

AG Announces Settlement with SONY BMG to Resolve Case of Secret Software Placed on Millions of CDs

by Bend Weekly News Sources

Oregon is one of the original 13 states to investigate; DOJ to receive more than \$316,000 for its efforts.

Attorney General Hardy Myers filed a settlement agreement yesterday with SONY BMG Music Entertainment resolving a multi-state investigation that discovered the firm had committed unlawful trade practices when it secretly placed software on millions of CDs to restrict consumers'™ ability to copy the music and left computers vulnerable to hackers. The Assurance of Voluntary Compliance (AVC) was filed in Marion County Circuit Court and admits no law violation.

Sony BMG Music Entertainment secretly placed software on millions of CDs to restrict consumers' ability to copy the music, leaving computers vulnerable to hackers, said AG Hardy Myers. "SONY BMG not only secretly loaded its compact discs with software that limited Oregon consumers'™ ability to copy music but that same hidden software created security vulnerabilities to their computers," Myers said.

Between January and November 2005, according to company documents, SONY BMG manufactured more than 12.6 million CDs with two kinds of DRM software. SONY BMG did not disclose in the outer packaging the presence of the software, which was loaded on consumers'™ computers without their knowledge or consent when they played the CDs on their computers. The DRM software was further concealed from consumers because it was downloaded to a hidden file. In addition, the DRM software was found to contain flaws that created security vulnerabilities in computers, exposing them to hacking and other problems. Additionally, consumers frequently suffered damage to their computers when they tried to uninstall the software themselves, without using an uninstall program later provided by SONY BMG.

Under the AVC, SONY BMG will provide \$1.5 million in refunds with each consumer receiving up to \$175. The refunds could include the price of the CD and costs and the amount of out-of-pocket expenses Oregon consumers spent to repair computer damage caused by trying to uninstall the SONY software. Oregonians will have 180 days to submit a refund claim with SONY. The form, a complete list of affected CDs and a detailed explanation of how to remove the software from a user's™ computer may be found at <http://cp.sonybmg.com/xcp/>, beginning December 22, 2006.

In addition, SONY BMG agreed to pay \$4.25 million to the states with the Oregon Department of Justice Consumer Protection and Education Fund receiving more than \$316,000 in costs and fees. Oregon was one of the lead 13 states in the 40-state case. California and Texas Attorneys General filed separate lawsuits and settled with the company earlier this week.

The settlement includes provisions that prohibit SONY BMG from violating consumer protections laws in the future. The company also must provide adequate, pre-sale notice to consumers if music CDs contain DRM software. Additionally, SONY BMG must clearly inform consumers if the music CDs they purchased

contain an enhanced feature that allows the company's servers to collect consumers' IP address and other personal information when the CD is inserted into the computer.

Oregonians wanting more information about this case and consumer protection in their state may call the Attorney General's consumer hotline at (503) 378-4320 (Salem area only), (503) 229-5576 (Portland area only) or toll-free at 1-877-877-9392. Justice is online at www.doj.state.or.us.

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