



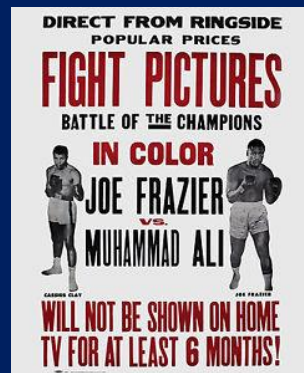
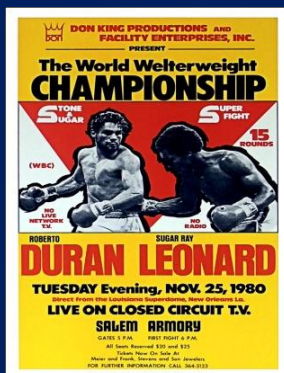
From Closed-Circuit to Meerkat® Content Owners at Great Risk

On March 8, 1971, Joe Frazier fought Muhammad Ali (formerly Cassius Clay) at Madison Square Garden in what was the first mega “Closed Circuit” boxing broadcast. Fans unable to secure tickets for the live fight were charged between five (\$5.00) and fifteen dollars (\$15.00) to view the fight in arenas and venues around the world on “Closed Circuit Television.”¹ Other mega-fights that offered this alternative viewing option included Ali v. Foreman in 1974, Ali v. Frazier III - the “Thrilla in Manila” in 1975, and Leonard v. Duran in 1980, which grossed closed circuit viewing revenue in excess of \$25,000,000.00 Million Dollars, to name a few of the bigger events.

Closed Circuit Television has been defined as:

“Closed circuit telecast” means any telecast which is not intended to be available for viewing without the payment of a fee, collected for or based upon each event viewed, for the privilege of viewing the telecast and includes the term ‘pay-per-view.’ This definition includes, but is not limited to, telecasts to arenas, bars, clubs, entertainment or meeting centers, and private residences.”²

The key to the success of Closed Circuit Boxing in the 1970’s and 1980’s was a combination of strict limitation of access to the content by the technological barriers such as a nascent Cable Television industry, and yet to be deployed Home Satellite service and the physical restrictions of the venues where the remote broadcast could be watched live. By limiting access the circuit of consumption was closed. Coupling that phenomenon with the promotion and buzz generated by larger than life personalities like Don King and Bob Arum, led to public thirst for mega-boxing matches which was being



quenched by bigger and bigger events. To maintain public interest in between major fights, Free-to-Air network broadcasts such as ABC Wide World of Sports®, as well as Olympic Boxing would regularly televise non-title bouts featuring upcoming contenders or bouts between champions and non-contenders.



The 1990's and 2000's gave rise to a new class of compelling fighters including Mike Tyson, Riddick Bowe, Evander Holyfield, Felix Trinidad, Lennox Lewis and Oscar DeLaHoya to name a few. The 1990's also gave rise to a robust and growing deployment of "addressable" cable television a burgeoning Direct Satellite Broadcast industry as well as new content vehicles known as premium broadcast services such as Home Box Office®, Showtime® and "Basic Cable" outlets such as ESPN®.



This model involved a blend of non-championship fights on regular cable or broadcast television such as ABC®, NBC®, CBS®, ESPN® and MSG, with more compelling, non-championship matches on Premium Cable and satellite channels such as HBO® and Showtime®. All of these easily

² The technology to permit live streaming of online content has existed for a number of years however they were never readily available for use anywhere, anytime in a user friendly application until recently.

³ [http://en.wikipedia.org/wiki/Meerkat_\(app\)](http://en.wikipedia.org/wiki/Meerkat_(app))

⁴ http://espn.go.com/boxing/story/_id/12355361/floyd-mayweather-announces-fight-manny-pacquiao-set-2

⁵ <http://ftw.usatoday.com/2015/05/mayweather-pacquiao-tv-schedule-start-time-sports-schedule-may-2-capitals-rangers-spurs-clippers-game-7-how-to-watch>

⁶ <http://deadline.com/2015/05/mayweather-pacquiao-fight-earns-400m-for-hbshowtime-cable-systems-overloaded-1201419781/>

accessible outlets led to promotion of the advent of in-home and business Pay-Per-View (PPV). These PPV broadcasts used new technologies which allowed for instant ordering on a remote control or by phone at a premium price, usually between Fifty (\$ 50.00) Dollars and Sixty (\$ 60.00) Dollars per event. These technological advances not only helped lessen the costs and challenges associated with programming distribution but also helped limit non-authorized access to the programming.

Inevitably, when an event of great public interest comes along there will be people trying to acquire physical entry or content access without payment. Hence, the concept of cable or satellite content "piracy" was born. Broadly defined "piracy" is defined as the act of using electronic or physical means to defeat the access-control or limiting technology which were then existent. A non-exhaustive but representative list of pirating techniques utilized in this period included:

- Electronically altering "access cards" of satellite or cable reception devices thereby defeating programming encryption or other technological access controls;
- Moving residential reception devices from a residence to business in order to avoid paying commercial exhibition fees;
- And, illegal cable splicing or sharing where the coaxial cable running from the reception device (post-decryption) and sharing it with other non-subscribing residences or businesses via cable drops.



Fast forward to the 2000's content

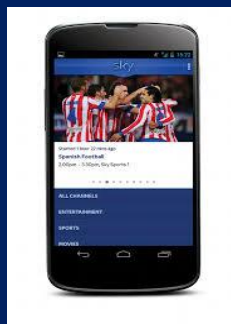


owners confronted the ubiquitous nature of internet connectivity with its attendant exponential growth in both fixed, mobile and blended applications which resulted in an obliteration of the technological and geographic limitations on media consumption. Gone

was the need to physically travel to an arena to watch sporting events in person or to a venue to view a closed circuit of the event since internet connected devices could access content almost anywhere often without need of cables, electric sources and home based set-top boxes. Viewers are now able to view and access live “streamed” and recorded content via the internet on multiple platforms including untethered wireless smartphones, desktop computers, “smart” televisions and tablets to name a few. From the



perspective of content owners the elimination of the need for wired devices located within or near structures housing reception and decryption devices, was a sea change that presented existential challenges to how any digital content could be monetized and secured.



Still content owners had a firewall behind which they could protect their treasure, which was the inherent technical difficulties facing those who wanted to unlawfully pirate or share live or recorded content. Without at least some technological ability, it proved difficult to capture content, process that content and then redistribute it in scale. The pirate community, while presenting a

challenge to content owners still faced their own challenges, many of which mirrored those which provided the inherent value to closed circuit event promoters, the need for cumbersome fixed base signal reception equipment and some degree of technological sophistication and equipment necessary to re-distribute content or share live or slightly delayed in scale.²

In early March 2015 a new iOS and Android application developed by Ben Rubin called “Meerkat”³ was released and publicized at the South by Southwest Interactive Festival claiming that it allowed everyday consumers to capture live video on their connected device and simultaneously stream live video with up to 5000 of their followers on Twitter[®] and more recently via Facebook[®]. Almost on its heels Twitter[®] acquired an application called “Periscope”⁴ which had the same or similar capabilities and the added dimension of allowing playback of live streams.⁵



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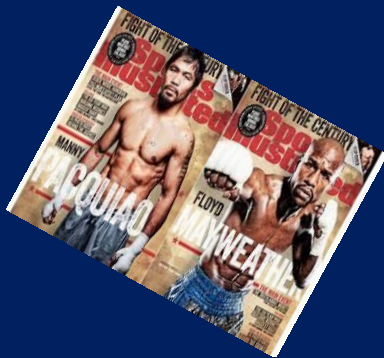
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On a parallel track the long awaited Championship Boxing Match between Floyd Mayweather Jr., and Manny Pacquiao to take place on May 2, 2015 was announced in February 2015 with an unprecedented subscription price for residential PPV of Eighty Nine (\$ 89.00) Dollars for standard definition and Ninety Nine (\$ 99.00) Dollars for high definition access.¹ Almost immediately, the media hype machine and promoters rolled out the tried and true strategy of “Don’t miss it,” “Once in a Lifetime,” “Don’t hear about it the day after see it live” which whetted the public’s appetite for the event leading to an almost fevered frenzy on May 2nd 2015 under the moniker “Greatest sports day of the year.”⁵



While interest in the fight was huge so too was the desire of many to “pirate” the fight so they could view it without paying what amounted to

almost double the historical residential PPV boxing fee traditionally charged. While the promoters, networks and other stakeholders sought to maximize their paydays in what is generally regarded to be a sport nearing its nadir, fans both ardent and casual became leery of spending almost One Hundred Dollars on an event that potentially could end in seconds, especially in light of historical anomalies such as “no mas,” ear biting, phantom punches and technological signal delivery failures. Fans were looking to hedge their bets.

Unlike having to search our satellite or cable box hacks or scour the ethers of the internet searching endless bogus links, malware repositories and endless ad sponsored low quality feeds, pirates had a new ally, their Smartphones and tablets. Using live stream apps it was now possible for anyone who downloaded the app to “share” what their phones camera could see and their microphone could hear with five thousand of their closest friends. Although it is believed that the fight had over three million worldwide PPV another phenomena was afoot.² While all of the ordinary, non-tech savvy potential PPV buyers were balking at the purchase price, taking their frustrations to social media and the internet in digital grass roots fashion to share their ideas as to new ways to pirate the fight easily, enter the game changers Meerkat® and Persicope®³



In response

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Injunction against a few websites that were advertising they were going to host an illegal live stream of the fight. Unfortunately for the promoters and content owners this strategy by their content protection firms and law firms was no strategy at all. It was akin to the promoters and broadcasters playing chess on a one level board while the pirates were playing on a seven boards at once. It was clear, the world of content monetization has changed forever and no countermeasure based upon law or technology alone will ever be able to catch the rapid developments embodied in the new mobile technologies. Suffice it to say, no legitimate promoter, broadcaster or other stakeholder would or could sue every streamer or view, even if they were able to forensically verify their true identities. Nor would it be financially viable to spend millions in legal fees to sue "John and Jane Doe" who, at the end of the day may not have the financial wherewithal to pay a settlement or judgment.

Promoters and broadcasters decided to apply traditional countermeasures to battle a new and emerging threat while continuing to sell to the low hanging fruit whom for ethical, technological or other reasons lawfully purchased the fight. Unfortunately, as we have seen worldwide in the last few years social media tidal waves can cause nations to fall, old rules to change and social morals to be subsumed by virtual mob mentality. Left unchecked live streaming will undoubtedly cause severe erosive effects to occur within the live industry, possibly threatening the very existence of Television Networks, Cable and Satellite Companies, Sports Promoters and even Kingdoms such as the NFL[®] and MLB[®]. One need only look to the powers of sub-culture and terror growth using social media to serve as red flag that big threats are coming and old rules and remedies will pale by comparison to the breadth and scope of live video sharings social, worldwide acceptance.

Fortunately, there are solutions and strategies which can be implemented in the scale needed to match the challenge. VFT Solutions will soon be holding a webinar entitled "Meerkat, Periscope and Others, What They Are, What It Means, What to Do." During the webinar participants will learn how live streaming works, threats and opportunities which it presents and strategies and tactics which can be implemented to level the playing field.

***For more information, visit
www.vft.technology***

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