



**STATEMENT OF HILARY ROSEN  
CHAIRMAN AND CEO  
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BEFORE THE  
SUBCOMMITTEE ON COURTS, THE INTERNET AND  
INTELLECTUAL PROPERTY  
COMMITTEE ON THE JUDICIARY  
UNITED STATES HOUSE OF REPRESENTATIVES  
ON  
“PEER-TO-PEER PIRACY ON UNIVERSITY CAMPUSES”**

**FEBRUARY 26, 2003**

Mr. Chairman, Congressman Berman, Members of the Subcommittee, I greatly appreciate your inviting me to speak with you on the timely subject of unauthorized peer to peer (P2P) file sharing on university and college computer networks.

Over the years, our industry has benefited from the emergence of various new technologies. The evolution from wax cylinders to vinyl, from vinyl LPs to cassettes and then forward into the digital era - CDs, DVD Audio, Super Audio CD, and on-line music services, reflect our industry's willingness to embrace new technologies to provide music listeners greater opportunities to access music of ever greater fidelity when and where they want it.

Without question, the Internet challenges us to think about the distribution of recorded music in an entirely different way. Whereas we have been accustomed to the production of physical products embodying creative works, our companies are now fashioning business models

applicable to the digital electronic realm. This is a new marketplace in which record companies and their licensees seek to establish a viable, vigorous commercial presence.

Our much publicized skirmishes with Napster, KaZaA, AudioGalaxy, Aimster and various other unauthorized Internet P2P systems enabling the massive uploading and downloading of files of copyrighted music recordings are not prompted by any industry predisposition against the applications or the technology. Rather, it is the very evident fact that the sponsors of those systems are exploiting the creative investment of the performing artists and recording companies for their own commercial benefit, without any intention, or credible effort, to obtain licenses or to pay royalties. It is the misuse of technology that must be stifled, not the technology itself. We believe that P2P technology will offer great benefits for legitimate uses.

Needless to say, these unlawful P2P applications have found almost instantaneous acceptance among college students. This demographic group comprises avid listeners who have traditionally represented a sizeable portion of our retail markets. The scope of illegal P2P file sharing and the consequential detriment to our industry is well known. More than 2.6 billion music files are illegally downloaded every month on unauthorized P2P systems. Of this number, a significant percentage of the transfers occur over campus networks.

This should come as no surprise. After all, American colleges and universities have incredibly fast Internet connections - often as a result of support from the government - which are intended to be used for academic, research and other legitimate purposes. It is to be expected that those who want to engage in file transfers would likely to choose a university system's high bandwidth to do so.

The unauthorized P2P file-sharing problem poses tremendous difficulties not only for copyright owners and artists, but also for administrators on our nations' college campuses. Rampant file sharing of music and video content imposes a heavy toll on all of us. Despite education campaigns about the illegality of file sharing, and despite numerous court decisions clearly holding that copying music, movies and other copyrighted files is against the law, there is an alarming disregard among students for Internet theft. As a result, P2P abuse has overtaxed

numerous college computer systems, slowing processing of legitimate information to a crawl due to the uncommonly large number and size of files being uploaded and downloaded. Moreover, students are often unaware of the dangers of these P2P applications: compromising campus network security, making their own hard drives containing their personal data available to others, and opening the campus network to computer viruses. Even more alarming is the fact that up to 75% of those coming onto the campus networks are people outside the university community who are searching the Internet for the greatest amount of broadband capacity in order to expedite the file transfer. Campus systems, with their fast connections, find themselves hosting total strangers.

Perhaps the newest and most frightening problem emerging on college campuses is what we refer to as LANNs - or Local Area Napster Networks. Apparently, some students have taken it upon themselves to establish Napster-like systems on university campuses, so that students can copy each other's files within the university network, which can often be done more quickly and easily than downloading files from the Internet. Perhaps these students think that what the courts have found to be illegal on the Internet is somehow less illegal if confined to a university network. In fact, such systems are no more lawful, and are primarily being used for the same illicit purposes, as the P2P systems like Napster that have been ruled to infringe our copyrights. We certainly have hope that the university community will actively confront this issue and take steps to stop this development before it spreads.

I'm pleased to say that there have been some very encouraging developments in addressing this problem. The entertainment and higher education communities have undertaken to work together to address the problem of P2P piracy on college campuses. Last fall, RIAA, the Motion Picture Association of America, the Songwriters Guild of America and the National Music Publishers Association jointly sent a letter to 2,300 college and university presidents explaining the severity of online piracy and the importance of their active involvement in tackling the issue. We also reached out to the leadership of the national associations representing the spectrum of the nation's colleges and universities and they demonstrated their support by sending a follow-up letter to the same universities urging them to address the P2P problem proactively. This started a chain of conversations between the content industries and leaders of

higher education leading to the establishment of the Joint Committee of the Higher Education and Entertainment Communities. The Co-Chairs of the Joint Committee are Dr. Graham Spanier, the President of Penn State University, who is here today, and my colleague Cary Sherman, RIAA's President. For your reference, I have provided a listing of the principal representatives on each side.

During the initial meeting on December 10, 2002, the Joint Committee decided to establish three task forces focusing on the following areas: Education/Best Practices, Technology, and Legislative Issues.

The Education/Best Practices Task Force, chaired by Dr. John Hennessey, President of Stanford University, is working to identify and develop informational materials that will assist educators and campus administrators in educating students and other members of campus communities about copyrights, their obligation to refrain from infringing conduct, and the institution's commitment to respect the rights of copyright owners. I emphasize that this task force is looking to craft advisory information, recognizing that each institution has its own policies regarding enforcement of computer usage restrictions and disciplinary actions. Some, like the University of North Carolina have exemplary policies. I would like to thank Dr. Molly Broad, who is here today, and I hope that the policy adopted by her university serves as an example to many others. Also, this task force will be sensitive to the concerns of the academic community on matters of privacy, free speech, and academic freedom. We believe that, with active dialogue on these issues, we can make significant headway in lessening the misunderstandings that arise from time to time between the two communities over these issues.

The Technology Task Force, chaired by Dr. Charles Phelps, Provost of the University of Rochester, is taking up an examination of current and emerging technologies that can effectively identify online trafficking of copyrighted material and provide administrators with the resources to limit or prevent infringing uses of P2P systems. The task force will conduct an initial screening of promising technological solutions and then test them in pilot applications on selected campuses. The results will be disseminated to the higher education community affording an opportunity to determine which technologies are of greatest benefit to any given

institution. We expect that a number of technologies will show potential. We're not looking for a "one size fits all" outcome.

The Legislative Task Force, co-chaired by Jack Valenti, President of the Motion Picture Association of America, and Dr. Broad, is looking at various issues that have come before Congress that affect both of our communities. This task force will provide an opportunity for both communities to work proactively on emerging issues and to understand the perspectives and concerns of the other. We're confident that this dialogue will strengthen the relationship between us.

To sum this up, we think that we are off to a good start in finding common ground with the leadership representing the nation's colleges and universities. Given that those institutions are themselves heavily invested in copyright and other intellectual property rights, there's every reason to believe that we can forge baseline understandings upon which we can structure effective strategies and programs to educate students and others about music, film, videogame, and software property rights and their legal obligations towards them.

The problems confronting us are formidable. However, we believe that our collaboration with college and universities will bear fruit. Certainly, I would hope that sometime in the near future I will be able to report to you that legitimate on-line music subscription services, which are now becoming abundantly available, have established a viable presence on campuses and that P2P piracy on college networks has receded.

I again thank you for the invitation to speak with you on this topic, and I would be pleased to respond to any questions you may have.

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