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LIQUID AUDIO INC
Form 8-K
January 28, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): January 24, 2003

Liquid Audio, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	0-25977	77-0421089
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(State or Other Juris- diction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

800 Chesapeake Drive
Redwood City, California 94063
(650) 549-2000

(Address of Principal Executive Offices) (Zip Code)
(Registrant's telephone number, including area code)

ITEM 5. OTHER EVENTS.

(A) On January 24, 2003 the Registrant and BeMusic, Inc. dismissed their claims against each other with prejudice in connection with the litigation captioned BeMusic, Inc. v. Liquid Audio, Inc., et al, C.A. No. 20083-NC pursuant to a Settlement Agreement (the "Settlement Agreement"). The Settlement Agreement also provides that Liquid Audio shall set aside (x) a cash reserve of \$2,000,000 to pay 50% of CDNow Online, Inc.'s ("CDNow") reasonable attorneys' fees and costs in defending a patent action brought by SightSound, Inc. against CDNow, which is presently pending in the United States District Court for the Western District of Pennsylvania (the "SightSound Litigation") and (y) and maintain a cash reserve of \$5,000,000 until the earlier of (A) the final resolution of the SightSound Litigation or (B) the entry by a court of a final order determining that the Registrant does not have an obligation to indemnify CDNow with regard to an adverse judgment rendered against CDNow in the SightSound Litigation. A copy of the Settlement Agreement is attached to this filing as Exhibit 10.1 and is incorporated herein by reference.

On January 24, 2003, the Registrant issued a press release in connection with the Settlement Agreement. A copy of the press release is attached to this filing as Exhibit 99.1 and is incorporated herein by reference.

(B) On January 24, 2003, the Registrant announced that it had sold its digital music fulfillment business to Geneva Media, LLC, an affiliate of Anderson Merchandisers, LP, for \$3,200,000. The Registrant also transferred ownership of "Liquid Audio" related trademarks to Geneva.

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On January 24, 2003, the Registrant issued a press release in connection with the sale of its digital music fulfillment business. A copy of the press release is attached to this filing as Exhibit 99.2 and is incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial statements of business acquired

Not applicable

(b) Pro forma financial information

Not applicable

(c) Exhibits

Exhibit No. -----	Description -----
10.1	Settlement Agreement between Liquid Audio, Inc. and BeMusic, Inc.
99.1	Press Release issued by Liquid Audio, Inc. dated January 24, 2003
99.2	Press Release issued by Liquid Audio, Inc. dated January 24, 2003

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIQUID AUDIO, INC.

/s/ Raymond Doig

By: Raymond Doig

Name: Raymond Doig

Title: Chief Executive Officer

January 27, 2003

EXHIBIT INDEX

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