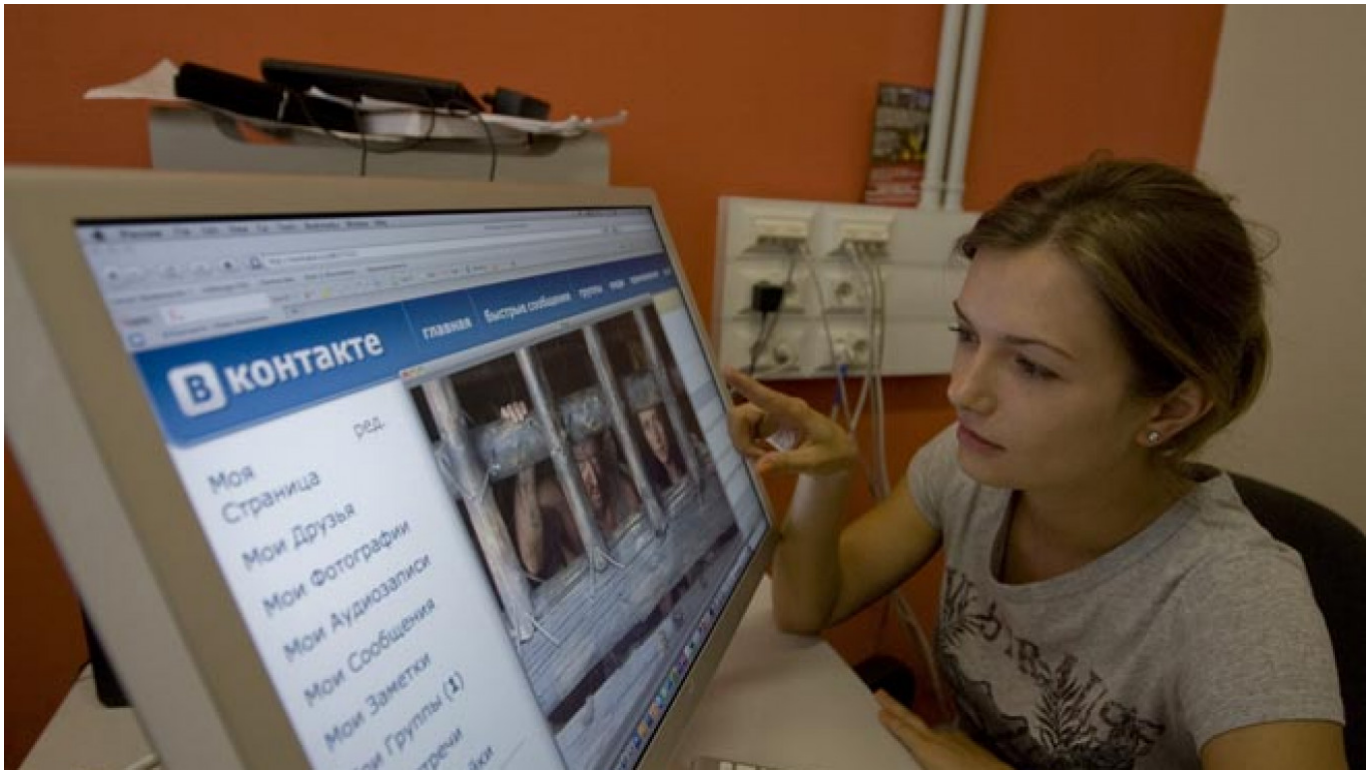
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Record Firms Sue Social Network VK for Piracy

By Delphine d'Amora

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A girl looking at her page on VK, whose 143 million users have long been able to freely upload and share music.

Three of the world's largest record companies filed cases against leading Russian social media site VK on Thursday, accusing the Internet giant of profiting off the free and illegal distribution of copyrighted content.

"It is very, very clear that this is deliberately designed piracy on a massive scale," Frances Moore, CEO of the International Federation of the Phonographic Industry, or IFPI, said by phone Thursday.

With more than 88 million registered users in Russia and 143 million users worldwide, VK, formerly named Vkontakte, has exploded to popularity as an open platform on which any registered user can upload and share their favorite content with the entire VK population.

The record companies – — Sony Music Russia, Universal Russia and Warner Music U.K. — have filed three separate cases simultaneously in the St. Petersburg and Leningrad Region Arbitration Court, supported by IFPI and Russia's National Federation of the Music Industry.

They are claiming 50 million rubles ($1.4 million) in compensation for the infringements and demanding a court order requiring VK to remove copyrighted tracks and implement technical measures, such as audio fingerprinting, to prevent users from re-uploading protected content.

"We consider these complaints unsubstantiated, since we have cooperated with copyright holders in regard to the protection of their rights for a long time," a spokesman for VK said Thursday.

VK quickly deletes all tracks against which there are "valid claims," and has already introduced technical measures, including acoustic fingerprinting, to protect copyright, he said.

This is not the first time that VK has ended up in court. In October, classic Russian record label Soyuz sued VK's administration for copyright infringement, seeking 4.6 million rubles ($129,000) in damages, RIA Novosti reported.

The judge threw out the case, saying that the administration could not be held liable for content uploaded by users.

While the music distributed on VK is user-generated, the site creates "a whole organizational system" that facilitates content-sharing: it is searchable, streamable and explicitly promotes popular music, said Dan Pickard, acting general counsel to IFPI.

The 50-million ruble sum the companies are seeking does not reflect the full damage to the music industry: it is based on a small collection of tracks, and is primarily meant to demonstrate the industry's seriousness in pursuing this issue, Moore said.

"We would hope that this would encourage VK to become a licensed service. If we do not see action, then we do not rule out that there could be other cases to follow ... we are not backing away," she said.

While it is difficult to estimate the total loss to the record industry from VK's activities, the site generated $172 million in revenues in 2012.

IFPI have been in contact with VK several times since 2010, when VK responded to their first complaint by removing a "negligible handful" of unlicensed tracks and links, Moore said. The federation's second complaint was ignored.

Russia is the 23rd-largest music market in the world, with revenues of $69.4 billion in 2013. But given the size of the population and prevalence of broadband Internet, "it should be in the top ten markets," Moore said.

As for where to place the blame, as far as IFPI is concerned, there is no question.

"The scale is so massive that VK alone is responsible for the situation in Russia," Moore said.

The Russian music industry is already seeing positive developments, however, particularly in the growing presence of legal music streaming sites such as domestic free-to-user streamer Yandex and international subscription service Deezer. Spotify, which has contracts with Sony, Universal and Warner, is also expected to launch operations in Russia within the year.

Even with VK as an immediate competitor, these authorized digital distributors helped bump overall recorded music revenues in Russia up 12.5 percent in 2013, according to IFPI.

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