No Disks Needed for Startup's Streamed Video Games

Music and movies can be streamed over the Internet, so why not video games? A startup founded by technology entrepreneur Steve Perlman says it has developed a technology to deliver video games on demand, an idea that threatens to eventually take consoles out of the equation. OnLive Inc., Perlman's Palo Alto, Calif.-based company, planned to unveil its technology Tuesday night at the Game Developers Conference in San Francisco. Seven years in the works, OnLive says it has developed a way to stream video games without any lag that humans can notice. So the instant you press a button to shoot something on the screen, the gun goes off.

This has not been possible before, because unlike with music and movies, which can be compressed — or put into smaller files that are more easily transferred online — before being streamed, video games are interactive and require instant responses. That has meant video games needed to be played on consoles packed with computing power, like the Xbox or the PlayStation, or downloaded to personal computers that could process some of the data that enabled games to run. OnLive's technology gets around that limitation with a new form of compression that lets its game servers communicate with players over broadband connections in real time. This also means OnLive's service can work on older computers, even those without a graphics processing unit that has until now been an essential component of gaming. Through a

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"MicroConsole" about the size of a cassette tape, OnLive's service will also be available for television sets.

In a recent demonstration, OnLive showed off "Crysis," a complex shooter game that's currently only available for PCs, played on a TV set through the little "console" and on a Mac laptop. "It's the last console you'll need," said Perlman, a former principal scientist at Apple who in 1995 co-founded WebTV, bringing Internet access to TV sets. He later sold WebTV to Microsoft Corp. for more than $500 million. OnLive says it would be difficult for its users to exceed the monthly bandwidth caps that Internet service providers are increasingly placing on their subscribers. A typical user would have to play about 284 hours — nearly 12 full days — to consume Comcast Corp.'s 250-gigabyte cap. Nielsen Co. estimates many gamers play roughly 60 hours a month.

OnLive plans to launch its service late this year for monthly subscription fees it has not disclosed. Most big-name game publishers, like Electronic Arts Inc., Take-Two Interactive Software Inc. and Eidos Interactive Ltd., have signed on, and OnLive says upcoming games will be available on the service at the same time they are released in stores. OnLive's investors include Time Warner Inc.'s Warner Bros., Autodesk Inc. and Maverick Capital. Patrick Seybold, a spokesman at Sony Corp. — maker of the PlayStation consoles and publisher of titles like "Killzone 2" and "LittleBigPlanet" — said the company has a "competitive offering for consumers" with games distributed via both the Internet and disks.

Although OnLive may seem to offer a different approach, Seybold said, consumers may end up paying more and possibly sacrifice performance "when you get this into a real-world environment

where multiple devices are plugged into one broadband connection." If OnLive takes off as its backers hope, it could be a blow to retailers like GameStop Corp., just as digital music sales are closing up record stores and drying up CD sales — not this year, or even next, but as inevitably as the death of the eight-track. In fact, OnLive was the second major technology announced at the Game Developers Conference that relied on digital delivery. The Zeebo, an inexpensive video game console for emerging economies, downloads its games wirelessly rather than using disks.

"Retailers have a day of reckoning coming, and that's digital distribution," said IDC video games analyst Billy Pidgeon.

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