

ENABLING MUSIC INDUSTRY INNOVATION

It's true that the digital music licensing laws can be a bit complicated, but you don't have to be a copyright attorney to understand the basics. Following is a crash course on the facts about the statutory license for digital radio.

Give me the basics. What is the statutory license administered by SoundExchange?

The statutory license makes it easy for webcasters or satellite radio to pay for the sound recordings they use to operate their business, so they do not need to negotiate a deal with every individual rights holder – or ask permission to play every track. Instead, a digital music service can elect to use the statutory license, which is somewhat like a “license from the U.S. government.” The [Copyright Royalty Board](#), which is part of The Library of Congress, oversees the setting of market rates for the use of these recordings, and then determines how much services pay for recordings they choose to perform. (Importantly, the statutory license is only for sound recordings – services will need to get separate licenses for the musical works.)

How does SoundExchange fit in?

[SoundExchange](#) collects and distributes royalties from statutory licensees, including: Internet radio webcasters (like Pandora, Slacker and iHeartRadio), satellite radio services (SiriusXM), and cable and satellite television music-only services (such as Music Choice). We're the only non-profit organization that administers the statutory license on behalf of the industry. In rate-setting proceedings for the statutory license, SoundExchange fights for royalty structures that recognize the vital role that the creators of music play for digital services. We represent those in the creative process – record labels and recording artists – and we spend countless hours and millions of dollars fighting for their rights.

How does the statutory license enable music industry innovation?

It's an exciting time in the music industry, and new services and innovation means consumers have a wider variety and more access to music than ever before. The statutory license simplifies the royalty collection and payment process, enabling the continued growth of the digital streaming space by allowing services to focus on what they do best – creating new platforms for music discovery. New services that are eligible for the statutory license can simply 1) opt-in for the license, 2) deliver playlists and 3) pay the established rates. SoundExchange handles the rest of the royalty payment process, allowing services to focus on building their business. [New artists](#) should [register](#) with SoundExchange to begin collecting streaming radio royalties. It's painless and free.

How does the statutory license encourage and ensure artist participation?

The ability of artists to participate directly and immediately in this new and growing stream of revenue is a core policy of SoundExchange. Performance royalties distributed by SoundExchange are paid directly to the artists – they do not pass through record labels, even if a record label owns the copyright in the track. Under the statutory license, 45 percent of the performance royalties are paid directly to featured artists, and 5 percent of performance royalties are paid to a fund for distribution to non-featured artists. The remaining 50 percent is paid directly to the owner of the sound recording, usually a record label. Thus, artists who own their own masters are paid 95 percent.



For the industry, by the industry: SoundExchange represents artists and record labels.

We're governed by a **Board** comprised of varying interests in the industry – half representing artists and half representing labels. As a non-profit, we are not overseen by any particular commercial interest. Instead, we advocate the interests of all creators. Our incentive is to ensure that creators receive their proper compensation, and our goal is to keep our operating costs as low as we reasonably can to maximize the royalties that we pay out to the creators and owners of music. We've been successful, paying more than \$900 million* in performance rights royalties to date.

The statutory license is transparent and efficient.

The statutory license, as administered by SoundExchange, is transparent and efficient for rights owners as well as artists. The statutory license is an extremely efficient tool for rights owners and artists as well as services, and generates value for everyone in the creative process, not just record labels. SoundExchange distributes tens of millions of dollars every quarter to artists and rights owners who owe nothing to SoundExchange other than keeping their paperwork up to date.

SOUND RECORDING LICENSE CHECKLISTS FOR NON-INTERACTIVE DIGITAL MUSIC SERVICES

For Services Using the Statutory License

- Design a service that is eligible for the statutory license.
- Submit notice of intent **ONE** time to use the statutory license.
- Send payments and reports of use to SoundExchange regularly.
- Play recordings and run your business.*

*Service can play ANY commercially released sound recording.

For Services Relying on Direct Licenses

- Select specific sound recordings you want to use.
- Identify sound recording copyright owner for that recording.
- Contact copyright owner.
- Negotiate license fees and terms.
- Agree on data and technical process for delivery.
- Generate and send royalty statement.
- Send payment.
- Renegotiate license fees and terms at the end of the term.
- Repeat the above for EVERY sound recording copyright owner in the world.*

*Service can **ONLY** play recordings for which direct licenses have been obtained.

*All statistics and content valid as of 12/15/2011