

Apple's cloud music could finally make piracy pay

June 7 2011, By RYAN NAKASHIMA , AP Business Writer

Apple Inc. CEO Steve Jobs on Monday introduced more than just a cloud storage system for songs that fans buy legitimately through iTunes. He unveiled a system that might finally get music lovers to pay for the songs they got through less-than-proper means.

Aside from offering to freely distribute new and old iTunes purchases on all of a user's devices, the Apple impresario unveiled "iTunes Match," a \$25-a-year service starting this fall that will scan users' devices and hard drives for music acquired in other ways, store it on distant [computer servers](#) and allow them to access it anywhere.

The service acknowledges a well-known fact - that most music on [iPods](#), iPhones and iPads was ripped or swapped. Apple reached a deal that gives recording companies more than 70 percent of the new fees, addressing a dark secret that has crippled the music industry, and provides them with some economic payback.

Where Apple is able to identify and match songs from its 18 million-song database, it will transfer them into the user's iCloud, a storage area housed on servers, including those at a massive new data center in North Carolina.

"The chances are awfully good that we've got the songs in our store that you've ripped," Jobs said.

Where songs can't be identified - say of bootlegged concert recordings -

users can manually upload them to the cloud and gain the same access.

Jobs called it "an industry-leading offer" compared with similar song-uploading storage services recently introduced by Amazon.com Inc. and Google Inc. The limit of "iTunes Match" is 25,000 songs, and the service will update lesser-quality song files to iTunes standards. iTunes purchases do not count against the limit.

Industry observers said the new service could translate into big bucks for both Apple and the recording companies.

Apple has about 225 million credit card-backed accounts on iTunes. If only 10 percent signed up for the convenience of accessing music they hadn't bought there, it could turn into more than \$500 million a year in new revenue, said Jeff Price, CEO of TuneCore Inc., a company that helps independent artists sell their music on iTunes and other digital music outlets.

The best thing is that consumers get the sense that they're paying for convenience, not for things they already own, he said.

"It allows for revenue to be made off of pirated music in a way that consumers don't feel that's what they're paying for, and that's what I find fascinating about it," Price said.

Both the free and the paid cloud services address a pressing need - to access music, documents and photos that are now stored on various devices - without the need for connecting wires to a computer. Such syncing has been a headache for music fans.

"If you're a music fan, the greater the fan, the greater the frustration," said Eric Garland, the CEO of online media measurement company Big Champagne LLC.

Garland said that he expected "[iTunes Match](#)" would allow consumers to stream music to themselves if they have any Internet connection by the time it is released in the fall, a capability not mentioned in Monday's presentation.

Such streaming capabilities are part of the cloud services recently launched by both Amazon and Google. But those technology giants failed to come to an agreement with the recording labels.

Therefore, both of those services require users to upload music from their computer before playback, which can take hours depending on the size of one's library. Apple said it can match users' songs in the cloud in "just minutes."

Amazon and [Google](#) felt they didn't need that ability to launch their services, but they may soon find they do if Apple's service takes off.

Recording companies Warner Music Group Corp., Vivendi SA's Universal Music Group, EMI Group Ltd. and Sony Corp.'s Sony Music Entertainment are hoping their deal with Apple will bring those holdouts back to the table, said Eric Custer, a [music](#) and entertainment lawyer with Manatt, Phelps & Phillips in Los Angeles.

"It may light a fire under them to now try and conclude those deals," he said.

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