



musicNOW – Promoting fair and transparent compensation to creative rightsholders for digital usages

Executive Summary

MOTIVATION

The Republic of Malta is hosting a pan-European initiative of artistic rightsholders and digital exploiters of artistic rights - working alongside the European Commission, the European Parliament, artists and other creators, collective management organizations, creative industry associations, publishers, labels as well as research institutions on the implementation of Directive 2014/26 – with the aim of facilitating the development of a new artist-centric, technology-enabled solution for collective licensing of digitally exploited intellectual property rights.

The initiative focuses initially on the administration of rights associated with the streaming of contemporary music, but is expected to provide a core infrastructure on which similar systems can be built for licensing other types of creative work, from historic music to photography and visual art, through to 3D-printing-designs and IT source code.

In the case of music rights licensing, the project's aim is to deliver value to performers and authors (composers, songwriters, engineers, producers) through greater transparency, near instantaneous payments, and vastly reduced administration costs. Simplified licensing processes and the opportunity to pay rightsholders instantaneously and without intermediaries will bring value to those exploiting music online. Collective Management Organizations (CMOs) will benefit from a state-of-the-art infrastructure being made available to further improve services for their members, and potentially to





Version 1-Jul-2018, Page 2
www.musicNOW.eu

acquire new members. Music makers will gain from greater transparency, attribution, and usage volumes, from lower transaction costs, and faster payments.

ADVANCES IN TECHNOLOGY FORCE – AND ALLOW FOR - FAIR AND TRANSPARENT COMPENSATION TO RIGHTSHOLDERS FOR THE ONLINE EXPLOITATION OF THEIR CONTENT

The digital revolution in the music industry provides tremendous opportunities; recording artists, composers and creatives now have the power to reach and connect directly with their fans at a scale never seen before. In parallel, the established pricing mechanisms and business models for artists and other music makers have been disrupted - while use of their work has increased significantly, incomes often have not, and despite the vast volumes of data being generated through consumers use of online services, there is limited access and transparency for recording artists and other creative rightsholders as to how their work is actually being used online.

The creation of a fair and transparent system for collection and distribution of royalties to creative rightsholders for online streaming of music has been a top priority for the music industry across the last decade. With the EU Directive 2014/26 – Collective Management of Copyright - the European Commission aims at ensuring that rightsholders have a say in the management of their rights and envisages a better functioning of CMOs as a result of EU-wide standards. The Directive also creates a level playing field for the multi-territorial licensing of online music services.¹

The Directive has now been put into legislative action in the majority of EU member states. The Republic of Malta sees it as an obligation to the industry and the EU to realize the goals of the legislation; therefore the musicNOW Initiative has the aim of supporting a fairer and more transparent system for compensation of creative rightsholders with a focus on the streaming of digital music. It will thus initiate a novel collective licencing approach for online music rights exploitations and make this approach, at its discretion, available to rightsholders, exploiters, CMOs, publishers and labels and the artists and other creative rightsholders they service.

¹ European Commission: http://ec.europa.eu/internal_market/copyright/management/index_en.htm





Version 1-Jul-2018, Page 3
www.musicNOW.eu

MUSICNOW: THE VISION

musicNOW will build a platform that will transform digital licensing by enabling any owner of creative IP to secure the rights in their content, define rules for its exploitation and get paid when it is consumed – ultimately without the need for intermediaries. Thus, musicNOW will engage with author's rights (held by authors and publishers), and related rights (for example in music industry, held by performers and record labels).

As such, musicNOW is developing a blockchain and machine-learning-enabled infrastructure that will enable musicians, photographers and filmmakers to take control of their rights and exploit the full potential of the digital market without having to assign their rights to third parties such as agents and CMOs. For content users such as streaming services and online publishers, musicNOW will make it simple, fast and low cost to discover, license and pay for content, resulting in more innovative uses of content, more income for the creative economy, and more choice for consumers.

musicNOW will enable the industry to cut today's processing cost by two-thirds while increasing transaction speed and creating ultimate transparency to all parties. Within five years musicNOW aims to cover a 30% share of the market for streaming music rights, while extending in parallel into other content categories.

MUSICNOW: GOING TO MARKET

musicNOW will initially enter the market in rights used in the long tail of streaming music, and in smaller EU member states. This has been determined as the project's starting point, since – in spite of the complexity of the current system – there are globally established norms and associated structures that exploiters of music on streaming platforms do pay for the rights they use, while creative rightsholders in the long tail of the repertoire very often do not participate in the distribution of payments. This is the case, as today's relevant internet artists are often not interested in becoming a member of a CMO for streaming, nor are they being represented by a music publisher or a record label: anything they need to win a Grammy, other than talent, they can get from services like SoundCloud, and others.

This is even more the case in smaller EU member states, where the small national collecting societies often cannot cope with the procedural and technological demands of dealing with the massive exploitation of rights resulting from streaming music. Here,





Version 1-Jul-2018, Page 4
www.musicNOW.eu

musicNOW offers to execute the distributions in the streaming category for, or on behalf of, the national CMO. In larger countries, CMOs are also invited to cooperate with musicNOW in similar ways, as well as in new member acquisition.

MUSICNOW: ORGANIZATION AND GOVERNANCE

The musicNOW Initiative is built around two constituent parts:

- **The Creative Rights Data Repository** is an open, public, authoritative repository of music rights ownership information that will operate as a social enterprise on a not-for-profit basis. The Data Repository will increase the transparency regarding rights ownership and aims to be the one platform removing commercial and political barriers for collaboration in the industry.
The technology platform will be a technology stack consisting of existing and future blockchain components, as well as payment and AI developments. It will be established through the partnership as outlined below, based upon solutions previously conceived in partnership with CMOs, publishers and labels globally. These components will be integrated and extended in the fields of digital analysis and detection - such as fingerprinting, metadata normalisation, encryption of content and metadata - and in the use of copyright- and privacy awareness tools for automatic rights management of content.
Under the leadership of the Republic of Malta, three Member States of the European Union, including Malta and the Republic of Slovenia, intend to form a European Research Infrastructure Consortium according to the ERIC-regulation (EC 723/2009 with amendment EC 1261/2013) to govern the Music Rights Data Repository.
 - The Malta Council for Science and Technology (MCST) will represent the Republic of Malta within the ERIC. Under its oversight, the ERIC will be administered by kENUP Foundation, a public-benefit Foundation established in the Republic of Malta.
 - The ERIC will further the work already accomplished by Berklee College's civic society action "Open Music Initiative" (OMI) with its close to 200 members in the music industry. Berklee's and OMI's contribution will focus on the US-market, as well as on offerings to publishers and labels.
 - Significant preparatory work has also been accomplished by Mycelia, a NGO founded by the artist Imogen Heap. Mycelia has developed a





Version 1-Jul-2018, Page 5
www.musicNOW.eu

“Creative Passport” for musical artists, which will serve as the basis for musicNow’s interaction with creative rightsholders.

- o blokur Ltd., a UK company founded by Phil Barry, will make available to musicNOW its product that has been developed in partnership with CMOs, publishers and labels globally.
- o dot blockchain media, founded and lead by Benji Rogers, will contribute its open-source file format DOTBC to musicNOW.
- o The Fraunhofer Institute for Digital Media and Technology, led by mp3-“inventor” Prof. Karlheinz Brandenburg, will contribute its audio tracking/fingerprinting technologies, as well as its expertise in media security and copyright management.
- o Leuphana University’s Centre for Digital Cultures (CDC) will act as research partner with regard to the initiative’s cultural, socio-technical and organizational context and effects, and in this capacity supports Mycelia reaching out to creative rightsholders and artists globally.
- o The International Music Managers Forum (IMMF) - the umbrella organisation for discussion of the artists business utilizing a collaborative network of National Organizations from over 50 countries – will open up musicNOW to its community and industry partners globally.
- o The Jožef Stefan Institute will contribute its research agenda on artificial intelligence, doing so as part of the Republic of Slovenia’s agenda on blockchain.

Main objectives of the Creative Rights Data Repository, and thus the ERIC, are to

- o establish and operate a research infrastructure that embraces partners of the knowledge triangle to contribute to and benefit from an innovation oriented state of the art data warehouse for creative rights of global relevance;
- o envision, specify, provide and operate a platform to which any person that owns or controls music publishing rights can easily contribute their music rights data;
- o increase certainty regarding rights ownership by providing platform access to those who wish to identify the owner(s) of a particular work (composition/lyric, for example, in case of music) and related sound recordings embodying such works . Commercial enterprises will be charged a fee for this service;





Version 1-Jul-2018, Page 6
www.musicNOW.eu

- increase quality of data on creative rights ownership that today is notoriously poor, by linking unassigned works to rightsholders, and cleaning up inaccuracies in existing data with help from technologies such as machine learning;
 - protect and empower the data privacy of creators in compliance with the European General Data Protection Regulation (GDPR), particularly in regard to the right to access, data portability, and to “privacy by design”;
 - mediate disputes between rightsholders regarding ownership of works by notifying all affected rightsholders for works that have been “claimed” by several parties.
- **The Creative Rights Clearing House(s)** are commercial enterprises, acting as independent management entities that issue online exploitation licences and match the usage of music online from digital service providers with rightsholders from the Creative Rights Data Repository, to create a payment file that ensures that rightsholders are correctly reimbursed based on the actual exploitation of their rights. Creative Rights Clearing Houses, organized as “private management entities” as stipulated in EU Directive 2014/26, may be incorporated anywhere in the European Union. There may be several Creative Rights Clearing Houses competing in the market, with CMOs and other organizations acting on behalf of rights holders also assuming that function.

Main objectives of a Creative Rights Clearing House is to

- operate as an aggregator and licensor of publishing rights (based on integration with Creative Rights Data Repository) and thus intermediate between rightsholders that wish to license their rights for online exploitation, and operators of digital services that wish to exploit those rights (“exploiters”, or “service providers”);
- allow rightsholders that have contributed their rights to the Data Repository to easily authorize the licensing of those rights. All rights will have a publicly transparent per play rate associated with it;
- enable service providers in an easy and modular way to build the right license for their service. To spur innovation, test and experimental licenses will be available for new business models;
- match the exploration of rights of service providers, with owners of the publishing rights embodied in the sound recordings available in the Data





Version 1-Jul-2018, Page 7
www.musicNOW.eu

Repository on a daily basis in a timely and accurate manner, providing service providers with a payment file to settle royalty payment directly with the rightsholders;

- o provide transparency and insights for rightsholders on how their works are being consumed on service providers' platforms.

