

ENTERTAINMENT : MUSIC 

Napster's Assets Go for a Song

Brad King  11.28.02

Napster will rise again -- sort of -- thanks to a software company that makes CD- and DVD-burning software. The company, Roxio, faces the long odds of transforming the network into a secure, legal service.

Roxio purchased the company's intellectual property for \$5 million on Wednesday, rescuing it from bankruptcy court, where it had languished since June. Roxio's plan is to create a subscription music service that can be combined with its software.

"Roxio has received ... all of Napster's intellectual property including but not limited to the name, trademarks, domain name and their extensive technology portfolio," the company said in a release. But Roxio won't take on any debt stemming from previous lawsuits against Napster.

Roxio executives refused to provide details about the planned file-trading service.

When it launches, however, it could face an uphill battle.

The cadre of existing music subscription services include [MusicNet](#) and [PressPlay](#), both of which have financial ties to the five major record labels that once sued Napster.

Then there are the free file-trading services. Kazaa, Morpheus and Gnutella all eventually overcame Napster in popularity, despite the Recording Industry Association of America's legal assault on file trading.

Even if Roxio can overcome those hurdles, few have found commercial success transforming rogue services into legitimate businesses.

The closest anyone has come was with Scour, a multimedia file-trading network forced into bankruptcy. [CenterSpan](#) purchased Scour's assets for \$9 million. The company transformed Scour into C-StarOne, a delivery service that uses peer-to-peer technology to store and stream content.

"We're a technology company, not a retail company," said CenterSpan CEO Frank Housmann. "We believe there are other companies out there more successful than we are (at selling music and movies). But we provide the technology that will allow them to do that."

CenterSpan's biggest customer, [Vivendi Universal Net](#), offers content through sites like MP3.com and EMusic.com.

Other companies haven't fared as well.

Australia's Sharman Networks, which purchased the Kazaa file-sharing technology from two Dutch programmers, continues to lock horns with the RIAA over copyright infringement. This week, U.S. District Judge Stephen Wilson said he will soon give a ruling on whether U.S. copyright-infringement laws could be applied outside the country.

Even Napster offers a cautionary tale.

A federal judge shuttered the service in July 2000 for massive copyright infringement. As a result of a lawsuit against it by the RIAA, Napster was mired for months in bankruptcy court.

During that time, German conglomerate Bertelsmann AG tried but failed to persuade its media allies at Vivendi, Sony and AOL Time Warner to back its plan to build a music subscription service.

Bertelsmann offered \$20 million to buy Napster from bankruptcy court -- on top of the \$85 million it had already poured into the development of a secure file-sharing system. But a bankruptcy judge ruled that Napster CEO Konrad Hilbers, a former Bertelsmann employee, had used his influence to lock out other bids.



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