



FOOL ON THE HILL

Sony's Death Grip

Sony Entertainment's Japanese division announced a new digital rights package called "Label Gate," which would restrict the ways that pre-recorded CDs could be copied. The music companies, scrambling to explain a multi-year slump in record sales, are pointing to an easy target -- pirates. But recording restrictors such as Label Gate are more likely to aggravate legitimate customers than help sales.

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This just in: The music industry is running scared. Many record execs had hoped the multi-year slump in new album sales would be over after the courts dismembered file-sharing service Napster in 2000. However, the centralized -- and thus easily prosecutable -- file-sharing model Napster pioneered has been replaced with a decentralized, impossible-to-destroy, peer-to-peer model.

Yes, people [continue to swap files](#), especially music and video, regardless of Napster's demise. The music industry is tearing out its collective hair looking for solutions to this problem, upon which they lay the blame for a multi-year slump in recorded music sales.

Sony Music Entertainment (Japan), a division of **Sony** ([NYSE: SNE](#)), answered the call last week, announcing the advent of its new "Label Gate" digital rights management (DRM) package. Beginning in 2003, all CDs released from Sony Japan will carry this protection.

Label Gate is a one-two punch: Every track on a protected CD will be encoded, and the customer must use Sony's proprietary software to play back the tracks on a computer. This prevents people from converting the music tracks ("ripping") into other formats, such as MP3 or WAV, and sharing them over the Internet. Sounds pretty good, right? Wrong. Not for consumers, and, ultimately, not for Sony.

Buy it, then buy it again

The sorts of problems associated with this type of approach are legion. First off, to be able to save the audio tracks on your PC, you have to register online. You are allowed to decode the tracks and save them once. If your PC crashes, if your spouse or child accidentally deletes the tracks, or even if you have more than one PC, you have to pay again to "unlock" the tracks. Worse still, you don't have the option of just buying the tracks you want -- you have to buy them all, at \$1.64 apiece. For the average CD containing 12 tracks, that comes to \$19.68. Yes, you pay again for a CD you already own.

Second, suppose you have a portable audio device, such as a Nomad or an iPod, and you want to listen to the music there. If you have a PC, then you *may* be in luck. Mac and Linux users have no recourse, as the CD won't even play in their computers to begin with. The PC user can use the Sony software, register the CD, and save the song files, but they can only be played back via the Sony software. Sony claims you can copy the files to audio devices that comply with the OpenMG DRM technology, but which devices comply and how this is accomplished are unclear.

Finally, Sony claims Label Gate protection will not prevent their CDs from playing normally in home audio equipment. However, many CD players now support the playback of MP3 files, which involves decoding. Presumably, the protection on the CD will guard against this type of playback.

Hint: File sharing isn't the problem

So why would Sony -- or any record company, for that matter -- make a move like this? The record companies view file sharing as the major culprit in the drop in record sales over the last few years, and they believe stopping it is central to helping revenues rebound. Never mind that CDs are obnoxiously expensive (several major labels were convicted of CD price-fixing and fined over \$150 million last year). And never mind that a consumer considers herself lucky if more than two tracks on a new CD are good. No, it must be because of the music pirates.

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Unfortunately, this sort of action on Sony's part only hurts consumers -- those that legitimately buy their products -- by making listening to music a hassle. Further, it violates the doctrine of Fair Use -- the ability to use a product you have legally purchased in any legal way you see fit. Sony has effectively made it impossible for a user with a couple of computers and an MP3 player to make copies of songs he has legitimately purchased. Further, DRM software actually *encourages* people to search for "unrestricted" copies of tracks online, through peer-to-peer networks. Unrestricted tracks would allow you to listen to the songs wherever and whenever you please.

If the record companies want to compete with peer-to-peer networks, they're going to have to find a way to give customers fast, inexpensive access to music. Restricting access and hassling customers is bad business, no matter how you look at it.

[Joshua Brown](#) -- a longtime Fool employee -- once ripped tags off his mattress at home. This is his debut article. He owns none of the companies mentioned here. The Motley Fool has a [disclosure policy](#).