



TECHNOLOGY December 26, 2006, 12:00AM EST

Orb Wants to Free Digital Content

The startup's place-shifting software lets you tap into online content from any device. Now CEO Joseph Costello just has to figure out a way to make money

by [Peter Burrows](#)

Joseph Costello, 53, was once considered one of Silicon Valley's most promising young chief executives. In the 1990s he built Cadence Design Systems, a maker of product design software, into one of the largest software companies. Steve Jobs even interviewed him about running Apple Computer ([AAPL](#)) before Jobs decided to take the job himself and Costello went off to run Think3, a struggling Cincinnati maker of computer-aided design software.

Now, Costello is back at work in Silicon Valley trying to build another big software company. Costello is betting Orb Networks can forever change the way people view digital media.

The 30-person company, which he helped found and finance three years ago, makes software that lets users get to what's on their home PC from any device capable of running a Web browser—be it a laptop, cell phone, or, coming soon, the TV. "Digital media today is locked up on the PC, but we get it anywhere—on any screen," says Costello, who had been chairman of the company since 2005 but became full-time CEO in October, after leaving Think3.

MIX AND MATCH

Orb isn't the only startup on this technology path, which is sometimes referred to as "place-shifting." Sling Media, for example, makes a device that lets TV lovers get virtual access to their TV on laptops or cell phones, right down to getting the local listings and anything they've recorded on a TiVo-style recorder.

What's different about Orb is that it's aiming beyond just one type of media or device. Instead, Orb hopes to be the behind-the-scenes glue that lets consumers mix and match any content on their PC or available through their PC's Net connection with any device they like.

It's an ambitious plan. At a time when millions of people are swarming to free Internet sites such as YouTube ([GOOG](#)) and MySpace, many wireless carriers, cable companies, and others are trying to hook consumers on premium services for which they pay a fee to get access to certain Net content on their cell phones, TVs, and other digital devices.

Orb's software could do away with having to pay for such services. "With Orb, it's simple: If you want to watch an Internet video on your cell phone or TV, then watch it," says Costello. "Why should you have to pay for content when you get it for free on your home PC?"

NO MONEY DOWN

Consider what cell phone companies are doing. On Dec. 19, Cingular Wireless struck a deal with MySpace so Cingular subscribers can get access to their MySpace pages for \$2.99 a month. A few weeks earlier, YouTube struck a deal that gives subscribers to Verizon Wireless' \$15-a-month V Cast service could have access to the video site from their cell phones.

But access to MySpace and YouTube, via a PC over the Web, is free. On Nov. 15, Orb rolled out software that lets consumers tap into these and other sites from their cell phones, for no money down. Says Roger Entner, a vice-president for market researcher Ovum: "Place-shifting could be the soft underbelly of the wireless carriers' multimedia strategies. Why pay Cingular \$2.99 a month for access to MySpace, when I can just go there directly?"

How does Orb work? Once consumers download Orb's free software to their PCs, they're prompted to indicate what content they want to show up on the portal they'll see when they log onto their Orb account from other devices. That's possible because Orb's technology tracks the unique attributes of all sorts of hardware and software and can adapt any data to fit the specs of various devices on the fly. "The magic is in the architecture, which offers complete flexibility—any file type, data format, screen size, media source, IP-based network, or screen size," enthuses Gary Morgenthaler of Morgenthaler Ventures, one of Orb's backers.

BRITISH PIONEER

But Orb has a long road ahead. It needs far more users if it is to survive, and that means getting partners to help make its software mainstream. Three Group, a subsidiary of Hong Kong-based Hutchison Whampoa ([HUWHY](#)), is bundling Orb's software in a pricey new mobile broadband service, called X-Series, that was introduced in Britain on Nov. 19. Now British subscribers can tap into their home PC via Orb.

Costello says Orb also is in talks with manufacturers to use Orb's software in devices such as set-top boxes and so-called digital media adapters now used to link the PC to the TV. Three companies have signed up, but Costello will only identify one: Cambridge (England)-based Amino Technologies, which sells set-top boxes through small phone companies.

In early 2007, Amino will use Orb software to roll out a new offering called AminoTV that will let consumers access free video clips, buy movies from sites such as MovieLink, or use online gambling and videoconferencing applications.

MARKETING GIMMICK

Over time, Costello hopes to drive industry standards for various levels of devices. Low-end devices costing less than \$50 would provide the basic ability to see PC content on the TV, while higher-end models would be bidirectional, so TV content could be viewed on PCs and other browser-equipped devices. To help generate buzz, Orb has even created prototypes of a green, orb-shaped gizmo that looks like a glowing crystal ball, though Costello concedes this is more of a marketing gimmick than a design anyone would mass produce.

Still, Costello's big dreams are in sharp contrast to Orb's current reality. So far the company has had to give away its technology to attract the 500,000 people who have downloaded its software (Costello claims 400,000 of them are active users). Other than a small cut of revenues from subscriptions offered by partners such as Three Group, it has no income stream. As a result, it will book a puny \$1 million in revenue this year.

Costello says Orb could one day offer a monthly subscription of its own, if it can develop a critical mass of users. While it has raised \$12 million in venture financing to date, Costello hopes to raise as much as \$30 million in 2007 to finance Orb's big plans.

WHERE'S THE PROFIT?

But like so many Net startups, Orb is relying mostly on the prospect of advertising revenue. So far, Orb users see and hear no ads. But in the future, since users pick and choose precisely what content to include on their Orb portals, Costello says Orb is positioned to give them only ads they really want. Orb has run a trial with Ticketmaster, in which fans who repeatedly played certain artists were shown banner-style ads notifying them of the act's next local concert. Costello hopes to start an advertising push in the second half of the year.

While Orb's technology has impressed some analysts, the company's business model has others doubting it can make it as an independent company. Gartner analyst Mike McGuire wonders whether its ambitions are so broad that its message is hard for regular consumers to understand. "Orb's ability to make content portable is really cool, but is the mass consumer really asking for it?" says McGuire. "I don't know how they make money."

Costello insists Orb is onto something big and says he's intent on pushing forward despite the long odds. He claims Apple is the only company that is truly revolutionizing the way people use digital technology to be entertained. So long as that's the case, he's convinced there's room for other visionaries. "Steve Jobs is doing a fabulous job, and I'm not taking anything away from him," says the 6-foot, 7-inch Costello. "But I'm sure I'd be a star basketball player in the Pygmy league."

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