

Consumer demand will.

Technology will.

I want to get the lawyers out and the innovators in.

The question today is: Will peer-to-peer be a part of that process? Will you join us in a legitimate market? Will you protect the incentive to create? Will you provide the same respect for artists' creations that you deserve for your own?

I hope the answer to those questions is yes. I believe it can be. Some people might say I'm in the lion's den by being here today. But I think they're missing the point -- and that means they're missing an opportunity.

They assume that because we might not share all the same views - - that we don't share any of the same values -- and can't share many of the same goals. But I disagree. I think that just about any two parties that start from the same principles and are headed toward the same destination can find a way to help each other get there.

And I think, in many ways, we do -- or at least we can. Because we have a lot more common ground than most people think.

Each of us is in the business of innovation. Like many of you, the companies I represent are on the cutting edge of online technology.

But innovation can also be the creation of an artist's vision.

I'm talking about making something with your own mind that's valuable to others. You're here because you've done it. I obviously deeply respect that talent – your talent.

So a love for innovation is where we must begin and it is also where we must end up. There is no end to the possibility of technology and there is no end to the dreams of an artist. Let's work together. Thank you.

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