



Testimony of

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Hearing on

“The Rise of Innovative Business Models: Content Delivery Methods in the Digital Age”

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Good afternoon, Chairman Coble, Ranking Member Watt, and members of the Subcommittee. My name is Paul Misener, and I am Amazon.com’s Vice President for Global Public Policy. On behalf of our company and customers, thank you for inviting me to testify today about digital content delivery.

Mr. Chairman, Amazon’s mission is to be Earth’s most customer-centric company, where people can find and discover anything they want to buy online. In furtherance of that mission, we sell millions of different products in a wide variety of categories including Electronics & Computers; Home & Garden; Tools; Toys; Kids & Baby; Grocery; Health & Beauty; Clothing; Shoes & Jewelry; Sports & Outdoors; and Automotive & Industrial. Just by shopping online at Amazon you can, for example, buy a lawnmower, a research microscope, a cardigan sweater, and a bottle of shampoo.

But Amazon was born as a media content delivery company, and the provision of content to our customers remains a very important part of our business today. When Amazon began selling online in 1995, the content we sold was limited to the text, pictures, and other graphics contained in physical

books. We would buy physical books at wholesale, store them in our warehouses, and sell them at retail. The novelty at the time was that all the selling occurred over the Internet, and all the delivery was via the mail or other similar common carrier, like UPS or FedEx. Three years later, in 1998, we began to sell music and video content, also delivered on physical media, primarily audio compact discs (“CDs”) and VHS video tapes.

When I began working for Amazon 14 years ago, our website had a customer support help page (entitled, “Just What *Is* DVD?”) that described the then-new digital video disc technology. It included observations like, “VHS videotapes are far too entrenched in the market to disappear anytime soon,” and “[d]on’t worry – you won’t have to trash your VCR if you don’t want to.” Well, as antiquated as these observations seem to us today, the reality then – and the reality now – is that Amazon seeks to provide our customers the greatest selection of content, using the best, most convenient technologies. And, at the time, before Blu-Ray discs and digital video streaming and downloads, DVDs provided the highest quality, most convenient video.

The DVDs we sold in those early days, along with audio CDs, contained the first types of *digital* content we delivered to customers. This digital content (bits of coded information that precisely represent text, sounds, and images) was, again, delivered only on physical media – the plastic discs themselves – by mail or other carrier.

By the end of 2007, however, we had introduced digital download services for books, music, and video, and now when we speak of *digital delivery*, we speak primarily of digital content delivered electronically, via the Internet. The content is the same, of course: digital bits that, once delivered, various electronic devices can convert into text, sounds, and images. And so our digital delivery business today is a natural continuation of our origins as a place where customers can find and discover

content they want to buy online. And, unlike some other traditional media businesses, such as broadcasting, in which content is *pushed* out to consumers, our business remains one in which customers *pull* content to themselves; that is, content only gets in the mail – or gets on the Internet – to a customer when she orders it.

Today I will provide some current Amazon perspectives on (1) the types of digital content we provide our customers; (2) some novel sources of this digital content; (3) some infrastructure and electronic devices available to deliver and convert digital content for customers to enjoy; and (4) a few potential barriers to digital content delivery.

At Amazon, Mr. Chairman, we currently like to think of digital content in terms of our “digital ecosystem,” which includes digital video, music, books, apps, games, and audiobooks.

Amazon Instant Video is a digital video streaming and download service that offers all Amazon customers the ability to access a huge catalog of videos: more than 150,000 titles including new release movies, classic favorites, and major TV shows. As you may know, Amazon Prime is an annual membership program for \$79 a year that offers customers unlimited free two-day shipping on millions of items. Prime Instant Video is Amazon’s video subscription offer that includes tens of thousands of movies and TV episodes that Amazon Prime members may stream at no additional cost.

For digital music, and using the “MP3” digital music format, the Amazon MP3 store currently has a growing catalog of more than 24 million songs in the United States that work on virtually any device that plays MP3s. And, linking the digital and physical media, Amazon AutoRip is a new service that gives customers free MP3 versions of audio CDs they purchase, including past purchases dating back to 1998.

The Kindle digital book store opened six years ago this month, and has grown to millions of books, newspapers, and magazines. We offer over a million titles that are \$4.99 or less, and over 1.7

million titles that are \$9.99 or less. Moreover, again linking the digital and physical worlds, we recently launched Kindle MatchBook, which offers customers the ability to buy – for \$2.99 or less – the Kindle digital edition of a physical print book purchased from Amazon. So what does this mean for reading? Well, in May 2011, we announced that we now sell more Kindle books than print books on Amazon.com. And, remarkably, Kindle owners read *four times* as many books (print and eBooks) as they do prior to owning a Kindle.

The Amazon Appstore features over 100,000 apps, and can be accessed directly on a Kindle Fire, from any computer, or on an Android phone or tablet. And, Amazon's Game Services provides customers the ability to play games seamlessly across a wide range of devices including PC, Mac, Kindle Fire, and other Android mobile phones and tablets.

Lastly, an Amazon subsidiary called Audible is the leading provider of premium audiobooks on the Internet, with more than 100,000 audio programs from more than 1,800 content providers. These content sources include audiobook publishers, broadcasters, entertainers, and magazine and newspaper publishers. Audible also provides spoken-word audio products to Apple's iTunes store.

Mr. Chairman, in addition to digital content obtained from traditional publishers, Amazon makes it easy for creators to self-publish their work. For example, the Amazon subsidiary CreateSpace provides inventory-free, on-demand physical distribution of DVDs, CDs, and books, as well as digital content delivery of video via Amazon Instant Video. Similarly, authors may use Kindle Direct Publishing ("KDP") to publish books independently on the Amazon Kindle store. Authors can distribute globally, publishing once and reaching readers worldwide. This publishing takes less than five minutes and then the book appears on Amazon, generally within 24 hours. Using KDP, already over a dozen authors have sold more than a million copies each.

Amazon Studios is a new way to encourage the development and distribution of original digital video content, such as feature films and episodic series, and it's open to great ideas from creators around the world. Anyone can upload a script and Amazon Studios will review all submissions. Since launch, more than 19,000 movie scripts and 5,000 series projects have been submitted to Amazon Studios. And, as you may have seen in Friday's *Washington Post*, Amazon Studios has introduced its first comedy series, *Alpha House*. Available on Prime Instant Video, *Alpha House* is also the subject of a reception tonight here in Washington.

Of course, Mr. Chairman, delivery of digital content to consumers requires some physical infrastructure and electronic devices.

You probably have heard of cloud computing and, as you may know, Amazon has a cloud computing business called Amazon Web Services, or "AWS." Amazon Cloud Drive, which is built on AWS, lets customers manage and store music, videos, documents, and pictures through the Internet.

In addition, Amazon Cloud Player enables customers to securely store their personal music in the cloud and play it on a wide range of devices, including Kindle Fire. Cloud Player eliminates the need to download files before playing them, because all MP3 songs and albums purchased from Amazon – even those purchased in the past – can be automatically saved to Cloud Player. Customers can also import their music (including music purchased from iTunes or ripped from CDs) directly to Cloud Player.

AWS helps enterprise customers like Pinterest, Foursquare, and reddit with various data storage and computation needs. But it also has partnered with Netflix for the delivery of digital content: AWS enables Netflix to quickly deploy thousands of servers and terabytes of storage within minutes, and users can stream Netflix shows and movies from anywhere in the world, including on tablets and mobile devices such as iPhones.

As mentioned throughout my testimony today, digital content can be accessed and played through a wide variety of devices. Amazon Instant Video and Prime Instant Video are accessible through Kindle Fire, Wii, Xbox, PlayStation, iPads, iPhones, Macs, PCs, and hundreds of other compatible devices, including a fabulous little box from Roku – and available at Amazon – that allows me to watch and hear Amazon Instant Video (and Netflix, Hulu, and Pandora) directly on my family room HDTV.

As for devices to play music, Amazon MP3s work on virtually any device that plays MP3s, and can be played from Cloud Player on Kindle Fire devices, any web browser, iPhone, iPod touch, iPad, Android phone or tablets and, again, Roku home entertainment systems.

And you can read your Kindle books on the largest number of devices and platforms: they can be read on Kindle e-readers and tablets, as well as on iPhones, iPads, Android phones and tablets, Windows Phones, BlackBerrys, Macs, PCs, and in your Web browser with Kindle Cloud Reader.

Importantly, customer expectations today are not only that an individual customer should be able to enjoy digital content on a single device of her *choice*, but also that she should be able to enjoy the same content across *multiple* devices. For convenient reading and viewing, Amazon Whispersync synchronizes, among devices registered to the same account, the furthest book page read and last location in a video watched so that consumers can easily resume reading or watching where they left off. For example, this weekend I was watching the first episode of *Alpha House* on an HDTV set, with Prime Instant Video streaming through my Roku box, then paused the program and switched to a brand new Kindle Fire HDX to watch the remainder of the episode, starting where I had paused it.

One other newly-available place and time for enjoying digital content deserves mention. After working for years with the airline industry and others, Amazon is proud to have played a key role the

Federal Aviation Administration's decision a few weeks ago to allow consumers to use their electronics like Kindle during airplane takeoff and landing.

In closing today, Mr. Chairman, I would like to very briefly mention three potential barriers to digital content delivery. I welcome the Committee's announced plans to hold additional hearings, so perhaps these potential barriers can be addressed more fully in future sessions.

First, because there is no centralized information source on music publishers and songwriters, and no system for obtaining blanket licenses, digital music distributors must individually identify and locate the publishers and songwriters with an interest in each musical work. Perhaps the statutory license process could be streamlined to make it easier for music to be made available, while ensuring that songwriters, publishers, and artists are properly compensated.

Second, the risk of exorbitant statutory damage awards that the current system allows could chill the development of new products and services designed to help consumers enjoy copyrighted works. It may make sense to limit the availability of statutory damages in certain situations, such as where the defendant acted with a good faith belief that its use of copyrighted works was non-infringing or fair, or where the outcome turns on a novel question of law.

And, third, continued growth and innovation in digital content delivery assumes that the Internet will remain a non-discriminatory, open platform, where bits are bits and arbitrary limits do not inhibit consumer access to content. Consumer choice, without impairment, must be preserved.

In conclusion, Mr. Chairman, consumers are enjoying the benefits of innovative digital content delivery, and Amazon looks forward to working with the Committee to preserve those benefits and that innovation. Thank you again for the opportunity to testify. I look forward to your questions.

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