August 5, 2009

Robert Levitan, CEO
Pando Networks, Inc.
520 Broadway, 10th Floor
New York, NY 10012

Re:     Inadvertent Sharing Protection Working Group Voluntary Best Practices
Compliance

Dear Mr. Levitan:

In July 2008, numerous distributors of peer-to-peer file-sharing applications, including
Pando Networks, agreed to abide by a set of guidelines (hereafter "Voluntary Best Practices"),
created by the Distributed Computing Industry Association, to minimize the inadvertent sharing
of sensitive files over peer-to-peer networks. The staff of the U.S. Federal Trade Commission's
Division of Advertising Practices has recently reviewed and analyzed the Pando software
application, version 2.3.0.11, to determine if it complies with the Voluntary Best Practices. This
letter sets forth the results of that review.

We recognize that the Pando software application operates differently than some other
peer-to-peer file-sharing applications in that the files made available for sharing by users are
hosted and accessed on the Pando website, instead of on the users' computers. Nevertheless,
users can designate files to be shared with specific individuals and the general public as a whole.
Accordingly, to minimize the risk of consumers inadvertently sharing files, it is important that
the Pando software application comply with the Voluntary Best Practices. The staff's tests show
that the program does not comply with the Voluntary Best Practices in the following ways:

•       Section (1)(A), which requires clear, timely, and conspicuous plain-language
        warnings about the risks of inadvertent sharing of personal or sensitive data, in
        order for User-Originated Files or pre-existing folders to be shared. In fact, the
        Pando program appears to provide no warnings whatsoever that would alert users
        about the potentially sensitive nature of the files being shared;

•       Section (3), which requires that recursive sharing be disabled by default. The
        default settings of the Pando program allow for the recursive sharing of folders
        and complete drives (e.g., the C: or D: drive, a network drive, or an external
        drive);

- Section (4)(A), which requires clear, timely, and conspicuous warnings that folders often used to store personal or sensitive data, such as "My Documents," may contain sensitive or personal files. Again, the Pando program appears to provide no warnings whatsoever that would alert users about the potentially sensitive nature of the files contained in the folder being shared; and

- Section (4)(B), which requires that any attempt to share a complete drive (e.g., the C: or D: drive, a network drive, or external drive) or a user-specific system folder (e.g., a "Documents and Settings" folder in Windows) be prevented. The Pando program allows complete drives, in addition to system folders, to be shared.

We urge Pando Networks to make the modifications necessary to honor its commitment to comply with the Voluntary Best Practices. We will contact you soon to determine your plans for implementing these changes, as well as your anticipated time frame for doing so. In the meantime, please call Stacey Ferguson at (202) 326-2361 if you have any questions.

Very truly yours,

Mary K. Engle
Associate Director
Division of Advertising Practices

cc: Marty Lafferty, Distributed Computing Industry Association