

What is it about youtube.com that has made it so successful so quickly ? Is it the amazing quality of user generated content ? Is it a broadband fueled obsession with watching short videos ?

No & No.

Youtube's rapid ascension to the top of the traffic ranks can be attributed to two and only two reasons:

1. Free Hosting from any 3rd Party site

Hey, why pay for bandwidth for a video if you dont have to ? A blog, a myspace page, an email, any website. Just throw in some html in Youtube.com foots the bill for bandwidth. Sure you are limited by size of file, but so what. Just chop it up into parts 1 through N. Its fast, easy and free.

Come to our website and use our video hosting services, we can party like its 1999 all over again !

2. Copyrighted music and video.

I dont have a count, but i bet Daniel Powters' Bad Day is attached to some video snippet of every sporting event ever played , with links sent to fans of every losing team. [Pirates season](#), [You had a Bad Day](#), [Spurs vs Mavs](#), [Mavs vs Suns](#), [Mavs vs Heat](#), Yankees vs Red Sox, etc, etc, etc. Bad Day, Bad Day , Bad Day. If Daniel had a nickel for every time his song was used in a YouTube sports video, he would be a much richer man.

This so reminds me of the early days of Napster. They were the first to tell you it wasnt illegal. They didnt host anything but an index to link to all the illegal downloaders. Youtube doesnt upload anything illegal and will take down whatever you ask them to. Sounds legit right ?

No, but thats not the thing. The thing is the shock that until [Universal Music Group apparently started to put the pressure on them](#), no one had sued them. Considering the RIAA will sue your grandma or a 12 year old at the drop of a hat, the fact that Youtube is building a traffic juggernaut around copyrighted audio and video without being sued is like.... well Napster at the beginning as the labels were trying to figure out what it meant to them. With the [MGM vs Grokster ruling, its just a question of when Youtube will be hit with a charge of inducing millions of people to break copyright laws](#) , not if.

And its not just people putting copyrighted music to copyrighted video to create a new work of user generated content thats going on here. ITs also become a cheap and easy way to get music. Find a new hot song, and some kid is doing a goofy dance to it and uploading it to Youtube. Some have decent audio quality. So just search for the songs, create a playlist, minimize the window and play all your favorite songs as often as you want. For free. And of course if you have no fear for the copyright police, you can use tuberaider and keep a copy.

And its not just copyright lawsuits that will end up severely impacting Youtube's business, its that their business is too easy for the people who own the copyrights to copy.

If Daniel Powter wants to encourage everyone and anyone to put Bad Day music behind user created videos, its certainly easy for him or his label to do. Its just a question of who will pay for all the bandwidth involved. If the NBA wants lots of versions of Bad Day or any other song backing videos of their games, they would be smart to do a deal with his label and have their own little hosting section on nba.com . As would any copyright owner. Maybe TNT will offer up the ability to host user generated voice overs of Charles and Kenny. Now that is using technology for a good purpose.

Whats worse for Youtube is that there might finally be an economic model for the copyright owners to host their own videos. Advertisers are chomping at the bit to buy rich media advertising and copyright owners are chomping at the bit to provide them broadband content for their ads. (Of course we are just a year away from there being far more video available than advertisers, but thats a future blog entry)

So you can pretty well bet that every and any copyright owner is going to be jumping up and down telling Youtube to remove every bit of content with any copyrighted material. The double worse news for Youtube is that wont be easy. How are you going to tell Barry that he has to take down the video of Aunt Sally getting her groove on to Long Tall Sally, and Uncle Willie doing the Hand Jive at his Bar Mitvah ? That those are both copyrighted songs that Cousin Brucie, the DJ played, and we encouraged you to break the law when we made it so easy to post them and send links to your entire family ?

How are they even going to find every instance of copyrighted music behind some personal videos ? They will have to. And it wont be easy.

Take away all the copyrighted material and you take away most of Youtube's traffic. Youtube turns into a hosting company with a limited video portal. Like any number of competitors out there that decided to follow copyright law

Youtube, we hardly knew you.

UPDATE: This morning the WSJ wrote that Warner Music and Youtube announced a revenue sharing deal.

Obviously the devil is in the details of the deal, which we dont know. Obviously the devil is in the details. We dont know what the percentages are. We dont know how capable a salesforce Youtube has. We dont know what percentage of revenue their streaming costs take up (remember, streaming costs per bit dont go down as volume goes up, they go up at very high volume levels) and we dont know just how diligent they are going to have to be for Warner MG to recognize WMG copyrights.

Think about it. In order for them to recognize a copyright violation in the bar mitvah tape, they first have to identify any and all songs, then they have apply that to a list of WMG songs. That aint going to be cheap to do.

Does this make a difference in my thinking ? Not at all. In fact its reminds me of when Bertelsman cut a deal with Napster. It sure sounded nice, but didnt amount to much of anything. Kudos to WMG for giving them a chance and probably leveraging the hell out of Youtubes traffic, but this is just one copyright owner out of the thousands, if not tens of thousands owning copyrights that are most likely being illegally used on Youtube.