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PRESS RELEASE

KAZAA SETTLES WITH RECORD INDUSTRY AND GOES LEGITIMATE

- **Ruled liable for copyright theft in Australia and following a seminal Supreme Court decision in the US, the biggest brand name in music piracy settles and plans to go legitimate**

LONDON, WASHINGTON, LOS ANGELES, SYDNEY, 27th July 2006 – The major record companies have reached a global out-of-court settlement of international litigation against the operators of the Kazaa peer-to-peer network.

The settlement, announced today by the trade organizations representing the international and US recording industries (IFPI and RIAA), applies to Kazaa's operations worldwide and concludes the ongoing legal proceedings brought by the record companies against the service's operators in Australia and the United States.

Under the terms of the settlement, Kazaa has agreed to pay a substantial sum in compensation to the record companies that took the legal action to stop copyright infringement on the Kazaa network. Kazaa will also introduce filtering technologies ensuring that its users can no longer distribute copyright-infringing files.

John Kennedy, chairman and CEO of IFPI said: "Kazaa was an international engine of copyright theft which damaged the whole music sector and hampered our industry's efforts to grow a legitimate digital business. It has paid a heavy price for its past activities. At the same time Kazaa will now be making a transition to a legal model and converting a powerful distribution technology to legitimate use.

"This is the best possible outcome for the music industry and consumers. Our industry will have a new business partner and consumers will experience new ways of enjoying music online, with more choice. This is a win-win scenario."

Recording Industry Association of America (RIAA) Chairman and CEO, Mitch Bainwol said: "This is welcome news for the music community and the legal online music marketplace. Steadily but surely, we are passing another important marker on the remarkable journey that is the continuing transformation and development of the

digital marketplace. The winners are fans, artists and labels and everyone else involved in making music, and our partners in the technology community.

“A little more than a year ago, the U.S. Supreme Court struck a wise balance between protecting innovation and the rights of creators,” added Bainwol. “This meaningful decision has helped bring legal and moral clarity to the marketplace. Services based on theft are going legit or going under, and a legal marketplace is showing real promise. That’s encouraging news for the industry’s ability to invest in new music.”

The settlement follows a landmark ruling in the Federal Court of Australia last year which found the Kazaa operators guilty of authorising widespread copyright infringement and litigation in the US by record companies, music publishers and motion picture studios against Kazaa, Grokster and Streamcast for copyright infringement.

The case against Grokster and Streamcast ultimately reached the U.S. Supreme Court, which in June 2005 unanimously ruled that individuals or companies that promote copyright theft by users of their service can be held responsible. Grokster settled the case with the record labels and motion picture studios in November last year.

Kazaa is one of the world’s most popular peer-to-peer networks for the illegal trading of music and movies, and at its peak had 4.2 million simultaneous users worldwide. In May 2003 Sharman Networks declared Kazaa the most downloaded software ever, at 239 million downloads.

Illegal file-sharing on the Kazaa network and other peer-to-peer networks has caused significant damage to the legitimate music industry internationally, with numerous independent studies showing the close link between unauthorised file-sharing and declining record sales.

The settlement coincides with a new report from IFPI showing the global scale of internet piracy. The report, entitled ‘Protecting Creativity in Music’, chronicles a year of sea-change in the digital music market, during which unauthorised services around the world have migrated to legitimacy or stopped their infringing operations – including Grokster, iMesh and Bearshare in the US, Ezpeer in Taiwan, Soribada in Korea, and now Kazaa.

- **Ends** -

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Notes to editors:

About IFPI

IFPI is the organisation that promotes the interests of the international recording industry worldwide. Its membership comprises some 1400 major and independent companies in more than 70 countries. It also has affiliated industry national groups in

48 countries. IFPI's mission is to fight music piracy; promote fair market access and good copyright laws; help develop the legal conditions and the technologies for the recording industry to prosper in the digital era; and to promote the value of music.

About RIAA

The Recording Industry Association of America is the trade group that represents the U.S. recording industry. Its mission is to foster a business and legal climate that supports and promotes our members' creative and financial vitality. Its members are the record companies that comprise the most vibrant national music industry in the world. RIAA® members create, manufacture and/or distribute approximately 90% of all legitimate sound recordings produced and sold in the United States. In support of this mission, the RIAA works to protect intellectual property rights worldwide and the First Amendment rights of artists; conducts consumer, industry and technical research; and monitors and reviews state and federal laws, regulations and policies. The RIAA® also certifies Gold®, Platinum®, Multi-Platinum™, and Diamond sales awards, as well as Los Premios De Oro y Platino™, an award celebrating Latin music sales.