

First, let me offer a great big thank you to Youtube from me and everyone on the internet, including many small businesses. Im just guessing here, but based on reports coming from Compete and others, I don't think its a stretch to say that Youtube subsidizes the cost of more than half the user generated internet bandwidth consumed in the United States.

Yep, you read that right. If you thought that the internet only used free as an incentive back during the Bubble Years, think again. I'm sure I speak for 10s of millions of us who have hosted videos on Youtube when I offer much gratitude to Google for their generosity. Never could even I have imagined that when they bought Youtube it would be such a costly mistake. If buying a company in order to subsidize the [video bandwidth of the internet isn't crazy](#).., I dont know what is.

Fortunately for Google, they have unquestionably the world's best network and most likely the world's lowest bandwidth costs. So if anyone is going to be able to afford that cost, it would be Google.

As long as their stock price doesn't fall another 50pct that is. At that point even the most forgiving shareholder may ask about the wisdom of subsidizing all things video on the internet. Particularly when they realize that they have forgotten to price in the overhanging risk of the legal copyright challenges still in play against Youtube. Those lawsuits have not gone away, and the risk certainly has not been reduced. They simply are not front of mind to shareholders these days.

But they may be front of mind at Google. Maybe It's just the cynic in me, but I think the primary reason behind the enhancement of [Youtube APIs](#) and the removal of the Youtube watermark have more to do with copyright than anything else

You see, when Youtube offers their API and allows users of all shapes and sizes to host video on their own sites, rather than on Youtube or Google, the copyright risk to Youtube disappears. At that point Youtube is truly just a service provider and they have no idea what content they are hosting. That gets them legal.

Currently, Youtube is not allowed to know what content is being uploaded and available on their website unless it is content for which they have a signed deal. Pundits like to attribute the lack of ads around content to advertisers concern for the uncertainty of proximity to who knows what kind of video. I don't see it that way. There is always a price advertisers will pay for Run of Site ads. The risk is not the advertisers' its Youtube's. They can't place ads according to user uploaded content because they aren't supposed to know what or where that content is.

So back to the APIs.

If a website uses the API to post a video on their own site, they assume all the copyright risk. Youtube is in the clear.

Pushing the copyright risk to the site using the API is great news for Google. They now control that's website's video economics because they are still assuming 100pct of the bandwidth costs. Because of this 1999 style generosity, Google is hoping that the website will now take advantage of any and all of their advertising programs that generate revenue for the site and of course for Google. I think thats a trade off most sites wanting to host video will make. Particularly with all the options that Google/DoubleClick can now offer and of course the fact that their Terms of Service include the following preclusion from selling advertising in and around the Youtube hosted content:

"the sale of advertising, sponsorships, or promotions targeted to, within, or on the API Client or YouTube video content;"

So because of the API, Google goes from not being able to generate more than trivial revenue on Youtube to being able to generate limitless revenue on 3rd party sites.

Now that is not crazy. Thats a smart move if they can get traction with it.

In fact, a some point in the future, don't be surprised if Google makes it more and more difficult to upload video on to Youtube by REQUIRING you to sign a license for the content first. Thats a heck of a lot cheaper than paying 150k dollars per infringing download.

If I am MicroSoft, I'm freaking out realizing that something needs to be done to pre empt this move.

Your move MicroHoo.