



Interview with Paul Sweeting

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KENNEALLY: Where it comes to transactions in media, technology has maybe met its match. Fine-print contracts, entrenched business practices, time-worn statutes, even global treaties – these and other elements of law and commerce related to the international exchange of intellectual property have long thrown truckloads of sand into the digital gears when music, films, and books are for sale.

Welcome to Copyright Clearance Center’s podcast series. I’m Christopher Kenneally for Beyond the Book. Signs are, though, that the winds of change may soon send away the sandstorm that obscures the world of rights and rights technologies. Cloud-based computing and enormous reservoirs for data storage are now capable of holding massive numbers of microtransactions. Venture capital, too, is prepared to invest in technology for rights management and payments.

Paul Sweeting is a journalist and industry analyst specializing in the intersecting worlds of media, technology, and public policy. Founder and principal of Concurrent Media Strategies, a Washington-based consulting and editorial services firm, he is co-organizer for the fifth annual New York Media Festival on October 5, including the RightsTech Summit, covering the latest innovations in the management and monetization of media rights. He has written recently on the growing investor appetite for rights and rights tech. Paul Sweeting joins me now from his Washington office. Welcome to Beyond the Book, Paul.

SWEETING: Glad to be here, Chris. I’m a big fan of the podcast.

KENNEALLY: Thank you very much. We are a fan of your blog there. It sort of popped out at us that when money calls, people want to listen. Money is calling right now when it comes to rights tech and the technologies involved in rights management and micropayments. You really lay out a good case for paying attention to this particular trend. I guess we should start with getting into really why there is a need for this. We’re talking here about the layer that connects the creative end of the pipeline with the consumer or the market-facing end. Why has that been a challenge up to now?

SWEETING: Well, most media businesses until fairly recently – certainly the music business, the publishing, the book business, even the movie business insofar as the



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largest revenue source came from DVDs – those businesses were primarily premised on the sale of units of goods and supplemented occasionally by bespoke, one-off assignment of rights. The dominant mode of consuming those media was either by the purchase of them by the consumer, or in the case of the video rental business, for instance, the purchase of those media by retailers who were then entitled under the first sale doctrine in the United States to rent those out. But it was still fundamentally based on the ownership of those copies.

What's happened in the last two decades at an accelerating pace has been a transformation of the primary mode of consumption from one based on ownership to one based on access. People now subscribe to services to access media content on demand. What that's done to the media businesses and rights-owning businesses is it's fundamentally changed how they make money. They no longer sell or they no longer predominantly sell copies of things. They have recurring revenue streams resulting from licensed access. That recurring revenue stream model has meant recurring payout obligations to those media companies.

The more usage you have of songs online or access to particular movies or TV shows online – every time one of those works is accessed by anybody anywhere in the world, that triggers a whole cascade of payout obligations in the form of license payments, royalty payments, and so forth – payments to investors, perhaps, on behalf of the media company or the rights owner. So there's been an enormous growth – an explosion of growth in the sheer number of transactions that are occurring, and until quite recently, the tools to manage all of those transactions, to keep track of all those uses, to match those uses to the appropriate people who need to get paid – that infrastructure hasn't existed, or existed at a scale that was not commensurate with the scale of the transactions that were occurring. So there's been a great need and a growing need for new technological infrastructure to manage all of those transactions.

KENNEALLY: The point you're making there, Paul, is that even as we have seen this important shift from the physical, analog products to the digital, recurring, licensed, accessed product, we haven't seen the technology sort of keep pace with that, and there have been reasons for that. What has been holding things back up to now?

SWEETING: Well, first of all, it's a difficult problem to solve. But a big problem is that would-be developers of that technology have been unable – for a variety of different reasons, unable to get their hands on the data that they need to build these systems. Many of these industries have historically been quite opaque when it comes to the flow of money from the consumer end to the creator end of the pipeline. That lack of transparency has made it difficult for entrepreneurs, for third-party service providers to get the data they need to build these systems.



That's now beginning to change, because the companies, the organizations, and the institutions within those industries – and by that, I include collective management organizations, performance rights organizations – have finally woken up to the fact that they have to be more transparent in their operation. So the data that technology developers need to be able to access in order to build these systems and make them run efficiently is starting to happen. That's a big part of it.

KENNEALLY: It also helps, Paul, I think, that this emergence of cloud-based computing, the storage infrastructure that goes with that, allow the kind of level of transactions to be managed, because we are talking, as you have referred to, to really millions, maybe billions, of microtransactions. Without that kind of back-end computing power, you just can't handle it.

SWEETING: That's absolutely correct. One of the things that has sort of happened in the background to all of this is that that business, the business of cloud computing and storage, has gotten a lot more competitive in the last decade. You have a number of very big companies providing those services – companies like Amazon with Amazon Web Services and IBM and Microsoft and Google. So the sort of base technological infrastructure for large-scale computing and storage has evolved and has emerged over the last decade, having nothing to do particularly with rights-based markets. But that infrastructure is now in place or is being put in place that companies in rights-based industries can now take advantage of it.

KENNEALLY: Right. And further to that, the emergence of blockchain, which we could do a whole show on blockchain, and we'll hope that you can put that on a bumper sticker for us, Paul – but blockchain as it relates to rights management has emerged as a potential solution and really a very disruptive one.

SWEETING: It is potentially very disruptive. Blockchain, for those who may not be familiar with it, is a form of distributed – what they call a distributed ledger. Think of it as every computer on a network – and a network could be a global network with thousands or millions of computers attached to it, and every one of them has a complete and current copy of a giant spreadsheet. And the spreadsheet is encrypted in such a way that the identity of the people transacting on it can be obscured, but the data is available for anyone to reference and to access.

It's also a technology that enables the use of cryptocurrencies such as Bitcoin or Ether or any of the now dozens, perhaps hundreds, of other alternative coins that are out there. It is the railroad tracks that Bitcoin runs on. That has the potential to bring a measure of transparency and democracy, if you will, to the data layer of all of these industries and perhaps to the actual process of payments.



There are a lot of companies working on blockchain-based solutions to rights management challenges in the music industry. It has become an area of very keen interest in the visual arts world – in photography, for instance – because it provides a way of registering authorship in a transparent and public way and then tracking the provenance of works over time. So it's become a big topic of discussion in those industries and even in the fine arts industry. It's now becoming a topic of conversation – I'm hearing it come up more among people in the publishing business – in the book business – and in the film and television business. But the music industry and the visual arts industries are probably furthest along in at least experimenting with blockchain.

KENNEALLY: With all this talk going on, when the money talks, it really raises the volume of things. You have documented where money is coming in that's going to really push us to the next generation when it comes to rights tech. In June, the Hipgnosis Song Fund raised \$260 million to invest in acquiring song capital, so you can tell us the importance of that. This fall, you're expecting an announcement for the first rights tech-focused VC fund, which may amount to a \$50 million war chest. What's bringing all this money in, and who are some of the players?

SWEETING: Well, Hipgnosis is one such player. It's a publicly traded fund traded on the London exchange. The VC fund I don't think actually has a name yet, but it's being launched by two people with extensive backgrounds in the music industry. What's driving it, Chris, I think is – well, a number of things, but one important component is that where you have recurring revenue streams, you have a measure of predictability of the returns on rights, because you can measure the recurring revenues and make projections with a reasonable degree of confidence as to what those revenue streams will be five years out, 10 years out. So where you have a measure of predictability in returns, essentially rights are becoming something like a financial asset class in their own right, because investors are always looking for predictability of returns.

In the past, where you did not have recurring revenue streams and the industries were quite opaque, that didn't happen in rights-based industries. But you now have that degree, or at least some degree, a greater degree, of predictability of returns, and that's sparking both merger and acquisition activity among rights owner themselves. People are buying and selling catalogs of rights to each other. It's also now attracting financial investors who are simply looking for predictable returns, as they would buying a stock or a bond.

KENNEALLY: All of this really throws light into, as you say, a fairly opaque area of the media world. And it is fascinating to think that we are going to start seeing some



real change, particularly when change has been something that has been resisted for so long. To learn more about these topics and others, listeners should take a look at the website for the RightsTech Summit, which is coming up Friday, October 5, in New York City. You're a co-organizer for the summit. Tell us what they could expect if they were to attend.

SWEETING: Well, the summit brings together folks from many different sectors of the media world. We have people from the film and television world, the music world, the book publishing world, the photography world, the fine arts world, as well as investors and legal professionals – all of whom are grappling with the challenges and opportunities that we've been talking about here, each in their own particular silo of the media world, but they're often dealing with very similar or related challenges and problems, and in many cases, looking at similar technical solutions to those challenges, as we were discussing with respect to blockchain. So what you get at the RightsTech summit is a sort of grand gathering of people from all of those different sectors to come together to see what they can learn from each other and to share their war stories.

Also, one of the really interesting dynamics in the rights tech space right now is a lot of companies that have developed solutions or partial solutions for one industry are now seeing applications for what they've built in other industries. A company like, say, Exactuals, which is a California-based company that had – its original business was the management of residual payments in the film and television business. It now just recently launched – it took some of the learnings from that business and has built a whole new music rights management platform. So you're now starting to get that sort of cross-fertilization from one industry sector – one media sector to another. That's what the RightsTech Summit is meant to foster and to highlight and to provide a place to talk about.

KENNEALLY: Well, it certainly is that – a place of cross-fertilization. One goes away having learned a great deal about things one gives no thought to in daily business life, because if you're not in that sector – here at Copyright Clearance Center, of course, we're more concerned with publishing. But the challenges that we face around rights and licensing are very similar indeed to those that are faced by music industry players, by the collective management organizations that you mentioned – ASCAP and BMI – and indeed the emerging world of film and video online. So it is a very worthwhile program. It's the RightsTech Summit, coming to the Museum of Jewish Heritage on Battery Place in New York on Friday the 5th of October. Paul Sweeting will be there. We've been chatting with him.

Paul Sweeting is the founder and principal of Concurrent Media Strategies in Washington, DC, and as we say, a co-organizer for the fifth annual New York



Media Festival, including the RightsTech Summit on Friday, October 5. Paul Sweeting, thanks so much for joining us today on Beyond the Book.

SWEETING: Thank you, Chris. It's been a pleasure.

KENNEALLY: Beyond the Book is produced by Copyright Clearance Center, builders of unique solutions that connect content and rights in contextually relevant ways through our software and professional services. CCC helps people navigate vast amounts of data to discover actionable insights, enabling them to innovate and make informed decisions.

Beyond the Book co-producer and recording engineer is Jeremy Brieske of Burst Marketing. I'm Christopher Kenneally. Thanks for listening, and join us again soon on Beyond the Book.

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