



representing the
recording industry
worldwide

Enforcement of Digital Rights in Sound Recordings

Brunei | May 2018





01

The Recorded Music
Industry is a Digital
Industry

2017: Recorded Music Industry

US\$17.27bn

global trade revenues for the
recorded music industry in 2017

8.1%

growth compared
to 2016



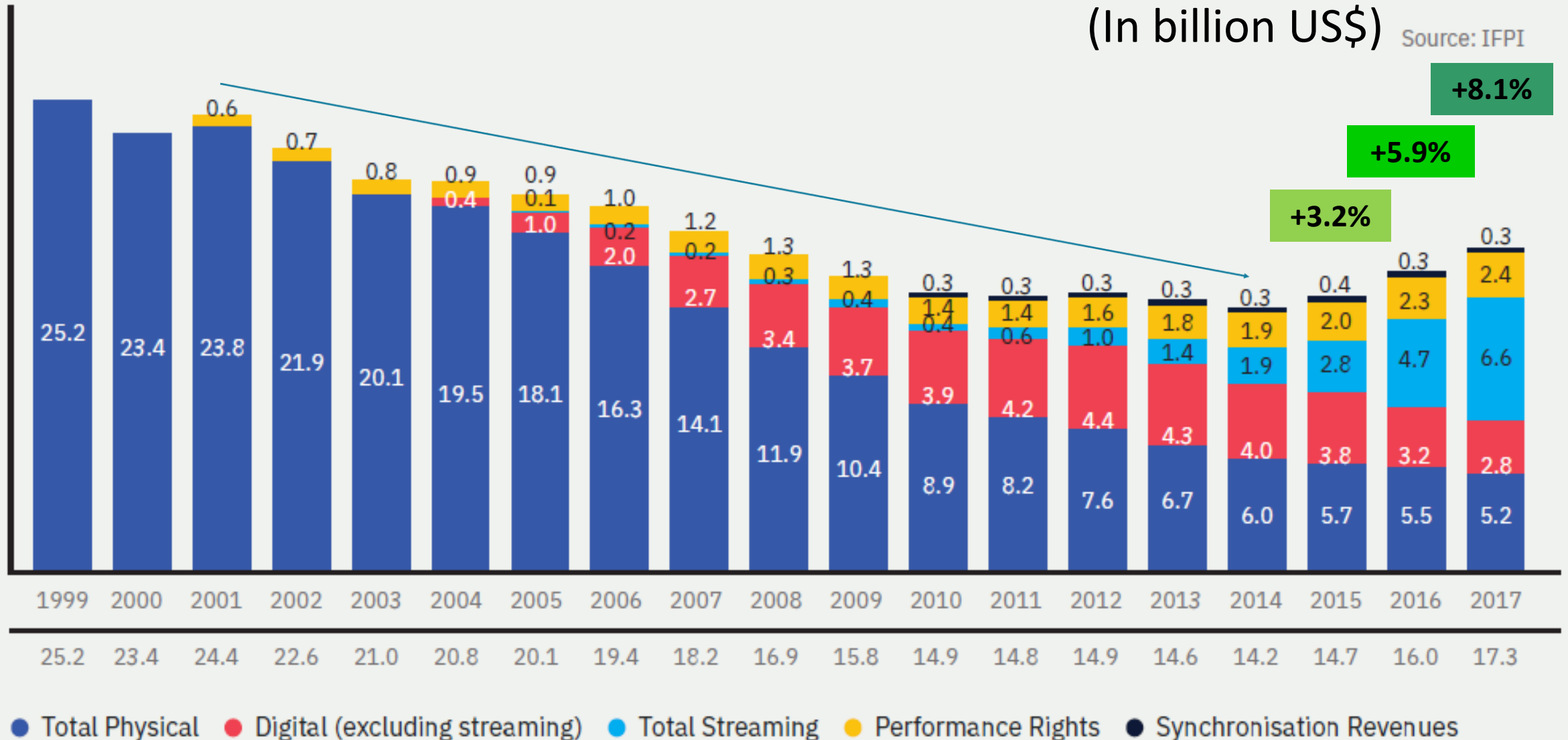
*Third consecutive year of global growth
after 15 years of declining revenues*

Global Recorded Music Industry Revenues 1999-2017



(In billion US\$)

Source: IFPI



Source: IFPI. All figures translated to USD at 2017 fixed exchange rates. Sales are reported in accordance with IFPI International Sales Reporting Standards. Global full year figures represent the results of 50+ markets and exclude synchronisation and performance rights revenues.

Global Revenue by Format 2017

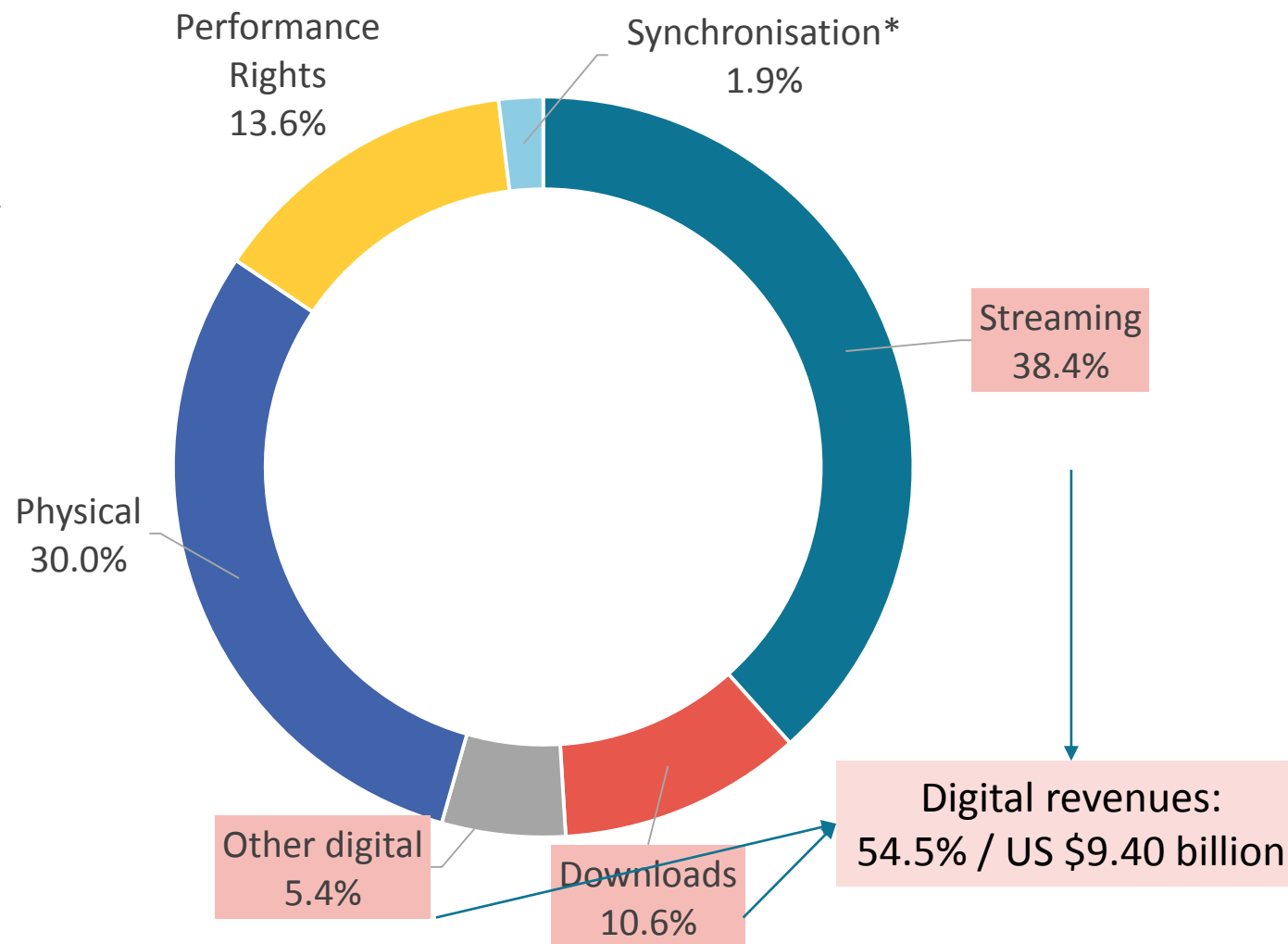
Digital formats responsible for:

- more than half of **all industry** revenue at 54.5%
- 64.5% of **all sales** revenue (digital + physical sales only; performance & sync excluded)

Digital formats comprises:

- streaming
- downloads
- mobile
- other sources (e.g. interactive radio)

**Synchronisation refers to inclusion of music into movies, TV programs, advertising, etc*



Digital Revenues by Format



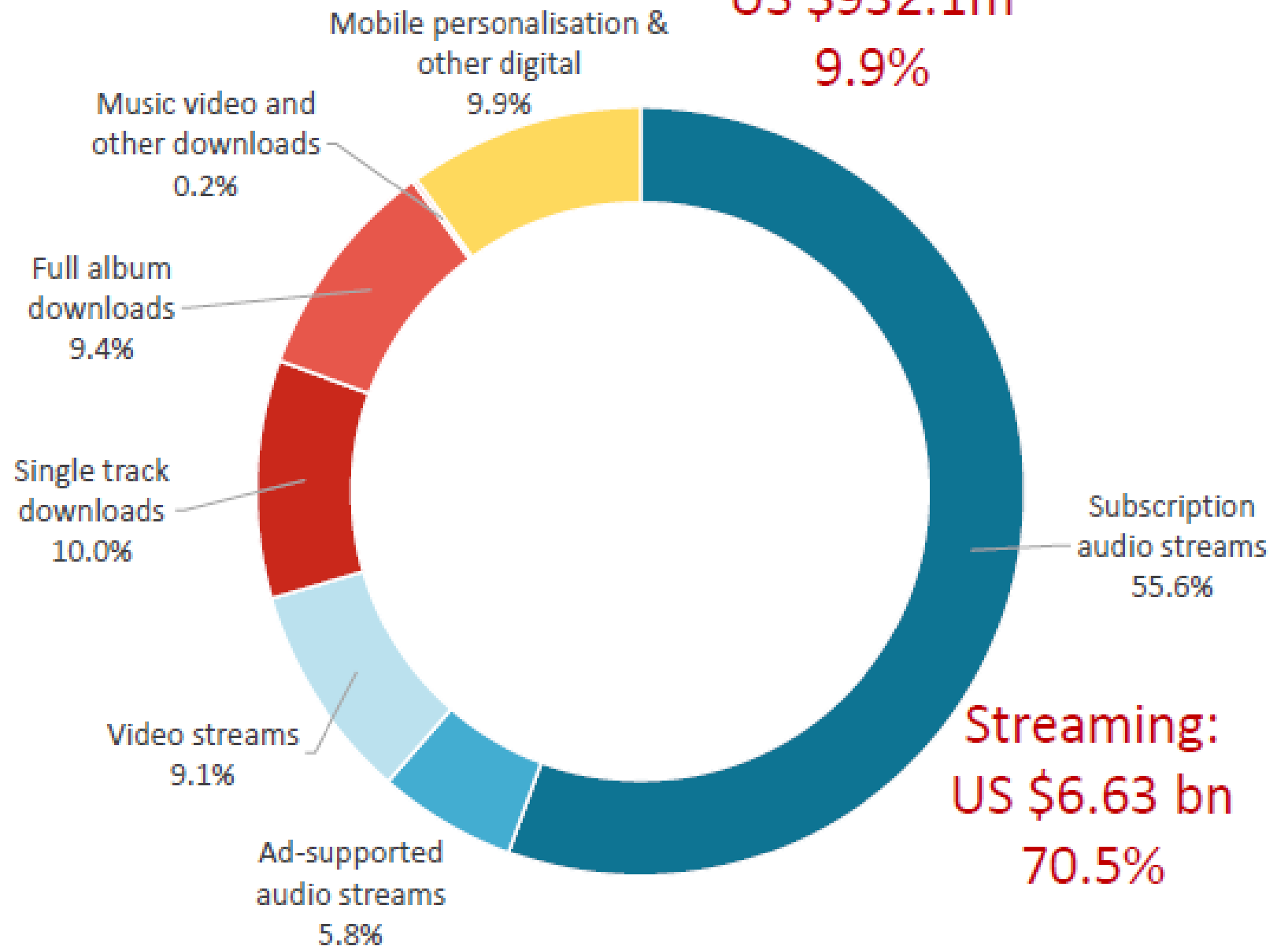
Digital

\$9.40 billion

+19.1% from 2016

**Downloads:
US \$1.84 bn
19.6%**

**Mobile:
US \$932.1m
9.9%**



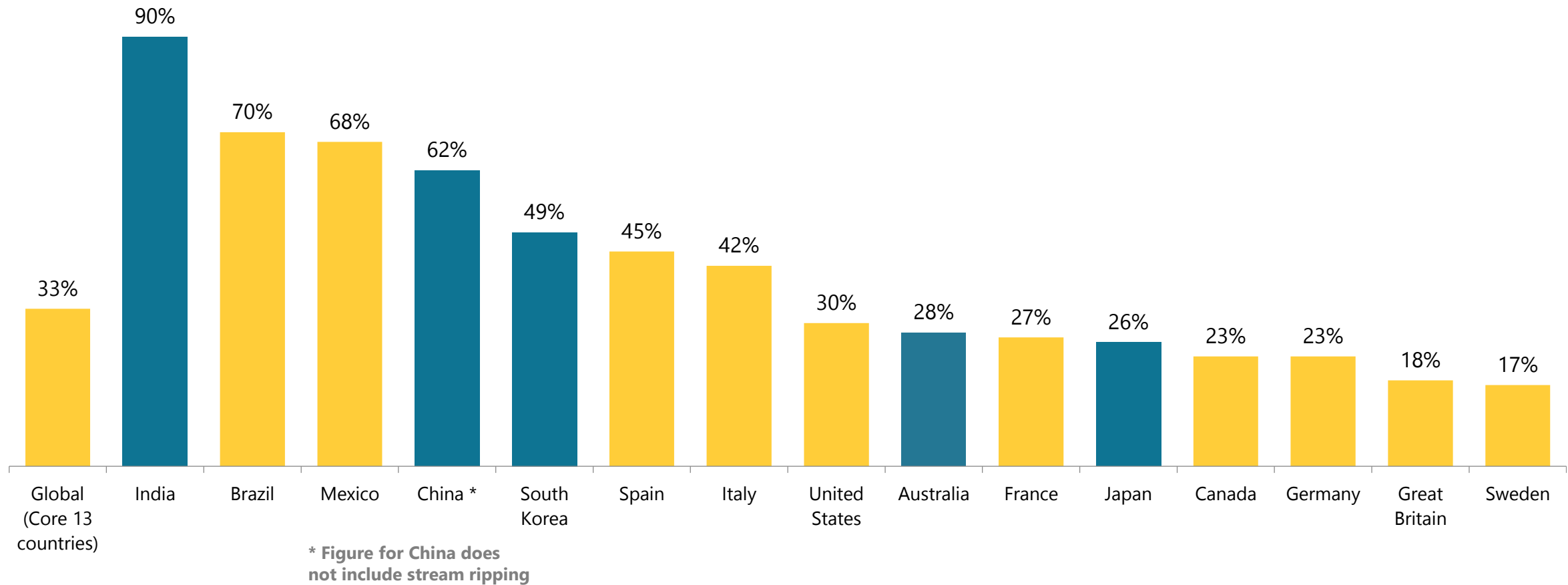


02

Digital piracy overview

- Recorded music industry remains over 30% lower than its peak in 1999 despite exponential growth in consumption of music
- Digital piracy is biggest obstacle to music industry realizing its true value
 - Unlicensed streaming, peer-to-peer (P2P) file-sharing networks, cyber-lockers, aggregators, forum & social media sites, stream ripping and illegal mobile applications
- Legal digital music services cannot compete with free illegal services that do not pay producers (who invest in the making of the music), performers (their livelihoods), composers, publishers
- Digital piracy undermines the licensed & legitimate music businesses across many forms, platforms and channels

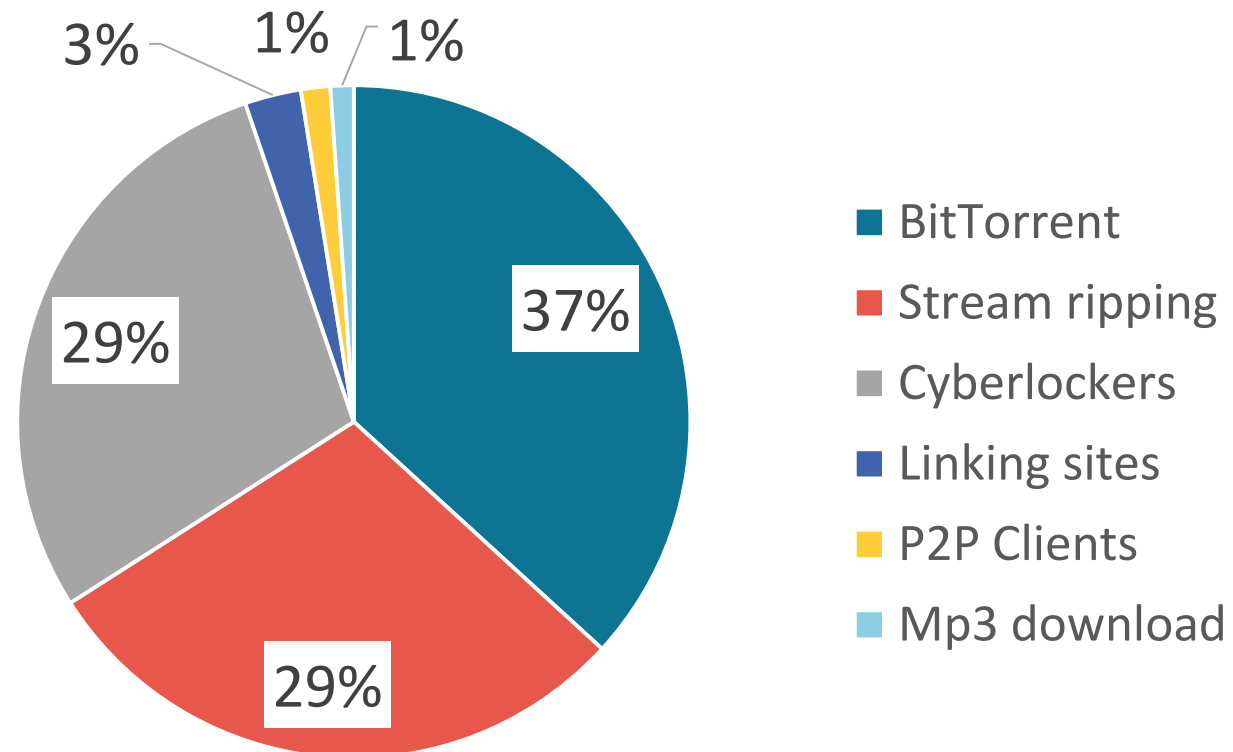
Rate of unlicensed use high in some Asian markets



BitTorrent leads as the largest piracy category; stream ripping and cyberlockers closely follow

Share of unique visitors by piracy category - Global (Desktop, April 2017)

In 2016, an estimated **29 billion tracks** were illegally downloaded globally on lockers, BitTorrent and stream ripping



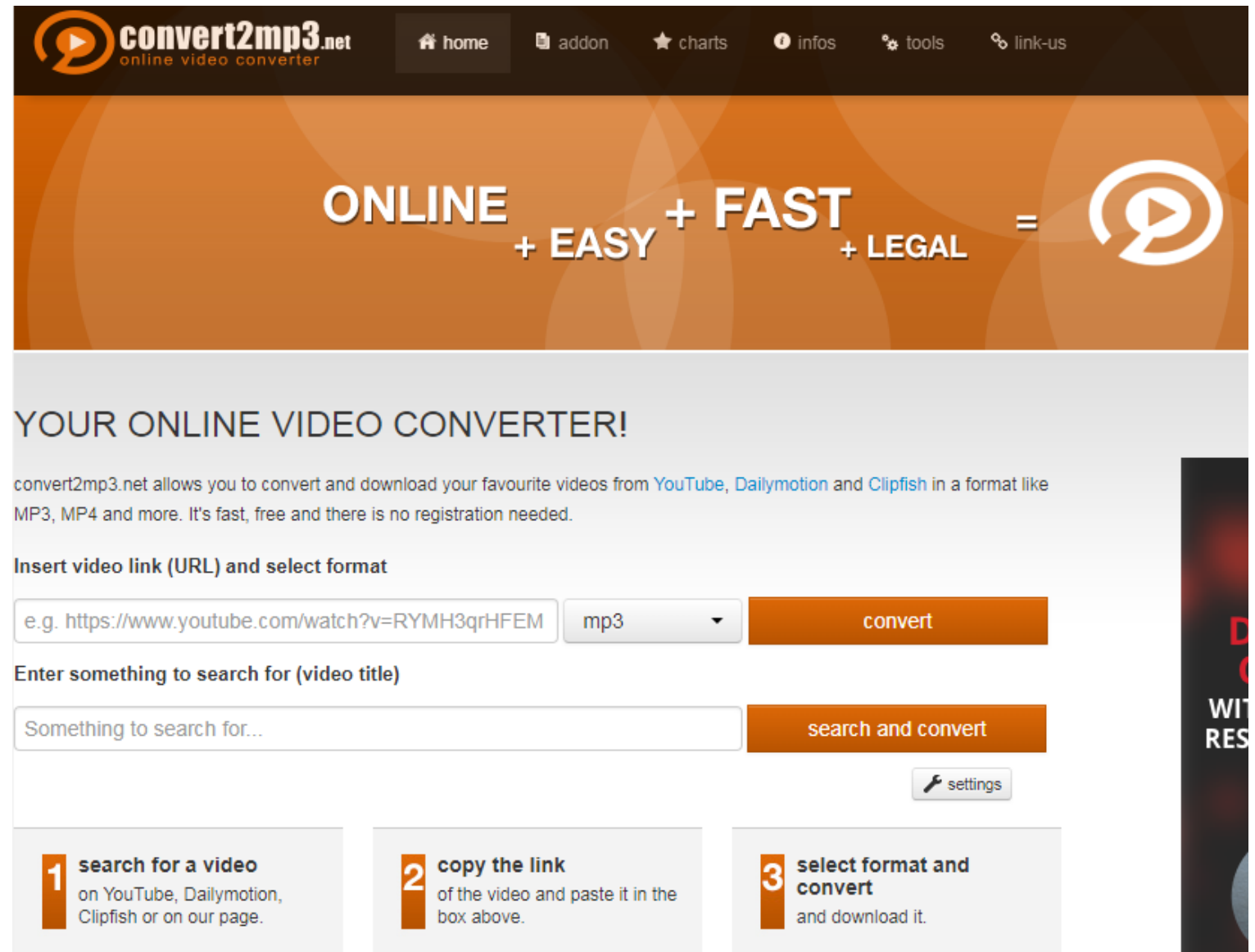


03

Issue –
Stream Ripping

Stream ripping

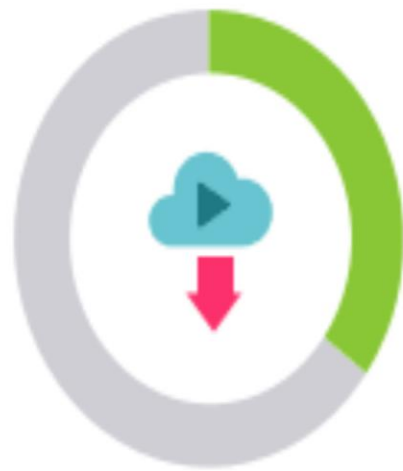
The process of creating a downloadable file from content that is available to stream online without paying for the reproduction



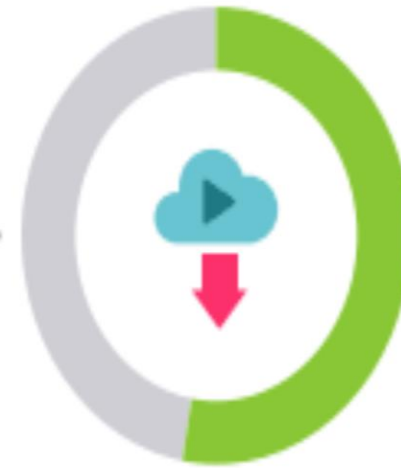
The screenshot shows the homepage of convert2mp3.net, an online video converter. The navigation bar includes links for home, addon, charts, infos, tools, and link-us. The main banner features the text "ONLINE + EASY + FAST + LEGAL" followed by an equals sign and a play button icon. Below the banner, the text reads "YOUR ONLINE VIDEO CONVERTER!" and describes the service: "convert2mp3.net allows you to convert and download your favourite videos from YouTube, Dailymotion and Clipfish in a format like MP3, MP4 and more. It's fast, free and there is no registration needed." The interface includes a form to "Insert video link (URL) and select format" with a text input field containing "e.g. https://www.youtube.com/watch?v=RYMH3qrHFEM", a dropdown menu set to "mp3", and a "convert" button. Below this is a "search and convert" section with a text input field containing "Something to search for..." and a "search and convert" button. A "settings" button is also present. At the bottom, there are three numbered steps: 1. search for a video on YouTube, Dailymotion, Clipfish or on our page; 2. copy the link of the video and paste it in the box above; 3. select format and convert and download it.

35% stream ripping (source IFPI)

COPYRIGHT INFRINGEMENT IS EVOLVING RAPIDLY
STREAM RIPPING IS THE DOMINANT METHOD
AND CONTINUES TO RISE



35%
OF ALL INTERNET
USERS ARE STREAM
RIPPING (UP FROM
30% IN 2016)

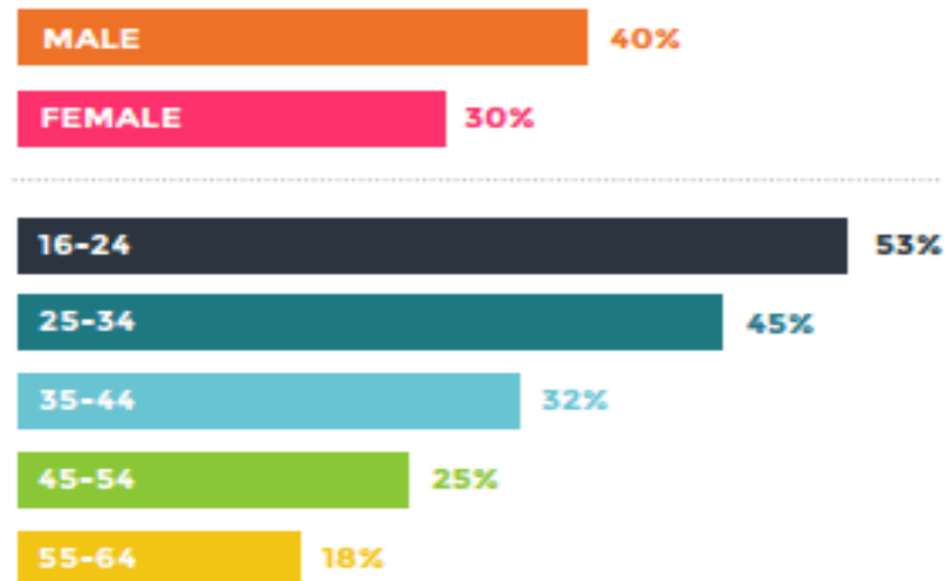


RISING TO
53%
AMONG 16-24s

Stream rippers are young (source IFPI)

WHO IS STREAM RIPPING?

Stream rippers are more likely to be young, male, and frequently engage in other piracy methods such as bittorrent and cyberlockers. They commonly use stream ripping to obtain individual tracks.



SEARCH ENGINES PLAY A KEY ROLE IN COPYRIGHT INFRINGEMENTS



54%

OF THOSE DOWNLOADING UNLICENSED MUSIC ALSO USE GOOGLE TO FIND UNLICENSED MUSIC

Stream Ripping

- Digital Music Study 2017:



- Stream ripping increasing across major Asian countries in 2017
- Reasons for stream ripping include: it's free (33%) / listen to music on the go (28%) or without an internet connection (27%) / it's a safe environment without viruses or malware (26%)

YouTube-MP3

- Previously the largest stream ripping site in the world, generated hundreds of thousands of dollars in advertising revenue per month
- Site shut down globally in Sept 2017 following a settlement reached with the recording industry
- YouTube-mp3 had over 60 million users per month
- The settlement set a good precedent – continued actions against other sites

SCIENCE/TECHNOLOGY

YouTube-mp3.org shuts after music business suits

Major YouTube audio-ripping site agrees to shut down after getting sued by labels

World's Largest YouTube Ripping Site Ordered to Shut Down



04

Issue –
UUC websites

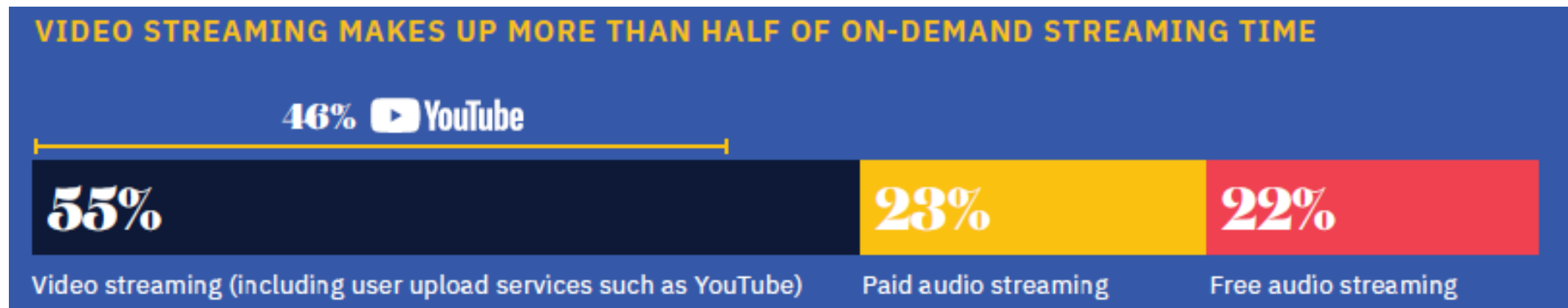
User-uploaded content (UUC) websites



- Claim safe harbour applies
- Creates 2 big problems: the **Value Gap** and **ineffective notice and takedown mechanism**

Value Gap explained

- Safe harbour should only exempt liability of **technical, automatic and passive** service providers
- Many UUC sites however take an **active role** to optimise the presentation of uploaded works and actively promote these works, and monetise out of it
- Distort the fair licensing market
- The problem has to be fixed by legislative amendments – e.g. EU



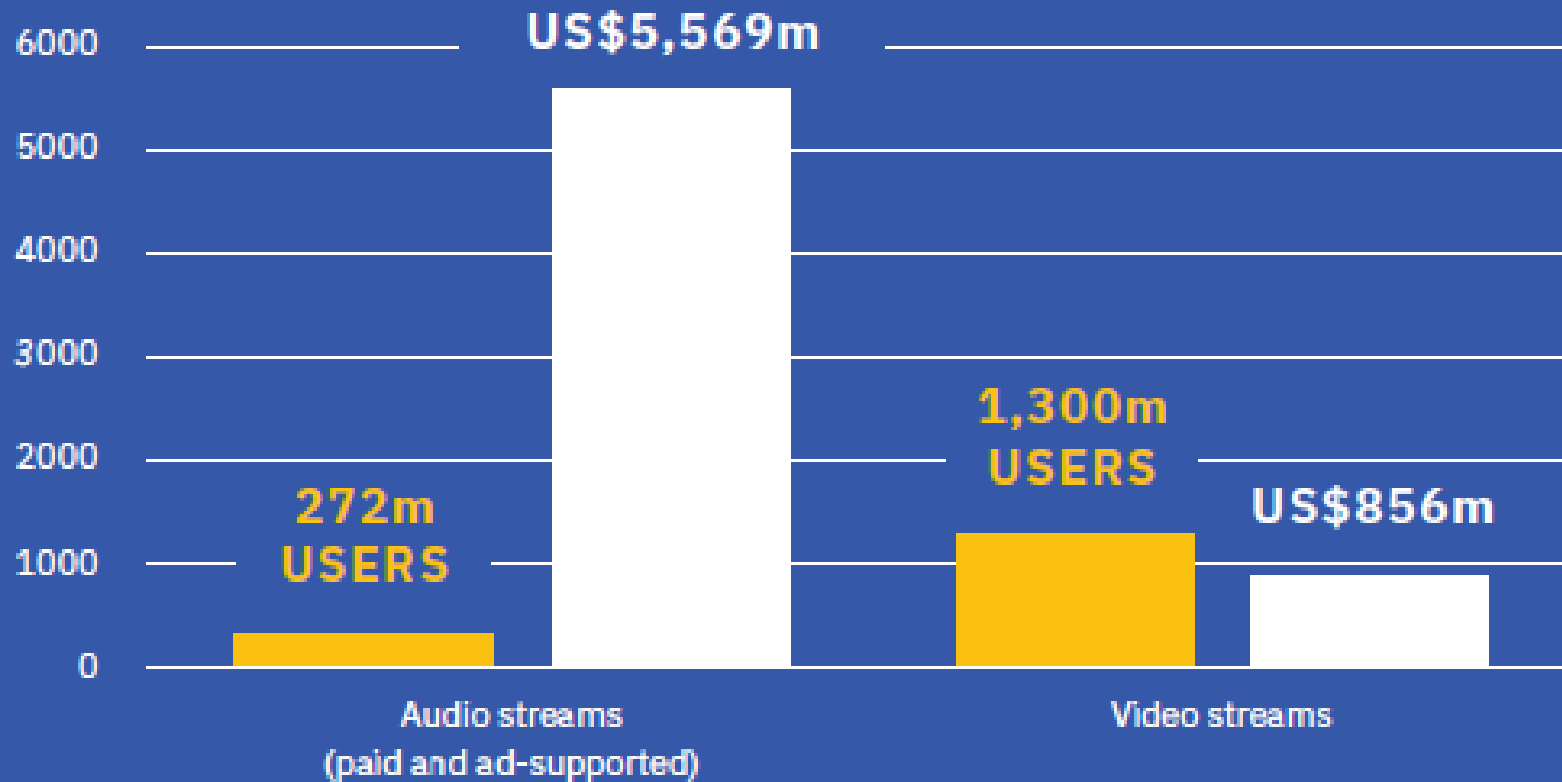
Top 10 Most Viewed Videos on YouTube



Rank ↕	Video name ↕	Uploader / artist ↕	Views (billions) ↕	Upload date ↕
1.	"Despacito" ^[9]	Luis Fonsi featuring Daddy Yankee	5.10	January 12, 2017
2.	"See You Again" ^[14]	Wiz Khalifa featuring Charlie Puth	3.54	April 6, 2015
3.	"Shape of You" ^[21]	Ed Sheeran	3.48	January 30, 2017
4.	"Gangnam Style" ^[22]	Psy	3.15	July 15, 2012
5.	"Uptown Funk" ^[27]	Mark Ronson featuring Bruno Mars	3.04	November 19, 2014
6.	"Masha and the Bear: Recipe for Disaster" ^[28]	Get Movies	3.01	January 31, 2012
7.	"Sorry" ^[29]	Justin Bieber	2.92	October 22, 2015
8.	"Sugar" ^[30]	Maroon 5	2.57	January 14, 2015
9.	"Shake It Off" ^[31]	Taylor Swift	2.55	August 18, 2014
10.	"Bailando" ^[32]	Enrique Iglesias featuring Descemer Bueno and Gente De Zona	2.50	April 11, 2014

AUDIO AND VIDEO STREAMING USERS VS REVENUES 2017

● Users ● Revenue



ESTIMATED ANNUAL REVENUE PER USER



US\$22

VS

<US\$1



Notice and Take Down vs Stay Down

- As a condition for safe harbour, service providers are required to take down content or links complained by right holders
- The process is ineffective, as most service providers only remove the specific URL link; abused by some service providers
- In 2016, IFPI and national groups sent **19 million** take down requests, i.e. **52,000** requests per day
- Yet, **95.7%** of IFPI's notices involved the same content on the same site
- Therefore, Notice and Stay Down is necessary, i.e. service provider should remove all copies or links to the same notified content, and to prevent such copies of links to that content being made available on its service

The Need for “Notice & Stay Down” (NSD)

- Thousands of notices generated for same contents to the same sites
- **Service providers** remove only the specific URL sent to them, e.g.:

4shared.com/mp3/YZ1TeS6Yce/02_Taylor_Swift_-_Shake_It_Off.htm

- **But:**

- **Multiple further URLs feature the same content:**

4shared.com/zip/Y_vKzS_3ce/Taylor_Swift_-_Shake_It_Off_.htm

4shared.com/rar/8eMJOkvBce/Taylor_Swift_-_Shake_It_Off.htm

4shared.com/rar/KiUBihtJce/Taylor_Swift_-_Shake_It_Off.htm

4shared.com/rar/PMIji9udce/Taylor_Swift_-_Shake_It_Off.htm

4shared.com/rar/DzmK5mL_ba/Taylor_Swift_-_Shake_It_Off.htm

- Content can be, and often is, re-uploaded once removed



95.7%

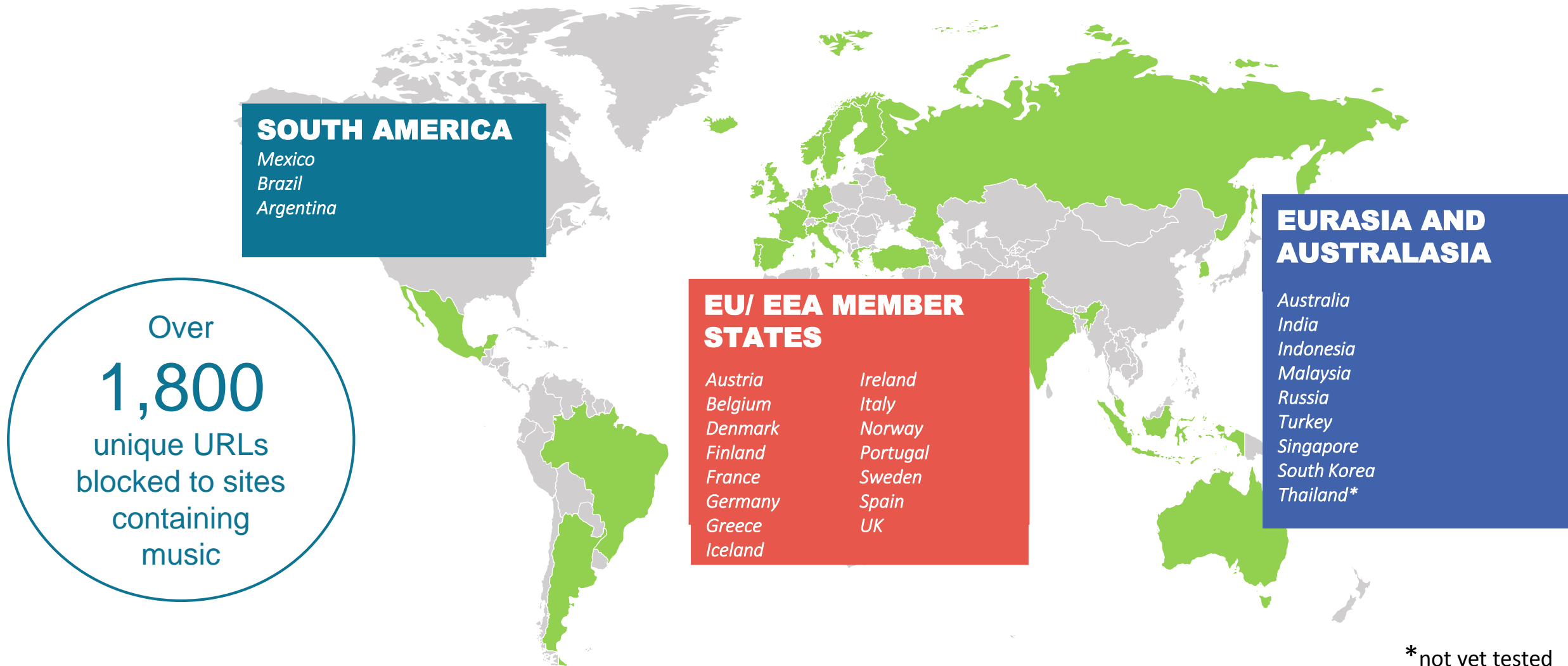
**of IFPI's notices
involved notifying the
same content to the
same site**



05

Measures for
combating digital
piracy –
Website Blocking

Website Blocking Available in at least 27 Countries



*not yet tested

Website Blocking – Asia Pacific

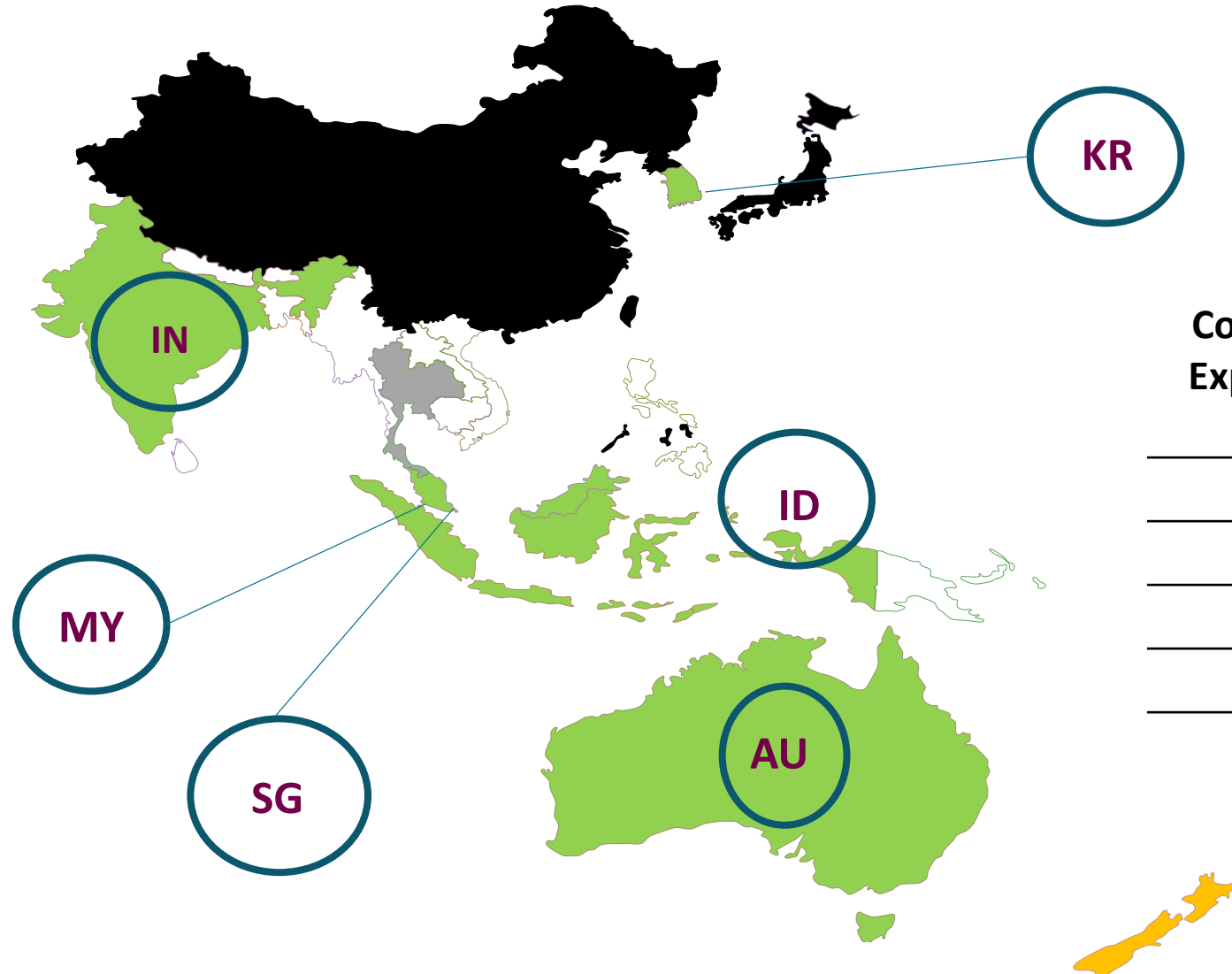
Key

No Legal Basis for Blocking

Legal Basis for Blocking But No Cases Filed

Domains Blocked

Unclear legal basis



Countries with No Explicit Legal Basis for Blocking

Japan

China

Taiwan

Hong Kong

New Zealand
(unclear)

Website Blocking proved effective in Australia



Site blocking in Australia has resulted in usage reduction of 53.4% to blocked sites

Overall usage of top 250 unauthorized sites decreased by 25.4%

3 sites - SolarMovie, Torrentz and TorrentHound - have shut down

Change in Alexa estimated usage for Australia top 250 unauthorised sites

October 2016 vs November 2017

- Sites blocked in Australia
- Top 250 unauthorised sites in Australia



Source: incopro



06

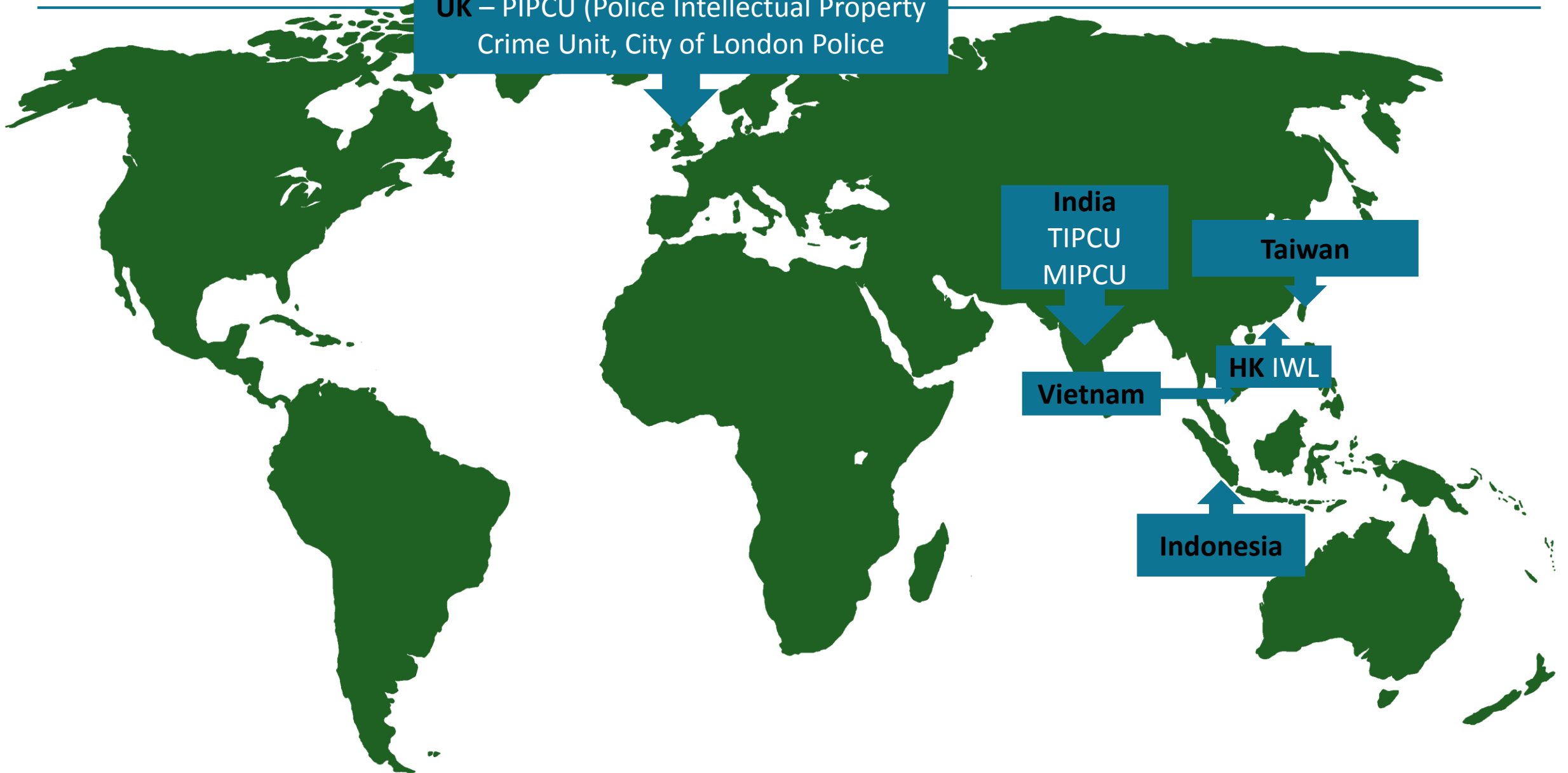
Measures for
combating digital
piracy –

Cooperation with 3rd
parties

Advertisers – Infringing Website List (IWL)

- Advertising is major funding source for unlicensed music services worldwide: 2013 Digital Citizens Alliance study suggested that US\$227 million earnings from piracy
- UK's PIPCU launched the first Infringing Website List (IWL) in April 2013
- Purpose is to reduce the money being made by pirate websites from the sale of advertising space

Infringing Website Lists



- Carnegie Mellon University research shows that search engine results directly influence people's decision to pirate movies, or buy them legally

	n	# Legal option	% Legal option	Average price (conditional on acquiring a legal copy)
Condition 1: No manipulation	60	48	80.0%	\$9.80
Condition 2: Legal content manipulation	71	67	94.4%	\$9.89
Condition 3: Infringing content manipulation	65	37	56.9%	\$9.93

- Solution – Remove/delist or demote pirate sites in search results while promoting legal sources will lead fewer people to pirate sources

Domain Registries – Suspension of domain names

- Domain name registries revoke domain names by reason of court order or on request by enforcement agencies (e.g. PIPCU), or where the domain name holders fail to provide / verify registrant's details

Pirate Bay Domain Suspended After Owner Failed To Verify With ICANN

Digital Crime Unit of India Suspends 11 Pirate Site Domains, 89 More Targeted



representing the
recording industry
worldwide

What We Do

We promote the value
of recorded music,
campaign for record
producer rights and
expand the commercial
uses of recorded music
in all our member
markets.



60
countries with
national organisations

1,300
members worldwide

Brunei – Joint Licensing

- IFPI facilitates the joint licensing of **BruMusic** (for record producers) and **BeAT** (for music work authors)
- BruMusic issues joint licences to users of **public performance and broadcast rights** of music in Brunei
- Introduction of collective licensing and the two societies on AGC's website:
<http://www.agc.gov.bn/AGC%20Site%20Pages/Copyright.aspx>

A pair of black over-ear headphones with a textured leather-like surface and white stitching. The headphones are set against a dark, textured background. The text is overlaid on the center of the image.

END
Thank You!

Please contact: felix.yuen@ifpi.org