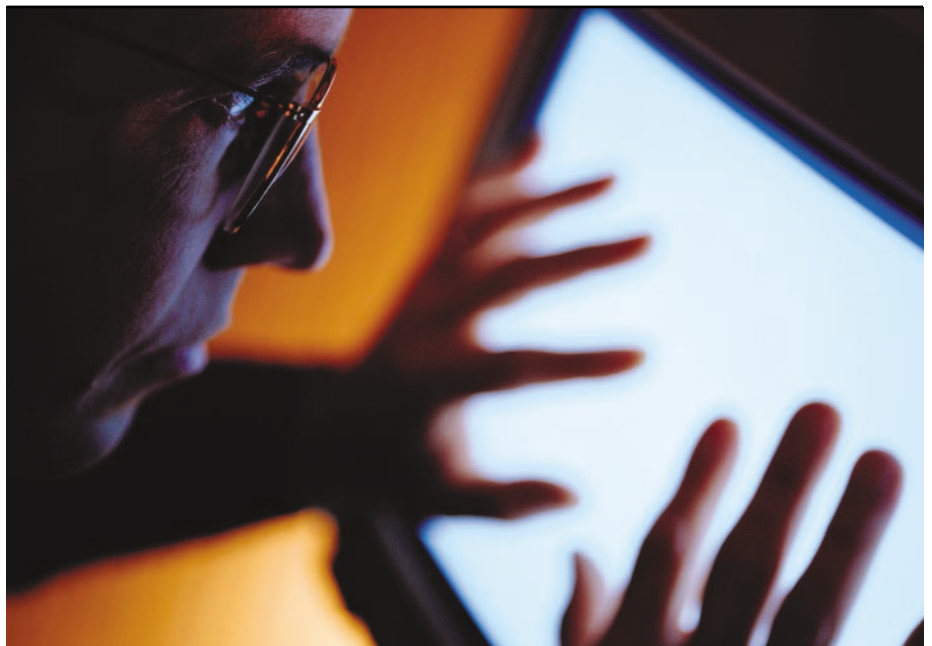


# Limiting Liability with Systems Management Software

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## INTRODUCTION

Groups such as the Business Software Alliance have done much to raise awareness, and improve enforcement of software licensing agreements at corporations. With the ever-present possibility of an outside audit of software licenses, companies have sought and implemented tools to track and document licenses and installations for themselves. Now, however, a new type of potential liability exists, and many companies are totally unprepared for it.

## THE SCOPE OF THE PROBLEM

In recent years, the Recording Industry Association of America (RIAA), a trade group representing the music industry, has launched increasingly aggressive campaigns to stop downloads of digital music, primarily MP3 files, over peer-to-peer (P2P) file sharing networks.

Having won the right in Federal court to compel ISP's to release the names of persons associated with the IP addresses using P2P services to download music, the RIAA began filing lawsuits against hundreds of individual file swappers. In addition, access to this information has identified many IP addresses owned by businesses whose employees are taking advantage of the fast internet connections at work to swap files.

In March of 2003, the RIAA sent letters to numerous Fortune 1000 companies, warning them of their potential liability related to peer-to-peer (P2P) file sharing services used by their employees on company equipment and networks.

A study conducted in mid-2003 found that 77 percent of all corporations had file-sharing activity, some with P2P activity on more than half of their computers. Perhaps more strikingly, the study found at least some file swapping activity in every company with more than 500 users.<sup>1</sup>

Yet prohibiting P2P file sharing can be problematic.

Early file sharing services operated on a fixed port, which network administrators could easily block. Newer versions of popular P2P software, such as Kazaa, can dynamically choose an open port. Since employee computers logged in to network resources are all trusted assets within the network, traditional firewall and security technologies have difficulty identifying and stopping this type of activity without also disrupting authorized activity.<sup>2</sup>

## THE POTENTIAL COST

The problem continues to grow. In fact, a 2002 Microsoft Corporation white paper concluded that "(t)here seem to be no technical impediments to ... peer-to-peer file sharing technologies growing in convenience, aggregate bandwidth and efficiency."<sup>3</sup>

Under current copyright law<sup>4</sup>, recording companies may collect up to \$150,000 statutory damages, plus legal costs and attorney's fees for each copyrighted work found. Multiplied by the number of P2P users, and stored files at a typical company, the potential financial exposure for allowing file sharing is staggering.

Remember, research has told us that every company over 500 employees has some file swapping. A company with 500 employees, for example, twenty percent of whom have only five unlicensed MP3 files each, amounts to potential statutory damages in excess of \$75 million dollars.

Although this white paper is primarily focused on this potential legal liability, there are many other risks associated with P2P network activity, which should encourage companies to take steps to prevent it. Among the other risks:

- Employees acting as hosts may expose confidential company information to other P2P users worldwide.
- P2P networks can be, and are, easily exploited to distribute viruses and worms, allowing them to bypass normal security and filtering barriers.
- P2P file sharing can greatly limit available bandwidth on the network

## OUR SOLUTION

A variety of strategies have been recommended by various consultants and researchers, including a three-step approach suggested by the Gartner Group, which includes issuing specific, written, company policies regarding use of P2P technologies and storage of unlicensed, copyrighted materials; documentation of all enforcement efforts; and use of available technologies to prevent file swapping.<sup>5</sup>

While Netopia cannot address the appropriate wording for policies, nor dispense legal advice, our netOctopus Enterprise Systems Manager software is designed with capabilities that are particularly useful for enforcing policies against file swapping and storage.

netOctopus, a comprehensive systems management solution for Windows and Mac OS computers, is used by administrators to inventory software and hardware assets on the company network; to ensure software license compliance with periodic audits; to distribute and install software and software updates; to execute virus scans on administered computers; and to detect unauthorized changes to managed computers.

As part of its comprehensive inventory capabilities, netOctopus enables administrators to search for any specific type of file, such as MP3 files, on all managed computers. Once found, these files can then be deleted on all machines, wherever they are physically located, from the central administrator console. Like all functions of netOctopus, this can be scripted or scheduled to run automatically.

Besides removing the offending materials, thus reducing potential liability, the netOctopus log file will document the actions taken, enabling HR follow-up with employees who repeatedly violate company policies.

netOctopus can also detect running programs on managed machines. Thus, in addition to removing stored, unlicensed, copyrighted materials, administrators can use netOctopus to find copies of Kazaa, Morpheus and other P2P applications which are being used to obtain those files, then stop and delete them.

## CONCLUSION

The potential financial liability companies face from employees using P2P file sharing applications is substantial, and should be addressed as part of the company's IT and personnel procedures. netOctopus can help reduce potential liability, while offering numerous additional cost savings through improved efficiency of remote support and management of computers on your company's network.

## CONTACT INFORMATION

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<sup>1</sup> Study Reveals Widespread P2P Use in Corporations, Jay Lyman, TechNews World, July 16, 2003.

<sup>2</sup> RIAA turns up heat on file-trading at work, John Borland, CNET News, March 18, 2003.

<sup>3</sup> The Darknet and the Future of Content Distribution, P Biddle, P England, M Peinado, and B Willman, Microsoft Corp., 2002.

<sup>4</sup> Digital Theft Deterrence and Copyright Damages Improvement Act of 1999.

<sup>5</sup> RIAA File-Sharing Lawsuit Should Rouse Companies to Action, Gartner Group, July 2003.