

## Music Industry Wins Key Decision in Digital World

By Joshua Meredith

The music industry recently won a key battle against the digital music world. On October 1<sup>st</sup>, the Copyright Royalty Board ruled that digital copies of music are worth the same royalty rate as physical copies. Included in the ruling was a landmark decision which will give royalties to artists when their music is used in master tones and ring tones.

Previously, mechanical royalties were paid out to songwriters and the publisher of the music. Digital music which is sold on services like Apple's iTunes and Amazon.com were not subject to the royalty rates. Until 2012 both physical and digital recordings will earn the owners 9.1 cents per track.

What should help the flailing music industry even more is 24 cents for every download of a ringtone, master tone or snippet of music on cell phones.

The Copyright Royalty Board, comprised of three judges appointed by the Librarian of Congress, chose to keep the rate for physical/digital downloads the same. The music industry was advocating for a 66% increase in the rate while the retailers wanted to scrap the current system and replace it with an equation based on the "percentage of wholesale revenue."

The industry was able to agree on royalties for streaming music. The Recording Industry Association of America and the National Music Publishers' Association who represent musicians and songwriters agreed to a revenue agreement with the Digital Media Association, earlier in the week. Streaming services such as Pandora Media, Slacker, and Napster will now pay a percentage of their total revenue to the recording industry. These services profit from both subscriptions and advertising.

It is still unclear how this will affect the consumer. Apple claimed in a brief that a significant increase in the royalty rate would put iTunes out of business. Previously the recording labels and the distributors of ring tones had negotiated individually for royalty rates. The new standards are not, however, a magic bullet for the music industry, an industry lawyer reported to the New York Times.

This issue will be revisited in 2012 when the current regulations are set to expire. At that time, the music industry will again have to maneuver in an ever increasing digital world.

### Sources:

Ben Sisario, *First Royalty Rates Set For Digital Music*, N.Y. TIMES, Oct. 2, 2008 at C8.

In the Matter of Mechanical and Digital Phonorecord Delivery Rate Determination Proceeding,  
Copyright Royalty Board, Docket No. 2006-3 CRB DPRA, *available at*  
<http://www.loc.gov/crb/proceedings/2006-3/redacted-final-initial-determination.pdf>.