

## Warner Music pulls videos from YouTube.

as published by Reuters

Warner Music Group ordered YouTube on Saturday to remove all music videos by its artists from the popular online video-sharing site after contract negotiations broke down.

The order could affect hundreds of thousands of videos clips, as it covers Warner Music's recorded artists as well as the rights for songs published by its Warner/Chappell unit, which includes many artists not signed to Warner Music record labels.

The talks fell apart early on Saturday because Warner wants a bigger share of the huge revenue potential of YouTube's massive visitor traffic. There were no reports on what Warner was seeking.

"We simply cannot accept terms that fail to appropriately and fairly compensate recording artists, songwriters, labels and publishers for the value they provide," Warner said in a statement.

YouTube is hugely popular, with more than 100 million viewers in the United States alone in October, according to comScore, a Web audience measurement firm.

Warner Music, home to artists including Red Hot Chili Peppers and rapper T.I., was the first major media company to negotiate a deal with YouTube in 2006. Its executives believe that deal gave the site legitimacy in the eyes of search giant Google Inc (GOOG.O) which bought it soon after for \$1.65 billion.

As part of the original 2006 negotiation, Warner, Universal Music and Sony Music all took small stakes in YouTube pre-acquisition and profited when the Google acquisition closed.

The music companies typically get paid a share of any advertising revenue associated with the video and a per-play payment for every video viewed. The per-play fee is usually a fraction of a penny and with millions visiting YouTube everyday it was all expected to add up to a substantial amount.

But a source familiar with Warner Music's talks said the amounts it has been receiving from YouTube were "staggeringly low".

YouTube representatives did not immediately return calls for comment.

YouTube executives have spent most of 2008 stepping up efforts to develop revenue streams on the site partly in a bid to keep content partners happy. It has been in long negotiations with Warner on how best to split revenues until things came to a head in talks on Friday.

"Despite our constant efforts, it isn't always possible to maintain their innovative agreements," YouTube said in a statement on its blog about difficulties of music licensing. "Sometimes, if we can't reach acceptable business terms, we must part ways with successful partners."

YouTube also has agreements with Vivendi's (VIV.PA) Universal Music Group, Sony Music Entertainment and EMI Music. Warner's move could see them also making tough demands for higher fees.

The demands could leave YouTube in a difficult position as it tries to balance the need to pay a reasonable fee to content partners, including TV and movie companies, and also generate enough return on the substantial investment needed to keep streaming millions of videos around the world.



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