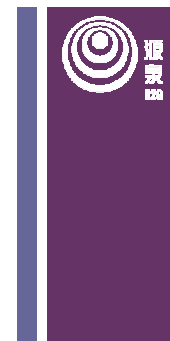




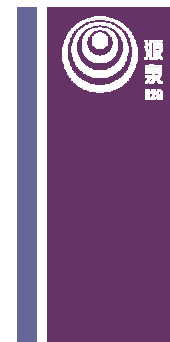
Copyright infrastructure for business models online

Jun Wu – CEO of R2G

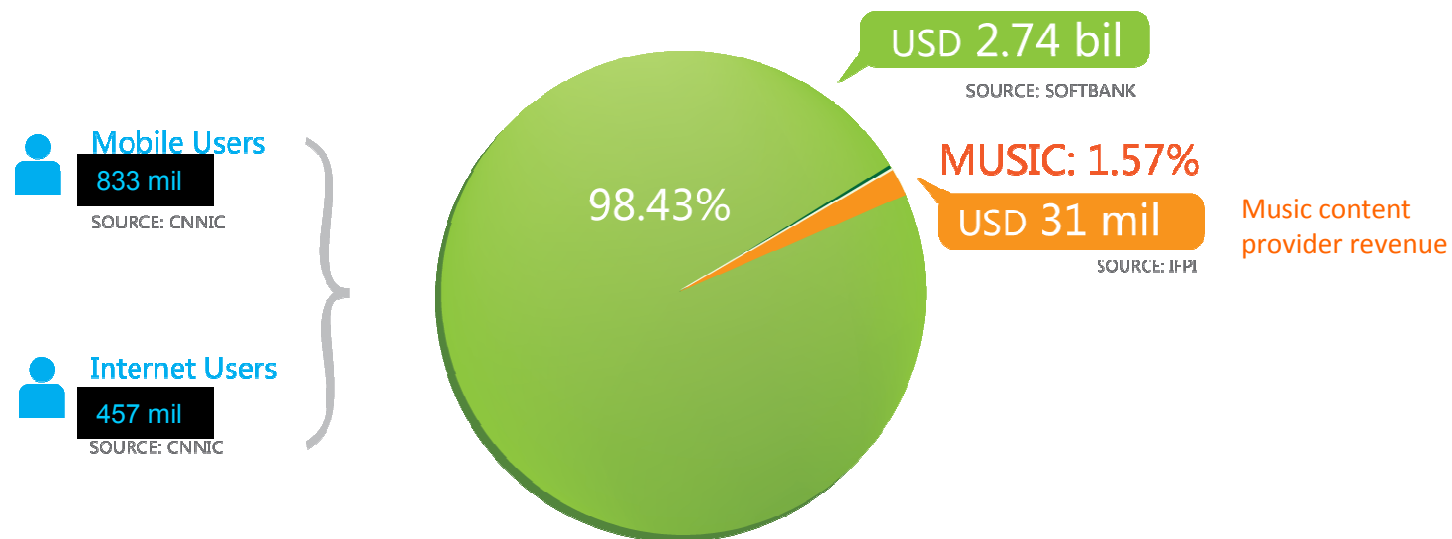


+ Internet holds great promises for CPs as well as SPs

- No production cost, or logistics cost
- Artists are able to reach and interact with their audiences through just a few clicks or swipes of their fingers
- New applications are being introduced to Internet users everyday. As a Content Provider, your content can be packaged into many different products and sold/used through many different channels
- The openness of Internet also means that it is a great medium for the long tail content. Meaning, more and more CP will have a fair chance of success
- **HOWEVER, NONE of these promises are yet to materialize**



+ The realities in a developing market like China



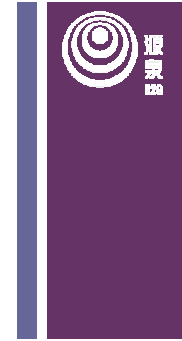
- Unlike the case in the developed countries where the onus is on the SP to ensure that licenses are cleared, in China the onus is on the CP to enforce their IP



+ Missing link – Proof of ownership

- Proof /Verification of content ownership.
 - Service provider can be very selective in choosing which Content Providers they will cooperate with.
 - Without such a link, few licensing transactions can be conducted in a long term fashion even for the SPs who choose to license from legit CPs.
 - Often, some fake CPs will also take advantage of this situation by facilitating false licensing.
 - Collectively, this created an environment that is encouraging SPs to pirate.

- The old mechanism just is not suitable for Internet
 - Albums versus Singles
 - Speed of verification



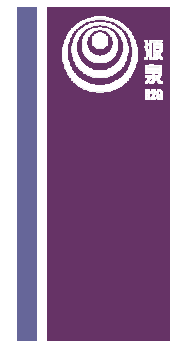
+ Some specific numbers from R2G

- 9 legal cases vs. 7 companies
- Awards of USD 10,000 each at USD 300-1100 per song
- Resulting value: USD 200k in revenue from subsequent licensing to 5 of these companies.
- Typically, these cases will last 1 – 1.5 year
- **Financially this is NOT viable a business longer term**



+ Possible business models

- Service Provider
 - User generated (e.g. iTunes) vs. Advertising driven (e.g. Pandora)
- Content Provider
 - Advertising event centric vs. Licensing centric
- Business model issue
 - Application specific (Download, Streaming, CRBT, Game)
 - Geographical coverage
- Infrastructure issues
 - Proof of ownership (and scope), CP validation



+ Key characteristics of this LINK - the infrastructure

- Business model neutral
- Balanced between the CP and SP
 - Enforces copyright
 - Encourages new innovation
- Dynamic and Scalable to implement
 - It should have the same characteristics of many successful Internet applications
- **Once put in place, it will truly benefit value creators in the value chain in the digital age!**