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New YouTube channels lineup is frontier

Deal lawyers say YouTube arrangements with online creators offer perks.

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From celebrity news to comedy series and do-it-yourself programs, a new lineup of YouTube original channels looks a lot like cable television, with one key difference - it's not confined to a 24-hour cycle. As cable television networks struggle to compete with video-on-demand services, YouTube is launching a brand new kind of competition.

That's what many of the channels' creators say drew them to Google-owned YouTube's $100 million initiative, which has provided startup funding to nearly 100 new channels, each with multiple recurring shows users can subscribe to, watch live or play back on demand. Lawyers who negotiated the deals for channel creators said the Web-based networks represent an exciting frontier for the media and entertainment business that could broadly change the current model for content distribution.

In many cases, YouTube's investment in the new channels built upon existing relationships with its designated "partners" - content owners who shared in revenue from ads the site ran alongside their videos. That program, which launched in 2007, catered to content owners who generated heavy traffic to their videos - everyone from individuals filming their own cooking or travel shows to major studios and television networks that host clips and trailers of their productions on YouTube's platform.

R.J. Williams, founder and CEO of entertainment news website YoungHollywood.com, was one of those partners. Already a successful contributor of original videos to the site, his company was one of YouTube's first selections for the initiative. Last month, Young Hollywood launched its YouTube channel along with five live series featuring celebrity interviews, backstage tours, VIP parties and fashion trend spotting.

Williams' lawyer, Dave Feldman of Bloom, Hergott, Diemer, Rosenthal, LaViolette, Feldman, Schenkman & Goodman LLP, said the deal provided his client with more creative freedom than most TV deals.

"YouTube, to their credit, is rolling the dice on a lot of different types of content companies," Feldman said. "It's a very enticing opportunity ... You have complete control over how the money's spent and the creation of the content as long as you provide YouTube with the requisite number of shows."

The level of YouTube's upfront investment was based on how many shows each channel would produce, according to Feldman. The video site reportedly provided as much as $5 million to some of its channel partners.

Once YouTube has recouped the amount of its investment in a channel like Young Hollywood through ad sales, several partners explained, the parties will split ongoing revenues nearly 50-50, depending on the contract. YouTube handles the incoming ad revenue and will administer payouts to its partners. YouTube and several of its channel partners wouldn't discuss further specifics of their revenue sharing deals, but Williams described his channel's terms as "a fair partnership in the truest sense of the word."

Though channel creators retain the copyrights, YouTube's deals allow the site exclusive access to the content for what Williams called a "substantial length" of time. He added, though, that it only seemed fair, "since they're getting it started for you."

The exclusivity is new for YouTube, which has traditionally allowed its users - like those who were part of its earlier partner program - to also post their content elsewhere. A spokesman for YouTube declined to comment on the intellectual property terms of any of its channel partner deals.

Williams, who has a background in television production, said his pitch to YouTube was unique because the site expected not only creative concepts for programming, but an overall plan on how Young Hollywood would build and cross-promote its brand.

"The actual concept of the shows was maybe 25 percent of the process," Williams said.

That, Feldman explained, is because YouTube's channels are an entirely new concept in the media and entertainment business.

"In this model, the channel partner is both the production studio and the network," Feldman said. "They're the studio, in that they're developing and producing the creative content, but they're also the network, in that it's their channel, like NBC or CNN."

In traditional television deals, while production studios retain copyright ownership of their programs, they often don't earn revenue on that content until it's entered the so-called "secondary market" - syndication, basic cable licensing or DVD sales. In YouTube channel deals, in which a producer like Young Hollywood plays the role of both studio and network, the content creators make money as soon its ads pay back the website's investment.

Williams added that Young Hollywood's deal further differs from television in the fact that there's no threat that any of the network's shows might be canceled if they aren't immediately successful.

"We know several months down the road we're still going to be doing what we're doing, even if it might take time to catch on," Williams said.

The slate of channels launching this year include a women's lifestyle network and a home and garden channel by Santa Monica-based Demand Media; video channels from the Wall Street Journal, parody newspaper The Onion and music magazine VICE; celebrity networks launched by rapper Jay-Z, actress Amy Poehler, skateboarder Tony Hawk and comedian Chris Hardwick, among others; and a comedy series network called My Damn Channel: Live.

Rob Barnett, founder and CEO of My Damn Channel, worked for 12 years overseeing the production and programming of popular music-themed cable networks VH1 and MTV. He now has plans for 30 new comedy series, which will premiere on his company's YouTube channel this year.

"My feeling about the Internet as a whole and YouTube specifically is that the amount of new content going up every minute is so intense and so constant - viewers need some of the old-school ways of consuming it," Barnett said. "We offered the idea of a very select group of shows that we think have great merit. It's almost like the MTV of old."

Feldman echoed that sentiment, saying the process reminded him of when cable television was first getting started in the 1980s.

"If you were working at MTV or ESPN in the early '80s when it was being formed, maybe you got ignored at the time ... but ultimately [cable television] grew to succeed and thrive, and it became part of essential media we see today," Feldman said. "It's exciting to think this could be the next wave of content distribution and creation in society."