



December 29, 2005

Ms. Lydia Parnes
Director
Bureau of Consumer Protection
Federal Trade Commission
Washington, DC 20580

Dear Director Parnes:

Alan Morris of Distributed Computing Industry Association (www.DCIA.info) Member Sharman Networks Ltd. (SNL) forwarded your letter of November 1st to us for follow-up to help ensure Kazaa Media Desktop's (KMD) compliance, as intended by SNL, with guidelines for consumer disclosures regarding risks associated with peer-to-peer (P2P) file-sharing applications.

As committed in our March 8th letter to you, SNL, along with other participants in the DCIA-sponsored Consumer Disclosures Working Group (CDWG), implemented disclosures from prominent links on the home-pages of their websites, including www.kazaa.com. Kazaa's implementation features the headline "**Using Kazaa Safely**" and the copy "**Read important information about using Kazaa safely. Click [here](#):**"

"The following information is provided as a public service by Sharman Networks. Please also read the important [Consumer Alert](#) concerning peer-to-peer (P2P) software from the [US Federal Trade Commission](#).

P2P SOFTWARE USER ADVISORIES

Copyright Infringement Liability - P2P technology makes it possible to share all kinds of information. Some information is protected by copyright, which means that you generally need the copyright owner's permission before you make it available to other P2P users. **Popular music, movies, games, and software are often protected by copyright.**

Copyright infringement can result in significant monetary damages, fines and even criminal penalties. Some copyright owners have filed civil lawsuits against individuals that they believe unlawfully distributed large numbers of copyrighted songs.

Click [here](#) for information about how to use Kazaa Media Desktop (Kazaa) to minimize or avoid copyright infringement.

Data Security - P2P software programs let users share information with other users around the globe. They allow users to view the contents of each others' "shared folders." If you have personal information in your shared folder, anyone else using the same P2P software has access to it. Another user could use that information to commit identity theft, or to embarrass you. Please pay attention to the files that you place in, or download to, your shared folder. Don't put information in your shared folder that you aren't comfortable sharing with strangers.

In particular, do not put tax, medical, banking, correspondence or any other sensitive personal files in the same folder as files that are shared via your P2P software program.

Click [here](#) for information about how to use Kazaa to minimize or avoid these data security problems. To report identity theft, or for more information about identity theft, please consult the [US Federal Trade Commission's Identity Theft Clearinghouse](#).

Unwanted Exposure to Pornography - P2P software may give users, including children, access to pornography. Some files containing pornography may be deliberately mislabeled to attract young or otherwise unsuspecting viewers. Distributing illegal pornography is a serious crime. Users whose shared folders contain illegal pornographic material, particularly child pornography, could be subject to criminal prosecution.

Click [here](#) for information about how to use Kazaa to minimize or avoid inadvertent exposure to pornography or the illegal redistribution of such materials.

This P2P software provider believes strongly that we all must stamp out child pornography. Click [here](#) to report suspected child pornography or pornographers to US law enforcement.

Spyware - Files downloaded from the Internet (including those obtained via P2P software) may contain other software. While some such programs, such as "adware," may send you advertising, including pop-up ads, other software, such as "spyware" can track your Internet activities and report them to a third party. Spyware can even be used to take control of your computer.

Click [here](#) for information about how to use Kazaa to minimize or avoid spyware and for information about the differences between legitimate adware and spyware.

Viruses - Kazaa includes built-in virus protection. Some files downloaded from the Internet (including those obtained via P2P software) may contain viruses that

can infect your computer. These files typically are mislabeled to disguise their true purpose. You may also want to install separate anti-virus software, and keep it up-to-date.

Click [here](#) for information about how to use Kazaa to minimize or avoid computer viruses.

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Since the time that we received your November 1st letter to SNL and conferred with FTC staff, SNL has now also implemented two additional changes:

1) The addition of a notification prominently displayed in a message box each time a new user downloads KMD software that states: "**The use of this software for illegal activities, including uploading or downloading games, movies, music, or software without authorization, is strictly forbidden, and may be subject to civil and/or criminal penalties;**" and

2) The removal of the statement that, "Having Kazaa is 100% Legal – On December 19, 2003, the Dutch Supreme Court confirmed that Kazaa peer-to-peer technology and its distribution is legal. Read important information [here](#)." (and the related links) in the "Features" section under "Safe."

Please feel free to call me at 888-864-3242 with any questions. We have also been revisiting consumer disclosures in the context of the MGM v. Grokster Response Working Group (MGRWG), and expect to continue making improvements in these communications as part of that effort, and very much welcome FTC input into that process. Thank your for your continuing excellent leadership and interest in this important issue.

Respectfully,

Martin C. Lafferty
CEO, DCIA