

Feds Shutter Megaupload, Arrest Executives

Written by ph0bYx

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Megaupload, the popular file-sharing site, was shuttered Thursday and its executives indicted by the Justice Department in what the authorities said was “among the largest criminal copyright cases ever brought by the United States.”

Seven individuals connected to the Hong Kong-based site [were indicted](#) on a variety of charges, including criminal copyright infringement and conspiracy to commit money laundering. Four of the members of what the authorities called a “racketeering conspiracy” were arrested Thursday in Auckland, New Zealand, the authorities said.

One of those arrested was Kim Schmitz, aka Kim Dotcom, Megaupload’s founder. His attorney, Ira Rothken of California, said neither he nor his 37-year-old client who resides in Hong Kong and New Zealand was given the opportunity to surrender. Schmitz was arrested without notice, he said.

“We’re looking into what’s going on,” Rothken said in a telephone interview.

Visitors to the [Megaupload site](#), which gets about 50 million hits daily, were greeted with a message from the Justice Department. “This domain name associated with the website Megaupload.com has been seized pursuant to an order issued by a U.S. District Court.”

The government said the site facilitated copyright infringement of movies “often before their theatrical release, music, television programs, electronic books, and business and entertainment software on a massive scale.” The government said Megaupload’s “estimated harm” to copyright holders was “well in excess of \$500 million.”

Unsealed Thursday, the five-count [indictment](#) from the Eastern District of Virginia came as the Justice Department said it seized 18 domains in all connected to Megaupload. The agency said it executed more than 20 search warrants in the United States and eight countries, seizing \$50

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million in assets.

Megaupload, which often charges its 150 million registered members for its file-sharing service, was on the recording and movie industries' most-hated lists, often being accused of facilitating wanton infringement of their members' copyrights. The indictment claims it induced users to upload copyrighted works for others to download, that it often failed to comply with removal notices from rights holders.

The money laundering charges are connected to allegations Megaupload paid users for uploading infringing content.

Others indicted include:

- *Finn Batato, 38, a citizen and resident of Germany, chief marketing officer.

- *Julius Bencko, 35, a citizen and resident of Slovakia, graphic designer.

- *Sven Echternach, 39, a citizen and resident of Germany, head of business development.

- *Mathias Ortmann, 40, a citizen of Germany and resident of both Germany and Hong Kong, chief technical officer co-founder and director.

- *Andrus Nomm, 32, a citizen of Estonia and resident of both Turkey and Estonia, software programmer.

- *Bram van der Kolk, aka Bramos, 29, a Dutch citizen and resident of both the Netherlands and New Zealand, programmer.

The indictment alleges that Dotcom owns 68 percent of Megaupload.com, Megaclick.com, and Megapix.com, and 100 percent of the registered companies behind Megavideo.com, Megaporn.com and Megapay.com. The feds allege that in 2010 alone, Dotcom personally made more than \$42 million.

The feds also say that over the last five years, PayPal has transferred more than \$110 million in payments from users buying premium accounts that grant access to copyrighted works from "computer servers located around the world." The feds also added that a number of those arrested, including Dotcom, uploaded and downloaded infringing material to Megaupload.

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According to the indictment, the defendants generated revenue through subscriptions and online advertising. Subscriptions cost as “little as a few dollars a day” or \$260 per lifetime. The indictment claimed the site took in \$150 million in subscription fees overall and \$25 million in advertising.