

Virgin Media and Universal launch music service

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(AP) -- Virgin Media, the cable TV operator owned by entrepreneur Richard Branson, launched a new kind of music download subscription service Monday with Universal, the world's largest music company.

The service, described by the companies as a world first, will allow Virgin Media's broadband customers in Britain to stream and download as many songs and albums as they like from Universal's catalog for a fee.

But entertainment lawyers said the service was unlikely to solve the global music industry's problem of billions of dollars lost to music piracy, and would need to offer content from big-name entertainers to be attractive to consumers.

Universal, by far the biggest industry player, has a roster of talent that includes U2, Elton John, the Rolling Stones, Amy Winehouse, Duffy and James Morrison.

Virgin said it was continuing talks with other British major and independent music labels and publishers about including their artists in the new service.

The music will be available to download in an MP3 format, giving buyers the ability to listen on a range of devices, including iPods, mobile phones and PCs as well as other MP3 players.

The subscription service, due to be available later this year, builds on

mobile phone unlimited download services such as Nokia's "Comes With Music," - allowing for a massive range of music to be downloaded - as the industry fights a losing battle against illegal downloading.

Revenue from digital music sales rose 25 percent last year to \$3.7 billion, according to the International Federation of the Phonographic Industry. But those legitimate music sales did not come close to offsetting the billions of dollars being lost to music piracy - an estimated 95 percent of music downloads are still unauthorized.

IFPI Chairman John Kennedy said the new Virgin-Universal deal was "the kind of partnership" between a music company and an internet service provider (ISP) that he expects to shape the future of the music business internationally.

The IFPI has been harshly critical of ISPs in the past for exploiting loopholes in copyright laws to allow them to avoid clamping down on people who illegally download music using their services.

"It epitomizes the way in which the music business is adapting to the digital world, embracing new business models and responding to the changing needs of consumers," Kennedy said of the new service.

"It also marks new ground in ISPs' willingness to take steps to protect copyrighted content on their networks, and that sets a very encouraging example to the whole industry," he added.

Virgin and Universal said they expected the new service to "drive a material reduction in the unauthorized distribution of its repertoire across Virgin Media's network."

They said they will also attempt educate file sharers about online piracy, temporarily suspending Internet access for persistent offenders.

Virgin did not release details of the anticipated monthly subscription costs Monday, but said an "entry level" offer would also be available for customers who download music regularly, but may not want an unlimited service.

"Britain has a world-class reputation for artists and music," said Lucian Grainge, Chairman and Chief Executive of Universal Music Group International. "Now British consumers will have access to a world-class digital music service. I believe this puts all of us at the forefront of a new era."

But Jerry Reisman, a partner at U.S. law firm Reisman, Peirez and Reisman said that the Virgin-Universal deal will not make a big dent in the piracy market.

"The Virgin Media platform may add options for the over 30 crowd but the under 20 segment will still pirate the music for free," said Reisman.

Cliff Fluet, a partner at London law firm Lewis Silkin, said that the price of Virgin's service could not be determined until it was clear if artists other than in Universal's stable were on board.

Potential customers would also want to know if the service would offer tracks free of "digital rights management," or DRM, technology that limits people's ability to copy songs or move them to multiple computers, he added.

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