

# **CONSUMER FEDERATION OF AMERICA CONSUMERS UNION FREE PRESS US PIRG**

**FOR IMMEDIATE RELEASE**  
MARCH 22, 2005

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## **NEW REPORT PRESENTS FIRST ANALYSIS OF CRITICAL ROLE OF PEER-TO-PEER IN TECHNOLOGICAL INNOVATION, ECONOMIC GROWTH AND CONSUMER BENEFITS**

### **REPORT KICKS OFF MAJOR GRASSROOTS CAMPAIGN TO COUNTER ENTERTAINMENT INDUSTRY ASSAULT ON PEER-TO-PEER NETWORKS**

WASHINGTON – High-tech entrepreneurs and consumers eagerly embrace peer-to-peer networks and believe the technology fosters economic, technological and social innovation, according to a new report released today by the Consumer Federation of America (CFA).

The report, "Time For Recording Industry To Face The Music: The Political, Social And Economic Benefits Of Peer-To-Peer Communications Networks," analyzes the critical role that peer-to-peer networks play in promoting technological innovation, new modes of economic growth, and fundamental social, political and economic progress. The report also presents economic data that suggest the recording industry is promulgating a false economic model to choke off competition.

The report comes as major record companies and movie studios try to create a "piracy panic," attacking peer-to-peer networks through a series of anti-competitive judicial and legislative efforts intended to stifle innovations that threaten their market domination. These 'old economy' industries feel threatened by individual citizens communicating directly with each other, sharing information that enables them to produce products they desire at the precise quantities they need and ever-lower prices.

"Efforts to suppress peer-to-peer technology are a broad attack on the vibrancy of the Internet itself and have led to a tyranny of copyright," said Mark Cooper, director of research for CFA. "As the Supreme Court has definitively held, copyright is designed to stimulate the free flow of ideas — not to guarantee forever the profits of copyright owners. Furthermore, fair use is a critical consumer First Amendment right that must be preserved in the digital age."

The report focuses on the broad social, political and economic implications of an assault on peer-to-peer technology by major record companies and movie studios. In the analysis, Cooper also articulates that public policy should embrace peer-to-peer and reject efforts to stifle the technology.

The report also highlights the economic growth potential for producers and distributors of audio and video products through peer-to-peer networks. For example, despite five or six years of trying to shut down peer-to-peer technology and killing off record singles in an effort to force consumers to buy \$20 CDs for one song, in 2004 consumers bought more than 150 million digital singles. The demand consumers are generating for products they want is actually driving the creation of innovative economic models and profits, Cooper suggests.

“Peer-to-peer networks have been attacked purely as vehicles for piracy, when in fact these networks are engines of economic growth, technological innovation, and a growing number of political, cultural and social benefits for all citizens,” Cooper said. “Non-commercial home recording is not piracy; it is fair use. Major record companies and movie studios have resisted adapting to new distribution models that threaten their near-monopolistic grip on artists and consumers.”

The conclusions of the report were endorsed by Consumers Union, U.S. PIRG and Free Press, who joined CFA in announcing a major grassroots public education campaign to raise consumer awareness of the value of peer-to-peer networks and to fend off the assault on these applications by major record companies and movie studios.

Gene Kimmelman, Senior Director of Public Policy and Advocacy at Consumers Union, said in relation to the new report: "Consumers benefit when new technologies are developed. Recent attempts to stop peer-to-peer file sharing went after mp3 players, digital video recorders and other new technologies, too. Innovation means more competition in the marketplace, which means better features and lower prices for consumers. Peer-to-peer file sharing has a vital role in the digital age. New technologies allow average music listeners, once dependent on the music labels and movie studios, to become artistic creators and content distributors."

“As the diversity of uses for peer-to-peer networks continues to increase, the ability of people to share information, ideas and products needs to be protected,” said Ben Scott, policy director of Free Press. “The ferocious effort by the content industry to kill off these technologies through legislation must be stopped. Congress should protect the principals of Fair Use and the Supreme Court’s 1984 *Sony Betamax* decision that is responsible for so much of the technological innovation that has fueled the information revolution of the last 20 years.”

Ed Mierzwinski, consumer program director at U.S. PIRG, noted, “Big industry and ordinary citizens alike deserve public policies that embrace change. Innovation is the engine of social, cultural and economic growth. Throughout history, new technologies, ranging from the printing press to peer-to-peer networks, are proven to bring tremendous social gains, even as old technologies and old economic models become outmoded and are replaced.”

The grassroots initiative outlined by the four groups will involve educating policymakers, consumers, businesses and ordinary citizens on the growing range of political, social and economic uses of peer-to-peer networks and the threat posed by entertainment industry’s approach. It will target legislation being debated in Congress, such as the “Induce Act,” which would hold technology companies responsible for creating devices that could be used to pirate digital content – a clear break from the Supreme Court’s holding in the landmark 1984 *Sony Betamax* case.

A short statement by Mark Cooper on the report is available at:  
[www.consumerfed.org/peertopeerstatement.pdf](http://www.consumerfed.org/peertopeerstatement.pdf)

An issue brief that summarizes the report is available at:  
[www.consumerfed.org/peertopeerissuebrief.pdf](http://www.consumerfed.org/peertopeerissuebrief.pdf)

The full report with issue brief is available at: [www.consumerfed.org/benefitsofpeertopeer.pdf](http://www.consumerfed.org/benefitsofpeertopeer.pdf)

The report will be published under a creative commons license by Stanford’s Center on Internet and Society, where Dr. Cooper is a fellow. And it will be distributed through the file sharing application BitTorrent. ( [www.legaltorrents.com/bit/benefits-of-peer-to-peer.torrent](http://www.legaltorrents.com/bit/benefits-of-peer-to-peer.torrent) )

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