Kazaa Said to Pay $10 Million in Settlement

By JEREMY W. PETERS
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Kazaa, the file-sharing successor to Napster that record companies have been battling for years, has reached a tentative settlement in the last of three major lawsuits against it.

Under the agreement with the National Music Publishers’ Association, Kazaa agreed to pay music publishers and songwriters a “substantial sum,” the association said. Though it did not disclose the figure, a person with knowledge of the terms of the deal said it was about $10 million.

Kazaa also agreed to continue using filtering software intended to prevent unauthorized exchange of copyrighted songs over its network.

The music and motion picture industries sued Kazaa, as well as the rival file-sharing networks Grokster and Morpheus, in 2001, claiming that they facilitated the illegal distribution of copyrighted material.

Kazaa, which is operated by Sharman Networks in Australia, settled separate lawsuits by recording artists and motion picture studios in July, agreeing to pay a total of $115 million. That left one major case from 2001 still unresolved, the one filed by the association, which represents songwriters and their publishers.

The association notified the United States District Court in Los Angeles on Monday that the two sides had reached an agreement in principle. The terms of that agreement are subject to final court approval, and also must be approved by the board of the publishers’ association and the individual plaintiffs.

“The anticipated settlement represents an important victory for songwriters, music publishers and music fans alike,” said David Israelite, the publishers’ association president and chief executive, in a written statement today. “It will be another key milestone in the ongoing transformation of the digital music marketplace to one that will allow legal services to thrive.”

A spokeswoman for Kazaa in the United States said the company had no comment on the settlement or its terms.

The settlement underscores how the tables have turned in recent years on file-sharing networks, whose days of operating freely outside the realm of copyright law appear to be ending. When Kazaa settled the two lawsuits earlier this year, it also struck licensing deals with major record labels — Universal Music Group, Sony BMG, Warner Music and the EMI Group — to distribute their copyrighted material over its network and pay them royalties. It also agreed to employ filtering technology.

Napster, the pioneering file-sharing network that became a scourge of the record industry, earlier reached a similar agreement with the music industry, but not before it was forced to shut down operations.
The record industry’s success in fighting Napster led to the growth of networks like Kazaa, Grokster and Morpheus, which allowed users to do similar things. Though they hoped to escape Napster’s fate by using somewhat different technology, those networks eventually ran into the same legal issues that Napster had.

Last year, in the case Metro-Goldwyn-Mayer Studios v. Grokster Ltd., the United States Supreme Court ruled that file-sharing services could be held liable for contributing to copyright infringement. That ruling gave the record companies and motion picture studios leverage to press the file-sharing services to reach settlements.

Grokster resolved all its suits with the industry and is no longer in operation. A federal court in Los Angeles last month found that Morpheus had assisted in copyright infringement; its operator, StreamCast, is in settlement talks with the movie and music industries.

LimeWire, another service that has been sued by the record industry, continues to allow users to download songs without the industry’s permission, and Grokster, Kazaa or Morpheus, has indicated no willingness to settle. Instead, LimeWire has mounted an aggressive legal defense, and last month filed a counterclaim against the record industry.