

Apple shutting Lala.com; 'Cloud' music on horizon? (Update)

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(AP) -- Apple Inc. is shutting down its newly bought Lala online music service amid speculation it is creating a way for iTunes customers to listen to songs stored on distant computers.

The move comes just weeks before an annual conference for developers in San Francisco on June 7 at which the secretive company tends to announce big news. Last year, it used the conference to unveil the latest version of its popular iPhone, the 3GS.

With Apple continuing to build a \$1 billion data center in Maiden, N.C., that rivals the largest such facilities in the world, some executives in the online [music industry](#) believe that Apple is poised to announce an Internet-powered version of iTunes that would do away with the need to download songs.

Such a move would pit Apple, the largest online [music retailer](#), against smaller companies that offer ways to deliver music to mobile devices using "cloud computing," a remote-storage system that potentially challenges iTunes and its reliance on downloads and personal storage space.

"Whatever they bought Lala for, it is likely to be integrated into iTunes," said Michael Gartenberg, a partner at technology consulting firm Altimeter Group. "It's no surprise they're shutting this down."

But one factor against a big announcement soon is that Apple has not

approached music executives about its plans since a few months ago, and new licenses that would be required have not been set up, according to two people at different major recording companies with knowledge of the discussions. The people spoke on condition of anonymity because the discussions are meant to be confidential.

Customers of iTunes currently pay up to \$1.29 per song. Because it takes several minutes to download songs to a phone over cell networks, most users download songs to their computers before transferring them to their phones with a physical cord.

A cloud system would let users access the songs right away.

And because storage space wouldn't be an issue, a user could listen to a wider variety of music on the go.

Several months before Apple bought Lala in December, Lala co-founder Bill Nguyen demonstrated for The Associated Press a working, but unapproved iPhone application that streamed songs instantly to the phone after a user spent 10 cents per song to house them in a digital locker on a distant server. The 10 cents are credited back to buyers who went on to buy a higher-quality, permanent download.

Nguyen called the technology "the end of the MP3," the dominant format for song downloads. After Apple bought Lala, that iPhone application was never launched.

Since then, several companies have launched similar streaming music functions that do away with downloads and need only be connected to the Internet via the cell phone network.

On Monday, Rhapsody unveiled an update to its iPhone application to allow users to play such [music](#) even when they lack cell phone coverage.

For a \$10 monthly fee, users could save any song from a catalog of 9.5 million to their device.

Although users can only play the songs for as long as they keep paying, the system still challenges the iTunes model by making it easier to get songs to the phone, without the need for cords and syncing with a regular computer.

The ability to quickly save songs on a phone for offline playback was "a huge milestone," Rhapsody International Inc. President Jon Irwin said Friday. "So in a way, the battle's already begun."

Apple declined to comment Friday on its plans.

Visitors to Lala's home page have been told since late Thursday that the service isn't accepting new users and will shut down at the end of May. Songs that were bought from Lala for download are still playable, and people who bought 10-cent songs that can only be played online will get 10 cents credited to their iTunes accounts or a check in the mail, the site said. Other credits and gift cards are also transferable for a limited time.

Apple has been hiring staff for its North Carolina data center, and in early April advertised on its website for a chief operating engineer.

Only about a dozen data centers in the world are larger than the 500,000-square-foot facility Apple has under construction, said Rich Miller, editor of Data Center Knowledge, a website that tracks such centers.

Other companies that have built structures of the same size are "major cloud computing players" such as Microsoft Corp. and Google Inc., he said. Apple currently has one data center in Newark, Calif. That facility covers about 150,000 square feet and is believed to power its MobileMe

service of pushing e-mail and calendar events to devices.

"It certainly looks like their ambition is to house a lot of data," Miller said. That would then let [Apple](#) deliver greater amounts of content over the Internet than the company's current offerings.

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