



NEWS BULLETIN

April 2009

The present News Bulletin is a summary review of news information collected by third parties. Its content does not necessarily reflect the AEPO-ARTIS position on the commented subjects. The data and figures have not been verified.

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1. MUSIC, AUDIOVISUAL, ELECTRONIC SERVICES

Changes to Apple's iTunes Prices Take Effect

The era of one-price-fits-all-songs on iTunes came to an end as Apple Inc., the Internet's dominant digital music retailer, began selling some of its most-downloaded songs for \$1.29 apiece.

Apple said in January that it would end its practice of selling all individual songs for 99 cents each and begin offering three tiers: 69 cents, 99 cents and \$1.29.

Apple also did away with copy-protection technology known as digital-rights management, or DRM, allowing customers to play more songs on devices other than Apple's own iPods.

Shoppers looking for the lowest price have several iTunes alternatives, including Amazon, which sells songs for 79 and 89 cents and most albums for \$5.99 to \$9.99, and Wal-Mart Stores Inc., which sets prices at 64 cents, 94 cents and \$1.24.

Yahoo News (Jessica Mintz/AP Technology) 7 April

Vodafone Spain Launches Unlimited Music with RealNetworks

Vodafone Spain has launched a new all-you-can-eat flat-rate data tariff for its customers, which includes unlimited access to music. Customers pay €13.92 a month which gives them access to music from all the majors and various independents.

The service uses DRM to ensure that songs stop working when the user stops paying. It's powered by RealNetworks.

Existing Vodafone flat-rate mobile users will get the new service automatically.

Music Ally 3 April

Spotify Tops One Million Users

Free music-streaming service Spotify reached one million registered users at the weekend [24-25 April], despite only becoming free to access in February. Online music-streaming service Spotify started selling music downloads, after a deal with web-based music store 7digital. Users will click on a link while listening to a song and visit the 7digital site to buy that track.

The news comes just over a month after Spotify reached its one million-user milestone across all its territories: the UK, Germany, France, Italy, Spain, Finland, Norway and Sweden. About 40,000 new users sign up to the service every day, of which 50% to 60% are from the UK.

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Spotify allows users to create a free “personalised” radio station, creating playlists of songs from thousands of popular artists. In exchange for being able to listen to songs for free, an audio advert is played every 20 minutes or so between tracks. Users can also pay a subscription of £9.99 per month to listen to music ad-free. The download service will initially only allow Spotify users to buy singles and albums from 7digital, but could eventually be expanded so that they are able to purchase entire mixes and playlists that they have created.

Brand republic (Sara Kimberley, Media Week) 27 April

Telegraph 31 March

Music Ally 9 April

Google Offers China One Million Free Songs

Chinese music-lovers will be offered more than one million songs for free after Google launched a free music download site in China.

The site, which includes songs from major record labels including Sony, Warner, Universal and EMI, will use advertising revenue to generate cash from the downloads.

Internet music piracy is rampant in China with the IFPI estimating that up to 99% of all music downloads in China are illegal.

The new Google site, which will be a partnership with the popular Chinese website Top100.cn, hopes the lure of legal downloads will attract millions of Chinese customers and help Google compete with China’s biggest search engine Baidu.com.

Telegraph (Peter Foster) 31 March

2. STUDIES AND SURVEYS

86% of Swedish Internet Users Would Pay For P2P

The Swedish Performing Rights Society (STIM) has released a study titled “Pirates, File-Sharers and Music Users” that reaffirms the lures of P2P and, for a change, attempts to put a price on users’ willingness to pay for legal and unlimited downloads. Though responses varied by age and other factors, many respondents said they would be willing to pay between roughly \$6 and \$17 in monthly fees for a legal P2P service.

STIM surveyed 1,123 Swedes via an online questionnaire.

More than 86% of respondents would be interested in paying a voluntary fee for legal P2P. Just over 5% had no interest in such a plan.

When asked how much they would be willing to pay, 51.8% said between SEK 50 (\$5.84) and SEK 150 (\$17.53) per month. Nearly one in five -18.8% - would consider paying between SEK 150 and SEK 300 (\$35.08). Over one in five - 21.7% - would pay less than SEK 50 per month.

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Another finding of the report is that streaming services can't quite replace downloads - 80.5% said collecting music and having access to it offline are important to them.

Attempts at converting P2P users to legitimate services tend to fail because they do not address the main reasons people use P2P applications. People use P2P, according to the study, because it's free, it's simple and there are no limits on devices to which files can be transferred. DRM, therefore, is not in line with P2P users' desired product features.

The STIM survey findings are similar to those of a 2008 study of U.K. music consumers by the University of Hertfordshire and British Music Rights. In that study of predominantly teenage music users, 74% said they were interested in a legal P2P service. Interest in such a service was 80% for P2P users and 63% for those who did not use P2P. Only 35% of respondents said they were interested in a file-streaming service that did not allow for ownership of a permanent copy of files. In this survey, the average digital music collection was 842 files and 52% of them had been paid for.

In the period 30 December 2008 - 15 January 2009, STIM advertised on 250 different Internet sites of various kinds for people willing to take part in a survey. During the period of the survey, 1 123 people aged from completed it. 18% of respondents were aged less than 18 years, 35% were aged 18-29 years and 47% were aged 30 years or more.

Billboard.biz (Glenn Peoples) 22 April

Music Ally 23 April

STIM Survey "Pirates, file-sharers and music users" February 2009

Pirates Biggest Music Buyers According to Study in Norway

Those who download illegal copies of music over P2P networks are the biggest consumers of legal music options, according to a new study by the BI Norwegian School of Management. Researchers examined the music downloading habits of more than 1,900 Internet users over the age of 15, and found that illegal music connoisseurs are significantly more likely to purchase music than the average, non-P2P-loving user.

BI found that those between 15 and 20 are more likely to buy music via paid download than on a physical CD, though most still purchased at least one CD in the last six months.

However, when it comes to P2P, it seems that those who wave the pirate flag are the most click-happy on services like the iTunes Store and Amazon MP3. BI said that those who said they download illegal music for "free" bought ten times as much legal music as those who never download music illegally.

The study did not rely on music pirates' honesty. Researchers asked music buyers to prove that they had proof of purchase.

Ars Technica (Jacqui Cheng) 20 April

Guardian (Sean Michaels) 21 April

3. MANAGEMENT OF RIGHTS

YouTube Blocks Music Videos in Germany/Music Video Deal with Universal

Google's YouTube has blocked music videos on its site in Germany, after licensing negotiations with local royalty collection society GEMA broke down.

The German licensing agreement, which expired on March 31, enabled YouTube to provide access to music videos, films and user-generated content featuring GEMA repertoire. "Negotiations about the extension of the agreement have failed so far because YouTube is not willing to fulfil GEMA's requests for more transparency [relating to] the used musical repertoire," GEMA CEO Harald Heker said.

There is also a financial dispute over the rate to be paid. While GEMA says that YouTube is unwilling to pay 1.3 cents per stream, a Google spokesman told Billboard that, while the company does believe that "interim" fee is too high, GEMA is actually demanding 15.9 cents per stream for a long-term agreement.

Last month, YouTube pulled music videos in the U.K. after failing to reach an agreement with PRS for Music, the local rights collection society.

In the meantime, YouTube and Universal Music Group stated that they had reached an agreement to create a new online hub for music videos called Vevo. Google and Universal said that they would share revenue from advertising on both sites, but declined to discuss specific terms of the agreement. The companies said they expected Vevo to be ready later this year, and they said they were in negotiations with other major labels to join Vevo.

In December, Warner Music removed its music videos from YouTube, saying it "simply cannot accept terms that fail to appropriately and fairly compensate recording artists, songwriters, label and publishers for the value they provide."

The New York Times (Miguel Helft) 9 April

Billboard.biz (Wolfgang Spahr) 1 April

DMW Media (Mark Hefflinger) 1 April

4. LEGISLATION

EU Parliament Voted to Extend Copyright Term to Now be 70 Years

Copyright term for music recordings must be extended from 50 years to 70 years, says legislation adopted on Thursday [23 April] by the European Parliament. By adopting the report by Brian Crowley (IE, UEN) with 377 votes in favour, 178 against and 37 abstentions,

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MEPs voted to increase the term of copyright protection to ensure that performers continue to receive royalties for 70 years from the first publication or performance of their song.

The Commission had originally proposed an extension to 95 years, but the revised deal now paves the way for European countries to back the deal in the European Council, which also needs to approve the legislation.

A dedicated fund for session musicians was also supported by the Parliament. This fund would be financed by contributions from producers, who would be obliged to set aside for this purpose, at least once a year, at least 20% of the revenues gained from the proposed extension of copyright term.

MEPs amend a provision relating to this fund so as to give collecting societies, which represent performers' and producers' interests, the right to administer the annual supplementary remuneration.

To ensure that performers fully enjoy the additional royalties deriving from copyright extension, MEPs amend the original text so as to prevent the use of previous contractual agreements to deduct money from the additional royalties.

An amendment approved by MEPs allows performers to renegotiate the contracts concluded before the entry into force of this legislation, 50 years after the first publication of their recording.

The Parliament also asks the Commission to launch an impact assessment of the situation in the European audiovisual sector by January 2010, with a view to deciding whether a similar copyright extension would benefit the audiovisual world.

According to the approved legislation, if producers, 50 years after the publication of a phonogram, do not make it available to the public, performers can ask to terminate the contract they signed to transfer their rights to the label.

The producer has one year to make the recording available to the public, failing this his rights will expire.

MEP Neena Gill welcomed the move and urged the Council to follow suit. She says, "if we are to have extension of copyright term of protection, increased revenues must first and foremost benefit the performers." She also singled out the important clean slate and use it or lose it clauses.

"We would have preferred 95 years and the inclusion of broadcast performers, but 70 years is better than 50," reacted the Association of European Performers Organisations, AEPO-ARTIS, contacted by *Europolitics*. It noted that the text includes two key advances: it recognises the necessity of strengthening and supplementing performers' rights and explicitly states that the question of recognition of performers – particularly in terms of the right to remuneration – must be studied with regard to the digital sector.

The debate on online copyright is still in full swing at European level. "This is a measure in keeping with the action needed in Europe to reinforce intellectual property and the rights of

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all creators and content providers, which represent part of the development capacity of an economy founded on culture and knowledge,” commented Jacques Toubon (EPP-ED, France), who took part in the negotiations.

The Council still has to adopt the text. The Commission will have to report three years after the legislation enters into force, then every four years, to ensure that the extension of rights has indeed improved the social situation of performers.

European Parliament Press Release 23 April

Music Week (Robert Ashton) 23 April

Europolitics (Nathalie Vandystadt) 24 April

Telecom Package: European Parliament Votes against the 3 Strikes French Proposal and Sends Package into Conciliation

The scenario was not lacking in excitement, particularly a month away from the European elections. Against all expectations – and in spite of months of negotiations – MEPs endorsed at second reading, on 6 May in Strasbourg, the idea that internet users are entitled to a “prior decision” by a judicial authority before any restrictions are placed on their access to the web. The now well-known ex-Amendment 138 was even adopted by a very wide majority (407 to 57, with 171 abstentions) and now constitutes a threat to the overhaul of European telecoms rules.

In doing so, the European Parliament sent out a very strong message to the Council of Ministers and the ministers must now review the copy on which it struggled to reach a small number of concessions.

The compromise reached by the parties over the amendment failed to win over the Greens/EFA and Liberal groups, which rejected the modified amendment and re-tabled the initial amendment. Daniel Cohn-Bendit (Greens/EFA, Germany), co-author of amendment 138 along with Guy Bono (PES, France), said: “today’s vote is a real victory”, particularly against France, which is hoping to adopt the Hadopi [3 strike] law. “This vote makes the Council face up to its responsibilities”, he added.

The three rapporteurs in question, Catherine Trautmann, Malcolm Harbour and Pilar del Castillo Vera, expressed their disappointment.

What makes the pill even harder to the rapporteurs to swallow is the fact that, as Pilar del Castillo Vera stressed, the compromised text was far more complete. Amendment 138 contains no element of protection for Internet users, she pointed out, and will in any case be somewhat irrelevant from a legal point of view as the final decision comes down to the national jurisdictions, do to a subsidiarity, she continued.

Spanish MEP Pilar del Castillo, charged with creating the telecoms regulators’ body, denounced “an amendment that is inoperative legally, because the member states cannot be obliged to use a judicial ruling to restrict internet access”. The EP-Council compromise did away with the idea of a prior decision but the EP did not put it to the vote.

The EP adopted the other two reports (on the consumer aspects and the creation of a European telecoms regulators' body) but the adoption of a single amendment – namely ex-138, rejected by the Council – sufficed to send all the proposals into conciliation.

The other elements of the reform (creation of the new telecom authority, investments in new generation networks, reform of the use of the radio spectrum, protection of consumer rights and of privacy) were voted on by the EP without any problems.

However, this third reading, planned for the autumn, promises to be very risky. After months of negotiation on Amendment 138 alone, the negotiators will have only six weeks (in accordance with procedure) to agree, under the auspices of the Swedish EU Presidency, on an amendment that the member states (there appears to be more than a blocking minority), and France in particular, reject outright.

Bulletin Quotidien Europe 7 May

EDRI-gram newsletter 6 May

EuroPolitics (Nathalie Vandystadt) 6 May

“HADOPI” Law Adopted In France / Amendment Requiring Ruling of Judicial Authority before Internet Cut-Off Voted in Telecom Package

The French Senate has adopted the “Creation and Internet” law by 189 votes in favor and 14 against.

The Senate, which passed the law this morning (May 13), did not amend the draft voted by the National Assembly yesterday, opening the way for its rapid implementation into French law.

The law includes the implementing of a three-strikes scheme under which an independent administrative authority - called HADOPI - would be entitled to collect infringers' data from their Internet Service Providers and to ultimately have their Internet access cut.

The bill, a flagship piece of legislation for President Nicholas Sarkozy, whose wife is a pop star, was defeated last month when deputies from the governing centre-right UMP failed to turn up to vote in sufficient numbers and the opposition Socialists managed to quash it.

However, in a move targeting the French three-strikes law, last week, the European Parliament approved an amendment to a major piece of telecommunications legislation specifically outlawing the ability of governments to cut off internet access without first receiving a court order.

A recent vote in the European Parliament re-introduced an amendment in the telecoms package stating, “No restriction may be imposed on the fundamental rights and freedoms of end-users without a prior ruling of the judicial authorities... save when public security is threatened, in which case the ruling may be subsequent.”

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The European bill including the amendment must still be endorsed by the Council of Ministers, representing the EU member states, when telecoms ministers meet on 12 June.

Such an endorsement is unlikely to be forthcoming, kicking passage of the entire package into the long grass, as further negotiations between the parliament and the Council will take months.

However, the author of the amendment, French Socialist MEP Guy Bono, said on Tuesday evening [12 May] he intends to ask the European Commission, which has consistently backed the parliament's position, to launch legal action against Paris for "not respecting [European] community legislation".

EU Observer (Leigh Phillips) 13 May

Billboard.biz (Aymeric Pichevin) 13 May

Billboard.biz (Aymeric Pichevin) 29 April

Sweden: New Piracy Law Comes into Force, ISPs to Stop Storing IP address data on Their Subscribers

Internet traffic in Sweden fell by 33% as the country's new anti-piracy law came into effect on 1 April. According to figures released by the government statistics agency - Statistics Sweden - 8% of the entire population use P2P sharing. The new law, which is based on the European Union's Intellectual Property Rights Enforcement Directive (IPRED), allows copyright holders to obtain a court order forcing ISPs to provide the IP addresses identifying which computers have been sharing copyrighted material.

Figures from Netnod, a Swedish firm that measures internet traffic in and out of the country, suggest traffic fell from an average of 120Gbps to 80Gbps on the day the new law came into effect.

Mr Engstrom, vice-chairman of the Swedish Pirate Party, acknowledged that the new legislation would scare a number of file-sharers, and that the odds of getting caught had increased, but said that the risks to illegal file-sharers were still quite low.

A number of book publishers in Sweden have applied to the courts, on the day the law came out, forcing an ISP to disclose the details of one file-sharer who, the publishers claim, has more than 3,000 audio books on his server.

However, two Swedish Internet service providers have said they will no longer store identifying IP address data on their subscribers. The first, Bahnhof, said recently that ISPs are not legally bound to store such information, with CEO Jon Karlung stating that the new IPRED law "makes spies out of the ISPs."

Tele2, which counts over 600,000 customers, said it will follow suit. "There is nothing in the Electronic Communications Law that decides what we should store, only what we shouldn't store. We have analyzed the legislation carefully and found that we have no obligations at all to store information about our customers' IP addresses," Tele2 Swedish CEO Niclas Palmstierna told the local [daily newspaper] SvD.

BBC News 2 April

DMW Media Mark Hefflinger 28 April

Swedish Pirate Party Support Soars After File-sharing Verdict

A controversial decision by a Swedish court against online file-sharing site Pirate Bay last week has led to a surge in membership of a related political movement, the Pirate Party, turning it into Sweden's fourth largest political force ahead of the European elections in June.

The Swedish Pirate Party (Piratpartiet) was established in 2006 and has inspired sister parties worldwide, which are campaigning on a platform of reforming copyright law, abolishing patents and bolstering the right to privacy, both on and offline.

Though the two organisations are not officially affiliated, the Pirate Party's fate is closely tied that of controversial website 'The Pirate Bay', one of the world's top file-sharing sites.

On Friday (17 April), the Stockholm district court sentenced the four founders of Pirate Bay Fredrik Neij, Carl Lundstrom, Peter Sunde and Gottfrid Svartholm Warg to a year in prison each for the establishment and maintenance of the Pirate Bay site, which helps users find copyrighted music, film and computer programmes to download without permission.

The court also ordered them to pay 30 million kronor (€2.7 million) in damages to record labels and movie studios EMI, Columbia Pictures, Sony Music Entertainment and Warner Bros.

All four men have said they intend to launch an appeal of the verdict, which takes the case before the Swedish Supreme Court, a process that is expected years to complete.

The day after the conviction, around a thousand people took to the streets of Stockholm to protest the sentence. Rallies against "judicial murder," organised by the Pirate Party also took place in Goteborg, Karlstad and Lund.

Protests also spread online, with the website of the International Federation of the Phonographic Industry (IFPI) - the record industry lobby group - coming under repeated distributed denial of service (DDoS) attacks from hackers angry at the verdict.

Hours after the sentence, membership of the Pirate Party swelled as well, from under 15,000 to around 20,000 (almost 30,000 according to Euractiv) , making the party the fifth (or even fourth according to Euractiv) biggest in the country and easily the most popular amongst young people.

The head of the party, Rickard Falkvinge told: "The establishment and the politicians have declared war against our whole generation," calling on "file-sharing for the people," according to reports from the AP.

The numbers bring the party within spitting distance of a seat in the European Parliament. To reach Sweden's 100,000 vote threshold for sending a deputy to Strasbourg, each of the party's members would just have to convince another four people to cast their ballots for the upstart political group.

Even before the verdict, the party had shown surprising strength in polls and support, having already surpassed the long-established Green and Left parties in number of active members.

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The party, which has no official links with the Pirate Bay site or founders, has a stripped down electoral platform of only three planks: fundamentally reform copyright law, eliminate the patent system, and ensure that citizens' rights to privacy are respected.

The party's vice-chairman and head of list, Christian Engström - who believes the ruling came about as a result of the powerful American film and music industry applying pressure on the Swedish government – told EurActiv that “this verdict is our ticket to the European Parliament”.

“If everyone who is angry about this ruling votes for us, we'll take at least one seat” in the elections, he said.

The party draws its support almost exclusively from younger voters, something very rare in European contemporary politics. Some political experts have argued that this is because the Pirate Party is effectively a one-issue movement campaigning on a highly controversial and emotive topic that resonates with a new generation.

The party believes the EU has “failed comprehensively” when it comes to regulating citizens' rights and freedoms on the Internet.

“Because the Commission and Council are unelected, it gives lobbyists a free pass to influence the EU agenda,” claimed Engström, who also believes that virtually all EU proposals on Internet freedom and regulation have been written word-for-word by industry lobbyists.

As a result, the ‘pirates’ may well attract traditionally eurosceptic voters in Sweden, according to Engström.

Despite the massive pan-European media coverage afforded to both the Pirate Bay ruling and the growth of the Pirate Party in Sweden, it is unlikely that the repercussions and genuine public anger over the case will be translated into electoral gains outside Sweden.

At the time of writing, the only other country which will field Pirate Party candidates is Germany.

EU Observer (Leigh Phillips) 21 April

Euractiv 22 April

5. PIRACY AND ENFORCEMENT

Commission Launches European Observatory on Counterfeiting and Piracy

On 2 April 2009 at the second High Level Conference on Counterfeiting and Piracy, Internal Market and Services Commissioner Charlie McCreevy, together with Members of the European Parliament, will launch a European Observatory on Counterfeiting and Piracy. By enhancing cooperation across the EU, the Observatory will be at the forefront in the fight against fake goods or illegal downloading and other infringements of intellectual property rights.



The European Observatory on Counterfeiting and Piracy will be a platform that is to collect data, raise awareness, facilitate dialogue, exchange views and share best practices in enforcing intellectual property rights between business and national authorities.

Europa Rapid Press Release 30 March 2009

US Congressional Field Hearing Expresses Concern Over Digital Piracy

Less than a week after a pirated copy of the unreleased movie “X-Men Origins: Wolverine” popped up on the Internet, federal legislators and entertainment executives presented an extraordinarily bleak picture of the damage digital piracy can inflict, and the grim prospects for limiting it.

At a US Congressional field hearing, lawmakers and executives both described a deteriorating situation in which \$20 billion annually in copyrighted movies, music and other entertainment are being lost to global piracy networks that are tolerated or encouraged by countries like China, Russia, India and - in a case that drew special attention - Canada.

Richard Cook, the chairman of Walt Disney Studios, traced an elaborate chain of events under which the studio’s animated hit “Wall-E” was duplicated by a camcorder at a theater in Kiev last July. In less than a month, he said, the single copy was traced to illegal sales in more than a dozen countries.

Zach Horowitz, president and chief operating officer of the Universal Music Group, estimated that only one in three music CDs and one in 20 downloads around the world are sold legitimately.

Mr. Horowitz and others drew particular attention to Baidu, a Chinese search engine that offers links to sites offering pirated material.

The New York Times (Michael Cieply) 7 April

Spanish Man behind Illegal P2P Site Jailed

A Spanish court has sentenced a 22-year-old man to six months in jail for operating an illegal file-sharing Web site.

Until now, legal cases in Spain involving P2P downloads have been shelved or the accused party was acquitted, essentially on the grounds that no profit motive had been proved. But now a judge in the region of La Rioja has jailed Adrián Gómez Llorente, and fined him €4,900 for violating intellectual property laws by obtaining economic benefits via his site, www.infosp.com, created by him to offer movie and video game links. The profit motive was not a direct cash payment, but revenue from advertising that appeared on the site.

The ruling showed that in addition to making money out of the advertising on his site, Gómez also earned income from mobile phone SMS Premium messages.

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When police investigated the Web site, it had 17,314 registered users who did not pay directly, but had accepted as a condition of the obligatory registration that their details would be passed on to third parties. In this way, Gómez created and administered another three Web sites where users could download movies and video games.

Gómez was tried and sentenced after being denounced by video-game owners' association ADESE, and Spanish videographic union UVE.

Billboard.biz (Howell Llewellyn) 14 April

Music Piracy Suit against N.Y. Family Is Settled for \$7,000

After battling a suburban family for four years over music downloads, the recording industry has agreed to accept \$7,000 to settle a federal music piracy lawsuit. If approved by a judge, the settlement would end a four-year fight between record companies and the family of Patricia Santangelo, 46. She was accused of illegally downloading and distributing music, but she says she could not have downloaded anything because she did not know how.

The industry eventually dropped its suit against the mother. But it filed a new one against two of her children, Michelle and Robert, ages 20 and 16 at the time.

The new lawsuit said the children had downloaded and distributed more than 1,000 songs.

Under the terms of the settlement, the Santangelos will pay \$7,000.

Jordan Glass, a lawyer for the family, said the Santangelos had never admitted wrongdoing, and that with both Santangelo children now in college, the settlement offer was accepted to control costs.

The New York Times/The Associated Press 27 April

6. MISCELLANEOUS

Europe Starts Legal Action Against UK Over Internet Snooping

The European Commission has started legal action against the UK Government over its failure to protect the privacy of British internet users. The case was sparked by BT's covert use of the controversial user-tracking technology Phorm on customers using its internet service in 2006 and 2007.

Phorm, a UK-based company founded in 2004, monitors users' favourite sites and searches, and uses the information to deliver individually targeted advertising.

The European Commission has been concerned about the way Phorm was secretly tested in the United Kingdom. Last year, the Government backed Phorm after a complaint by Brussels. But Viviane Reding, the European Union's Commissioner for Information Society and Media, announced the first stage of legal action, saying that the Government had failed to implement European laws that protect internet users.

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BT has already admitted that it conducted trials of Phorm without users' consent in 2006 and 2007. A further, invitation-only, trial was conducted last year.

Ms Reding's contention is that UK laws must be tightened to protect consumers and comply with the ePrivacy Directive, which the UK Government signed up to in 2002. It came into force at the end of October 2003.

The Commission has now given the Government two months to respond to "infringement proceeding" - the first stage of a legal process which could end up in the European Court of Justice for an alleged breach of the directive.

The directive states that user consent must be "freely given, specific, and informed", and it requires EU member states to impose sanctions in the event of breaches of the rules.

Brussels is also concerned that the UK has no regulatory body charged with controlling interceptions of communications by private companies.

Phorm has already been investigated by the police and the Government over privacy concerns. It has attracted interest from UK internet service providers including BT, Virgin Media and TalkTalk, although no company has yet fully introduced the system.

Times Online (Nigel Kendall and Alexi Mostrous) 14 April

EU Issues Ultimatum on Internet Privacy

On 31 March the European Commission delivered an ultimatum to internet firms - improve your approach to privacy online, or face a regulatory clampdown. Meglena Kuneva, the consumer affairs Commissioner, told a gathering of ISPs, major websites and advertising firms they are violating "basic consumer rights in terms of transparency, control and risk", through data collection and behavioural targeting.

"I want to send a warning signal today that we cannot afford foot dragging in this area," she said.

Officials are understood to be particularly concerned about ISPs' experiments using Deep Packet Inspection (DPI) technology to intercept and profile their customers' web use. Kuneva's initiative will also address behavioural targeting and data collection by websites.

Google launched its own behavioural tracking network earlier this month, requiring consumers who do not want to be tracked to opt out.

Kuneva's department will also begin an informal investigation of online privacy and data collection in preparation for potential regulatory action.

The Register (Chris Williams) 31 March

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AEPO–ARTIS Members:

ADAMI (France)
AGATA (Lithuania)
AISGE (Spain)
APOLLON (Greece)
BECS (U.K.)
CREDIDAM (Romania)
DIONYSOS (Greece)
EJI (Hungary)
ERATO (Greece)
FILMEX (Denmark)
GRAMEX (Denmark)
GRAMEX (Finland)
GRAMO (Norway)
GVL (Germany)
HUZIP (Croatia)
INTERGRAM (Czech Republic)
LSG (Austria)
NORMA (The Netherlands)
OZIS (Slovakia)
ROUPI (Russia)
SAMI (Sweden)
SAWP (Poland)
SENA (The Netherlands)
SLOVGRAM (Slovakia)
SPEDIDAM (France)
STOART (Poland)
SWISSPERFORM (Switzerland)
URADEX (Belgium)
ZAVOD IPF (Slovenia)