

Online Sports Video:

Rights, Revenues and
Forecasts



screen Digest

**Online Sports Video: Rights, Revenues and
Forecasts**

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4 OSV: Technology and infrastructure

Along with the boom in online video has come a boom in vendors seeking to provide technical solutions to this market. The provision of online video is a complex enterprise. In its simplest form, it is comprised of several key components:

- capture and production;
- encoding, ingestion and metadata;
- DRM, billing and content rights management;
- distribution.

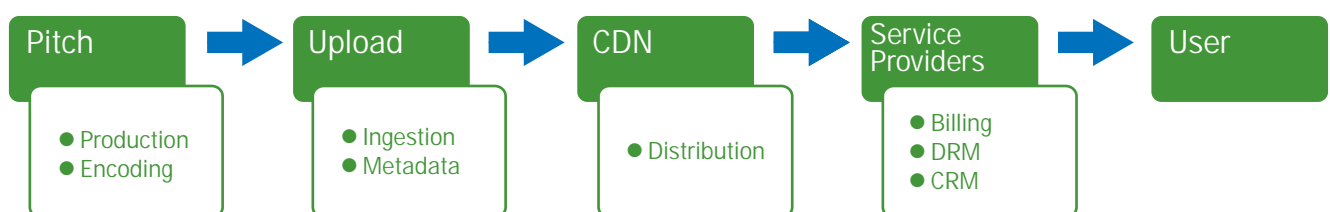
No single company offers a complete end-to-end (pitch-to-consumer) solution, although with the acquisition of Ireland's solutions provider Servecast, data network operator Level 3 comes pretty close. The delivery of high quality video over the internet goes beyond the simple relationship between rights holder and service provider. There are always third parties involved at some point in the

chain. The underlying picture reveals a number of different parties with divergent interests, which may broadly speaking be grouped as follows:

1. Service providers: covers a wide group of companies which handle a range of functions from video encoding and production to designing and maintain websites, managing transactions and DRM

2. CDN: content delivery network, a system of computers connected to the internet at various locations worldwide that hosts and distributes content. CDN deployment strategies vary; some have a small number of outlets strategically positioned around the globe, while others have a greater number of points of presence spread close to the end user. From the perspective of video providers the exact set up of the CDN

Simplified sports video technical chain



cent combined of all open internet delivered TV download purchases and rentals in the US. Moreover, subscription PC application platforms offered by pay-TV companies, such as BSkyB's Sky Anytime in the UK, can effectively be considered PC-based precursors to much more ambitious on-demand strategies centring around the pay-TV set-top box (especially for satellite operators, who do not have their own closed wireline video-capable network). Allied with Ethernet-enabled satellite set-top boxes with large hard drives, embedded applications on the set-top box will enable video content to be downloaded to the subscribers' pay-TV box and directly displayed on the TV set. In some countries, such as the UK, where a large number of homes are able to receive free DTT services, the possibility of Ethernet-enabled retail DTT set-top boxes is also likely to have significant potential in bridging the gap between online delivery services and the TV-set.

Piracy

As sports rights deals become increasingly lucrative and the importance of new media rights grows, content owners need to find ways to protect their product. Online video piracy is impossible to quantify reliably, but it has undoubtedly increased due to peer-to-peer distribution and the proliferation of social networks and sites hosting user-generated content. Although this report focuses on the development of legal online sports video, the issue of piracy must be addressed as the illegal distribution of content influences the strategies adopted by anybody seeking to distribute sports content legally. If anything, 'live sport' in particular has arguably been the largest driver of piracy in the smart card pay-TV market - a trend that is starting to be emulated in the online environment.

Sports organisations in the EPL's class action against Youtube (as at Jan 08)

Association of European Professional Football Leagues

English Premier League

Federation Francaise de Tennis

Finnish Football League

Knockout Entertainment Ltd

Ligue de Football Professionnel

Rugby Football League

Seminole Warriors Boxing

Starting with the problem of user-generated video, the problem of dealing with unauthorized clips posted on user-generated platforms has divided rights holders. Some have chosen to work with the developers of new platforms in order to syndicate content, whilst other have chosen to litigate in a hardline effort to restrict content to a handful of approved outlets (or, in some cases, just one site).

In the first instance, in the example of YouTube, some sports rights owners such as the NHL, NBA and FC Barcelona have chosen to enter into partnerships with the video-sharing site. There is an implicit understanding that organizations have recognised the inevitability of unauthorized content appearing on the site and are doing their utmost to monetize it. They receive a share of the advertising revenues from their official YouTube channels and, if unauthorized clips are found elsewhere on the site, they have the choice of removing them or sharing in the ad revenue from the user-uploaded video. Notably, this approach has found special favour with niche sports. The National Lacrosse League (NLL) may only have 125 subscribers to its YouTube channel (as of mid December 2007), but this outlet provides additional revenue and an opportunity to grow the sport's fan base (the NLL for example also has a deal with Veoh, and increasing its level of exposure).

Whilst the number of official sports deals with user-generated sites is growing, the list of sporting organizations suing YouTube is also increasing. In May 2007 the English Premier League (EPL) filed a copyright infringement class action against the company claiming the website had 'knowingly misappropriated and exploited' the EPL's intellectual property, encouraging users to view unauthorized content on the site. Other sporting bodies including the UK's Rugby Football League and the French Tennis Federation have joined the ongoing suit.

The action by the EPL demonstrates a fragmented approach to piracy even within individual sports leagues. Whilst the EPL is suing YouTube, one of its member clubs, Chelsea FC, has embraced the website's revenue sharing model by offering archive footage and news on its own dedicated channel.

The problem, in the US at least, stems from The Digital Millennium Copyright Act (DCMA), which though increased the penalties for online copyright infringement,



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