

# Merit Network

## IPTV Workshop

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**"It's really like the Wild West, with a whole lot of digging going on to find the right business model."**

Bill Sanders, vice president of mobile programming at Sony Pictures Digital Inc., (in a recent interview with InfoWorld)

**"Mobile TV will be a new distribution platform that will allow the media industry to expand its audience, widen prime time and re-use popular content."**

Richard Sharp, Nokia (in recent interview with BBC News)



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# Quick Overview: Content Distribution

- Traditional Content Distribution.
  - Traditionally, middleman (publisher/label/studio) required to get work distributed.
  - They have much input into creative aspects of the content, methods of distribution.
  - Artists lose creative freedom; new ideas don't make it to market due to "bottom line"
- Digital distribution = new business models.
  - Payment models
  - Flexibility
  - Direct financial reward = increased direct profits
  - More artistic freedom
  - Accessibility to all artists, not just published artists
  - Low overhead

# Overview on Content Distribution

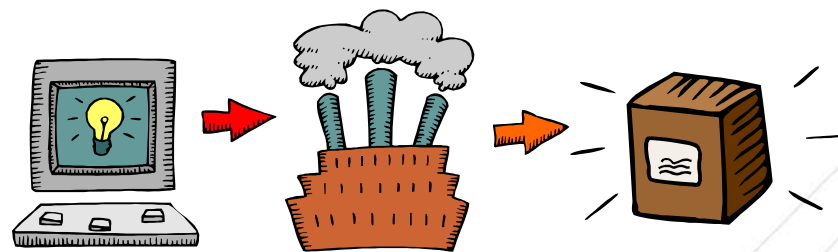
## DISTRIBUTION

Deals with logistics: how do you get the product or service to the customer.

- Where should the product or service be available?
- When should the product or service be available?
- Should distribution be exclusive, selective or extensive?
- Should channel relationships be informal or contractual?
- What are marketing obligations?

Chains of distribution: how many before it reaches the consumer?

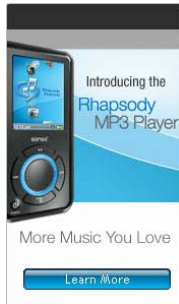
- Selling direct
- Agent, who sells on behalf of the producer
- Middle distributor who sells to retailers
- Retailer who sells to end customers



# What is IPTV Distribution?

- IPTV: programming is distributed via a video stream encoded as a series of IP packets.
- Distribution Models: free/fee-based live/stored video bundled/standalone.
  - Traditional television: all programming is broadcast simultaneously, viewer programs by changing the channel.
  - IPTV: one program at a time, content resides on service provider's network and only the program viewer selects is sent. When a viewer changes the channel, a new stream is transmitted from the provider's server directly to the viewer.
- IPTV requires certain technology to enable it.

# CONTENT ROUND UP



# Some Regulatory Considerations

## **Problem:**

- In 2004, AT&T and Verizon began updating their local fiber networks to accommodate digital video, voice over IP & high-speed internet.
- Near the end of 2005, Verizon was only able to secure 14 franchise agreements with local authorities.
- Leads to possible delay of entry into IPTV service by nine to eighteen months.

## **Solution (FCC Franchise Reform):**

- Dec. 2006 - FCC voted in favor of new guidelines to streamline the process for companies like AT&T and Verizon to enter the television business with their IPTV service offerings.
- The FCC concluded that the current operation of the local franchising process constitutes an unreasonable barrier to entry that impedes the federal goals of enhanced cable competition and accelerated broadband deployment.
- The FCC's order addresses only the municipality level, not state level

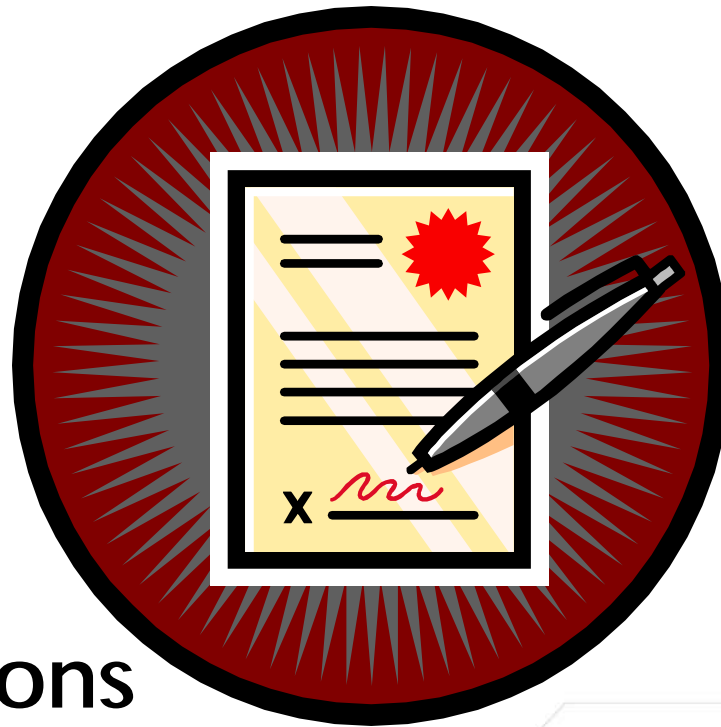
# Michigan's Answer

## The Solution in Action (Michigan Centric):

- Michigan has eliminated the need for cable providers to negotiate separate contracts with municipal franchises
- Effective 1/1/07: Verizon and AT&T can enter into a uniform franchise agreement that is effective statewide. The new process aims to speed the rollout of IPTV service and increase competition.
- AT&T has promised to invest \$620 million and hire 2,000 new workers in Michigan while building its IPTV network.
- Similar legislation, patterned after Michigan, is being introduced in Ohio.

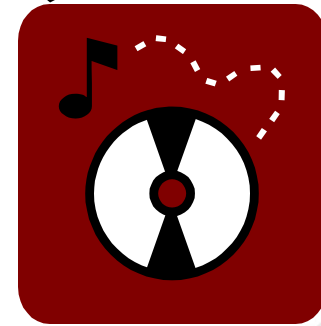
# IPTV Deal Points

- Type of Content
- Technology
- Services
- Payment Terms
- Termination
- Branding
- Strategic Provisions



# What Type of Content?

- Music – special considerations (download, streaming, time-out)
- Movies – special considerations (DRM, PPV, Subscriptions)
- Relationships with content providers
- What is the product or service? (on-line, subscription)
- Blanket licensing issues
- Exclusions to license
- Exclusive/Non-exclusive use



# Know the Technology

- Copyright
- Patent
- Modifications
- Exclusive/Non Exclusive
- Distribution
- Platform



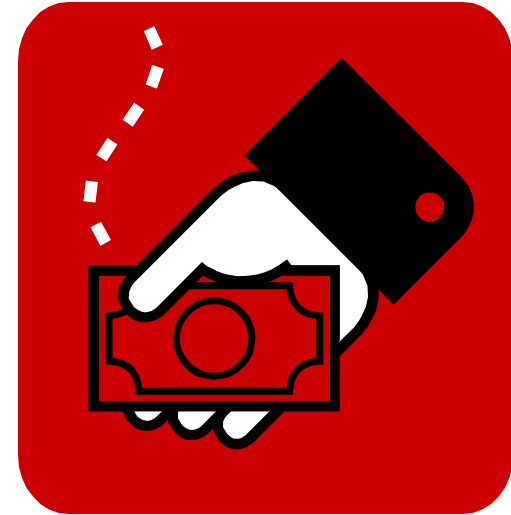
# What is the Service, Who is Responsible?

- Statement of Work
- Define all deliverables
- Break out responsibilities
- Customer support
- Product customization
- Tech support
- Fulfillment
- Internal approvals



# Payment Terms

- Fees for services/products
- Payment terms
- Pricing for services provided
- Revenue share definitions
- Non-payment
- Discount levels
- Revenue recognition
- Collection
- Finance approval



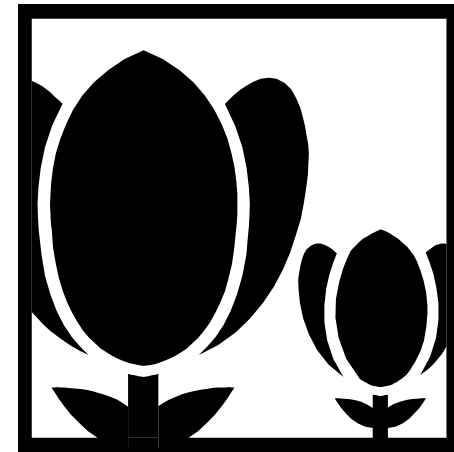
# Termination

- Why would you want to get out?
- How will you allow them to get out?
- Restrictions on termination
- Termination for non-payment
- Termination for performance

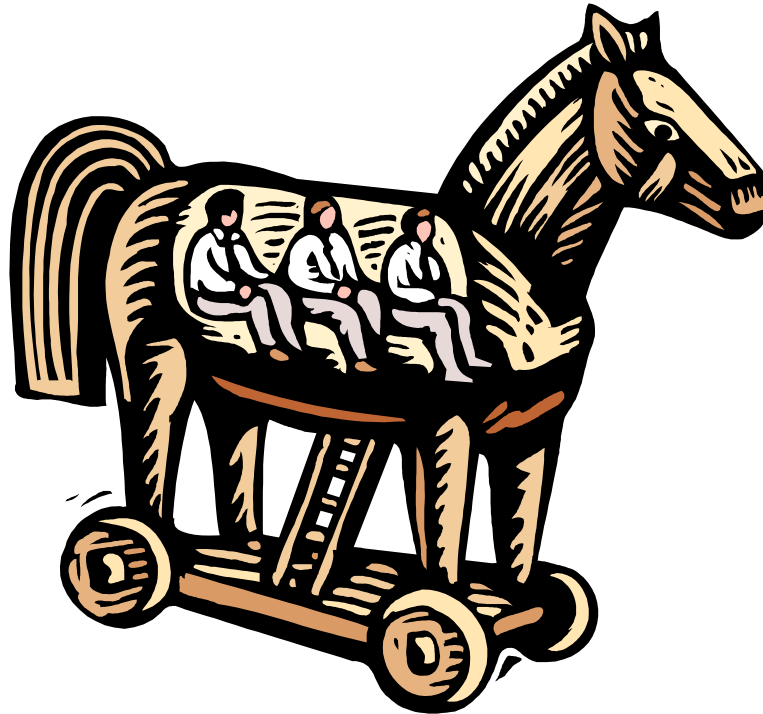


# Don't Forget Branding

- Which Brand
- Approval process
- How to use & not to use
- Enforcement of brand
- 3rd party pass through rights



# Strategic Provisions



- MFN
- Exclusivity
  - Territory
- Marketing
- Side Letters
- Sister Deals

# THE END

Thank you very much!

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