

Webcasters and Music Industry End Fight for Royalties

by Gabriel Madway and Richard Chang

Editor's Note: We need to create one single set of lawe for copyright and IP protection that takes into account all of the aspects of the new media environment we all have to deal with.

SAN FRANCISCO (Reuters) - Artists and record labels reached an agreement on Tuesday with Internet radio companies over royalty rates, resolving a dispute that dates back more than two years over how to divvy up revenue from streaming music on the Web.

The deal establishes a two-tier royalty payment system for companies -- such as the popular service offered by Pandora Media Inc -- that broadcast music over the Internet.

The agreement calls for large webcasters to pay artists and copyright owners a percentage of all U.S. revenue up to 25 percent or on a per-song basis, whichever is greater. Smaller webcasters -- with revenue of less than \$1.25 million -- will pay a smaller percentage under a different formula.

The agreement was announced by SoundExchange, a nonprofit group designated by the U.S. Copyright Office to collect and distribute digital music royalties. The group's members include large record companies such as Sony BMG and Warner Music Group, as well as more than 2,500 independent labels.

In 2007, the U.S. Copyright Royalty Board elected to sharply increase royalties paid by Internet radio operators. Many webcasters protested that the rates were

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Published on Electronic Component News (<http://www.ecnmag.com>)

too high, which led to the negotiations to establish a new rate structure.

In a statement, SoundExchange Executive Director John Simson called the rates set in 2007 "appropriate and fair." However, he said the new royalty agreement incorporates an "experimental approach" that addresses concerns on both sides.

"It gives certain pureplay webcasters the opportunity to flesh out various business models and the creators of music the opportunity to share in the success their recordings generate."

The agreement covers royalty rates from 2006-2015, or 2014 for small webcasters.

Pandora, which was founded in 2000 and generates more than 90 percent of its revenue through advertising, has cultivated a devoted fan base by offering a music discovery service.

The company's founder, Tim Westergren, said in a blog post: "For more than two years now I have been eagerly anticipating the day when I could finally write these words: the royalty crisis is over."

"Pandora is finally on safe ground with a long-term agreement for survivable royalty rates. This ensures that Pandora will continue streaming music for many years to come!"

Due to the agreement, Pandora said it will now charge 99 cents to users of its free service who listen more than 40 hours per month. The change will affect about 10 percent of its users, the company said.

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