

Statement of  
**The Honorable Dianne Feinstein**

United States Senator  
California  
September 28, 2005

Senator Dianne Feinstein

"Protecting Copyright and Innovation  
in a Post-Grokster World"  
Senate Judiciary Committee  
Opening Statement

I want to thank the Chairman for holding this hearing, and to all the witnesses, many of whom are from my home state, for coming.

This past July, the Court unanimously issued a major decision in the MGM Studios v. Grokster case. In that case the Court set out a new important framework which clarifies that a company may not intentionally induce illegal exchanges of copyrighted works over the Internet.

I am pleased the Committee is exploring the impact of this decision and how it is being handled throughout the various industries.

This decision has already had a significant impact on the U.S. copyright industry both on the content and the technology and innovation sides. And by impacting these industries, it will have a significant impact on California and California's economy.

All of the industries directly impacted by this decision are at home in California, and many have a significant presence:

? All of the major movie studios are headquartered in Los Angeles;

? Universal Music Group is headquarter in Santa Monica and has an almost 25% worldwide market share in 2004;

? Apple which manufactures the iPod and owns iTunes is headquartered in Cupertino;

? Intel has been at the cutting edge of technology innovation and has its imprint on computers and digital music players throughout the world, and it is headquartered in Santa Clara;

? Napster now has extensive content agreements with the five major record labels, as well as hundreds of independents and has offices in Los Angeles and San Diego; and

? Yahoo! is headquartered in Sunnyvale, California. Yahoo! has led the way in information sharing, communication, internet shopping, and has recently expanded to Y! Music which provides music tracks for purchase

And that's just the tip of the iceberg. All of these industries are important and essential for growth.

The Motion Picture Association of America has estimated the film industry loses around \$3 billion each year, and the recording industry has estimated that it has lost almost \$5 billion annually due to online theft and illegal file-sharing.

However, the technology industry has expressed its concerns over proposals that have sought to protect content but may have had an inadvertent effect of stifling innovation.

I am pleased that the Supreme Court has decided the Grokster case, and I hope it will prove to have struck the right balance between these important industries.

I understand the Recording Industry is working with at least five file-sharing services to convert free trading of copyrighted music on their networks to paid services, however, I have also read press reports that the "P2P" user volume has continued to increase even after the decision.

I look forward to hearing the witnesses' testimony and learning more about how changes are being implemented, as well as what is and isn't working.