

A wild online ride hits the digital piracy wall

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In this Feb. 22, 2012 file photo, Kim Dotcom, the founder of the file-sharing website Megaupload, comments after he was granted bail and released in Auckland, New Zealand. On his way up, he fooled them all: journalists, judges, investors and companies. Then the man who renamed himself Kim Dotcom finally did it. With an eye for get-rich schemes and an ego gone wild, he parlayed his modest computing skills into a mega-empire, becoming the fabulously wealthy computer maverick he had long claimed to be. (AP Photo/New Zealand Herald, Brett Phibbs, File) NEW ZEALAND OUT, AUSTRALIA OUT

On his way up, he fooled them all: judges, journalists, investors and companies. Then the man who renamed himself Kim Dotcom finally did it. With an outsized ego and an eye for get-rich schemes, he parlayed his modest computing skills into an empire, becoming the fabulously wealthy computer maverick he had long claimed to be.

Now his wild ride may be over. Last month he was arrested in New Zealand for allegedly facilitating millions of illegal downloads of songs and movies through Megaupload, his once-popular website, now an important focus of the entertainment industry's war on online piracy.

U.S. prosecutors are seeking the 38-year-old German's [extradition](#) in what they say could be one of the largest copyright cases in history. Dotcom, who denies the charges, was freed on bail Wednesday after a month in jail, and authorities have seized, among other things, his twin giant TV sets, massive statue of the "Predator" movie monster and Rolls-Royce (vanity plate: GOD).

His story is one of breathtaking audacity that spans both the globe and the modern computing era. Interviews conducted by The Associated Press and a review of court documents and other records indicate that Dotcom was able to create a legendary past, trade upon it by manipulating the news media and avoid serious consequences when he broke the law.

Dotcom makes for a larger-than-life [defendant](#) in almost every respect: U.S. court papers describe him as about 1.95 meters (6 feet, 5 inches) tall and weighing 146 kilograms (322 pounds). At various times, he has depicted himself online as a playboy surrounded by beautiful women, fast cars and guns; a terrorist hunter and a technology martyr ready to commit suicide.

Now he is confined to his home, has refused through his lawyers to grant interviews, and is forbidden to log on to the Internet.

Born Kim Schmitz in the German coastal town of Kiel, Dotcom grew up with an alcoholic father. As a teen, he created a mystique for himself that led the Sunday Telegraph of London to call him a "superhacker."

German hackers interviewed by the AP, however, say he did little of what he claimed.

"He was trying to make half a buck on every occasion offered him," said Dirk Engling, spokesman for the Chaos Computer Club, which eventually banned Schmitz from attending any of their events. "Not having some real skills of his own, he was always using other people's inventions to attack systems and then claim he did it."

Engling said Schmitz ended up putting club members in legal jeopardy through his recklessness, but some wanted to work with him anyway because he radiated the social ease they lacked.

One of his first schemes, according to Engling, was selling pirated software from an online mailbox.

In 1998, a Munich court convicted Schmitz and an accomplice of computer fraud and of buying and selling stolen phone cards. They got off with a fine and probation for what the judge called "youthful foolishness." Schmitz came to court wearing a black suit and sunglasses, saying he loved "feeling like a spy."

Three years after his first conviction, he had resurfaced as a high-flying venture capitalist. He told reporters his company was worth \$200 million and that he was rescuing the struggling online startup company "LetsBuyIt" with an initial cash injection of up to four million euros (\$5 million) and a promise of another 50 million euros (\$65 million).

Reporters published his bogus story, sending the stock skyrocketing. On the first day, LetsBuyIt leaped from 19 cents to 27 cents a share. The next day, it was up to 77 cents.

He appeared in an online video depicting himself living it up on a

superyacht in Monaco, with beautiful women draped on his arms: "Kim Schmitz is a PR man's nightmare and a journalist's dream," wrote the Telegraph.

A German court would hear later that he had pulled a textbook "pump-and-dump" move, borrowing money to buy Letsbuyit shares, and then quickly selling them to those who swallowed his investment story, gaining himself a quick profit of 1.1 million euros (\$1.4 million).

But before authorities could catch up with him on the LetsBuyIt scam came the Sept. 11 attacks, and he captured fresh headlines by offering \$10 million for the capture of Osama bin Laden. He claimed to have formed Yihat - Young Intelligent Hackers Against Terrorism - to wage cyberwar against banks harboring terrorist money.

That one backfired on him when hacker pranksters calling themselves Fluffy Bunny posted a lewd picture on his website.

Sought by German authorities over the LetsBuyIt scam, he fled to Thailand in January 2002, writing on his website that "A German high-tech fairy tale is to end."

He then posted a troubling message suggesting he would commit suicide on his 28th birthday:

"Enough is Enough. Kim Schmitz will die next Monday. See it on this website live and for free. When the countdown is over, Kim steps into a new world and wants you to see it."

Authorities got to him first, arresting him at a Bangkok airport a few days before his birthday. He had meanwhile posted another strange message to his site: Henceforth he would answer to the title of "His Royal Highness King Kimble the First, Ruler of the Kimpire."

In May that year he was back in a Munich court, convicted of manipulating stock prices in the LetsBuyIt scam. Again he got lucky, avoiding jail but drawing a fine of 100,000 euros (\$130,000).

He also claimed to have learned something about the perils of the spotlight. "My mistake was that I embraced the media and gave them the stories they wanted," he wrote on the filesharing-news website TorrentFreak.

But it didn't take him long to get back in the fast lane. George Gurley, a reporter writing for Vanity Fair magazine, came across him at the 2004 Gumball 3000 rally, an unofficial European road race for jet-setters, driving at 250 kph (155 mph).

"He's a controversial figure here, part buffoon, part Dr. Evil, but a skilled and very fast driver," the reporter wrote.

The next year he launched his most significant venture, registering Megaupload.com in Hong Kong. And he reinvented himself, legally changing his name first to Kim Tim Jim Vestor, then to Kim Dotcom.

"Hong Kong, what an awesome place to do business and to host my new phantom persona," he wrote on TorrentFreak. "People there leave you alone and they are happy for your success."

It took a few years before authorities began paying attention to Megaupload.

In 2009, Forbes magazine wrote that little-known Carpathia Hosting had increased its business 100-fold almost overnight, and was suddenly generating 0.6 percent of all online traffic, at the time twice the bandwidth consumed by Facebook. It was because the hosting site had some new clients: Megaupload.com, Megarotic.com, Megaclick.com,

Megavideo.com.

"Forbes readers probably haven't heard of them," Craig Labovitz of Arbor Networks, the Internet security provider, told the magazine. "Almost every teenager has."

The sites, Forbes said, were open to anyone with little or no money to download songs, TV shows or movies.

His notoriety again on the rise, Dotcom nevertheless managed to secure New Zealand residency in 2010, under a scheme to attract wealthy investors to the country. He invested 10 million New Zealand dollars (\$8.4 million) in government bonds and sponsored a fireworks show in Auckland, the main city, to the delight of many including the mayor.

He leased one of the country's plushiest mansions, worth \$24 million. He also appeared to be settling down, having married Mona, a Filipino, and had three children with her.

In early 2011, U.S. porn site Perfect 10 sued Dotcom and Megaupload, claiming he was running a pirate site engaged in massive copyright infringement. Megaupload responded that it operated a virtual locker service, and had no control over what its users uploaded. The company added that it routinely removed any offending content whenever it received a notice of infringement.

The case was settled out of court. But Dotcom's problems were not over.

Kevin Suh, the senior vice president of content protection at the Motion Picture Association of America, said the association filed a detailed complaint against Megaupload in 2010, which triggered a federal investigation. Prosecutors claim the "mega conspiracy" netted Dotcom and others \$175 million in illicit advertising revenue and download fees.

"He is the biggest copyright infringer in the world," Suh said to the AP.

Megaupload's lawyer, Ira Rothken, said the claims are without merit and will be fought vigorously.

He called the case an unwarranted show of force by authorities desperate to prove they are serious about battling copyright fraud. If federal authorities had a problem with Megaupload, Rothken said, they should have sued first in civil court rather than having people thrown in jail.

Dotcom now faces a series of charges in the U.S., including copyright fraud and money laundering. The racketeering charges alone carry a maximum sentence of 20 years.

In New Zealand last month, 10 years after threatening to kill himself on his 28th birthday, Dotcom planned a big celebration for his 38th. After all, those youthful fantasies of wealth and notoriety had come true.

But police were ready. On Jan. 20, the day before his birthday, they swooped down in helicopters onto the grounds of his mansion and cut their way into a safe room where they found [Dotcom](#) hiding. They also arrested three of his colleagues.

The party is on hold.

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