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FOR IMMEDIATE RELEASE

Terry Goddard Announces Settlement Over Hidden Software On CDs

(Phoenix, Ariz. – Dec. 22, 2006) Attorney General Terry Goddard today announced a \$4.25 million settlement with SONY BMG, resolving allegations that the record company placed anti-copying software on music compact discs without notifying consumers. Goddard joined 39 other states in this settlement. Arizona's share is about \$310,000.

During 2005, SONY BMG distributed more than 12 million CDs with two kinds of anti-copying software. SONY BMG did not notify consumers who purchased these CDs about the anti-copying software (also known as Digital Rights Management software) or that the software would download itself onto computers without their knowledge.

The settlement provides restitution to consumers affected by this anti-copying software. In addition to the restitution, the settlement, an Assurance of Discontinuance, will prevent SONY BMG from using anti-copying software on its music CDs in the future without first complying with the reforms required by the settlement.

The states alleged in their complaint that SONY BMG included two types of anti-copying software on their music CDs during 2005. One version of the software, XCP, was designed to hide a number of the program's files and operations. When consumers played XCP CDs in their Windows-based computers, they did not know the anti-copying software was downloaded onto their computers. XCP created vulnerabilities on Windows-based computers by exposing them to security risks, including viruses and other problems.

When some consumers discovered XCP on their computers, they experienced problems when they tried to remove the software. In some cases, their CD-ROM drives crashed.

Another type of software, MediaMax, downloaded on a consumer's computer even if the consumer declined to accept it. One version created a security issue on consumers' computers by allowing subsequent users to modify the contents on the computer and run dangerous programs they would not otherwise have been able to run.

"Consumers expect music on their music CDs, not software that could expose their computers to viruses or other security risks," Goddard said. "If companies want to use technology to protect their interests, they need to be up-front with consumers and give them an opportunity to make informed choices about buying and using these products."

According to the settlement:

- SONY BMG will refund up to \$175 to all consumers who experienced harm to their computers when they sought to remove the anti-copying software. Refund claims must be submitted to SONY BMG through a claims process that has not yet been formalized.
- SONY BMG is specifically prohibited from using XCP and Media Max software. The company must continue to pull XCP CDs from retailers and destroy Media Max 5.0 CDs in wholesale stock.
- SONY BMG cannot use software that permanently resides on a computer's hard drive unless the user is notified and has an option to decline installation.

A copy of the settlement is attached. Assistant Attorney General Vincent Rabago handled this case.

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