By Peter Kaplan
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WASHINGTON (Reuters) - Comcast Corp has been ordered to change how it manages its broadband network after U.S. communications regulators concluded some of its tactics unreasonably restrict Internet users who share movies and other material.

In a precedent-setting decision, the five-member Federal Communications Commission voted 3-2 to uphold a complaint accusing Comcast of violating the FCC's open-Internet principles by improperly hindering peer-to-peer traffic.

"Subscribers should be able to go where they want, when they want, and generally use the Internet in any legal means," FCC Chairman Kevin Martin said in a statement.

Comcast said it was disappointed by the decision and was considering all its "legal options."

The ruling by the FCC does not include any fines against Comcast. But it requires the company to cease impeding peer-to-peer applications, to tell the FCC how the practice has been used, and to notify customers about other network management practices it adopts in the future.

The complaint against Comcast was filed by consumer groups who said the company had blocked file-sharing services, such as BitTorrent, that distribute TV shows and movies.

The case has become a flash point for a growing debate over a concept known as "network neutrality," which pits open-Internet advocates against some Internet service providers, who say they need to take reasonable steps to manage ever-growing traffic on their networks for the good of all users.
Comcast has said its network management practices were a reasonable choice and has argued that the FCC does not have the authority to enforce its open-Internet policy.

Martin likened Comcast's network management to "the post office opening your mail, deciding they didn't want to bother delivering it, and hiding that fact by sending it back to you stamped 'address unknown -- return to sender'."

Martin said the technique ran afoul of the FCC because it was too sweeping and was not disclosed to customers. He said Comcast's justification for using it -- that it is needed to manage network congestion -- did not add up.

Martin said he was especially troubled because the file-sharing targeted by Comcast was a potential competitive threat to the company's own video services. He said that if the FCC failed to take action in the Comcast case, it could provoke lawmakers in Congress to slap even more explicit rules on broadband providers.

Rival network operators Verizon and AT&T issued statements immediately after the vote saying the FCC's action showed that there is no need for Congress to intervene.

"We have argued repeatedly that there is no need for federal legislation in this area, and today's FCC action proves that point," AT&T senior executive vice president Jim Cicconi said in a statement.

Joining Martin to uphold the complaint were the FCC's two Democratic commissioners, Michael Copps and Jonathan Adelstein.

However, the decision drew sharp dissents from Martin's two fellow Republicans, Robert McDowell and Deborah Taylor Tate. They said it was overly intrusive, and worried that it might inhibit broadband providers from cracking down on illegal content like child pornography and pirated material.

McDowell and Tate said the agency should have allowed Comcast and its critics to iron out their dispute without intervention by the government.

They noted that Comcast had already reached an agreement with critics to change the way it manages its network and cooperate with BitTorrent and others.

"For the first time, today our government is choosing regulation over collaboration when it comes to Internet governance," McDowell said. "The (FCC) majority has thrust politicians and bureaucrats into engineering decisions." (Reporting by Peter Kaplan, editing by Tim Dobbyn)
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