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Cable Hits a Big Winner With DVRs

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By MARTIN PEERS

In cable TV vs. Hollywood, it is game and set, cable.

The Supreme Court's decision Monday not to hear an entertainment-industry appeal of the network digital-video-recorder case is a big victory for Cablevision Systems and the broader cable industry.

Digital-video recording offered through a central server rather than individual devices in each home should reduce Cablevision's capital expenditure, good news for cable investors. Cablevision won't have to send a technician to a customer's house to install DVRs.

It should accelerate DVR deployment. About 28% of households with TV sets were expected to have DVRs at the end of this month, estimates Magna Global, increasing to 42% by 2014. Cablevision could boost that number by offering customers free network DVR service for a month or two to get them hooked.

That isn't good news for the entertainment industry, which relies on TV advertising to help pay the bills. Many DVR users fast-forward through commercials.

There is no guarantee a network DVR service will work as well as DVRs installed in consumers' homes. Hundreds of thousands of people recording TV shows simultaneously could strain Cablevision's network.

Assuming any kinks get worked out, the question is how entertainment companies react, after three years fighting the issue in court. Cablevision has argued that network DVRs offer the potential for new advertising approaches, such as updating ads stored in a recorded program.

Nothing will stop ad-skipping completely. If, instead of fighting, Hollywood works with the cable industry on ways to sell TV advertising, it might have a chance of getting back in the match.

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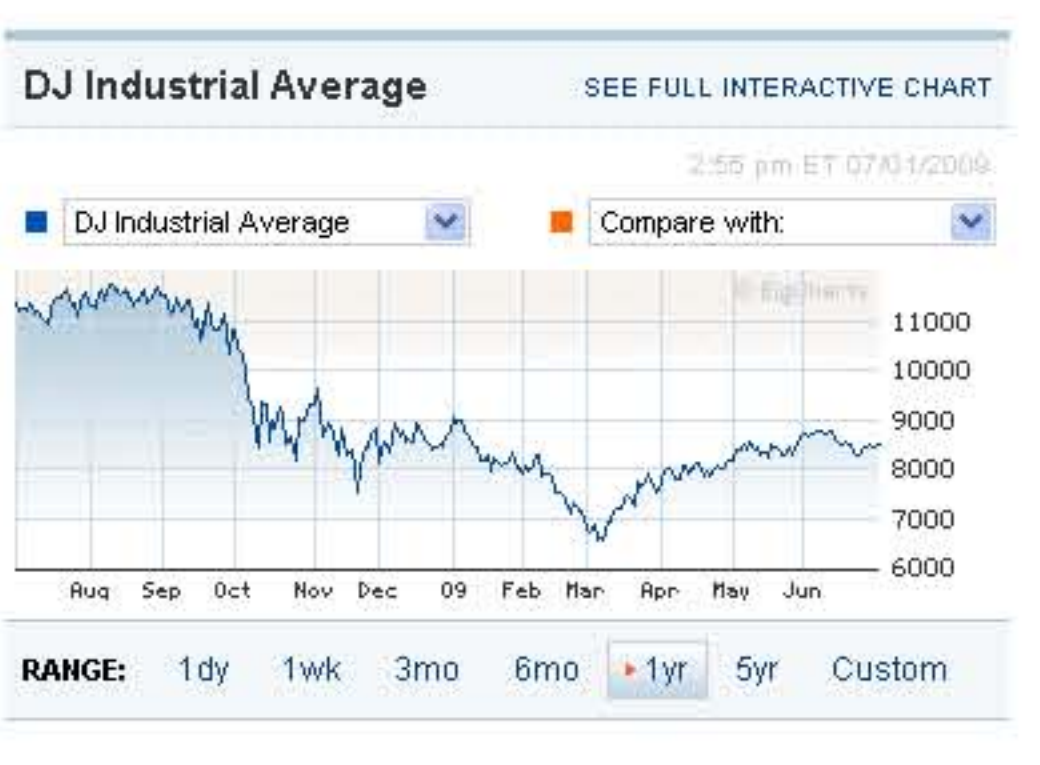
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