

Interview Richard Berger

Carsey-Wolf Center at UC Santa Barbara

14-18 minutes

In July 2011, Richard Berger, SVP of Global Digital Strategy and Operations for Sony Pictures Home Entertainment, sat down with MIP for an interview. In the excerpts below, Berger discusses the evolution of the digital locker service UltraViolet and addresses some of its present-day challenges. In addition, Berger counters the "bad rap" digital rights management has garnered by discussing how much DRM policies have evolved in an era of streaming media.

Richard Berger is responsible for developing digital strategy and overseeing digital distribution operations. His focus is on developing new digital usage models, applications and services that both increase the overall value proposition for Sony Pictures Home Entertainment digital media and contribute to the growth of the overall digital business. He also is responsible for evaluating emerging platforms and disruptive technologies that create new digital business opportunities.

UltraViolet

Tuesday, July, 26 2011

MIP: Tell us about the origins of UltraViolet.

BERGER: Internally at Sony, we started the “interoperability” discussions back in the early 2000s. At that time, I was working at Sony Corporation of America. This was when the discussion was focused on how to get our content to play on all of the consumer’s Sony devices. In 2006, I moved over to Sony Pictures Entertainment. I worked for Mitch Singer in a corporate group called Digital Strategy & Technology. Among other things, we were responsible for establishing digital policy across all of Sony Pictures’ digital distribution businesses. As the conversations evolved, and Mitch and I started working more closely on this together, we realized that when people buy digital content, they are going to want it to play on all of their devices (Sony and others), just like when they buy a CD or DVD. It was here where the initial ideas for UltraViolet first originated. At the time, we called it “Open Market” because we were trying to create an open ecosystem for content.

In reality, the need (and the idea) for UltraViolet really snuck up on us. Remember, the predominant digital business model at this point was rental, aka, Video on Demand (VOD). When you rent a movie on demand, it is usually accessible for 24 hours. You rent it, watch it, and then it goes away. In this environment, no one really thought about interoperability across systems and devices. It just wasn’t needed. As digital began to grow, service providers would come to Sony Pictures and say, “We are building this platform, and we want to license your content for it. Here is how we are going to offer it.” Then, we would talk to them about the usage model, sometimes for months. This really

became much more complex when we began to offer Electronic Sell-Thru (EST). Then the usage model discussions were about “how many copies can you make?” and “what devices can it be played on?” and “how do you access it?” and “how long does it last?” We were trying to enable a new business but needed to guard against unauthorized sharing of content, so managing the digital rights was an important part of the conversation with our licensees. Remember, this was not too long after Napster completely disrupted the music industry.

We didn’t realize it at the time, but the more digital services that we licensed our content to, each with different formats and usage models, the more we contributed to a fragmented marketplace for EST. If you bought a movie from one service and another movie from another service, each one had a different usage model and played back on different devices.

During the early/mid 2000s, there were some industry initiatives working to enable interoperability (like the Digital Living Network Alliance), but these groups never really figured out how to address commercial content. Those that tried had focused on the technology needed to get content securely out of the digital rights management (DRM) on device platform A into the DRM on device platform B. There was never consideration for how studios licensed content and defined the usage models for each service platform that sells the content. So even though the technology to enable interoperability was there, the rights granted to each service never permitted the content to flow from platform to platform.

As EST started to emerge as a viable business model, we

realized that the entire industry was thinking about licensing EST content in the wrong way. The studios were licensing content, but the “digital product” was actually being defined separately by each service provider. We thought that buying movies digitally should be more like buying DVDs. The industry created the DVD Forum to define the DVD as a standard format. Consumers don’t think about it because it is obvious. The stores that sell DVDs all sell the same movie product. *Spiderman* on DVD is the same product when I get home regardless of whether I bought it from Wal-Mart or BestBuy. And, because DVD is a standard product, any device manufacturer can build a player that will play that DVD. The creation of this product “standard” was essential in establishing DVD as arguably the most successful media format ever defined.

Yet for digital (EST) movies, we as an industry didn’t initially follow the DVD/standards model. I think it was because EST licensing followed the VOD licensing model. VOD was always offered as part of a single service provider’s offering. But in a sell-thru model, why should each digital retailer create and sell their own, distinct version of *Spiderman*? If you think about it, the *Spiderman* digital EST offering is a different product on Amazon’s digital service than it is on CinemaNow, or Vudu, or iTunes, PSN, or Xbox, and so on. This is like a format war on steroids. Digital movies, specifically those that are being sold in an EST model, should have a common format and a common usage model. We should make it a standard product like we did with DVD and Blu-ray. This standard digital product would be

available at multiple stores with a single, recognizable brand.

This was the break-thru idea behind UltraViolet. Because UltraViolet is a standard product with a uniform usage model, the interoperability is built into the digital rights at the time the studio licenses it to service providers. This is great for consumers who want to collect movies and great for the industry because now there can be an “open market” for EST that has the potential to really scale.

For it to really work, we knew Sony Pictures couldn't do it alone. We needed an industry consortium with multiple representatives across the entire content delivery ecosystem, each with a stake in the game. So, with a group of other studios, electronics firms, and technology companies, we formed the Digital Entertainment Content Ecosystem (DECE) in 2008. Its primary goal was to develop a set of standards for the digital distribution of movies and TV shows in an EST model. We set out to “productize” digital (EST).

Flash forward to 2011...Seeing the official launch of UltraViolet has been great for me personally because I have been there since day 1, developing the concept, pitching the idea to the other founding companies, forming the consortium, working through the product's evolution together with the other DECE members, and finally, launching the first Sony Pictures UltraViolet titles.

What are some of the challenges you face?

One of the biggest challenges we have as an industry, in general, is to figure out how to encourage people that migrate

from physical to digital to continue buying and collecting our movies and TV shows. You will consistently hear this from every studio. I believe UltraViolet is a big part of the solution. We just need to make sure to get the economics right for consumers and our customers (the retailers). We need to make sure consumers have a great experience at a fair price. With the launch of UltraViolet, we have dramatically transformed the way consumers can collect movies digitally. And, as more companies launch content, services and players as part of the UltraViolet ecosystem, the value to the consumer gets better and better.

How does the global market factor into the equation?

It adds a significant amount of complexity. Aside from the language differences, there are many different rules and regulations for content ratings, privacy policies, and content protection standards. Piracy is more problematic in some regions, which makes certain business models and offerings more difficult to establish.

As services expand into different territories, you can't always just replicate what you did in one territory for another.

Whenever there is variation in the digital supply chain, you have to create new workflows to support it. Obviously, as you expand and there are more variations, your complexity increases.

Standards can really help.

Apple has moved aggressively into Cloud computing, and they opted not to plug into UltraViolet. Is that a serious challenge, or do you think Apple has done itself a

disservice?

Apple is not currently a member of the DECE consortium, but membership is open, and Apple can always join any time they want to. UltraViolet has just launched. It is early days. The media is always quick to ask how Apple fits into the UltraViolet ecosystem. That is probably a question best answered by Apple. That said, without any Apple participation, we have already seen that UltraViolet movies can be streamed and downloaded on to Apple devices including the Mac, and iOS devices (iPad, iPhone and iPod touch).

Consumers have a choice when buying movies digitally. They can buy their movies on iTunes have and have a great experience within the Apple ecosystem, or they can buy their movies from an UltraViolet retailer and have a great experience as well. The key difference is that UltraViolet was designed from the beginning to be playable on a wide variety of devices made by multiple manufacturers and accessible via multiple services. That is the difference between an open standard and a proprietary service. The consumer's UltraViolet collection is separate and distinct from any one, single service provider or device platform. The consumer can choose which services and devices from which to access their UltraViolet collection.

DRM

Tuesday, July 26, 2011

MIP: Part of the allure of owning a movie is sharing it with your friends. But as soon as you share it in digital space

**with one friend, you share it with your entire social network.
How are you responding to this challenge?**

Berger: Ultraviolet has some built-in sharing with it. It's a family model where members of a single UltraViolet account can share content.

We will need to look at new kinds of models going forward, but traditionally, sharing has given studios a lot of discomfort. Think about how we have evolved. The usage model for DVD is "copy never," right? For the most part, people have been okay with that model but increasingly they are thinking, "I would like to have a back up of this DVD because it could get scratched." Now, we've resolved the problem by giving consumers multiple copies for multiple devices.

What has helped enable more flexibility?

Digital Rights Management (DRM) actually enables these kinds of models. It is the DRM software that enables you to make multiple copies of movie based on a single purchase. These copies can only be played on devices you own.

That sounds like less flexibility.

DRM gets a bad rap because the policies that have been traditionally applied to it have been very restrictive. Initially, studios used DRM to prevent people from making copies. In fact, we used to call it copy protection. Now, the digital rights or usage models we grant are much more flexible. Unlike DVD, the rights that a user gets when they buy a movie digitally permit unlimited copies on the devices they own. Now, think about the terminology: digital rights *management*. We think of it as an

enabling technology. It enables a usage model like Ultraviolet. If you bought a movie with the model Ultraviolet offers, what more would you want that you are not already getting? Your digital rights are stored in the cloud. You can download, stream, make copies, remotely access your content from the service of your choice. Essentially, anything you would legitimately want to do with your content, we enable.

Policies applied to DRM are much more evolved now. Now, we don't care if you copy it as long as it's within the confines of the usage model we've laid out for consumers. For example, if we offer a rental for \$3.99, should you be able to keep that forever? No. The rental is for 24 hours and after the 24 hours is up, the rental expires. DRM enforces that model. Now, if you want to rent a movie for 24 hours but keep it permanently, then DRM will not be your friend. If we didn't have DRM, we couldn't offer digital rentals as a lower-cost option for consumers.

Is there a concern DRM enables too many options? For example, what if consumers won't buy a digital copy because DRM has enabled companies like Netflix to offer unlimited streaming?

I don't think so. We want to give consumers choices. If you really want to watch a movie when it first comes out, you can go to the theater and pay to see it on the big screen. If you want to watch it when it first becomes available in your home, you can rent it or buy it. If you want to wait a little longer and not pay separately for it, you can receive it as part of a subscription package. Eventually, if you wait long enough, you can watch it for free with ads. We couldn't offer different models – a rental

model, a sell-through model, different release windows – without DRM.

I don't know what the magic number of choices is, but if you don't offer enough choices, you are going to have a problem, too. I think the industry is trying to figure out where the market is going. New technologies constantly disrupt traditional distribution models. Rather than fight it, I think we are embracing it. We are actively trying to figure out ways to innovate with new distribution models and monetize them. We've learned a lot over the past 10 years. If there are too many options, consumers will tell us by not opting in.

We've spent a lot of time talking about sell-through, but what models are emerging for rentals and subscriptions?

Have you ever rented a movie on a Friday night but fell asleep before finishing it? Then, by the time you sat down on Saturday night to finish watching the movie, time expired on your rental and it was gone. We are looking at extending the viewing period of VOD rentals from 24 to 48 hours. A simple change in digital rights, but a great improvement in the consumer experience.

Additionally, we are looking at early home premieres of certain movies as a premium VOD offering.

[Read the complete transcript of our conversation with Richard Berger in *Distribution Revolution: Conversations about the Digital Future of Film and Television*.](#)