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Warner Music drops Imeem suit, forms partnership

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NEW YORK (Reuters) - Warner Music Group Corp said on Thursday it is dropping its copyright infringement lawsuit against Imeem, a music-based social networking site, and will instead partner with the start-up.

Warner, the world's fourth largest music company, said it will make its songs and videos available to Imeem users in North America for free, on-demand streaming that will be supported by advertising.

Warner, home to artists including Madonna, T.I. and Red Hot Chili Peppers, filed a lawsuit in May against San Francisco-based Imeem for allowing fans to share its music without permission. Warner claimed the company built a base of over 16 million users by capitalizing on the "illegal use of 'free music.'"

Imeem relaunched its social network last month as an advertising-backed music service and offered to share the revenue with artists and record companies.

Imeem also revamped the site to impose limits on users who want to upload their music and share song playlists. Users can still upload most of their music, but the service will only play 30-second clips rather than the whole song.

Imeem is the fourth most popular multimedia entertainment site in the United States after Google Inc's YouTube, Google Video and News Corp's MySpace Videos, according to tracking firm Hitwise.

Major record companies such as Warner are increasingly trying to strike a balance between curbing online piracy and forming partnerships with industry newcomers as they look for new ways to promote and distribute music to fans.

Warner also settled with online music retailer AnywhereCD last month after initially suing the company for breach of contract. Warner had said the San Diego-based company made digital versions of its albums available online without copy protection.

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