



## **The DCIA Welcomes Grokster Settlement**

### **Trade Group Calls For Increased Collaboration Between Content And Technology Sectors**

**November 7, 2005 – Arlington, VA** – The Distributed Computing Industry Association ([www.dcia.info](http://www.dcia.info)), which focuses on peer-to-peer (P2P) file sharing and last week committed to support P2P deployment in the People’s Republic of China, welcomed today’s declaration of peace by DCIA Member Grokster and the major music labels and movie studios.

“This is one more step along the path to commercial development of the P2P distribution channel. For two years, the DCIA has assembled providers of technology solutions and advocates of new business models to collaborate on the expansion of this most promising medium for entertainment marketing. We look forward with alacrity to the launch of Grokster3G,” said DCIA CEO Marty Lafferty in making the announcement.

“The stage is now set for the widespread conversion of file sharers to such authorized implementations of P2P technologies, and we encourage industry participants to focus on usage migration, which will help grow the marketplace for digital content,” he added.

“This settlement provides added impetus for the P2P distribution channel to grow and flourish. P2P digital rights management (DRM) technologies and micro-payment services have been proven with computer games, software, and independent music and films. Major labels and studios can avail themselves of these tools to develop P2P marketplace solutions securely.”

“Speaking personally rather than in an official capacity as the DCIA’s CEO, I would add this. It has been a pleasure and a privilege to team with Grokster representatives on working groups and on special projects that they have undertaken. Whether making extraordinary efforts to reach out to major entertainment rights holders with flexible approaches for licensing their content for P2P distribution, leading the charge to develop and deploy important consumer disclosures, or creating and testing innovative techniques for deterring traffic in criminally obscene content, Grokster has been an exemplary player – a responsive and responsible leader – that has been too often wrongly smeared by our industry’s opponents.”

“We encourage all affected parties to come to the table now and develop new business partnerships. The top six movie studios and top four music labels, which claim to control 90% of popular entertainment content distribution, can now move forward to license authorized P2P services using this highly efficient and extremely popular channel for the distribution of their copyrighted works. P2P file-sharing technologies are part of the larger movement to an increasingly distributed computing environment. This kind of technological progress is inevitable – embracing it to harness its capabilities will prove to be much more gainful than resisting or trying to stop it,” Lafferty concluded.

## **Background:**

P2P is an example of distributed computing – interconnecting geographically dispersed machines for a variety of applications including research and collaboration – and represents the increasingly decentralized topology of the Internet and technology innovation. It is a very robust distribution channel for diverse types of content, which can be protected using P2P digital rights management (DRM) technologies.

P2P is a highly efficient and very cost effective distribution channel for licensed distribution of software, games, films, video, images, documents, and virtually all types of content files. P2P is sufficiently robust to support advertising-supported, subscription, and a la carte sales of licensed content.

Early adopting content rights-holders have already exploited P2P for marketing and promotion, direct sales, and other methods of monetizing their works, including via advertising, and are already generating profits.

P2P has the potential to be the most efficient and productive of distribution channels, where the consumers willingly contribute shelf-space, bandwidth, storage, transmission, and even viral marketing.

With licensed games, software, independent music and films, Creative Commons and public domain works, industry estimates are that more than 10% of P2P transactions are already non-infringing, and both the absolute number and share are increasing daily.

As a result of the long-standing boycott of the P2P distribution channel by the major labels and studios, which claim to control more than 90% of popular entertainment distribution, there are still no authorized copies of any of the works in their catalogs and libraries available through current open-P2P software programs, however. Because of that, nearly all major label content has to be considered infringing at this time.

Opponents of the P2P industry have exaggerated the amount of undesirable content users distribute via P2P in order to justify their efforts to ban the technology. Less than 1.4% of complaints filed last year about online child pornography, for example, were attributed to P2P, down from 2% in the prior year.

The DCIA supports multiple business models in what is a very efficient, productive, and flexible distribution channel. Key to the DCIA is that content rights-holders, software distributors, and service-and-support companies agree to deploy them.

Rights holders should have the choice, not only of whether, but also of how they distribute their works.

Private sector negotiations generally result in a market-driven equilibrium between the value created by content rights-holders and by participants in distribution channels.

Every day more entertainment companies of various sizes are taking steps to embrace and harness P2P. All major games publishers now distribute their offerings on P2P as do thousands of independent musicians and film producers. The majors have finally begun the licensing process for certain P2P applications.

More than ever, P2P has the potential to be the entertainment industries' most productive and efficient distribution channel, as well as offering many other beneficial uses beyond content redistribution.

The DCIA and its nearly seventy Members, which include content owners as well as P2P software companies and solutions providers, do not believe that even if all of the nearly two-hundred current developers of P2P programs stopped distributing their software, that consumers would be significantly impacted. Once downloaded, P2P applications work independently of the companies that distribute them, and so the availability of P2P software at the user level will not materially change as a result of the actions coming out of today's settlement.

As a condition of Membership, all DCIA Members agree to oppose copyright infringement and proactively take steps to avert it.

DCIA's P2P Members, often led by Grokster, have voluntarily taken self-regulatory actions, working with federal authorities, to alert consumers regarding safe usage of P2P software – including copyright infringement warnings; they have partnered with law enforcement at several levels to protect children and combat trafficking in criminally obscene content; they have proposed several business models and technical solutions to major entertainment companies, and are now distributing licensed content from smaller independent music and film suppliers as well as major games publishers.

P2P file sharing is part of the Internet's evolution and related trends in software development to increasingly decentralized and dramatically more efficient applications. P2P applications were accepted by consumers even more rapidly and broadly than instant messaging, the previous leader in downloaded software applications. For pop culture content, P2P is singularly qualified to provide the fastest, lowest cost, largest inventoried distribution channel in history.

The DCIA believes that industry-leading P2P software companies, including all DCIA Members who distribute P2P applications, have responsibilities to their users and are currently meeting them with communications regimes that disclose software usage risks to consumers as well as warn against copyright infringement.

These companies are also making intensive efforts to develop and deploy commercial and technical solutions to make it attractive for owners of copyrighted works to distribute their content via P2P.

To the degree to which this settlement will lead to increased engagement between content providers and technology suppliers, it can help accelerate commercial development. Those who have been waiting on the sidelines to make investments, complete acquisitions or strategic alliances, deploy software, license content, or participate at the consumer level, need to know what is expected of them and how to proceed.

US copyright laws do not need to be changed for the digital realm. Rights holders need to be encouraged to adopt business models that can stay current with innovation and technical advances so that content creators, technology suppliers, and consumers can benefit from improved efficiencies.

The DCIA hopes that with settlements such as today's the RIAA and MPAA and their members will stop suing consumers. While they were clearly within their rights to do so, the DCIA always believed it was wrong for rights holders or their agents to sue end-users before licensing content to the P2P distribution channel.

Without authorized behavior to which to direct consumers, efforts at enforcement seem futile – as indeed they have failed to alter the steady growth in P2P adoption by consumers.

#### **About the DCIA:**

[The Distributed Computing Industry Association \(DCIA\)](#) is a non-profit trade organization focused on commercial development of peer-to-peer (P2P) file sharing and related distributed computing technologies.

Its Members are listed alphabetically on the Join page of [www.dcia.info](http://www.dcia.info). [BigChampagne](#) serves as the DCIA's official industry data resource.

DCIA Membership is organized into three Groups: Content, Operations, and Platform. The DCIA conducts working groups and special projects, such as the [Consumer Disclosures Working Group \(CDWG\)](#), [P2P PATROL](#), and the [P2P Revenue Engine \(P2PRE\)](#). It also publishes the weekly online newsletter [DCINFO](#).