Bertelsmann CEO Defends Anti-Piracy Actions

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challenges from illegal downloads and piracy to expensive artists. Critics say the industry's response to the downloading problem—litigation—is shortsighted and doomed to fail in the long term. Is the industry doing enough to deal with the problems?

**Thielen:** The industry isn't going to continue to allow itself to be harmed without defending itself. We've already seen the first responses. In the U.S., the Recording Industry Association of America has started to pursue downloaders in the courts. The U.K. followed. Since then, we've seen a drastic decline in the practice. The market's growing, and the industry is making money. If the price is 99 cents per song online, the music industry gets two-thirds, 66 cents. That's OK. Most people say, 'I'm not going to break the law over 99 cents, I'll pay.' The key is that the online services have to be user friendly.

**WSJ:** Yes, but enough people are still willing to take the risk. Will the industry ever succeed in stopping illegal downloading altogether?

**Thielen:** I think the downloading problem won't be solved until we're able to electronically interfere with the process. There are some new technologies being tested and I think they'll be ready pretty soon.

**WSJ:** How soon?

**Thielen:** Very soon. ... In one or two years, we'll have taken care of the problem. The combination of technical advances, user-friendly services and litigation will lead to a reduction in unauthorized downloading.

**WSJ:** How does Apple and its iTunes service fit into all of this?

**Thielen:** Apple provides what the music industry proved incapable of developing: the platform. Coming up with our own platforms didn't work because everyone worried that the incoming labels were getting better conditions. But operating such a platform is a different business than producing content. It's logical that it should be done by a third party. Very logical. We're going to see more of these services. Microsoft and other big companies are going to do it, so at the end of the day we'll have seven to 10 providers. I think that's good.

**WSJ:** Even if more consumers turn to such services, there are still plenty of people who buy copied CDs on a street corner for a dollar. What's being done to combat that?

**Thielen:** It's primarily a problem in Asia but also in Southern Europe. It's not allowed of course, simply illegal. But the laws aren't being enforced and there's not much of a solution at the moment.

**WSJ:** Another area of concern to Bertelsmann and the other major music companies is the question of how artists are paid. To compensate for the losses from piracy and downloading, you want a bigger piece of the artists' overall earnings. Why do you think you can get more than you're getting now?

**Thielen:** We develop the stars and produce their records, which then get downloaded without authorization. Once they're known, the stars hold concerts and make a lot of money. We don't get any of that. I think we need to come up with new contracts for the artists. I think we should market the artists completely from merchandising to concerts to movies and the songs themselves. What we need are partnerships that would enable us to market them globally but also give us a share of the profits.

**WSJ:** Is this just an idea or have you already taken steps in this direction?

**Thielen:** At the moment, it's just an idea, but I know that a lot of companies are working on it.

**WSJ:** What's stop an artist from saying: "If those are your demands, I'll go to someone else?"

**Thielen:** You have to do it when the artists are just starting out, during the so-called investment phase. Once you are a big star, you can't do this kind of deal anymore. This is going to be a long-term development, over the next five to eight years.

**WSJ:** Won't this open you up to charges of trying to take advantage of young talent?

**Thielen:** In the past, the artists were signed on fairly cheaply and the labels earned good money if they were popular. But when the contract ran out after three years, the artists came back and said, 'we want that money back.' Together with their agents they made horrendous demands. I don't consider that a good partnership. I think it's better to say from the beginning: 'We're going to establish a joint company and you'll earn a lot of money from the start but we also want to participate.'

**WSJ:** Assuming your plan on the contracts succeeds, will the music industry ever achieve the kind of profitability it enjoyed before downloading started?

**Thielen:** For a single star, I think that's a thing of the past because overall unit sales have steadily declined. It used to be that one needed to sell one million records to reach platinum. Today it's just 200,000. The tendency is that sales are declining and the hits have a shorter life span. The business is faster but it doesn't reach the highs it used to. I think you need to have large companies or small companies selling one million records rather than having only a few selling 10 million.

**WSJ:** Why is Bertelsmann sticking to music if it's so problematic?

**Thielen:** You can question every media business. I could show you where the very existence of each of our businesses is at risk. In that sense, there is no business that isn't problematic. We'd have to get out of everything.

**WSJ:** The Sony/BMG merger reduced the number of major record labels to four from five. How many majors does the industry need?

**Thielen:** I think the four majors that now exist can survive quite well. The independents as well, as long as they find good niches. Maybe there will be three at some point. In the music industry, size is really an asset because you can run your national affiliates more efficiently. At Sony/BMG, we're combining operations in every country and are going to save a lot of money.

The Ten Commandments in Court

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how you win a culture-war issue," he says. "You eat the elephant one bite at a time." To win in the Supreme Court, he is looking for areas ripe for compromise and trying, in particular, to appeal to Justice Sandra Day O'Connor, who pays close attention to church-state issues and is often considered a crucial swing vote.

officials that Mr. Greene had erred in displaying the Ten Commandments alone, rather than as part of a display of historic documents. The Supreme Court has ruled that religious symbols are acceptable in government spaces only as part of a broader exhibition, he said. Within the marble walls of the Supreme Court itself, he noted, a frieze depicting Moses holding the tablets is among