

The Engadget Interview: Elliott D. Frutkin, CEO of TimeTrax

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TimeTrax is software that lets you turn your PC into a TiVo for satellite radio. Veteran journalist J.D. Lasica spoke with CEO Elliott Frutkin about the upstart startup's prospects, its diffident relationship with the RIAA, the future of music subscription services, and whether the recording of satellite transmissions will be outlawed.



Tell me your backstory. I understand TimeTrax was created by Scott Maclean, a lone programmer in Toronto who didn't like missing cool radio broadcasts in the dead of night.

I found out about TimeTrax the way other people did, through an online tech news roundup. Scott wrote an app to record a Blondie concert that was on in the middle of the night. There turned out to be tons of interest in it. He posted it and it was hugely popular and people started asking him to add new features. He decided to spend more time on the software and start selling it for \$19.99, and it just kept growing. I then got in touch with Scott and we put together a deal to formulate a business around TimeTrax.

So how many employees do you have today and where are they based?

We have seven people we've put together on ad hoc basis. We're at an exciting stage — we are just finishing up raising some angel funding which will allow us to open an office and step up our efforts.

Why does TimeTrax Technologies do, in a nutshell?

TimeTrax allows a user to record or capture to their computer or their iPod as MP3 files, or one of six other formats, any kind of broadcast on satellite radio, namely Sirius or XM Radio. What makes it compelling is that it divides the content into useable chunks. Instead of just recording an hour block of time, it records individual MP3 songs and tags them — say, *Bruce Springsteen, Born in the USA*. So you end up with a library of content that you can listen to, which is what makes it really cool.

This is the final step in showing that digital media is going to replace traditional radio. Instead of program managers deciding what collection of talk and music you're going to listen to, now every individual user will have that ability themselves.

Anything beyond name and title?

If you're a talk radio fan, it will become an expert in what programs you like and make sure there's something always available for you. That's really the ultimate goal of where we're going.

Why is this a big deal?

The big key for us is XM and Sirius. We're generating files that work on any MP3 file, and we're not loading it down with surrounding it with so much digital rights management and restrictions that it's difficult on the end user. We're trying to make things work as universally as possible.

If you subscribe to XM or Sirius, it doesn't matter what tuner or MP3 player you have — Winamp or Windows Media Player — you can use our software.

The biggest value proposition for users is that they can turn their satellite radio subscriptions into portable personal media.

Right. To me, that's the value proposition that we would like to see the recording industry embrace. That's the biggest challenge facing the industry right now. How do the copyright holders continue to make a living?

How do you see that shaking out?

Well, instead of shelling out 99 cents for a song, people would pay \$5 a month for a service, and all the people in the chain would get a cut of that. I just think that's a more realistic approach. Sure, I bought an iPod and early on I bought 20 or so tracks on iTunes, but at the end of the day that got expensive.

From a record company perspective, this holds real opportunity as far as introducing new artists. You could apply a few of the methods we've learned about matching up people to the music they like and identify the target audience for a new release. Based on the feedback we get from our users, we can tell a recording company: Look, here's a way to get your new release on the iPods of 100,000 people who might buy it as a track or subscribe to the service.

I saw a Napster ad where they asked people, would you like to buy 10,000 songs at a buck apiece, or have a million songs available to you at 10 bucks a month? So you're in tune with the idea that a celestial jukebox subscription service is the wave of the future?

I definitely think so. The record companies have to look at what's realistic. Is it better to get nothing from someone who's annoyed by the proposition of spending \$10,000, or do you get \$60 a year from that many more people?

So how is TimeTrax a better choice than Napster or similar services?

Napster is one of the services that wraps a lot of restraints around how you

can use a particular song. With a lot of these services, you can only use it on a certain number of registered devices, and if you ever switch or upgrade computers there are a lot of hassles to go through. Try getting a managed song from iTunes onto any other MP3 player other than an iPod.

We're doing a totally different thing that has kind of freaked some people out. Realistically, it's just where the industry going. Organizations like the RIAA are providing a valuable front to recording industry — they do the kicking and screaming for the record companies, but frankly I think the RIAA itself is working toward obsolescence. The record companies realize what's going on, and they're letting the RIAA pursue what's necessary in the short term. That's their role. There's always somebody who wants to suggest that what we're doing amounts to stealing music. We vigorously disagree with that.

And yet, the RIAA hasn't slapped you with any lawsuits.

Although they have publicly repudiated what we do, we haven't heard from them. We've heard rumors that they're up to something, but we haven't heard anything.

In terms of litigation or regulatory action?

The RIAA is lobbying Congress to change what the rules are with copyright laws and the definition of fair use. Ever since the invention of the tape recorder and the VCR, the industry has tried to stop technological progress. But for the movie studios, it's a good thing in the case of the VHS and DVDs that they didn't succeed.

Let's examine where things are going and to build a business model around it. TimeTrax can do for the music industry what the VCR did for the movie industry.

What do people need to make TimeTrax work for them — software, hardware and a satellite service subscription, right?

Correct. We have complete packages for both XM and Sirius that includes everything they need: software and hardware. The only thing we don't do is set up the user's subscription. For people who are a little more adept technically, if they already have satellite radio or buy the hardware on eBay, we do sell just the software or just the USB adapter to configure it themselves.

How much does it cost?

The software starts at \$44.99 and our top-end product, TimeTrax Docktrax, is \$199 and includes a dock for your iPod.

Is TimeTrax strictly for desktop computers or for portable devices as well?

It's mostly for desktop computers. You need a line-in jack on your sound card — a lot of laptops don't have that. We do have a handful of users who

use a laptop.

So you can't hook it up to your car?

You can. A lot of cars being sold today are satellite-radio ready, and some people have built a quick-release mount similar to a CD changer, so they plug in their tuner and they just pop open their trunk or reach under their seat, and grab the tuner when they want to use it. It's the same tuner you'd use with your desktop, so that's pretty cool. You don't have to buy a second subscription.

How much do subscriptions run?

\$9.99 a month for Sirius and \$12.99 a month for XM. XM has a family plan with a lower rate for additional subscriptions.

What are folks recording with TimeTrax? Music, talk radio, comedy?

There are a lot of people recording things other than music. A popular show on XM is "Opie and Anthony" — it's their shock-jock version of the Howard Stern show. I personally record about half talk and half music. In the morning, I like to listen to news and talk and music in the evening. Overnight, I'll set my system to record an hour of talk content and an hour of music, so when I grab my iPod off my desk in the morning and pop it into my car, it has the two hours of content I need for my commute.

Have you heard about other kinds of uses?

In early January we got a call from someone in military. He'd gotten together with a bunch of his fellow soldiers just before they shipped out to Iraq, and they pooled their money to buy a TimeTrax Complete setup and an iPod. They used TimeTrax to record 20 or 40 gigabytes of content and take it to Iraq with them. It makes you feel good in some ways.

I see certain parallels with podcasting.

Sure, although podcasting is someone else making a programming decision for you. In our case, you're picking and choosing the programming. Our software has all the functions of a TiVo. You can schedule a particular show or channel or block of time each day. What I think will be popular in future is the ability of the system to know you well enough to record a show based on how you've evaluated other programs.

What kind of DRM do you use?

We don't want to encourage people to distribute what they capture with TimeTrax over the Internet, so we encode the satellite signal into each recording that's made, with a specific identifier for each user. Besides that, we don't have any other restrictions on what people can do with their recording. We just want to encourage people to be responsible, and yet not punish them at the same time.

That sounds perfectly reasonable. Are you insane? What if this catches

on?

You know, this approach takes the responsibility off us in a certain way and puts it on the user, where it belongs. We've shared our methodology with Sirius and XM and told them, if you find users who are violating your copyright you can take them to court or unsubscribe them.

And what was their reaction?

They tell us it's certainly a step in the right direction vs. having no protection at all. That was the first thing I did when I took over the company. We realized that we needed some kind of control mechanism.

When we announced our approach, we expected some pushback from our customers or from privacy advocates. While heard from a certain number, the criticism we got from our user base was negligible.

I'll guess that the criticism has been muted because you don't keep a central database of people's listening habits. It's encoded in the recording, not sent to the mother ship, is that right?

Exactly. We don't keep those kind of records at all. It's all done on the user's PC.

You don't have a formal relationship with Sirius or XM, is that right?

Right, we don't. We've certainly had conversations with them. They're still in a position of deciding what they're going to do going forward.

Why is your service restricted to satellite radio rather than Internet radio?

Partly for legal reasons. There is a difference in the law between what an individual can do with a broadcast brought into their home vs. a program delivered electronically over the Internet. There are separate legal rules that govern each, and that's why we've stuck to satellite radio. But we're looking into related services, like working with cable providers to deliver a choice of music stations that can be streamed into people's homes.

What's your next big feature?

In the next month we expect to roll out a new version of our software that lets listeners scan satellite radio channels and record songs by specific artists.

How many customers do you have?

We don't release a specific number, but we will say the software has been downloaded more than 350,000 times and we have tens of thousands of customers, and we're growing exponentially.

And the business outlook for this year?

This year we expect to be available in retail stores by Christmas. Today you can purchase TimeTrax only directly for us, but we hope to be in Best Buy, Circuit City and other major retailers by the holidays.

What's the legal outlook for recording satellite or other audio transmissions?

I think over the next few months you'll see public positions start to form about where the industry sees this stuff going. We'll know where organizations like the RIAA and companies like XM and Sirius and maybe the recording companies come down on all this.

What's your stance on the audio broadcast flag?

We've been following that very carefully. The RIAA continues to emphasize that there's a carve-out for satellite radio. That's a big step in the right direction for us. The satellite industry is a major source of revenue for the record companies, so it makes sense. They pay royalties at a higher rate than terrestrial stations and the RIAA doesn't want to rock that boat. The satellite companies have a love-hate relationship with the RIAA.

J.D. Lasica is author of the upcoming book [Darknet: Hollywood's War Against the Digital Generation](#).