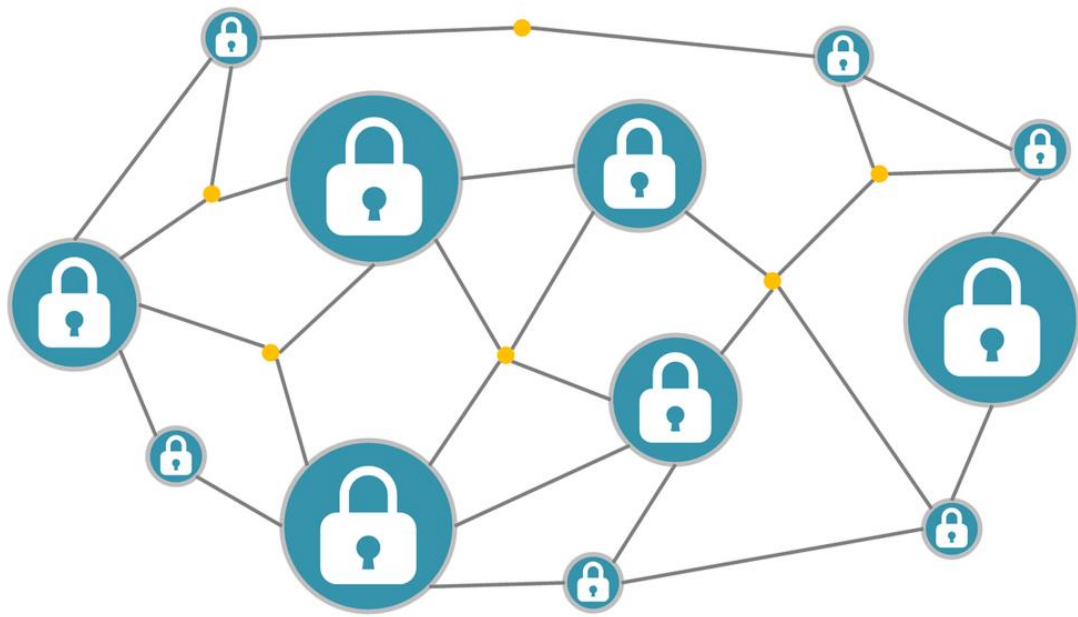


BLOCKCHAIN: THE IMPORTANCE OF THE TECHNOLOGY TO THE FUTURE MUSIC & ENTERTAINMENT INDUSTRY.



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I. Introduction

Definition and Origin of Blockchain

Blockchain had emerged in 2008 as the foundation for cryptocurrency like Bitcoin. The innovation of Bitcoin gave us the flexibility to use the Blockchain component to revolutionize the music industry. Blockchain is a system that records information in a way that it is almost impossible to hack or cheat (Euromoney Institutional Investor PLC, 2020). Blockchain allows payments on its network to be made peer-to-peer. Without the need of a third party to verify the legitimacy of the transaction this has and will change the music industry forever. Blockchain can give artists increased control over the pricing and terms of use of their work. When developed the aim was to create a 'fair trade' ecosystem for artists which could begin to topple the reign of record labels and performance rights organisations. This was due to the current lack of transparency from labels as well as unforgivable mistakes such as paying the wrong people and failing to give royalty money to artists who can earned it.

Current Applications

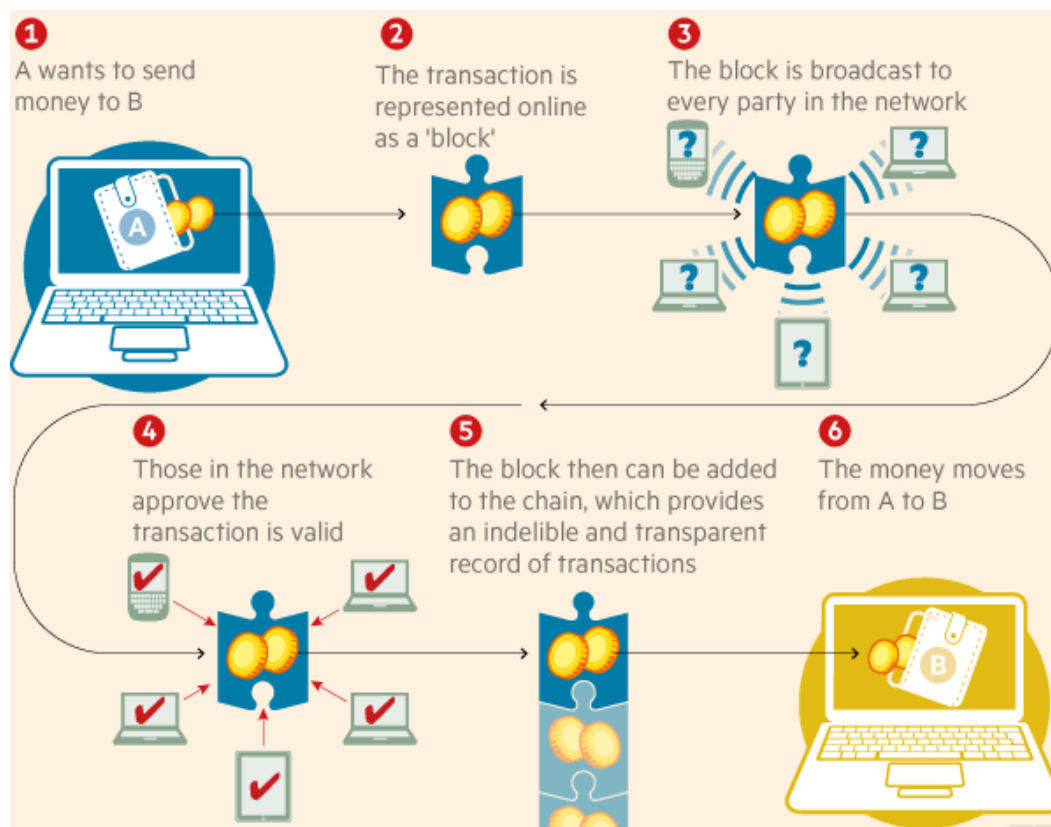
Blockchain technology has transformative potential for royalty payments in respect to recorded music. This is because Blockchain is a database for copyright information, aiding easy royalty payments between all owners of the copyrights whilst also offering transparency through the value chain. This in essence can cut out the middleman, it explains why in recent years we have seen the rise in more music distribution channels such as DistroKid, Ditto, Tunecore, CDBaby and Artists Without A Label.

This is already seen with the new distributors being able to handle fast, frictionless micropayments from independent artists. Long gone are the days where admin fees are deducted from royalty payments and the turnaround for the money arriving taking months – years to arrive. New music distribution chains have effortlessly created a new standard of distribution that labels have been forced to follow with quick, low transaction costs for each song released.

II. Benefits of Blockchain

Past Benefits

Since it was developed, new innovations for Blockchain has been one of the forefronts for music and tech enthusiasts. The decentralized database of the blockchain managed by multiple participants and is known as the Distributed Ledger Technology (DLT). The DLT is the area in 'Source 1' labelled as 3 & 4. This is the area that keeps track of the transactions occurring within the ownership block. By looking at the ledger, any individual will be able to see access and ownership as well as transactions that have occurred with that block.



SOURCE 1 -How Blockchain Works -

(Jones, J. 2020)

Outside of the music industry there have already been many uses of Blockchain due to its impenetrability such as; Digital voting, Equity trading and Medical record assessments (Jones, J. 2020. August 18). Any form of data which needs to be protected and the rightful owner needs to be known at all costs, Blockchain is the solution.

In the music industry this technology can be used not only for copyright authority and royalty distribution, but it can also help with data privacy for the owners of said

blockchain. If an individual or group who owns a blockchain do not want to divulge a certain piece of information or personal splits of their work, they do not have to. Blockchains are on a need to know bases and only individuals invited to or incorporated to the chain have access to see certain information. Further strengthened by the fact that the data stored can never be altered or deleted.

Future Benefits

One of the future benefits of Blockchain is its ability to be used in Smart Contracts. Smart Contracts are codes executed in the blockchain to act as agreements between the owners. This has already been used in trivial forms such as to split royalties or to have all active members agree to a certain clause. These in essence have been the initial uses of Blockchain but I foresee that its uses will transcend into centuries of ever evolving uses.

One of the uses I can see is Target Based Pay-outs. As discussed above, the introduction of Blockchain has been slowly shifting the power in the industry back to the musician but one of the many issues with an artist's handle all their own work is that it begins to get muddled up and if they want to solely focus on art they may not have time to really be as hands on with their own finances too. Smart Contracts will give artists the ability to really invest in themselves more as if they do find a financial advisory or an agent who they trust with doing the best for them, a smart contract can be negotiated where the agent gets precise percentage splits of revenue earned. This would be taken out directly from the stream of revenue and would not be passed on from agent, to accountant and many others with chances of part of it being pocketed. For example, if Ed Sheeran conducts a smart contract with his agent and PR company stating that for every 100,000 streams, he gets above the initial mark he set for the team when hiring they will get an extra 1% from the revenue.

Not only would this make them work harder, it would nullify the ability for the artists to be scammed, cheated out of money and lied to. When signed by a major label, it is known that the money circled through many hands and eventually the money given to

the artist may not have been the original sum. Now artists can sign their own team to their payroll with smart contracts and know indefinitely that they are the sole controller of where and to whom the money goes. As well as being able to pay their finances without being as hands on with it. However, to maximise this idea a financial advisor will be the best person to talk through the percentage splits with and how to go about the more minor details but the power for an artists to be in control of their finances efficiently and with no extra time management needed is revolutionary.

III. Detriments of Blockchain

One of the disadvantages of Blockchain is that scalability is a huge issue at the moment. The more users and nodes needed for the blockchain the slower it will be operating (Iredale, G. 2020. April 17). So, with ideas as the one I mentioned in the section prior, an ability to malfunction or work differently when scaled would be a huge hinderance. Blockchain is still relatively new technology, so there is a lot of room for it to advance and be able to handle a lot more data ad users. As shown with the progression of computers and technological software the past few decades.

Additionally, to implement Blockchain in any organization, that entity will be taking on a huge cost as the pursuing and implementation of Blockchain will take millions of dollars to just hire a team who excels in the different areas required for an in-depth project (Iredale, G. 2020. April 17). This is purely because as of right now it is still expertise knowledge. The costs may even inflate further if the entity is also going to need licensing fees due to using a paid Blockchain solution.

Another disadvantage of Blockchain is the fact it is so impenetrable. Due to the fact the data in a Blockchain is immutable, open source blockchains are in danger of consistent privacy leaks. If an individual had information about themselves in one of the nodes and chains of a Blockchain, any future joiner to the system would now be able to back trace and view that individuals open data. In some cases, there might be some information in the chain which individuals would not want as public knowledge. For example, if an individual who bought the rights to a song through blockchain has been claiming to have written the song themselves for years as part of their public image , if

a third party enter the Blockchain in the future and are privy to that information, they may have sellable data on their hands. Therefore, once a previous owner or partial owner of a Blockchain leaves, they are still vulnerable to data leaks as if they were still part of that chain because future holders can still go back and check the data as Blockchains are unchangeable and permanent, only new nodes can be added. Non can be taken off.

Lastly, to access a Blockchain you need a key. This is very risky to have as it is also digitally printed, and it is very valuable as if lost it is lost forever. This means that not only will the individual have lost access to the money in their 'bank' they would have also lost the ability to prove the right to their intellectual property. This is very important but also very risky for an individual to take care of. Any false move and they could be compromised forever. This is a huge payment to make for a foolish mistake or a mishap that may occur out of their control. Once compromised there is no way to delete the Blockchain either.

IV. Legal Uses of Blockchain

Besides Blockchains uses in Smart contracts, it has other legal benefits. As it is an electric entity, it has no jurisdictions worldwide, it can be used anywhere. Partners can be from anywhere and it can be worked on from anywhere. This has limitless possibilities as with the world becoming more and more interconnected it allows for business to really and truly have limitless bounds. There have been many foreign transaction costs when conducting business in the music industry but with the use of Blockchain there is no current way for to halt or inflate a cost between two people or groups from different parts of the world.

Additionally, Blockchain can be developed to become an individual's digital keychain for their most important things. Such as a digital identification, an ownership of property and even their tax information. For individuals this may seem like a perk but for huge organisations this could be lifechanging. For example, with huge labels this could compile all the most important and fragile intellectual data in one place and when

the time comes for them to access it, they have everything in one place, untouched and precise. This could help quicken accounting and money allocation.

V. Summary

In summary, Blockchain is still evolving daily as a new form of technology. But it has astounding promise and potential. Not just for the music industry but for worldwide applications. The Distributed Ledger Technology will undoubtedly shape the way we view transactions in the near future, the question is only about the matter of how. Understandably the public may be disgruntled if the government finds another way to use this as a form of control and restriction on the public instead of allowing it to help us flourish. The paradigm shift may be coming sooner than we think after the events of the 2020 pandemic. To date in December of the year, we have seen an almost nationwide abolition of coins and cash due to Covid-19. It is known that during crisis, us humans do tend to thrust ourselves even further than we thought possible, with each world war bringing about astonishing new technological booms.

Blockchain has the ability to provide transparency and traceability for all individuals, music industry and laymen alike. With all the possible applications discussed in this essay, I believe that the greatest application Blockchain can really have on us humans is the ability to be in control of our own destiny. Hopefully this technology will be free for all in the distant future and allow us all to be able to create, own and distribute our content s we see fit. The music industry is due for a change soon and I would not be surprised if it was brough about by Blockchain.

VI. Appendix

(Euromoney Institutional Investor PLC, 2020)

Euromoney.com. 2020. *Blockchain Explained: What Is Blockchain?* | *Euromoney Learning*. [online] Available at: <<https://www.euromoney.com/learning/blockchain-explained/what-is-blockchain>>

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