

# Will Napster co-founder Sean Parker's Screening Room disrupt the film industry?

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Sean Parker stood in front of a whiteboard at Napster's dingy offices in San Mateo, Calif., and mapped out a hoped-for future for the besieged music file-sharing service.

It was late at night, and amid the detritus of discarded pizza boxes, a group of Red Bull-guzzling employees had assembled to hear the Napster co-founder's plan to begin paying fees to artists and record labels, recalls filmmaker Alex Winter, whose documentary "Downloaded" covers the rise and fall of Napster.

"This was an impassioned explanation of why Napster at its heart was not a 'stealing business,'" Winter said of the 1999 meeting. "He made it clear that if they couldn't do licensing deals with the labels, they'd have to close down."

Napster was eventually shut down by court order after being deluged by lawsuits from record labels and the Recording Industry Association of America. Fifteen years later, Parker, 36, is once again attempting to take on an entrenched industry in the entertainment space.

He is pitching Hollywood on an unorthodox home-video service called Screening Room that would give users access to films the day that they're released in theaters for \$50 each. If Parker succeeds, it could open a vast new revenue stream for him and change how entertainment is consumed in the home.

But his plans have reignited long-simmering tensions in Hollywood over the future of cinema and face stiff opposition from many exhibitors and filmmakers who view the simultaneous release of movies in theaters and homes as a threat to their business.

Parker also comes with baggage: An arrest on suspicion of cocaine possession cost him a top job at Facebook, for example. And, fairly or not, Justin Timberlake's portrayal of him in "The Social Network" as a glib and greedy schemer has attached itself to him. ("A million dollars isn't cool. You know what's cool? A billion dollars," the Parker character says in one scene.)

Parker's supporters say that he's well suited to take on - and ultimately win over - the Hollywood studios, whose content his company would need to be viable.

"His legend had been both mythologized ... and blown completely out of proportion," said Winter, whose "Downloaded" was released in 2013. "One thing that was very clear to me when I met Sean Parker as a teenager: He was incredibly smart and incredibly capable of going toe-to-toe with anybody."

In what could be a make-or-break moment for Parker and Screening Room Chief Executive Prem Akkaraju, the company's system is scheduled to be shown to industry professionals in private meetings held in Las Vegas during the annual CinemaCon convention this week.

The service would offer 48-hour rentals of films via a set-top box that would cost about \$150. Revenue would be split among Screening Room, studios and exhibitors. Also, each rental would come with a pair of tickets to see the film in movie theaters.

Some filmmakers back the idea because they worry that their business

risks being left behind by upstarts such as Netflix. Screening Room's supporters include producer Brian Grazer and director Ron Howard - who are also advisors to the company - and "Pulp Fiction" producer Lawrence Bender, who said he asked to invest in Screening Room after receiving a demonstration.

"I think it's going to be good for everybody," Bender said. "I'm extremely confident that it is not going to affect the number of people going to the theater, but it is going to add a huge amount to the box office."

Howard, Grazer and other prominent Screening Room supporters, including Steven Spielberg, J.J. Abrams and Peter Jackson, declined to comment.

Many detractors have also spoken out against Screening Room. The trade groups representing European and North American movie theater owners have rejected the service, as have directors such as James Cameron and Christopher Nolan and producer Bill Mechanic.

"I think it's an anathema and extremely destructive to the business," Mechanic said. "Creatively, movies are meant to be shared with an audience in a darkened environment on giant screens."

Tim League, the founder of theater chain Alamo Drafthouse Cinema, said he worries that Screening Room "will jeopardize the content business as a whole."

Parker declined to comment.

For years, efforts to beam movies into consumers' homes on or near the date of their theatrical premieres have been met with staunch resistance from cinema chains. And studios - whose product is deeply tied to the

exhibition business - have often been reluctant to rock the boat. Typically movies are made available in the home about 90 days after they debut in cineplexes.

Theater chains refused this year to show Netflix's sequel to "Crouching Tiger, Hidden Dragon," which was intended for a simultaneous release in theaters and on the streaming service.

The country's largest exhibitors, including AMC Entertainment - which is reportedly interested in Screening Room - declined to comment.

Some studios such as Universal have been willing to experiment with video-on-demand in recent years, in part because it offers a new revenue source as DVD and Blu-ray sales have plummeted.

Five of the six major film studios declined to comment. A spokeswoman for Paramount said the studio has "made no decisions about this venture." A person close to Walt Disney Co. said the company is not currently supportive of Screening Room.

Despite the disagreement, there is widespread acknowledgment that consumers' viewing habits are changing.

Netflix and other popular streaming video platforms have allowed consumers to watch on-demand content from the comfort of their increasingly high-tech living rooms. Some analysts believe that trends in media consumption suggest that eventually people will be able to watch movies at home starting the day they are released in cinemas.

But there is skepticism that Parker is the person to crack the code. Doubters have cited Napster as evidence that Parker may not be the right person to take on Hollywood.

Parker grew up in Herndon, Va., not far from Washington, D.C. He was turned on to programming at an early age when his oceanographer father gave him a computer and taught him how to use it. By his teenage years, Parker was hacking into the computer systems of corporations and governments. That led to his arrest at the age of 16 by the FBI. He was given community service for his offenses.

In 1999, Parker - who did not go to college - moved to California to join up with Shawn Fanning, whom he had met online and who was then creating Napster.

Together, Fanning and Parker, then just 18 and 19, roiled the music industry by releasing Napster in 1999. Tens of millions of people were soon using the service to download MP3 music files, but a wave of lawsuits shut it down in July 2001.

"I think there was a real arrogance on the side of not only Napster but others as well - 'We are going to reinvent music and bring this to the people and damn the torpedoes,'" said Russ Crupnick, a music industry analyst for MusicWatch.

Friends like Court Coursey noted that Parker is in good company with many other accomplished businessmen who have had their share of setbacks.

"It is very rare to see a successful entrepreneur who doesn't have some failures in his past," said Coursey, managing partner at investment firm TomorrowVentures. "You have to believe that the person that you are backing ... (will) know when to pivot and make a business successful. Obviously Sean has that track record."

In addition to Napster, Parker backed Facebook and Spotify early on. His wealth soared when Facebook went public in 2012.

Parker joined Facebook in 2004, and as the company's first president, he has been credited with helping transform it from a fledgling website started in Mark Zuckerberg's Harvard dorm room into a serious business. He has been described as a mentor to Zuckerberg and an advocate for the Menlo Park, Calif., company and its founder during its rocky early days.

But Parker was long gone from Facebook by the time of its initial public offering of stock: He left his post in 2005 after the cocaine-related arrest (he was not formally charged with a crime).

He also has a penchant for living it up in ways that attract attention - and scrutiny. In 2013, the Los Angeles Times reported that he had agreed to pay a \$2.5 million penalty for unpermitted construction as part of his roughly \$10 million wedding at a coastal redwood forest.

Parker married singer-songwriter Alexandra Lenas in a fairy-tale themed gathering that required construction of "artificially created 'ruins' of cottage and castle walls," according to a California Coastal Commission report.

Screening Room would not be the first to rent movies to consumers at home on the same day that they are released in theaters. Prima Cinema Inc. offers a service that allows users who shell out \$35,000 for an in-home device the ability to screen first-run films for \$500 a pop. Prima, which declined to disclose its number of subscribers, caters to a high-end crowd.

"Our goal was never to try to disrupt a business," Prima Chief Executive Shawn Yeager said. "At \$50, it is hard to imagine how (Screening Room) doesn't disrupt."

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