Online music service to let users swap CDs

By Sue Zeidler
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LOS ANGELES (Reuters) - A new online music service called La la Media Inc. aims to offer full-length CDs for $1 by letting users trade discs, in a bid to avoid legal pitfalls that face online song trading.

Backed with $9 million in funding by Bain Capital and Ignition Partners, La la works like an online music co-op by enabling members to trade physical CDs they own for physical CDs they want, Bill Nguyen, co-founder of La la, said ahead of the Tuesday announcement.

With 1.8 million album titles available, members trade the CDs in prepaid envelopes, much like the way popular mail-order DVD service Netflix Inc. operates.

La la founders argue that, unlike underground online file-sharing services, which have been sued for copyright infringement, La la is protected under an exception to the U.S. Copyright Act. They argue that the owner of a CD can transfer a legally-acquired copy without permission or payment of additional royalties.

Members will pay $1 to La la for facilitating the trade once they receive the disc from other members, plus a 49 cent shipping charge.

La la said it will set aside 20 percent of its trading revenue to recording artists.

La la said it is currently talking with the world's major music labels to obtain licenses for the sale of digital music.

La la founders said the record industry will benefit from the music's increased exposure and sales through the site, which enables members to buy albums they can not get for trade from other members.

La la enables members to buy a physical CD new and hopes to eventually offer digital album downloads at retail prices, but does not plan to offer digital downloads of singles.
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