

RECORDINGS

STREAMING SOUNDS

05



Stefano Buonomio/The New York Times

Artists' income from music sales is declining, which makes live concerts a crucial source of revenue. On June 1, 2014, 50,000 music lovers flocked to Primavera Sound in Barcelona, Spain, a five-day music festival featuring more than 300 artists.

What's Ahead?

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“The challenge is to get everyone to respect music again, to recognize its value.”

—RECORDING ARTIST JAY-Z AT THE 2015 LAUNCH OF TIDAL, AN ARTIST-OWNED SUBSCRIPTION STREAMING MUSIC SERVICE

For the first time in more than ten years, the music industry announced in 2013 that global sales had increased, instead of decreased, from the year before. “For years, the music industry’s decline looked terminal, with record companies seemingly unable to come up with digital business models that could compete with the lure of online piracy,” reported *The New York Times*. In 2012, however, “digital sales and other new sources of revenue grew significantly enough to offset the continuing decline in CD sales.”

The sudden decline in music sales that began in 1999—primarily because of illegal downloading—meant that musicians could no longer rely on music sales to support their music.

Concert performances that can draw huge audiences became a necessity, as the recording business struggled to find a financial model to sustain the industry. Ironically, the digital technology that led to the music industry’s decline may now be its savior. “At the beginning of the digital revolution it was common to say that digital was killing music,” Sony Music executive Edgar Berger told *The Times*. Now, he said, “digital is saving music.”

Most of the music people listen to each year is categorized as popular music—rock, rap/hip-hop, urban,



More than half the music that people buy, and a majority of recording industry profits, comes from sales of contemporary artists such as One Direction, kicking off their 2015 World Tour in Sydney, Australia, on February 7, 2015.

country and pop—according to the ***Recording Industry Association of America (RIAA)***. Other types of music—religious, classical, big band, jazz and children’s

Recording Industry Association of America (RIAA) Industry association that lobbies for the interests of the nation’s major recording companies. Member companies account for 95 percent of all U.S. recording company sales.

TimeFrame

1877–Today

The Recording Industry Caters to a Young Audience



AP Images/Benjamin Beyrekin



Justin Sullivan/Getty Images News/Getty Images



AP Images/Rex Features/Mark St George

- 1877** Thomas Edison first demonstrates the phonograph.
- 1943** Ampex develops tape recorders, and Minnesota Mining and Manufacturing perfects plastic recording tape. Singer Bing Crosby is one of the first recording artists to use tape.
- 1947** Peter Goldmark develops the long-playing record.
- 1956** Stereophonic sound arrives.
- * 1958** Motown, promoted as "Hitsville U.S.A.," introduces the Detroit Sound of African American artists, including The Supremes and Stevie Wonder, popularizing rock 'n' roll.
- 1979** Sony introduces the Walkman as a personal stereo, making music mobile.
- 1985** The recording industry begins to consolidate into six major international corporations. Only one of these companies is based in the U.S.
- 1999** MP3 technology, developed by Michael Robertson, makes it easy for consumers to download music files from the Internet.
- * 2001** Apple introduces the iPod. Napster, which uses file-sharing software designed to download music on the Internet, shuts down after the Recording Industry Association of America (RIAA) sues for copyright infringement.
- 2003** Apple opens the online music store iTunes, offering legal music downloads for 99 cents per song.
- 2005** The U.S. Supreme Court says that the makers of file-sharing software can be sued for helping people violate recording industry copyright protections.
- 2007** RIAA sues online music consumer Jammie Thomas for copyright infringement, and a jury fines her \$222,000 for sharing 24 songs.
- 2009** Virgin Music closes all of its U.S. Megastores, marking the end of large-store music retailing.
- * 2012** The U.S. Justice Department shuts down international downloading site Megaupload, one of the Internet's largest offshore music and film file-sharing Web sites.
- 2013** The U.S. Supreme Court refuses to hear music downloader Jammie Thomas' file-sharing case, exhausting her appeals, and orders her to pay a \$222,000 fine.
- 2015** Beyoncé and Jay-Z launch Tidal streaming service to challenge Spotify. Apple adds music streaming to its other music services.
- TODAY** Three major companies dominate the recording industry, which earns the majority of its revenue from digital music. The industry continues to fight copyright infringement and illegal Internet file-sharing. Industry income stabilizes. The iTunes online music store is the nation's dominant music retailer, but music streaming services are growing quickly as a music delivery system.

recordings—make up the rest, but most of the profits and losses in the recording business result from the mercurial fury of popular songs.

Of all the media industries, the recording industry is the most vulnerable to piracy and suffered the biggest losses as a result of digital technology. The recording industry also is at the center of recent debates over the protection of artistic copyright. In 2003, the Recording Industry Association of America sued 261 people for downloading music from the Internet, saying CD shipments dropped 15 percent from the year before. In 2009, a jury found one of the plaintiffs in the downloading case guilty of copyright infringement, and the case reached the U.S. Supreme Court in 2013. The Court found music downloader Jammie Thomas could be sued for copyright infringement, and she was fined \$222,000.

But in 1877, when Thomas Edison first demonstrated his phonograph, who could foresee that the music business would become so complicated?

Edison Introduces His Talking Machine

Today's recording industry would not exist without Thomas Edison's invention, nearly 150 years ago, of what he called a *phonograph* (which means "sound writer"). In 1877, *Scientific American* reported Edison's first demonstration of his phonograph. Edison's chief mechanic had constructed the machine from an Edison sketch that came with a note reading, "Build this."

In 1887, Emile Berliner developed the gramophone, which replaced Edison's cylinder with flat discs. Berliner and Eldridge Johnson formed the Victor Talking Machine Company (later to become RCA Victor) and sold recordings of opera star Enrico Caruso. Edison and Victor proposed competing technologies as the standard for the industry, and eventually the Victor disc won. Early players required large horns to amplify the sound. Later the horn was housed in a cabinet below the actual player, which made the machine a large piece of furniture.

In 1925, Joseph Maxfield perfected the equipment to eliminate the tinny sound of early recordings. The first jukeboxes were manufactured in 1927 and brought music into restaurants and nightclubs.

By the end of World War II, 78 *rpm* (revolutions *per minute*) records were standard. Each song was on a separate recording, and "albums" in today's sense did not exist. An album in the 1940s consisted of a bound set of ten envelopes about the size of a photo album. Each record, with one song recorded on each side, fit in one envelope. (This is how today's collected recordings got the title "album," even though they no longer are



AP Images

Today's recording industry would not exist without Thomas Edison's invention of the phonograph in 1877. Edison is shown in 1926 in New York.

assembled in this cumbersome way.) Each shellac, hard disc recording ran three minutes.

Peter Goldmark, working for Columbia Records (owned by CBS), changed that.

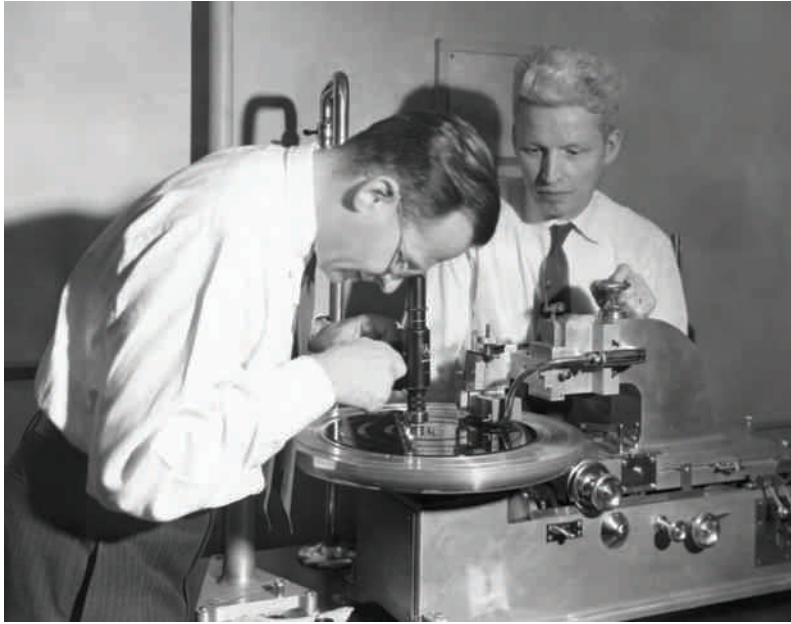
Goldmark Perfects Long-Playing Records

In 1947, engineer Peter Goldmark was listening with friends to Brahms' Second Piano Concerto played by pianist Vladimir Horowitz, led by the world-famous conductor Arturo Toscanini. The lengthy concerto had been recorded on 6 records, 12 sides.

Goldmark hated the interruptions in the concerto every time he had to turn a record over. He also winced at the 8 sound defects he detected. After several refinements, Peter Goldmark created the long-playing (*LP*) record, which could play for 23 minutes, but LPs were larger than 78 rpm records.

rpm Revolutions per minute.

LP Long-playing record.



Bettmann/Corbis

Engineer Peter Goldmark (left) invented the long-playing record format. LPs could play for 23 minutes and offered better sound quality than 78-rpm records. Goldmark, Director of Engineering Research and Development for CBS, uses a microscope to check the quality of a long-playing record.

Paley Battles Sarnoff for Record Format

William Paley, who owned CBS radio and CBS records, realized he was taking a big risk by introducing LP records when most people didn't own a record player that could play the bigger 33 $\frac{1}{3}$ rpm discs. While the LP record was being developed, Paley decided to contact RCA executive David Sarnoff because RCA made record players. Paley tried to convince Sarnoff to form a partnership with CBS to manufacture LPs, but Sarnoff refused.

Stubbornly, Sarnoff introduced his own 7-inch, 45-rpm records in 1948. The 45s had a quarter-size hole in the middle, played one song on each side and required a different record player, which RCA started to manufacture. The 45s were a perfect size for jukeboxes, but record sales slowed as the public tried to figure out what was happening. Eventually Peter Goldmark and classical music conductor Arturo Toscanini convinced Sarnoff to manufacture LPs and include the 33 $\frac{1}{3}$ speed on RCA record players to accommodate classical-length recordings.

CBS, in turn, agreed to use 45s for its popular songs. Later, players were developed that could play all three speeds (33 $\frac{1}{3}$, 45 and 78 rpm). A limited number of jazz artists were recorded, but most of the available recorded music was big band music from artists like Tommy Dorsey,

Broadway show tunes and songs by popular singers like Frank Sinatra.

Hi-Fi and Stereo Rock In

In the 1950s, the introduction of rock 'n' roll redefined the concept of popular music. Contributing to the success of entertainers like Elvis Presley were the improvements in recorded sound quality that originated with the recording industry. First came *high fidelity*, developed by London Records, a subsidiary of Decca. Tape recorders grew out of German experiments with recorders during World War II.

Ampex Corp. built a high-quality tape recorder, and Minnesota Mining and Manufacturing (3M) perfected the plastic tape. The use of tape meant that recordings could be edited and refined, something that couldn't be done on discs. (See **Impact/Profile**, "Steve Martin, Lauryn Hill and Radiohead Archived by National Recording Registry," p. 90.)

Stereo arrived in 1956, and soon afterward came groups like The Supremes with the Motown sound, which featured the music of African American blues and rock 'n' roll artists. With an \$800 loan from his family, songwriter Berry Gordy, 29, founded Motown studios in 1958 in a small, two-story house in Detroit. He named the label after Detroit's nickname, Mo(tor)town, and called the building "Hitsville U.S.A."

"Everything was makeshift," he told *Fortune* in 1999. "We used the bathroom as an echo chamber." In July 1988,

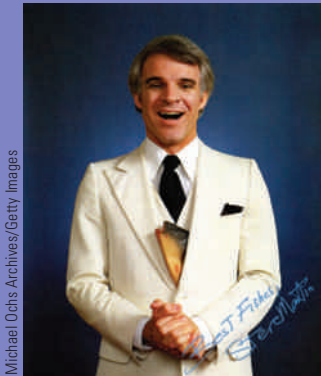


Photoshot/Hulton Archive/Getty Images

Berry Gordy founded Motown Records in 1958 and popularized the Detroit sound of singers like Stevie Wonder and The Supremes (bottom row, middle and right), pictured in 1965 with several other Motown artists.

IMPACT

Profile



Michael Ochs Archives/Getty Images



Jeff Kravitz / FilmMagic, Inc./Getty Images



Harry Borden/Contour/Getty Images

In 2015, the recordings of Steve Martin (left), Lauryn Hill and Radiohead were added to the Library of Congress National Recording Registry. Every year the registry adds 25 recordings to be preserved as classic American music.

Steve Martin, Lauryn Hill and Radiohead Archived by National Recording Registry

By Michael O'Sullivan

The [2014] list of sound recordings selected by the Library of Congress for inclusion in its National Recording Registry reads like the world's most eclectic mix tape.

The 25 sound recordings just added to the registry run the gamut, from a turn-of-the-20th-century collection of over 600 wax cylinders featuring homemade recordings to the Doors' 1967 debut to Radiohead's 1997 masterpiece "OK Computer."

On the spoken-word side, comic Steve Martin [was] honored for his 1978 album "A Wild and Crazy Guy," [and] joins such comedy honorees as Abbott and Costello ("Who's on First?") and the novelty song "Rubber Duckie"—part of the album "Sesame Street: All-Time Platinum Favorites."

That's as it should be, says Mickey Hart, former Grateful Dead drummer and tireless evangelist for sonic diversity, who serves on the National Recording Preservation Board and was instrumental in its formation. Created by an act of Congress in 2000, the NRPB makes annual recommendations of recordings, chosen for their cultural, artistic and historical significance, to Librarian of Congress James H. Billington. Nominated recordings must be at least 10 years old.

Though often described as a world music expert, Hart bristles at that misnomer. "There's no such thing as 'world music,'" says Hart, who chatted by phone from his California studio. "If you're in the Philippines, back-porch music from the Adirondacks is world music. The Doors are world music, if you're from India."

The 71-year-old musician, whose practice these days consists of both his own compositions and the digital transcription of "endangered" music stored on

such unstable media as wax cylinders, knows firsthand how fragile those old artifacts can be. "I've watched some of these things disintegrate in front of my eyes, as I'm recording," he says, alluding to the "gremlins" that eat away at old media by the second. "I've seen a recording give its life, man, on the last play."

Among the 25 recordings selected for the 2014 National Recording Registry are: Vernacular Wax Cylinder Recordings at University of California at Santa Barbara Library (c. 1890–1910). Radio Coverage of President Franklin D. Roosevelt's Funeral, Arthur Godfrey, et al. (April 14, 1945). "The Doors" (album), Doors (1967). "A Wild and Crazy Guy" (album), Steve Martin (1978). "Sesame Street: All-Time Platinum Favorites" (album), various artists (1995). "OK Computer" (album), Radiohead (1997). "The Miseducation of Lauryn Hill" (album), Lauryn Hill (1998).

Excerpted from Michael O'Sullivan, "'Sesame Street,' Radiohead and Wax Cylinders Enter Library of Congress," March 25, 2015, washingtonpost.com.

Gordy sold Motown Records for \$61 million. The Detroit house where Motown began is now a historical museum, and Motown Records is part of Universal Music Group.

During the same time that Berry Gordy was creating Motown, the Federal Communications Commission (FCC) approved “multiplex” radio broadcasts so that monaural (one source of sound) and stereo (two sound sources) could be heard on the same station. The development of condenser microphones also helped bring truer sound.

In the 1960s, miniaturization resulted from the transistor. Portable transistor radios that could be carried around meant that people could listen to radio wherever they wanted—on the beach, at the park, even in the shower. Eventually the market was overwhelmed with tape players smaller than a deck of playing cards. Quadraphonic (four-track) and eight-track tapes seemed ready to become the standard in the 1970s, but cassette tapes proved more adaptable and less expensive.

In 1979, Sony introduced the Walkman as a personal stereo. (The name Sony comes from the Latin *sonus* for “sound” and *sunny* for “optimism.”) Walkmans were an ironic throwback to the early radio crystal sets, which also required earphones.

Then came compact discs (CDs), delivering crystal-clear sound, translating music into digital code on a 4.7-inch plastic and aluminum disc read by lasers. Discs lasted longer than records and cassettes, making CDs a much more practical format.

First introduced in the year 2000, CD players with a *CD recorder* (also known as a CD writer or CD burner) and computers with **CD-RW (Re-Writable) drives** meant consumers could copy music to a blank CD, play it and then re-record on the same disc. Recordable discs gained widespread acceptance quickly and made it even harder for the recording industry to police unauthorized use of copyrighted material.

The Apple iPod portable music player, first introduced in 2001, allowed users to store and play music downloads. Then in 2003, Apple launched iTunes, its online music store, charging 99 cents per song. By April 2008, the iTunes store had become the largest music retailer in the U.S., and by February 2010, according to Apple, customers had downloaded 10 billion songs.

The Apple iPhone, first sold in 2007, combined mobile phone technology with the capabilities of the iPod, expanding Apple’s dominance in music retailing. Today, the iTunes online music store is the dominant consumer source for contemporary music.

Recently Spotify, Rhapsody and Pandora have begun to offer music streaming by subscription, and Apple launched its music streaming service in June 2015. These services pay a per-play fee to artists, but the artists complain they aren’t being paid enough for their music. So



Jamie McCarthy/Poc Nation/Getty Images Entertainment/Getty Images

In 2015, a notable group of popular performers, including Kanye West (left), Jay-Z (right), Beyoncé and Madonna, launched Tidal, a subscription music streaming service co-owned by the musicians.

in 2015, a group of popular performers, including Jay-Z, Beyoncé, Madonna and Kanye West, announced a new company called Tidal, with a majority of the company owned by the artists, hoping to pay artists more for their work by managing the distribution themselves. “The challenge is to get everyone to respect music again, to recognize its value,” Jay-Z said at Tidal’s launch.

Recording Industry at Work

Recordings, like books, are supported primarily by direct purchases. But a recording company involves five separate levels of responsibility before the public hears a sound:

1. Artists and repertoire
2. Operations
3. Marketing and promotion
4. Distribution
5. Administration

Artists and repertoire (or A&R) functions like an editorial department in book publishing: It develops and coordinates talent. Employees of this division are the true talent scouts. They try to find new artists and constantly search for new songs to record.

Operations manages the technical aspects of the recording, overseeing the sound technicians, musicians, even the

CD-RW (Re-Writable) Drives Computer drives that are used to read data and music encoded in digital form and can be used to record more than once.

people who copy the discs. This work centers on creating the master recording, from which all other recordings are made. Before stereophonic recording was developed in 1956, a recording session meant gathering all the musicians in one room, setting up a group of microphones and recording a song in one take. If the first take didn't work, the artists all had to stay together to do another, and then another.

It was common in the 1950s for a recording group to go through 50 takes before getting the right one. Today, artists on the same song—vocals, drums, bass, horns and guitars—can be recorded individually, and then the separate performances are mixed for the best sound. They don't have to be in the same room or even in the same country because digital sound can be mixed after each of the artists records his or her portion.

The producer, who works within the operations group, can be on the staff of a recording company or be a freelancer. Producers coordinate the artist with the music, the arrangement and the engineer.

Marketing and promotion decides the best way to sell the recording. These employees oversee the cover design and the copy on the cover (jacket or sleeve). They also organize giveaways to retailers and to reviewers to find an audience for their product. Marketing and promotion might decide that the artist should tour or that the group should produce and distribute a music video on YouTube. Recording companies also often use promoters to help guarantee radio play for their artists. This has led to abuses such as payola (see **Chapter 6**).

Distribution gets the recording into stores and online. There are two kinds of distributors: independents and branches. Independents contract separately with different companies to deliver their recordings. But independents, usually responsible for discovering music that is outside the mainstream, are disappearing as the big studios handle distribution through their own companies, called branches, which can offer retailers big discounts.

Administration, as in all industries, handles the bills. *Accounting* tracks sales and royalties. *Legal departments* handle wrangles over contracts.

All these steps are important in the creation of a recording, but if no one hears the music, no one will buy it. This makes *marketing and promotion* particularly important. Live concerts have become the best way for artists to promote their music. Many recording artists say that music sales alone don't make them any money and that the only way to make a living is to perform before a live audience.

Concerts Bring In Essential Revenue

Concerts have become high-profile showcases for technological innovation and provide an essential source of

revenue for today's big bands, where ticket prices for top artists often reach \$1,000 each. "While the recording industry frets about the financial impact of music trading over the Internet, innovative bands . . . are embracing the latest technologies to create spectacular live concerts and phantasmagoric festival experiences that are more like computer-controlled theme parks than like the rock festivals of yesteryear," reports *The New York Times*.

Richard Goodstone, a partner at Superfly Productions, told *The New York Times*, "The real difference between your normal rock festival . . . is that there's a lot of music, but now we're trying to make it a complete experience in terms of the activities that really interact with the patrons out there, so it's not just a one-element kind of event." Digital technology has become an important element of staging an artist's performance as well as selling the performer's music. (See **Illustration 5.1**, "How Does the Recording Industry Earn Money?," p. 93.)

Three Major Companies Dominate

Three companies dominate the global music business: Sony/BMG, Universal and Warner. In 2011, for the first time, half the music that consumers bought was digital. The main recording centers in the U.S. are Los Angeles, New York and Nashville, and many large cities have at least one recording studio to handle local productions.

The recording industry, primarily concentrated in large corporations, generally chooses to produce what has succeeded before. "Increasingly, the big record companies are concentrating their resources behind fewer acts," reports *The Wall Street Journal*, "believing that it is easier to succeed with a handful of blockbuster hits than with a slew of moderate sellers. One result is that fewer records are produced."

Most radio formats today depend on popular music, and these recordings depend on radio to succeed. The main measurement of what is popular comes from *Billboard*, the music industry's leading trade magazine. *Billboard* began printing a list of the most popular vaudeville songs and the best-selling sheet music in 1913. In 1940, the magazine began publishing a list of the country's top-selling records.

Today, *Billboard*—in print and online editions—offers more than two dozen charts that measure, for example, airplay and album sales for popular artists such as One Direction and Maroon 5. Radio, governed by ratings and what the public demands, tends to play proven artists, so new artists are likely to get more radio attention if their recordings make one of the *Billboard* lists. This radio play, in turn, increases the artists' popularity and promotes their music.

IMPACT

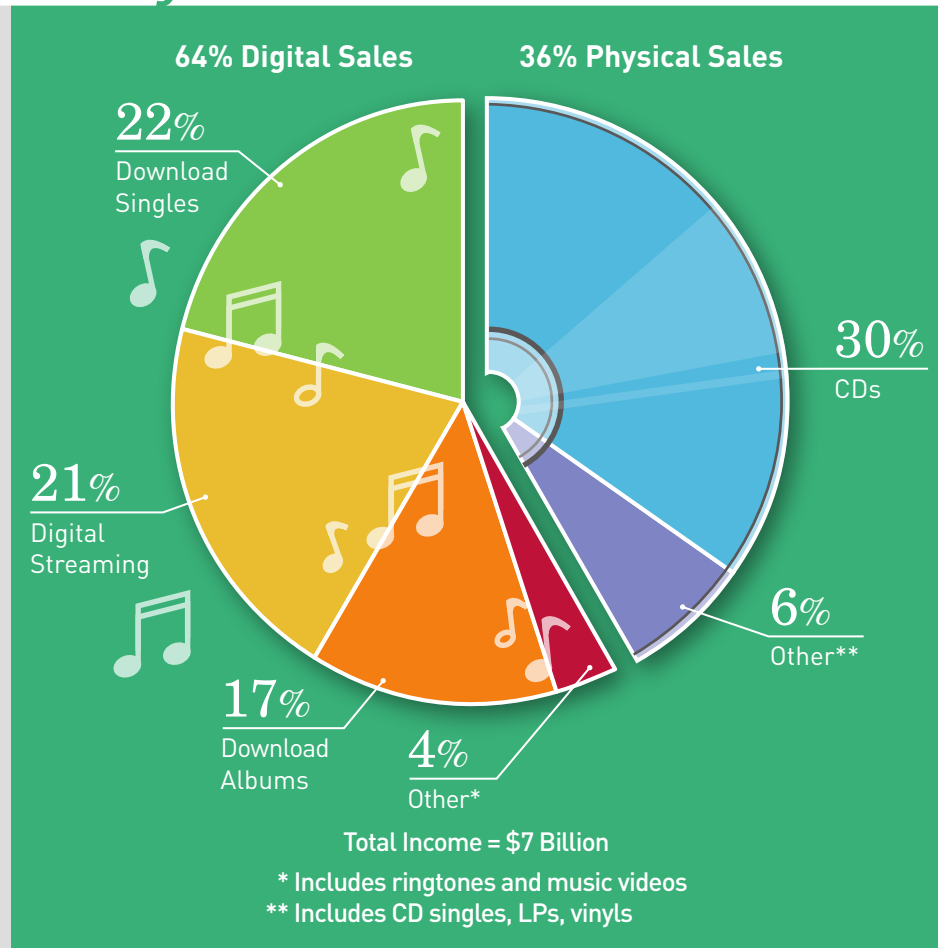
Money

ILLUSTRATION 5.1

How Does the Recording Industry Earn Money?

Today the recording industry makes almost two-thirds of its revenue (64 percent) from digital units (such as downloads and streaming), compared to what the industry calls “physical” units, such as CDs. Digital streaming, which first became available in 2011, now accounts for 21 percent of total recording industry income.

“2014 Year-End Industry Shipment and Revenue Statistics,” Recording Industry Association of America, riaa.com.

**Music Sales and Licensing Drive Industry Income**

Besides concert revenue, recording artists derive income from direct sales and music licensing.

Direct Sales

The promotional tour once was the only way a company sold recordings. But in the 1980s, music videos became a very visible form of promotion for an artist. This shift changed the industry's economics. Beyoncé, for example, is attractive to music companies because she is a recording artist who can perform well in videos.

Music Licensing: ASCAP Versus BMI

For the first 30 years of commercial radio, one reason broadcasters used live entertainment was to avoid paying royalties to the recording companies. Today, two licensing agencies handle the rights to play music for broadcast: the American Society of Composers,

Authors and Publishers (ASCAP) and Broadcast Music Inc. (BMI).

ASCAP, founded in 1914, was the first licensing organization. As noted in **Chapter 6**, ASCAP sued radio stations in the 1920s that were playing recorded music. Eventually some radio stations agreed to pay ASCAP royalties through a licensing agreement, which meant that each station that paid ASCAP's fee could play any music that ASCAP licensed.

Throughout the 1930s, many stations refused to pay ASCAP because they didn't have enough money. These stations agreed to explore the idea of forming a separate organization so they could license the music themselves.

In 1939, broadcasters came together to establish a fund to build their own music collection through **BMI**.

ASCAP American Society of Composers, Authors and Publishers.

BMI Broadcast Music Inc.

ASCAP and BMI became competitors—ASCAP as a privately owned organization and BMI as an industry-approved cooperative. BMI used the same blanket licensing agreement, collecting payments from broadcasters and dividing royalties among its artists. ASCAP licensed the majority of older hits, but rhythm and blues and rock 'n' roll gravitated toward BMI.

Today broadcasters as well as subscription and streaming services must license artists through BMI and ASCAP. These services also must agree to play only licensed artists, which makes being heard more difficult for new talent. BMI and ASCAP, in turn, pay the authors,

recording artists, producers and sometimes even the recording companies—whoever owns the rights to use the music. The royalty the artists receive is negotiated through whichever licensing agent they use. The rise of illegal file-sharing services, however, meant that consumers who downloaded free music didn't contribute to an artist's royalties. Internet piracy, beginning in the year 2000, is the main reason overall recording industry income has plummeted, leaving musicians to depend on finding other sources of revenue to support their music, such as concerts. (See **Illustration 5.2**, “Concert Audiences Drive Music Industry Profits,” below.)

IMPACT

Society

Revenue From Top 15 Worldwide 2014 Music Tours (in \$ millions)

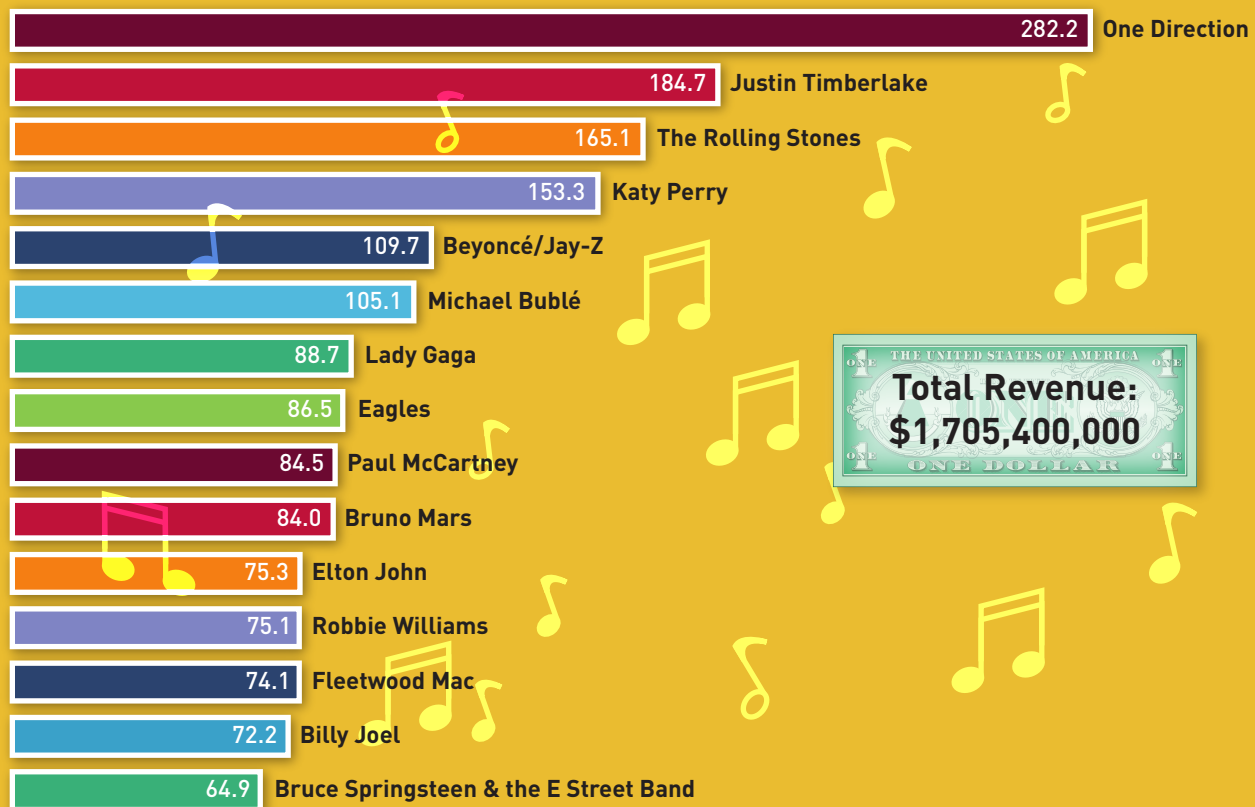


ILLUSTRATION 5.2

Concert Audiences Drive Music Industry Profits

Because income from music sales is declining, artists must count on live performances to deliver added revenue. In 2014, revenue from

the 15 most successful music tours worldwide totaled \$1.7 billion.

“The Most Successful Music Tours Worldwide in 2014,” Pollstar, as reported by Statista.com.

Music Industry Fights to Protect Content

Since 1985, the recording industry has faced three challenges:

1. Attempts to control content through music labeling
2. Overseas music piracy
3. Protecting music copyrights from Internet file sharing

Music Content Labeling

In 1985, the Parents Music Resource Center (PMRC) called for recording companies to label their recordings for explicit content. The new group was made up primarily of the wives of several national political leaders, notably Susan Baker, wife of then-Treasury Secretary James A. Baker III, and Tipper Gore, wife of then-Senator Al Gore.

Claiming that recordings come under the umbrella of consumer protection, the PMRC approached the National Association of Broadcasters and the Federal Communications Commission with their complaints. “After equating rock music with the evils of ‘broken homes’ and ‘abusive parents,’ and labeling it a ‘contributing factor’ in teen pregnancy and suicide, they single[d] out Madonna, Michael Jackson, Mötley Crüe, Prince, Sheena Easton, Twisted Sister and Cyndi Lauper for their ‘destructive influence’ on children,” reported journalism law professor Louis P. Sheinfeld.

The result was that, beginning in January 1986, the RIAA, whose member companies accounted for

95 percent of U.S. recording sales, officially urged its members either to provide a warning label or to print lyrics on albums with potentially offensive content. Like the movie industry when it adopted its own ratings system (see **Chapter 7**), the recording industry favored self-regulation rather than government intervention.

Overseas Music Piracy

Overseas pirates who copy prerecorded music that is then sold in the United States cost the recording industry a lot of money. RIAA says pirates control 18 percent of album sales, and this represents \$1 billion a year in lost income.

Besides the lost revenue, counterfeit copies can easily fool consumers and usually are inferior quality recordings that don’t truly represent the artist’s music. This is a continuing battle for the music industry because many countries where the counterfeit copying takes place do not have agreements with the United States to force them to honor U.S. copyrights and prosecute the pirates.

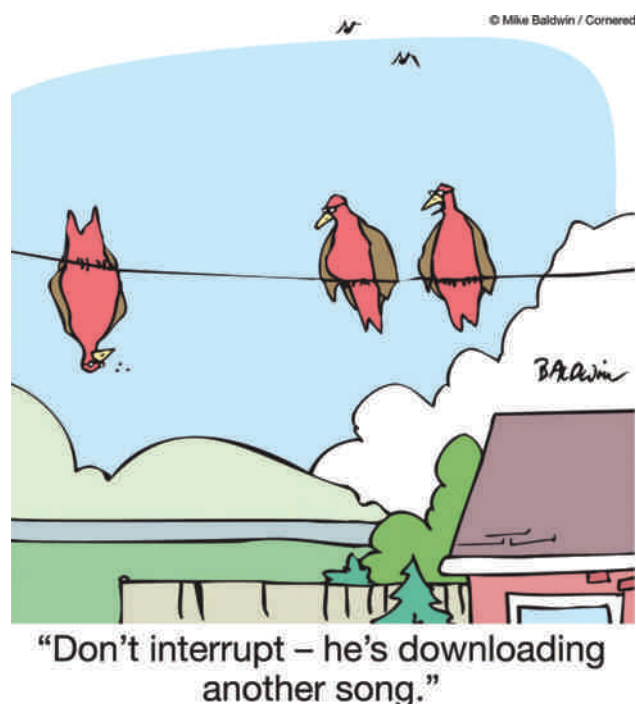
Internet File Sharing

Portable MP3 players—electronic devices that allow users to download music to a computer chip-based player—were introduced in 1999. Using software-sharing program available at a Web site called Napster.com skyrocketed into popularity. With the program, computer users could download music over the Internet for free, called **file sharing**. Then, using MP3 technology (which provides high-quality sound and requires very little computer storage space), users could keep and use the music. RIAA immediately sued Napster, claiming violation of copyright.

In April 2000, the heavy-metal rock group Metallica sued Napster for copyright infringement. Rapper Dr. Dre filed suit two weeks later. In July 2000, an appeals court ordered Napster to shut down the site, and Napster finally ceased its file sharing in 2001.

Recording Industry Association Sues Downloaders

In 2003, Apple opened its online iTunes Music Store, offering legal downloads for 99 cents per song. Still, people continued to download free music, aided by new free online music services such as Kazaa and Grokster. So in 2003,



File Sharing The distribution of copyrighted material on the Internet. *Illegal* file sharing is distribution of copyrighted material *without* the copyright owner’s permission.



Nicholas Kamm/AP/Getty Images

In 2003, the Recording Industry Association of America sued 261 individual music downloaders in the U.S., in an attempt to stop music piracy. Protestors demonstrate in 2005 in front of the U.S. Supreme Court. The Court eventually decided that file-sharing software providers could be held liable for copyright infringement.

RIAA sued 261 individual music downloaders across the U.S., intensifying its efforts to stop music piracy. On average, each defendant had shared 1,000 songs each.

Copyright laws allowed the industry to seek \$750 to \$150,000 for each violation, and eventually the issue headed to the U.S. Supreme Court.

U.S. Supreme Court Rules Against Illegal File Sharing

In June 2005, the U.S. Supreme Court announced a decision that shut down many free music software providers. In *MGM Studios v. Grokster*, the Court said the makers of Grokster, which allowed Internet users to browse freely and copy songs from each other, could be sued for their role in helping people violate recording industry copyright protections.

This Supreme Court decision gave the recording companies the legal ammunition they needed, and the services quickly closed.

Music Industry Wins Legal Action Against Downloader

In 2007, a federal jury ruled that a Minnesota woman, Jammie Thomas, was liable for copyright infringement because she had shared music online. The jury imposed a \$222,000 penalty against Thomas—\$9,250 in damages for each of the 24 songs she

allegedly downloaded. In September 2008, the judge set aside the original verdict and ordered a retrial.

The verdict represented the first time a federal jury had imposed a legal fine on someone for music piracy. Bringing the charges against Thomas were Capitol Records, the Universal Music Group, Sony BMG Entertainment and the Warner Music Group. According to evidence presented at the Thomas trial, the downloads were linked to a Kazaa account user name that belonged to Thomas. Thomas denied she had a Kazaa account.

In late 2008, RIAA announced that it was dropping the legal actions it had initiated against about 35,000 other people for music downloading, but RIAA continued to pursue the Thomas case. Eventually the case reached the U.S. Supreme Court. On March 18, 2013, the Court let the original \$222,000 judgment against Thomas stand.

U.S. Justice Department Targets Megaupload

Aware of the ongoing damage to recording company income, RIAA joined an international crackdown on overseas companies that sell pirated music in the U.S. In one of the biggest copyright cases in U.S. history, in March 2012 the U.S. Justice Department announced the arrest in Auckland, New Zealand, of the co-founders of the well-known international file-sharing site Megaupload.

Megaupload's co-founders, including a man named Kim Dotcom (formerly known as Kim Schmitz), were



Fiona Goodall/Getty Images News/Getty Images

Megaupload co-founder Kim Dotcom (formerly known as Kim Schmitz) was arrested in Auckland, New Zealand, in 2012 and charged with violating U.S. copyright law by illegally downloading and distributing U.S. music and movies through the Megaupload Web site. He and six other men who were arrested fought extradition, but in 2015 one of the men pleaded guilty to copyright infringement and agreed to cooperate with U.S. authorities.

charged with music and movie copyright infringement, among other violations of U.S. law. The Web site was shut down, and the Justice Department seized \$50 million in assets. Seven men eventually were indicted in the case. The men denied they had acted illegally and fought extradition to the U.S., but they remained under indictment.

On February 13, 2015, one of the men who had been indicted, an Estonian computer programmer named Andrus Nomm, pleaded guilty in a U.S. federal court in Virginia to conspiracy to commit copyright infringement. He agreed to serve one year and one day in prison and to cooperate with U.S. prosecutors. He also acknowledged as part of his plea agreement that he and the other men knew that the Megaupload site contained copyright-infringing materials and that many of the files he reviewed contained the FBI's anti-piracy warning. In 2015, Kim Dotcom remained in New Zealand, facing extradition to the U.S..

Digital Technology Transforms Delivery

Music company executives originally thought that the way to protect their music was to develop digital technology that would make free downloads impossible. Yet despite aggressive attempts by RIAA and the U.S. Justice Department to stop music file sharing, it is still widespread.

No industry can survive for long on such a rapid loss of income. So the recording companies have no choice but to pursue copyright infringement wherever they find it. Licensed music is governed by national and international copyright law, and the recording industry continues to aggressively pursue all the legal remedies available to curtail illegal music downloads in the United States and reduce piracy, especially overseas. The industry, of course, also encourages all legal music download services, such as iTunes, and subscription sites, such as Spotify, Pandora and Rhapsody, along with new streaming music services announced in 2015, Tidal and Apple Streaming.

Some streaming services are free (supported by advertising), and some charge a monthly fee for access to an almost unlimited selection of music. Others offer the option of free or subscription music. In 2014, RIAA reported that revenue from subscription music services grew to a new high of nearly \$2 billion, with 7 million users.

Internet Brings New Obstacles and New Audiences

Because of the Internet, music today is shared globally, which is a huge benefit for artists and consumers. (See **Impact/Global**, “Primavera Sound Sets the Stage for Music Festivals Worldwide,” p. 98.) Yet the Internet also makes music piracy so easy that many people consider it a harmless act, and the economic implications for recording artists are substantial.

Music artists today can find a bigger audience than Thomas Edison ever could have imagined—through music downloads and subscription services, but the music business cannot escape the challenges of the Internet. Recording companies and music artists must learn how to produce music consumers want to buy, delivered in a format and/or through services that can financially sustain the industry.

When Edison demonstrated his phonograph for the editors of *Scientific American* in 1877, the magazine reported that “Mr. Thomas Edison recently came into this office, placed a little machine on our desk, turned a crank, and the machine inquired as to our health, asked how we liked the phonograph, informed us that it was very well, and bid us a cordial good night. These remarks were not only perfectly audible to ourselves, but to a dozen or more persons gathered around.”

None of the discoveries by Edison's successors has been a new invention, only refinements. Berliner flattened the cylinder; Goldmark and Sarnoff slowed down the speed; hi-fi, stereo and quadraphonic sound increased



IMPACT

Global

Primavera Sound Sets the Stage for Music Festivals Worldwide*By Melena Ryzik*

BARCELONA, Spain—Caetano Veloso, the bossa nova elder statesman, was holding court here on Saturday evening, floating his baritone voice and easy guitar over an amphitheater audience that swayed and sang along as he offered a slightly raunchy paean to his native Brazilian sounds.

A few dozen feet away, on another stage, Earl Sweatshirt, the young California rapper and member of the Odd Future hip-hop clan, was doing his own conducting. “Make some noise,” he instructed his audience, growling, “if you’re ready to go to hell for, like, three minutes.” The polyglot crowd spit back his rhymes, profanities included, with enthusiasm.

It was the final big night of Primavera Sound, an expansive music showcase here that has gradually become one of the top tickets of the European festival season and a template for promoters worldwide. In [five days in 2014], some 50,000 people a day saw nearly 300 acts—electronica to soul to postpunk—in concerts that stretched from afternoon to sunrise.

The international lineup featured arena stars like Nine Inch Nails and up-and-comers like FKA Twigs on a dozen stages. The audience traveled from across Europe and, increasingly, North America. Walking through



Stephano Buonomano/New York Times

Primavera in Barcelona, Spain, has become one of the world’s most successful concert venues, featuring more than 300 bands from around the world during five days in June every year.

the grounds was a mini-United Nations of fandom, reflecting a global music industry and an orderly Euro youth culture, an acknowledgment that taste can translate across borders.

About 40 percent of the attendees are from abroad, said Pablo Soler, a founder and director of the festival, which also offers free park shows and other programming for the city.

The mystique of Primavera has expanded alongside its scale and booking prowess, which started with small clubs and European acts. Now the festival has a reputation for scouting bands early—the future dance-punk stars LCD Soundsystem performed on the strength of a few singles—and cajoling reunion gigs out of seminal retirees like Pulp, Slowdive and the Pixies. It’s “one of those shows that reminds us why we love playing live,” said David Lovering, the Pixies drummer.

“Year after year, their booking blows me away,” said Lauren Beck, the director of music programming for the Northside Festival in Brooklyn. “It’s probably the only festival where you’re going to see Slint, Slowdive, Speedy Ortiz and Spoon listed next to each other on posters,” she added in an email.

In a display of egalitarianism, Primavera lists artists alphabetically, rather than headliner-first. Organizers also take care not to overcrowd spaces and are sure to indulge their performers with a choice of equipment and snacks. Wine is served in real glasses.

It’s “a relative sanctuary for music fans,” said Chris Kaskie, president of Pitchfork, whose festivals in Chicago and Paris were partly modeled on the rarefied Primavera experience. “The fact that you get to do that while on the Mediterranean, well, game over.”

Excerpted from Melena Ryzik, “Showcasing Music Till the Sun Comes Up: Primavera Sound Sets the Stage for Music Festivals Worldwide,” June 1, 2014, nytimes.com.

the fidelity; cassettes, compact discs, digital recorders and MP3 players refined the sound further. File-sharing software, music downloading and music streaming services allow people to share music globally. And while advances in technology have dramatically improved the quality of recordings, they also have made free copying possible, robbing the recording companies and musicians of substantial income.

Still, the basic foundation of the recording industry today is the same as it was for Thomas Edison in 1877.

Reflecting on the movie version of Edison's life, Robert Metz describes the development of the phonograph: An Edison employee was tinkering with "a makeshift device consisting of a rotating piece of metal with a pointed piece of metal scratching its surface. The device was full of sound and fury—and signified a great deal. . . . And thus, supposedly through idle play, came the first permanent 'record' of ephemeral sound. By any measure, it was an invention of genius."

REVIEW, ANALYZE, INVESTIGATE

CHAPTER 5

Edison Introduces His Talking Machine

- Thomas Edison first demonstrated his phonograph in 1877.
- Emile Berliner developed the gramophone in 1887.
- Berliner and Eldridge Johnson formed the Victor Talking Machine Company (later RCA Victor) to sell recordings.
- Joseph Maxfield perfected recording equipment to eliminate the tinny sound.
- The first standard records were 78 rpm.

Goldmark Perfects Long-Playing Records

- Peter Goldmark, working for CBS' William S. Paley, developed the long-playing (LP) record (33 1/3 rpm).
- The first long-playing records played for 23 minutes and were larger than 78s.

Paley Battles Sarnoff for Record Format

- David Sarnoff's staff at RCA developed the 45 rpm record.
- Eventually record players that could play all the different speeds—33 1/3 rpm, 45 rpm and 78 rpm—were sold.

Hi-Fi and Stereo Rock In

- Rock 'n' roll redefined the concept of popular music.
- Recording industry efforts to improve recorded sound quality contributed to the success of rock 'n' roll entertainers like The Supremes.
- The introduction of transistor radios in the '60s and the Walkman in the late '70s made music personal and portable.

- CD-RWs, compact discs that could record as well as play, meant consumers could create their own CDs.
- The Apple iPod music player, first introduced in 2001, allowed users to store and play music downloads.
- Apple launched iTunes, its online music store, in 2003, charging 99 cents per song and providing legal music downloads.
- The Apple iPhone, introduced in 2007, combined mobile phone technology with the capabilities of the iPod, expanding Apple's dominance in music retailing.
- Today, Apple's iTunes store has become the primary consumer source for downloading contemporary music.

Recording Industry at Work

- A recording company is divided into artists and repertoire, operations, marketing and promotion, distribution and administration.
- Music sales alone don't generate enough revenue to support most music groups, who must rely on concert revenue to enhance their income.

Concerts Bring In Essential Revenue

- Concerts require high-tech innovation.
- Concert ticket sales are an essential source of revenue for large bands.

Three Major Companies Dominate

- Three large corporations dominate the recording industry.
- Recording companies sell more than 2 billion recordings a year.
- Radio depends on popular music to succeed.

Music Sales and Licensing Drive Industry Income

- The recording industry collects income from direct sales, music licensing, music videos, music downloads and streaming.
- Two licensing agencies—ASCAP and BMI—handle the rights to play music for broadcast.

Music Industry Fights to Protect Content

- Since 1985, the music industry has faced three important challenges: attempts to control music content through labeling, overseas piracy and copyright protection for Internet file sharing.
- The recording industry responded to threats of government regulation of music lyrics by adopting its own standards for music labeling.
- MP3 digital technology, perfected in 1999, allowed consumers to download and store good-quality music directly from the Internet.
- Music-sharing company Napster was sued in 1999 for copyright infringement by RIAA and shut down in 2001.
- Consumers continued to use music-sharing sites such as Kazaa and Grokster, even though the downloaded songs were covered by copyright.

Recording Industry Association Sues Downloaders

- In 2003, the Recording Industry Association of America sued 261 individual music downloaders, hoping to stop the flow of free music on the Internet, but people continued to download.
- The lawsuits included specific names of people who had downloaded music.

U.S. Supreme Court Rules Against Illegal File Sharing

- In June 2005, the U.S. Supreme Court in *MGM Studios v. Grokster* ruled that the makers of Grokster, which allowed Internet users to browse freely and copy songs from each other, could be sued for helping people violate recording industry copyright protections.
- *MGM Studios v. Grokster* ruling gave the recording industry the legal standing it needed to try to stop illegal file sharing.

Music Industry Wins Legal Action Against Downloader

- In 2007, a federal jury imposed a penalty for file sharing of \$222,000 against Jammie Thomas—the first time a

federal jury had imposed a legal fine on someone for music piracy.

- The Thomas case eventually reached the U.S. Supreme Court, and on March 18, 2013, the Court let the original \$222,000 judgment against Thomas stand.

U.S. Justice Department Targets Megaupload

- In March 2012, the U.S. Justice Department announced the arrest in Auckland, New Zealand, of the co-founders of the well-known international file-sharing site Megaupload, including Kim Dotcom (formerly known as Kim Schmitz).
- Kim Dotcom and six other men eventually were charged with music and movie copyright infringement, and Megaupload was shut down. The men denied they had acted illegally and fought extradition but remained under indictment.
- On February 13, 2015, one of the men who had been indicted pleaded guilty to copyright infringement in a U.S. federal court and agreed to cooperate with authorities. Kim Dotcom remained in New Zealand, facing extradition.
- The recording companies have no choice but to pursue copyright infringement wherever they find it.

Digital Technology Transforms Delivery

- Licensed music is governed by national and international copyright law, so the recording industry aggressively pursues all legal remedies available to curtail illegal music downloads in the United States and reduce piracy, especially overseas.
- The industry also encourages all legal music download services, such as iTunes, and subscription sites, such as Spotify, Pandora, Rhapsody and Tidal.

Internet Brings New Obstacles and New Audiences

- Because of the Internet, music can be shared globally.
- The Internet also makes music piracy so easy that many people consider it a harmless act, but the economic implications for recording artists are substantial.
- Music artists today can find a bigger audience than Thomas Edison ever could have imagined—through legal music downloads, concerts, streaming and subscription services.
- Recording companies and music artists must learn how to produce music that consumers want to buy, delivered in a format and/or through a service that can financially sustain the industry.

Key Terms

These terms are defined in the margins throughout this chapter and appear in alphabetical order with definitions in the Glossary, which begins on page 361.

ASCAP **93**

BMI **93**

CD-RW (Re-Writable)
Drives **91**

File Sharing **95**

LP **88**

Recording Industry
Association of America
(RIAA) **86**

RPM **88**

Critical Questions

1. Describe the competition between William Paley's 33 1/3 records and David Sarnoff's 45s. How was that battle resolved? What does that battle tell you about the role that technology plays in the media industries?
2. Why are the recording industry and the radio industry so interdependent?
3. Give a brief history of Motown. Why was the company so important in the history of the music industry?
4. Discuss the response of the music recording industry to file sharing, and evaluate the extent to which it has been successful in protecting recording artists and recording companies. Do you believe the various U.S. court decisions covering music copyright infringement will stop illegal file sharing? Explain.
5. How have recent developments in digital technologies affected the music recording and performance industries financially? Discuss.

Working the Web

This list includes sites mentioned in the chapter and others to give you greater insight into the recording business.

American Top 40 (AT40) with Ryan Seacrest *at40.com*

Hosted by Ryan Seacrest, America's Top 40 is the longest-running popular music weekend countdown radio show. AT40 offers music news, artist pictures and podcasts, plus user contests and blogs.

AOL Radio (formerly AOL Music) *aolradio.slacker.com*

Still a division within AOL Inc., AOL Radio is an online free and subscription radio service that is now operated in partnership with Slacker Radio. Free access is available to more than 200 programmed radio stations. For a monthly fee, subscribers can download music to listen to on-demand on their computers and mobile phones.

Apple.com/iTunes *apple.com/itunes*

Originally developed and known as SoundJam MP, Apple changed the name to iTunes when it acquired the company

in 2000. Today, iTunes offers users on almost any media platform the ability to stream or download music, movies, television shows and podcasts and even listen to online radio through its iTunes program.

Billboard and Billboard Business *billboard.com* *billboard.com/biz*

Launched as Billboardonline in 1995, Billboard.com is essentially the online version of *Billboard Magazine*—the music industry bible—but with some obvious interactive differences. Billboard.com offers users playable music samples from best-selling music albums and singles, music videos, news articles and blogs on music artists, as well as the latest trends and fashions in the music industry. Billboard.biz, the companion Web site, offers breaking news about the music, television and film industries.

Pandora Radio *pandora.com*

Available only in the U.S., Australia and New Zealand, Pandora offers a free and subscription-based online music "recommendation" streaming service—although only

a small portion of listeners use the subscription service. Listeners select and can vote for the type of music they prefer, which Pandora tracks and uses to decide what types of music to offer. With its own channel now on YouTube, Pandora is owned and operated by Pandora Media Inc.

Recording Industry Association of America (RIAA)

riaa.com

As the trade group representing U.S. music companies, RIAA protects intellectual property rights and First Amendment rights globally, conducts consumer and technical research and monitors governmental regulations and policies. It also certifies the Gold, Platinum, Multiplatinum and Diamond sales of music recordings as well as Los Premios De Oro y Latino, an award celebrating Latin music sales.

Rhapsody Inc.

rhapsody.com

With offices in Seattle, San Francisco, New York and Frankfurt, Germany, Rhapsody is a subscription-only music

streaming service where users can stream and download more than 32 million songs from edited and predetermined playlists.

SoundCloud

soundcloud.com

SoundCloud is a social media digital platform where users can create and share music via Twitter, Tumblr, Facebook and Foursquare. Recording and uploading sounds to SoundCloud lets people share them privately with their friends or publicly through blogs, sites and social networks.

Universal Music Group (UMG)

universalmusic.com

Universal Music Group has worldwide operations for recorded music, music publishing and music merchandising in North America, Europe, Asia and Latin America. UMG owns well-known and top-selling recording labels, including EMI, Interscope Geffen A & M, Universal Motown and Nashville groups, plus Universal Music Latino.



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RADIO

RIDING NEW WAVES

06



Bryan Steffy/Getty Images

iHeartRadio is an Internet radio service that streams stations owned by iHeartRadio Inc. (formerly Clear Channel) throughout the U.S. iHeartRadio sponsored a music celebration at the 2015 Consumer Electronics Show in Las Vegas.