

MEDIA RELEASE

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**AUSTRALIAN RECORDING INDUSTRY ANNOUNCES
HISTORIC GLOBAL PAY-OUT FROM KAZAA**

- **Major copyright infringement pay-out**
- **Kazaa agrees to convert to a legal business model**
- **Kazaa to stop infringing copyright and will filter**

Sydney, Australia. - The operators of the Kazaa internet file sharing system will pay substantial compensation to the Australian and international record labels that had sued the service in one of the world's biggest music piracy settlements. Kazaa will also convert to a legal business model with licensing arrangements to be negotiated with record labels and filtering out of infringing content.

The decision follows a landmark ruling in the Federal Court of Australia last year which found the Kazaa operators liable for authorising widespread copyright infringement.

The settlement will see the end of legal proceedings against Kazaa in Australia and in the United States, where the Supreme Court last year delivered a unanimous ruling against the file-sharing operator Grokster.

Music Industry Piracy Investigations (MIPI) Director Mr Stephen Peach said, "Kazaa's operators have accepted responsibility for their illegal activities and have paid the price for the harm caused to artists and labels. This historic outcome justifies action taken by Australian and international record labels to fight internet music piracy. This very successful result sends a powerful message that copyright infringement will not be tolerated."

Legal action began in Australia in February 2004 when the record labels secured court orders to raid 12 premises in three states. The case was successful against Kazaa companies and executives including Sharman Networks Ltd, LEF Interactive Ltd, Sharman CEO Nikki Hemming, Altnet Inc, Brilliant Digital Entertainment Inc, and Altnet CEO Kevin Bermeister.

Under new and agreed court settlement orders, Kazaa will implement robust and sophisticated filtering technologies to block out illegal content.

Mr Peach said, "This is an excellent result. The recording industry has consistently urged the operators of file sharing networks such as Kazaa to stop their illegal activities, legitimise their businesses and use their technology to participate in a fair and legal online music market. The decision by Kazaa to stop its infringing activities and convert to a legal business represents a fundamental shift in the online music landscape which can only be good news for artists and all who work to create and produce music".



Mr Michael Williams, Partner of Gilbert+Tobin, the law firm that ran the Australian case for the music industry said, “This is a turning point in the fight against online piracy. The payment of compensation by Kazaa, after it was held accountable in an Australian Court, demonstrates that there are no piracy safe-havens when it comes to the internet. It should be a warning to anyone seeking to run a business based on piracy.”

The settlement coincides with a new report from the international recording association IFPI entitled ‘*Protecting Creativity in Music*’, which chronicles a year of sea-change in the digital music market, during which unauthorised services around the world have steadily migrated to legitimacy – including Grokster and Bearshare in the US, Ezpeer in Taiwan, Soribada in Korea and now Kazaa.

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Note to Editors:
Stephen Peach and Michael Williams are available for interview.

About MIPI

Music Industry Piracy Investigations Pty Limited (MIPI) is an organisation representing the interests of Australia’s music industry. It provides investigative and intellectual property rights enforcement related services to the music industry.

Prosecution of Kazaa in Australia – Chronology

- 5th February 2004:** *The Federal Court of Australia issues Anton Piller orders against the operators of Kazaa authorising representatives of the Australian record companies to obtain documents and electronic evidence relating to Kazaa's operation in Australia.*
- 6th February 2004:** *Legal and computer forensic personnel raid 12 premises in 3 Australian states and obtain evidence including a real-time 'snapshot' of the workings of the Kazaa system to use in court proceedings.*
- 7th April 2004:** *Record companies file their Statement of Claim alleging copyright infringement and other breaches against the owners and operators of Kazaa.*
- 29th November 2004:** *Three-week trial begins in Sydney with Kazaa described as a massive engine of music piracy. Justice Wilcox reads affidavit evidence from 46 witnesses and hears oral evidence from 16 of those witnesses*
- 4th February 2005:** *Nikki Hemming, CEO of Sharman Networks Ltd, sells her Sydney home to Sharman's accountant for \$2.1 million and \$1.16 million of the sale proceeds are transferred offshore to the Vanuatu company Trustees International Limited (TIL).*
- 22nd March 2005:** *Justice Wilcox hears closing submissions for all parties and also hears an application by the record companies to make Mareva orders freezing the assets of Sharman License Holdings, Sharman Networks Ltd, LEF Interactive Ltd, Nikki Hemming, Altnet Inc, the BDE companies and Kevin Bermeister. The Federal Court makes those orders restraining the respondents from dealing with any of their assets.*
- 5th September 2005:** *Justice Wilcox hands down landmark copyright judgment finding the Kazaa operators guilty of authorising copyright infringement. Orders to cease copyright infringement made against six respondents: Sharman Networks Ltd, LEF Interactive Pty Ltd, Nikki Hemming, Altnet Inc, Brilliant Digital Entertainment Inc and Kevin Glen Bermeister.*
- 16th September 2005:** *Australian artists and managers release a statement in support of the judgment against Kazaa.*
- 9th December 2005:** *Record companies initiate Contempt of Court proceedings against Sharman Networks Ltd, LEF Interactive Pty Ltd, Nikki Hemming, Altnet Inc, Brilliant Digital Entertainment Inc and Kevin Glen Bermeister alleging failure to abide by orders to cease copyright infringement on the Kazaa system.*
- 23rd March 2006** *Full Federal Court rules on a key legal point giving the record companies the go ahead to continue pursuit of Contempt of Court charges.*
- 28th April 2006:** *Nikki Hemming appears in the Federal Court and faces cross-examination over the sale of her house and the trust she had set up in the Vanuatu tax haven in 2002.*
- 28th June 2006** *Record companies file an application seeking to further tighten Mareva orders including seeking further disclosure of assets in the Vanuatu based trust.*
- 27th July 2006** *Kazaa agrees to pay compensation, filter and go legal.*