



THE BUSINESS OF TECHNOLOGY

NBC Signs VMIX to Run Clips

Entertainment giant enlists startup to promote series like 30 Rock, Scrubs, Heroes, and Conan.

March 13, 2007

Video startup VMIX Media launched an [NBC Channel](#) on its site Tuesday, running authorized clips of popular NBC series as video sites contend with increasingly thorny copyright issues in the wake of the \$1-billion copyright infringement suit filed by Viacom against YouTube and its parent Google on Tuesday.

The NBC Channel will run clips and promotional material from NBC series such as *30 Rock*, *Scrubs*, *Heroes*, and *Late Night with Conan O'Brien*. The list may expand to other shows later. VMIX also has agreements in place to run clips from Sony Pictures, Warner Bros., Bravo TV, and Fox Home Entertainment on other channels.

The computer has challenged the TV set in recent years as the destination for video viewers. As sites like YouTube, Revver, AOL Video, CBS' Innertube, Nickelodeon's TurboNick, Sony's Grouper, and others have demonstrated, media companies can draw plenty of eyeballs to the PC that used to be glued to the tube.

But the perils of running video from major media companies can put user-generated video sites in danger of getting sued if users continue to upload content they didn't create for themselves, as Google and YouTube have learned (see [Viacom Sues YouTube, Google](#)).

YouTube has also run afoul of NBC Universal, owned by General Electric and Vivendi Universal. NBC at first ordered YouTube to take down a popular music video clip, "Lazy Sunday," from *Saturday Night Live* before allowing it to run (see [Now Playing: YouTube, NBC](#)). Shares of GE fell \$0.14 to \$34.30 in recent trading Tuesday.

VMIX CEO Greg Kostello said NBC was attracted to his site because half of his privately held San Diego-based company comes from the media industry and half from the tech industry. The company dates back to the fall of 2005.

"Companies want to promote their content on the web and protect their brand," he said. "We've been screening content from day one, and today we're getting a lot of traction."

Facing Up to Copyright Issues

Mr. Kostello acknowledged there are controversial issues around copyrights and copyright holders on the Net, so VMIX prescreens content before it posts the videos. The site has even turned down some content that was not submitted by one of its media partners.

In one case, VMIX accidentally rejected some authorized content from a media partner when it was submitted under a different user name.

'It also acts as a million-person focus group for our technology.'
-Greg Kostello, VMIX

The NBC Channel has been up for a few days in "stealth mode" on the VMIX site and has already attracted traffic ahead of its official debut Tuesday. The overall VMIX site receives about a million unique visitors a month, according to comScore Networks.

VMIX applies tools to make sure media companies can control their own brands, according to Mr. Kostello. "Embedded in the video are links not back to VMIX but back to NBC," he said. "We give folks the tools. Most video companies are looking for respect for their intellectual property. They want to choose a partner they can trust."

Making Money from Video

On the channel, the videos flow as they do on regular television, with one video clip automatically going to the next clip. VMIX does not receive any revenue sharing from the ads that run on the media companies' channels, according to Mr. Kostello.

Links around the VMIX player for the NBC Channel take viewers to NBC's own web site. "We're not trying to make revenue at this point off the dot-com site," said Mr. Kostello. "The only commercials you'll see are what come from NBC just for promotional purposes and for ad purposes."

Instead VMIX makes money from its interactive marketing and "white label" businesses, in which it sets up video sites for other companies such as Japanese electronics giant JVC under their own names.

"They don't have a destination site, but they want to generate promotion around their new player," said Mr. Kostello. "It also acts as a million-person focus group for our technology."

VMIX has received funding from Enterprise Capital and Mission Ventures in San Diego. Mr. Kostello declined to disclose the amounts, but his company closed its first round in March 2006 and its second round in December. Before that, he funded the company out of his "back pocket."