



Media Made Easy July 2005 Newsletter

News and Events:

- ?? TiVo has found yet another way to annoy and confound their customers. They are pushing advertising at you while you are attempting to skip commercials. Are they that hungry for profitability that they would sacrifice what is arguably the largest benefit?

<http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=LRTVN.story&STORY=/www/story/07-18-2005/0004068769&EDATE=MON+Jul+18+2005,+08:00+AM>

- ?? We have long held the opinion that TiVo's problem was that they couldn't sell it (only give it away through DirecTV who makes up two-thirds of their customer base). Now the new CEO has been interviewed and it sounds like they just don't get it. Aren't you glad you don't work for them?

http://www.hollywoodreporter.com/thr/business/article_display.jsp?vnu_content_id=1000978916

- ?? Digital Rights Management has arrived on music CD's. This article discusses how the latest Backstreet Boys CD contains DRM controls. The article explains how the protection software is automatically loaded on your PC without your consent. Luck for you it also explains how to disable the protection so you can rip the CD. You might want to bookmark this article for future reference!

<http://www.digitalmediathoughts.com/articles.php?action=expand,8542>

- ?? It isn't looking good for cable/satellite HDTV recording in the upcoming rollout of Media Center 2005. This article describes a recent sneak preview of XBOX 360 which has dashed the hopes for cable card support in the upcoming update. We will cover all the details and repercussions in next months' newsletter so stay tuned.

<http://www.digitalmediathoughts.com/articles.php?action=expand,8654>

- ?? Andrew Kantor explores on-demand television as a possible wave of the future. We here at Media Made Easy couldn't agree more...who needs a network to deliver TV shows when you can post your new sitcom or reality show on the Web and watch it on your TV?

http://news.yahoo.com/news?tmpl=story&u=/usatoday/20050729/tc_usatoday/andrewkantorcyberspeakthefutureoftelevisionliesontelevisionnotthenet

- ?? Netflix is on track to reach four million subscribers by the end of this year. With 50,000 DVD titles and counting, they are giving Blockbuster a real run for their money. At this point it is shaping up to be a price war to win market share. As long as there remains a competition the consumers win. Who wants to go to the video store and peer over peoples' heads to see 60 copies of Batman anyway?

- ?? Is DirecTV divorcing TiVo? Industry analysts continue to wonder how the Comcast and TiVo deal will shake out. It doesn't look good for the DirecTV partnership. The most likely conclusion is that someone else will build their next generation HDTV recorders.

<http://www.pvrwire.com/2005/07/24/are-directtv-and-tivo-headed-for-divorce/>

?? Microsoft has announced a wireless Media Center Keyboard. We have yet to test this unit here at Media Made Easy. At a \$100 retail price tag, it will need to offer some advantage over current wireless combos to justify the extra price tag. We will let you know whether they've just recreated the wheel in a future newsletter.

<http://www.engadget.com/entry/1234000017050220/>

July's Feature Topic - Digital Rights Management & The Future Content Providers

Digital Rights Management (DRM) The Background

Digital Rights Management refers to both protecting the copyrights of those who create digital content (music, movies, tv shows, photographs, etc.) and to the technologies that play the content. It has a legal aspect (licensing and enforcement) and a technology aspect (sale, verification, tracking and playback).

The content creators realize that with the advent of digital technologies it is possible to purchase something legally and then illegally distribute it using the Internet, DVDs, etc. In a worst case scenario people can just "rip" content that is stored or played on a computer without ever paying a license fee in the first place. This is a potentially explosive idea to the money people at the studios, recording labels and so on. Since they pay the actors and artists millions of dollars for the licensing rights to the works, they could all quickly go bankrupt.

Peer to peer networks like Napster were just the first signs that something was wrong with the old systems of enforcement. Young, technology literate people were sharing their computer resources, Internet connections and billions of dollars worth of illegally shared content. Low-tech methods of stealing were also rampant such as videorecording new release movies in the theater and then reselling bootleg copies for a fraction of the price of a ticket.

From the point of view of the consumer it was pretty fantastic to have access to all of this entertainment for little or no cost. Unfortunately there were severe drawbacks. The annoying drawback was that you opened up your computer to all sorts of spyware, adware and malicious viruses. The catastrophic drawback was that you were open to lawsuits with jail-time penalties if you were caught.

From the point of view of the content creators and providers it was almost fatal. Suddenly your content wasn't being purchased as it had been in the past. Since viewers and listeners were already turning away from buying records and going to the movies due to factors including high prices, the legal market was shrinking dramatically.

The legal system was a poor place to rectify the new conflict because it was both costly and uncertain. Sony had won the lawsuit concerning Betamax (VCRs) but the record labels were also getting convictions and civil judgements on a regular basis.

Eventually the content providers won against Napster and forced them to change their business model. Everyone figured this would mean a return to the old ways but they were sorely mistaken. Instead the landscape has shifted with the majority of consumers looking for legal choices and the majority of the content providers looking for enforceable ways to market their products. With even companies like Microsoft unwilling to force the issue in court, it is increasingly clear that digital rights management will be the near-term model for resolving the conflict.

Enforcing DRM

Congress has passed several laws giving content providers the rights to insert technologies that protect their content from unauthorized copying as well as the means to enforce their copyright. Once that was done it became an issue of how to put boundaries around the legal use of content to consumers who purchase, rent or lease the works.

Music now comes with digital rights management capabilities built in. CDs contain software to protect the tracks from being "ripped". Music downloads to the PC use the Microsoft Digital Rights Management scheme to limit copying to a certain number of copies/machines/portable music players.

Movies also are equipped with digital rights management. DVDs come with Macrovision to protect the content from copying or use some other encryption technology. Movie downloads come equipped with either Microsoft Digital Rights Management downloaded license certificates or simply "disappear" after a preset period of time.

Television includes two types of digital rights management protections. The first comes in the broadcasters signals themselves that contain broadcast flags designed to be recognized by media players and digital video recorders. For example you can't copy your recording of the Sopranos because it has been marked as protected. The second protection is placed by the cable/satellite provider on all broadcasts on their network. The broadcast signal is encrypted (a fancy way of saying scrambled beyond recognition) so that you require their set top box decoder to decrypt the broadcast for playback on your TV display.

The FCC has also gotten involved in the act in two ways. First they mandated that all TV tuner cards support the broadcast flag technology. If you are lucky enough to own an old tuner card, then you can burn your Sopranos recording to DVD just fine. If you don't then you won't be able to. Some content expires after a set amount of time and other content is unplayable when recorded by your DVR.

Next the FCC mandated that all the TV broadcasters must switch to digital broadcasting by July 2006. This is one reason why all of the top shows are now available in High Definition. The old analog broadcasting hardware and programming will soon be obsolete. Not only did they force the broadcasters to upgrade their systems, but they also are mandating that the cable/satellite providers upgrade their systems to support digital broadcasts.

The Hardware

Cable Television Laboratories Inc. has been assigned the task of testing and certifying all products to be used to decrypt cable/satellite broadcasts. Companies like Samsung, Microsoft and Panasonic have applied for Cable Host Interface Licenses that would allow them to build devices capable of displaying secure video programming from the cable/satellite operators. "Cable Cards" are the generic term for the hardware being developed to decrypt the signals. These cards will be available to fit in both PCs and consumer electronics devices. They will "tune" in the broadcasts much as the set top box does today. The difference will be that they will support digital television only and full digital surround sound.

The first round of cable card testing is scheduled to complete this month (August) and we should start seeing the devices appear in time for Christmas. We here at Media Made Easy can't wait to get our hands on some of these units. Imagine all your television recordings available in high-definition video and digital surround sound!

The Holdup

There have been two major stumbling blocks to getting the technology out to the consumer.

The first was a hardware concern. Previous versions of PC interfaces such as DVI (digital video interface) didn't include security to protect the content once it left the video card - thus you could

connect a DVR off of the video card while watching the show on your media pc and record it without recognizing the broadcast flag (as we understand it?). HDMI, a new interface that includes audio and video, does pass DRM information out of the PC and can thereby enforce the licensing. It also sports a smaller footprint that makes it easier to build into video cards.

The second was a licensing concern. With all of the different licensing scenarios, the digital rights management technology must be flexible, secure and still be easy-to-use. If it fails to meet the consumer demands for purchase, rent, lease and so on then the products won't be used and the content won't be licensed. If it makes it impossible to use because of error messages, equipment freezes and so on then the end-user will abandon the technology.

Microsoft is working closely with the media companies to develop effective DRM into Windows Vista (the new operating system) and future releases of their DRM technology. Unfortunately their efforts are geared to giving the media companies what they want from DRM. It is up to us as consumers to make sure that Microsoft listens to what we want as well. If you need a law degree to understand licensing rights just to watch TV, then they've failed. If you need an engineering degree to move your music from your PC to a CD or portable player, then they've failed.

It will be interesting to see what develops in the coming year. We've already gone from buying vinyl albums to downloading digital copies of songs for 99 cents. In the next section we discuss some trends and project our thoughts towards the future.

Glimpse of the Past and Present

The recent results have confirmed that the entertainment industry is going to have to evolve from the old studio/network model into something more flexible and at the same time targeted. They will have to use digital technology to their advantage to bring more choice to the consumer about how and where they consume their entertainment. Overall people consume as much entertainment (if not more) than they ever have. The issue is that they have so many available sources and they insist on flexible delivery systems.

The Old Model - The old system evolved as a means to extend entertainment to the "masses" and was designed to deliver an advertising message along with the content in order to pay the overhead and make a profit. The first people to own radios and televisions were reasonable affluent and upwardly mobile. Advertisers competed for their attention because they were likely purchasers of their products and services. The broadcasters and artists competed to deliver entertainment that would appeal to a wide cross section of the public to obtain larger audience shares and ad revenue.

Over time peoples entertainment habits went from revolving around "going out" to see movies, shows and music to staying home and enjoying them on the record player, TV or radio. Advertisers also found that they could sponsor their own program types to better reach their expected target audience.

By the 1960s things were becoming less homogenous. The audience was fragmented into hundreds of different tastes for entertainment and cultural values. The TV news had virtually replaced newspapers and radio as the primary conduit of the days' events. More and more people were consuming more and more entertainment.

It was becoming very expensive to advertise to the masses so advertisers looked to specialty magazines and musical genres to reach their audience. With the advent of cable television and movie channels customers and advertisers had hundreds of choices. It also meant the consumer became saturated and ultimately frustrated by too much advertising. Many people rejoiced when they were given the choice to avoid commercial television and enjoy entertainment when they want, wherever they want.

Glimpse of the Future

For example the music industry has gone from vinyl albums meant to sell concert tickets and t-shirts to digital single tracks sold instantly for 99 cents along with music videos showing on TV and the Internet 24/7. Radio exists in over-the-air, Internet and satellite subscription models. Movies too have become commodities. The studios make more money on DVD sales and rental fees than they do off of the box office receipts. Now you can watch movies on demand, from rental via Internet or mail, or simply purchase them at WalMart or your local minimart. The spectrum stretches from free to expensive and appeals to all tastes.

The entertainment content is vast (and some would argue it is mostly worthless) and the media outlets are also vast. Customers want to get content in discrete units at a reasonable price with plenty of purchase options (rent, buy, monthly subscription) and plenty of playback options (TV, PC, Portable Player, in the car, at the office, on the plane, at the hotel). Since everything is digital it is highly portable and easily distributed without requiring extensive distribution and retail infrastructures. This should lead to lower prices and more choices - A good thing right? If you're a consumer we believe the answer is yes.

If you are a content provider the answer can also be yes, but you may have to get creative to compete in the new environment. Young people entering society today won't think anything of buying one song or TV show or paying for their radio (minus commercials of course) or watching movies via the Internet on their home displays or watching a sitcom made by three guys from Alaska that would never have been picked up by a network but is now shown for 25 cents per show via the Internet.

They will pay for their entertainment, but it will be reasonably priced and they'll be able to enjoy it wherever they are (wired or wireless). If they want to pay nothing then they may have to watch some advertising. Otherwise they'll just pay for content that interests/entertains them and skip all the hundreds of channels that don't interest them.

I know you are probably thinking - what about my cable/satellite provider (who are really the same media conglomerates that are stuck with magazines, newspapers and all that old analog media)...Guess what?!! They will be stuck in a low margin commodity business that will look very like your utility company does today. You don't pay for all the content on the Internet now do you? You just pay your monthly access fee for using the equipment right? If you want to buy something then you go directly to the person who makes or distributes it and buy it from them. Why pay a middle-man who has offers no added value and makes you wade through hundreds of useless channels?

How long do you think it will take for your provider to raise the rates enough for you to look at Internet TV or other pay to consume options (If your like us not very long). The service providers days of seeing big profits are numbered. If the studios and networks don't add value, then they too will lose their margins. Artists can group together and throw up a website and do their own thing - the barriers to entry are not what they once were. The new consumers hold no emotional attachment towards studios, networks or service providers. They will ruthlessly pursue their entertainment from whomever offers them value and choice.

That is our opinion and we could be wrong. It will be interesting to look back in ten years and see what has actually happened.

Tip for July

Make sure that you check your series recording settings. You can decrease your chances of having a recording conflict for your favorite TV show if you set it to record off of all available channels and showings. Many of your favorite series are shown on multiple channels and at multiple times. This should reduce your conflicts to very few if any while still ensuring you don't miss an episode.

What's new from Media Made Easy

Media Made Easy is developing a new Over The Air (OTA) high definition system. The system will include two analog tuners and one OTA digital tuner along with an indoor antenna for picking up your local High Definition TV programs. The hardware platform will also be upgraded to support upgraded video, storage and performance. Check our website soon for more details.

Later this month we will be adding some free plugins on our resources page. The first plugin will support recording music and audio from your soundcard (things like digital music channels, internet radio etc.). The second plugin will be a Media Center add-in for transforming DVRMS (recorded TV) files to WMV and MPEG formats for improved storage etc. A utility will also allow you to remove commercials. We will mention this in our new section next month also.

Have questions, comments or ideas for us? Please email us with request for topics for the next newsletter. We want to get you the information you've been looking for.
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