



# MINI GUIDE TO PUBLISHING (PTII)

Welcome back friends!

In this continuation of my 'Mini-Guide to Publishing' we will be tackling the six kinds of music Royalties.

I strongly advise reading the previous edition of the Newsletter, if you haven't already, before diving in to this next section. In the fourth newsletter we covered some important publishing groundwork and terminology that I will be referencing again.

Okay! Allons-y!

**PRO - Performing Rights Organization**

**DSP - Digital Service Provider (Spotify, Pandora etc)**

**MRO - Mechanical Rights Organisation**

**Royalty** - "a payment made by one party to another that owns a particular asset, for the right to ongoing use of that asset."



# 6 types of Royalties



- There are two kinds of music rights - rights to do with the **Composition**, and rights to do with the **Sound Recording**.
- There are therefore two main sources for royalty collection attached to music:
  - "royalties paid out for the licensed use of the **sound recording**.
  - "royalties paid out for the authorised use of the **composition**."

## NOTE:

As always, I need to preface this information by stating that this is fundamentally an extremely complex and layered subject. I would need to be a practising copyright lawyer with international experience to be able to effectively and comprehensively explain the way all these systems work!

The purpose of this breakdown is to just give you a general idea of; how your music might be used, how your music is licensed out by middle men and PRO's and where those royalty payments actually come from.



At the end I will include my sources for you to investigate on your own - should you want to know more.

## i) SOUND RECORDING/ MASTER ROYALTIES

### STREAMING ROYALTIES



Definitely a kind of royalty you would have heard of! They are fairly straightforward, though there is quite a bit of fidgy-widgy maths that goes on in the background to calculate your cut as the performer! Your **sound recordings** are licensed to streaming platforms who then in turn pay out a percentage of their revenue to the **performing artists** based on the frequency of play.

### NEIGHBOURING RIGHTS/ROYALTIES



Neighbouring rights are similar or 'adjacent' to **Public Performance royalties** (which I will address later). They are royalties that go to the **copyright holder** of the **sound recording** whenever the song is played, as opposed to just the performer of the song. 'Public performance' includes anything from streaming to DJ sets to live performing. Neighbouring rights are paid out to the **copyright owner** (who may not be the same body/person as the composer or performer) specifically for the public performance of the **sound recording**.

## DIGITAL PERFORMANCE ROYALTIES



This is a very specific kind of royalty that covers what is called 'non-interactive streaming'. Non-interactive streaming is things like online radio, satellite and cable radio. (ie. Pandora radio). 'Non-interactive' basically means that you didn't actively choose which song or artist to play. Online radio sites pay for statutory licenses from Sound Exchange and PRO's to use licensed music on their platforms.

Are you with me? This kind of royalty is particularly important to know about as many musicians don't know that it exists! You could potentially have unclaimed royalties from digital radio streaming,

## SYNC LICENSING FEES



"Sync licensing fees are paid out when music is synchronised to any other type of content. Including video content for ads TV shows, movies, video games etc."

Let me tell you, if you can get a sync deal - it is a great way to earn a decent lump sum of money from your master recording. Anytime you're watching a show on Netflix, HBO, Hulu etc. and hear a track that isn't the composed score for the show; that song has been licensed on a *one off basis* and the copyright owner, songwriter and publisher have all been compensated for use of that song.

## ii) COMPOSITION ROYALTIES

### PUBLIC PERFORMANCE ROYALTIES



Public performance royalties are "royalties that are collected when a song, featuring a *specific composition*, is played in a commercial environment."

When you hear 'public performance' I'm sure your mind immediately jumps to the image of a rockstar on stage, mic in hand, band jamming in the background. Legally and technically however, a 'public performance' is anytime a *composition* is played (live or not) in a public space - for the public to hear. So this includes things like; a DJ set, music playing over the speakers in malls, bars and restaurants and yes - even *streaming*.

The public performance royalties generated from streaming the *composition* are separate from the streaming royalties generated from the *sound recording* and are calculated and then distributed through Performing Rights Organisations (PROs).

Music played live does, naturally, also fall under the purview of public performance. A lot of artists may not know this, but any time you play a live gig at a venue, *you should be submitting your setlists to your PRO and to the venue*. The venue, in turn should be recording and submitting the setlists/compositions performed in their space to their local PRO. The venue should have purchased what is known as a '*blanket license*', which grants them permission to publicly play/host any licensed compositions. The PRO then pays out public performance royalties to the artists, from the revenue generated from these licenses purchased by venues, broadcasters, clubs etc.

You still with me? I hope so! I will explain blanket licenses in a little more depth in later.





## MECHANICAL ROYALTIES

Mechanical royalties 'are due every time a copyrighted composition is **reproduced** or distributed in either a physical or digital form'.

As you can imagine, before music became almost entirely a digital game, the distribution and 'reproduction' of music was a very tangible and physical thing - hence the term 'mechanical'. Today, however, mechanical royalties are generated mostly through interactive streaming (though CD's and vinyl are sometimes still produced too).

As stated before - non-interactive streaming is whenever music is playing that is not actively selected by the user (ie online radio). Conversely, interactive streaming is what most of us do daily, when we 'choose to play something.'

Mechanical royalties differ from Streaming Royalties in that they are dealing with the reproduction of the **composition**, not just the **master track/sound recording**. They are therefore paid out to the publisher and rights owner of the composition, through a Mechanical Rights Organisations (MRO).

Mechanical Rights Orgs, just like PROs, are middlemen. They sit between the **publisher** (who works on behalf of the artist) and the **music user**. They are the body that monitors the use of the composition, distributes licenses to various users and platforms in order for them to legally use our music, and then pays the publisher with the revenue from the licenses.

**WHEW**

(omg)

Okay I know that was A LOT. If you are feeling a bit lost, that is completely understandable. These concepts are so broad and hugely nuanced, I am still trying to wrap my head around it all! As always, feel free to email [blackglitterkin@gmail.com](mailto:blackglitterkin@gmail.com) with any q's!

# WHY DO WE EVEN NEED THIS MANY ROYALTIES??

Part of the reason it can be difficult to explain or understand these different kinds of royalties is that for 'smaller time' independent artists, our musical world and pool of collaborators is relatively tiny.

Between us, the producer, the band and maybe, MAYBE our manager; the number of people involved within the creation and release of our music are rarely more than 10. It seems odd to need six different royalty types - some of which seem indistinguishable from each other at first glance.

However, the purpose of these different distinctions within the royalty system is to cover the *huge range* of musical collaborations, networks and structures that can possibly exist within the music making world.

Imagine you are Ed Sheerhan. You release a collaborative album with 20 tracks, 12 of the tracks have featured artists. The songs were recorded in 8 different countries with different session musicians. One track features some samples from a 80's disco song, another uses a pre-existing famous melody by ABBA. You have multiple engineers, studio hands, songwriters, producers and artists involved. You have a label, a publisher, a management team, a PR team all of whom receive a cut of every move you make.

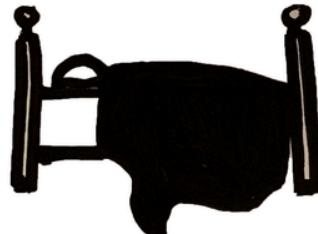
Your music is well and truly not only yours at this point, it is an owned and shared experience and everyone inside of it needs to be compensated.

Now we start to understand the need to distinguish between a songwriter, a lyricist, a performer, an arranger and a producer. These things can get very tricky and messy, very quickly!

It is *by no means* a perfect system, unfortunately the person at the center of it all often only gets a very small piece of the pie. But by understanding it, even as indie artists, it can equip us to know how to handle the industry and approach everything with a lot of questions, knowledge, healthy skepticism, and confidence.

# LIGHT NOTES ON LICENSING

## BLANKET LICENSES



The entire infrastructure of the royalty system is based on licensing. If you've ever released music you have (knowingly or no) been involved with a licensing process. When we submit our songs to a distributor (Distrokid, CD baby etc) we are licensing out our music for reproduction. Licenses are the **legal permissions** we give for our sound recordings or compositions to be used.

There are, as I'm sure you can imagine, many many kinds of licenses. It would be impractical and illogical for every broadcaster, venue, streaming site or small time bar (we call these 'music users') to have to get specific licenses for specific songs or artists, anytime they wanted to listen to or play our music. This is where blanket licenses come in.

**"Blanket licenses allow the user to use any music in the artists catalogue, and to pay for it based on the scope of an audience."**

Copyright societies distribute blanket licenses to music users. The price of the blanket license differs **based on the scope of the audience**. This is so that smaller venues, shops, restaurants etc. are not charged the same as, for example, a stadium, to play the same music. Some wild and weird maths is employed to estimate the potential size of the audience at the given location, and that is used to estimate the price of the license.

THAT IS WHAT BLANKET LICENSES ARE, IN A NUTSHELL!  
THIS IS SOMETHING I DID NOT KNOW EXISTED UNTIL VERY RECENTLY, AND YET IT IS A CORE ASPECT TO HOW OUR MUSIC IS UTILISED IN THE WORLD! AS YOU CAN SEE, PERFORMING RIGHTS ORGANISATIONS AND COLLECTION SOCIETIES ARE INCREDIBLY INTEGRAL TO THE PROPER, HEALTHY FUNCTIONING OF A MUSIC ECO SYSTEM!