



■ Copyright and Competition:

An Economic Perspective on an Evolving Relationship

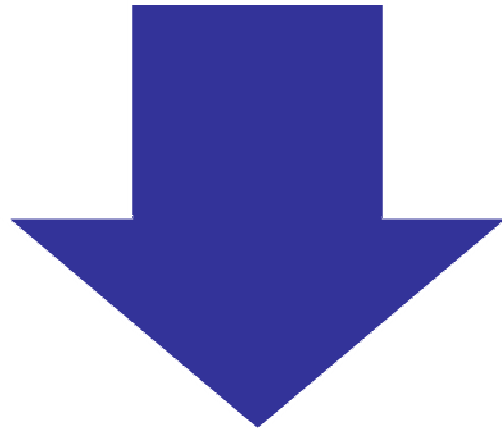
Facilitating Access to Culture in the Digital Age
WIPO Global Meeting on Emerging Copyright Licensing Modalities

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**The views expressed do not necessarily reflect the views of WIPO or its member states.

Copyright and Competition Dichotomy



**Competition to keep
markets open**

- **Free flow of
knowledge and ideas**



**Copyright to provide
incentives for creativity**

- **Institutions to reduce
transaction costs**



Perfect competition

Internet = dream come true (?)

Seller

Infinite buyers and sellers
Zero entry and exit barriers
Homogeneous products
Perfect information
Zero transaction & switching costs
International trade and arbitrage

Buyer

A. Traditional assessment:

Potential issues of copyright monopoly

Full distribution and price control

- Full vertical integration (movie production to cinemas)
- Market segmentation and price discrimination facilitated by territoriality

Favorable bargaining position versus licensees/consumers

- Higher price
- Non-price concessions
 - Preventing to resell and limiting ability to compete / to deal with competitors
 - Tying or bundling arrangements (catalogue)
 - Expanding scope of copyright monopolies to other markets

Copyright institutions and market power (collecting societies)

B. How has the assessment on copyright versus competition evolved?

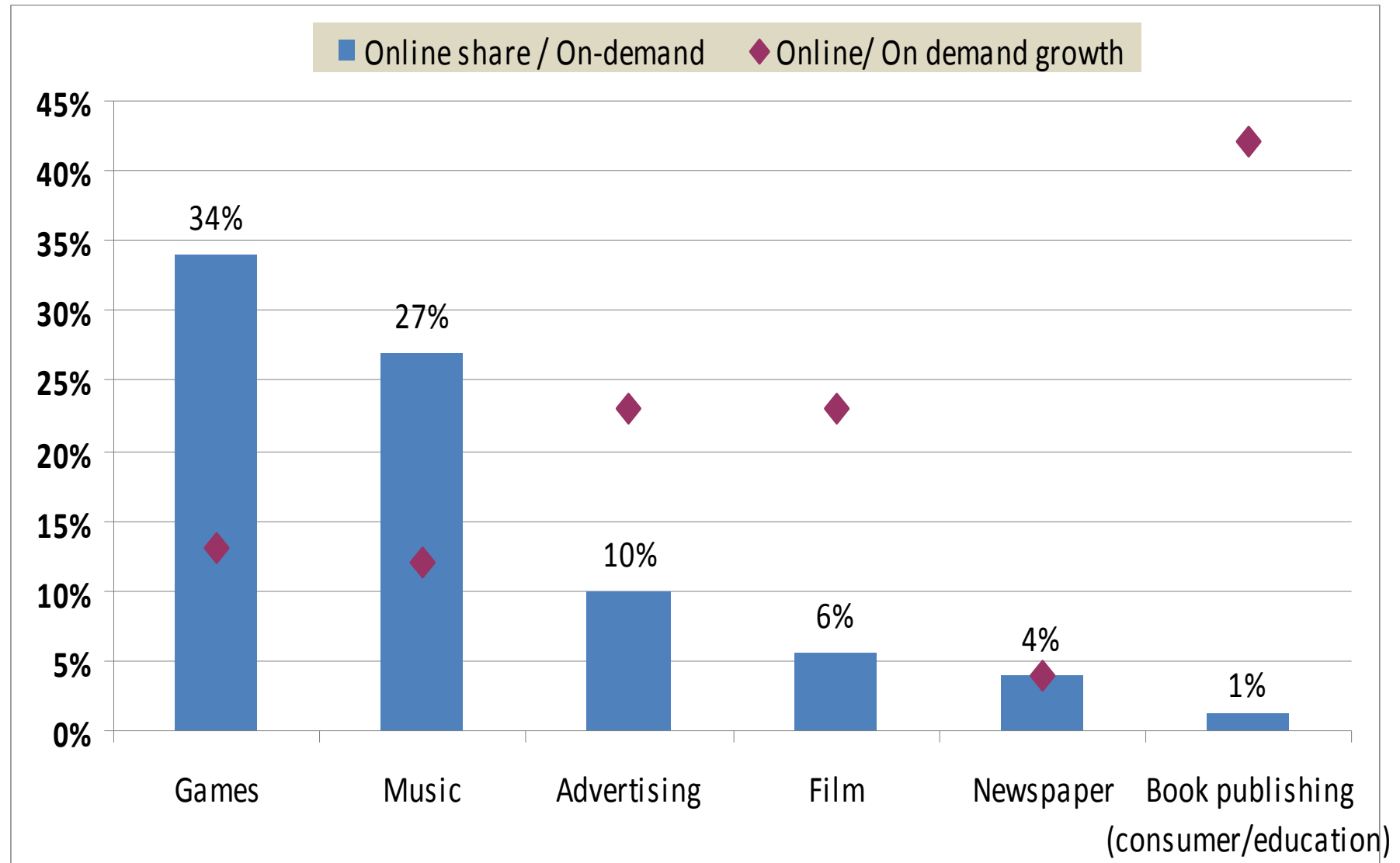
I) **Rising to the occasion**

Creation of an efficient online market

II) **Copyright versus competition**

How do said issues behave in this new ,digital environment‘?

B.I) Digital Content Markets - Global



Source: WIPO based on PWC and OECD

Available on XX in
the United States and Canada only.

Our dream is to have all the music in the world available instantly to everyone, wherever they are. But for the time being, **we're not able to launch in every country.** We're really sorry about this, but it takes time to arrange licensing agreements with XXX.

- X is available in the following countries:
- Finland
 - France
 - Norway
 - Netherlands
 - Spain
 - Sweden
 - United Kingdom

We're not sure you will be able to sign up for XX from your area. You will need a valid U.S. mailing address to sign up for XX

Sorry, currently our video library can **only be streamed from within the United States.** XX is committed to making its content available worldwide. To do so, we must work through legal and business issues, including obtaining international streaming rights

B.II) Competition in a digital Ecosystem

I) OFFLINE purchase of physical carrier media

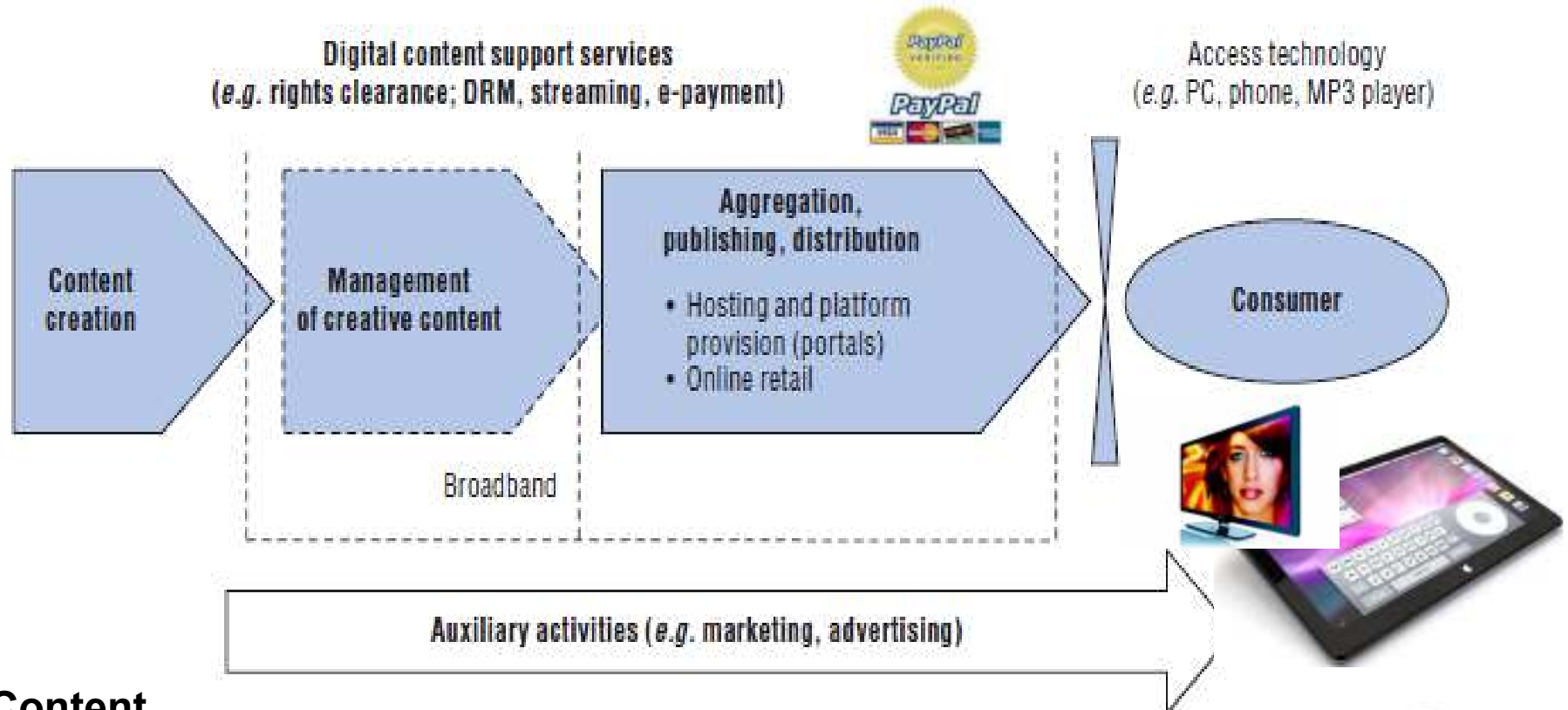
II) ONLINE

- Different media competing for same user attention
- Different models
 - Pay per track/album
 - Subscription
 - Free legal streaming and other advertising-based schemes

But also

III) UNAUTHORISED downloading – Online piracy

B.II) Competition in a digital Ecosystem



1. Content
2. Infrastructure / Pipe
3. Intermediaries
4. Platform (hardware or online)



Conclusions

- Significant constants but also shifts in preoccupations
- Shift to focus on transaction costs, lock-in, new forms of vertical integration but all in different guise
- Power shifts along the value chain
 - Who is asking whom for price or non-price concessions?
- Effects on creative supply in the new environment has hardly been assessed
 - The Economics of content creation and the sustainability of the creation and distribution ecosystem