How Napster created a monster that became bigger than the music industry

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Musicians are furious that new tech has gutted their income. Record labels are wary, yet eager to cut deals with ascendant platforms. Fans are delighted to access songs for a pittance, even as they're screwing over beloved artists.

The fears about today's streaming economy echo the existential panic when Napster debuted in 1999. The peer-to-peer service—where fans swapped catalogs of MP3 song files—walloped the record business. It helped demolish billions in label revenue, forcing a sclerotic industry to reassess its entire model. It scrambled loyalties among fans, artists, tech companies and record labels.

But beyond its effect on music, Napster also heralded a troubling new ethic in tech: Make yourself ubiquitous before the law can stop you.

"Years later, Napster is still an exemplar and inspiration in Silicon Valley," said Joseph Menn, the author of "All The Rave," the definitive history of Napster (and a former Times reporter now at the Washington Post). "Uber and Airbnb took the same approach—blow away taxi and hotel regulations to give people something they want and grow so big you eventually get politicians on your side. Napster created this whole wave of antihero entrepreneurs."

When Northeastern University undergrad Shawn Fanning and business partner Sean Parker launched Napster on June 1, 1999, music was still largely consumed via compact disk, which labels sold at hefty profits. Fans had ways to trade songs, from taping off the radio to burning mix CDs, but nothing like this.

Fanning saw how a user-friendly platform could take the curiosity of song-swapping and escalate it via MP3s, shared over new broadband internet connections on college campuses. Users posted their digital music libraries online for anyone to see and download for themselves through a decentralized network.

"They mainstreamed an underground hobby," Menn said. "No one is going to go out and buy 100 records, but here the supply of music was infinite. It was always a social lubricant to make a mixtape for someone you wanted to date. Now you could do that at scale."

Within months, Napster was either a mortal wound to the record industry or an incredible marketing and audience research tool—or maybe both at once.

"The record industry spends millions (promoting) new bands," its former Chief Executive Eileen Richardson told The Times in 2001. "I saw Napster as a way to test-market and feed new musical artists to you for virtually nothing."

Estimates vary, but tens of millions of people downloaded the service, back when high-speed internet was a rarity in households. A quarter of all college internet bandwidth was used to share music on Napster. Fans no longer had to buy a $20 CD just to get the two songs they liked—you could get every song posted on Napster for free. A $40 billion record industry began a downward slide that would eventually wipe out half its value.

"One reason Napster came to life was the record business gouging users," Menn said. "People were willing to pay for a reasonable digital alternative. But by not providing that, labels couldn't do anything about ripping a CD onto your computer."

Yet labels weren't sure whether they should sue Napster into oblivion or pay them hundreds of millions to get a piece of the action. Lawsuits from the Recording Industry Association of America targeted both Napster and individual music fans who'd downloaded songs, earning wrath and mockery from the record-buying public.

At the same time, Napster got deep into negotiations with Vivendi

Universal's Edgar Bronfman Jr. and nearly struck a deal with labels to become a legal service.

"It could have gone either way," Menn said. "Record companies would have had an ownership stake. (German media conglomerate) Bertelsmann gave a big loan to Napster to keep the pirate version alive while they developed a legit system. They couldn't pull it off, but the record business had a motivation to do a deal, because what was coming next was unstoppable."

Fanning, Parker and Napster executives (including Richardson and successor Hank Barry) were plagued with infighting from the start, especially around Fanning's uncle's 70% ownership stake.

"There were horrible conflicts at the board level that effectively derailed most of our strategies," Liz Brooks, former Napster marketing vice president, told The Times in 2001. Yosi Amram, a former Napster board member, told The Times then that the firm "blew a number of opportunities by zigzagging. It didn't have strong, clear leadership."

But they knew there was a legitimate business to be built in paid digital access to songs, even as labels were reluctant to break apart the lucrative CD model. If just a tiny fraction of Napster users bought records they discovered there, and labels could reach them with granular data about their tastes, it could be transformative.

"Napster knew more about the customer than the labels did," Menn said. "They had access to your music collection, they saw what people downloaded. They could say 'Bobby likes Led Zeppelin, and he's curious about AC/DC, here is his e-mail address, and you can tell him when AC/DC has a new album out.' That was the big value proposition."

In September 2001, Napster paid a $26 million settlement to copyright owners, and the company filed for bankruptcy in June 2002. It relaunched as a legal paid service under the software firm Roxio in November 2002, but the industry had moved on. Apple's Steve Jobs had pushed a similar bargain for digital music—a clean interface where users could download individual songs for 99 cents.

Faced with new piracy sites like Limewire and Gnutella, the labels chose Apple and iTunes. Coupled with the 2001 launch of the iPod, a portable MP3 player with room for (gasp!) 1,000 songs, the future had arrived.

It's striking that the arguments around Napster are basically the same as the grievances over streaming today, only the heroes and villains have switched sides. The moon-faced Manning, a Time magazine cover star in October 2000, was widely regarded as a plucky music fan sticking it to greedy labels and out-of-touch millionaires.

Lars Ulrich, Metallica's drummer, became the face of the backlash to Napster, yet alienated his own fans. Ulrich personally delivered 13 boxes of paperwork to Napster's offices listing hundreds thousands of users the band suspected were sharing their songs illegally.

"It's not that Lars was seen as wrong, it was just so un-rock 'n' roll," Menn said. "He was seen as on the sellout side of the spectrum. The letter of the law says he's right, but it was inherently uncool to side with big business over fans."

Now, though, the really big businesses are the tech giants inspired by Napster's swashbuckling. Parker invested in Facebook a few years after Napster's collapse, and as its first president, he helped secure Mark Zuckerberg's total control of the company, eventually making Parker a billionaire.

Facebook's house motto was "Move fast and break things"—an apt description of Napster's impact too. (Parker, in a witty bit of stunt casting, was played by musician Justin Timberlake in "The Social Network," the film about the birth of Facebook.) Companies like Uber learned from Napster that if you ignored regulations and scaled up quickly, law and industry would bend to your business model.

"The dot-com boom was a feeding frenzy where stupid companies went public, but Napster was a legit technology," Menn said. "Peer-to-peer was a terrific innovation, but it got captured by peak capitalism. It corrupted the way technology developed."

Fanning, meanwhile, sold his video game communication platform, Rupture, to Electronic Arts and led a few short-lived social-networking and chat apps. He never achieved gargantuan wealth commensurate with his place in tech history.

"He was the poster boy, but he never controlled Napster," Menn said. "He was a nice guy from a poor background. He was quite shy and forced himself to be in the public eye, and afterward, he retreated to his reclusive self. He did OK afterward but he was not a titan."

Today, the record business alliances among art, commerce and fandom have shifted again.

Labels, desperate to avoid making the same mistakes, invested early in Spotify to ensure that they controlled streaming's future. Now, only superstars like Ulrich can make money on streaming. The indie artists who were fine with Napster in 1999 are now protesting outside Spotify's offices and working to unionize.

TikTok's recent fight with Universal Music Group was emblematic. Is it better for artists to have free, massive marketing possibilities or to get paid fairly by enormous tech firms? With artificial intelligence's looming influence on culture-making, who can you trust to look after your interests?

The answer is the same now as it was 1999: Probably no one.

"The continuous theme in the record industry, from vinyl to Napster to streaming," Menn said, "is that bands get shafted in every single iteration of the system."

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