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Blockchain: Impact on the Music Entertainment Industry

Assignment Task:

Explain the definition, commercial uses and legal implications of
Blockchain on the music and entertainment industries

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Introduction

In the Music Entertainment industry, there has been a continuous battle to maintain the value and ownership of music content. In present times, music and entertainment content can be viewed and accessed illegally quite easily. The recent development of the computer technology Blockchain may be able to play a role in an efficient way of monitoring transactions that occur and combating against the exploitation of music through a computerised encoded currency and a series of networks that cannot be altered by an

external party. This essay will be discussing the commercial uses and legal implications of Blockchain on the music and entertainment industries. Analysing and critiquing the ways that stakeholders utilise intellectual property law to protect and monetize their work.

Blockchain is the storage of digital information in a public database and came as a foundation for the cryptocurrency and its payment systems. A system of recording a transaction made, that are maintained across several computer systems linked to a peer-to-peer network that verify and validate transactions to form an ineradicable record, accumulating into a public 'block' store. The cryptostorage system was launched in 2008, created by the unknown pioneer(s) of the online cash currency Bitcoin going by the pseudonym Satoshi Nakamoto and was first documented in their white paper *Bitcoin: A Peer-to-Peer Electronic Cash System* (2008).

Brief History

A cryptographical chain of blocks was first described by Stuart Haber and W Scott Stornetta in 1991. Later, Nick Szabo an American computer scientist then worked on 'bit gold' in 1998, a decentralised digital currency. The 2000s saw Stefan Konst publish his theory of cryptographic secured chains, plus ideas of how it could be implemented. Then in 2008 developer(s) - Satoshi Nakamoto, released the blockchain model and implemented the first blockchain as the public ledger making use of 1 megabyte blocks of information for transactions made using bitcoin; the technology was developed further in 2009 and by 2014 the blockchain technology was separated from the currency and its potential for other financial and commercial inter-organisational uses was beginning to be explored. Blockchain 2.0 was formed, which brought the co-existence of applications beyond currency (Smith, 2018) (2020, Institute of Chartered Accountants ICAWE).

Blockchain - Stages of Development

The developmental stages of Blockchain can be split into three stages: The Early Stages; The Smart Contract Stage & The Future development Stage discussed in Bryan Smith's article *What are the three generations of blockchain...* for *CoinInsider* in 2018.

The Early stages of Blockchain saw the transactional 'blocks' being linked together through a complex cryptographic verification process to form an unbreakable chain.

In the 2nd Stage of Blockchain, the utilization of the of the digital technology in other avenues other than merely documenting transactions began to be explored. Joseph Lubin et al; founders of cryptocurrency, ethereum, believed that trusts and asset contractual agreements could also benefit from blockchain management in the form of Smart Contracts. Ethereum representing the second-generation of the blockchain technology, Blockchain 2.0. Prior to this, contracts in the business industry were managed between two separate entities, on occasion, with other entities overseeing the process. The development of Smart

contracts meant that contracts could be self-managing on a blockchain; triggered by an event such as the passing of a deadline date or the achievement of a particular price goal; managing itself, making adjustments as needed and without the input of outside entities. The beneficial use of Smart contracts can be seen within the music entertainment industry's management of metadata; rightholders can be correctly allocated through the percentages of revenues, for members of a band, music label, music management and an artists to be paid immediately (2020, IEEE).

In Blockchains future development stage, the issues that digital technology are currently facing is discussed. Transaction processing times and congestion in a production system known as bottlenecking has troubled cryptocurrency Bitcoin.

The newer digital currencies have attempted to revise their blockchains in order to accommodate these challenges, but with differing levels of success. In the future developments blockchain technology scalability is proving to be crucial (Smith, 2018).

Blockchain can be considered a highly useful aspect in the storage of data. As the data written to it is immutable, providing an auditable record of events that cannot be modified. In addition the computer technology is able to store an exact replica of data in a significant number of locations so there is no central point of failure. We have seen other industries utilize the use of Blockchain in the financial services industry. Developing a standard approach that is being enforced globally within this sector through the platform Corda. The insurance industry launching a Blockchain Insurance Industry Initiative which significantly reduced settlement times (PWC,2018).

Commercial Uses in Music

The uses of Blockchain for commercial uses has been speculated in Bargfrede's book *Music Law In The Digital Age*, specifically within the music industry. He suggests that the distributed ledger computer network technology could be utilized as a potential solution for some of the licensing and payment challenges for online uses of music, a system that few music industry professionals have already begun to incorporate into their services ...Banks are continually investigating Blockchain's possibilities within the financial services sector as it is considered to be highly secure, but a transparent instrument for tracking transactions. Within the present climate micropayment world for musicians proponents argue that Blockchain could track and pay rights holders from the source using right contracts (2017, p130).

Blockchain being utilized within the music entertainment industry would allow management of rights and royalties to be simplified with integrity and transparency, irrespective of territory and rights ownership details the cryptostorage technology ensuring everyone is paid the right amount expeditiously. Saving the industry billions in lost revenues, delayed payments and legal costs. To guarantee the reaping of all the benefits of blockchain within the industry,

a unification must occur to determine a standard practice and genuinity within it and the technology itself (PWC, 2018).

Torrent Technology

Bram Cohen's BitTorrent technology helps create a solution to the bottleneck issue within the music entertainment industry. The Torrent technology eliminating download queues open hundreds of 'doors' at once alleviating pressure from the server and transferring it to the individuals. The more people attempted to simultaneously download a file, the faster the download (2015, p167).

Legal Implications in Music

The Role of Intellectual Property

Intellectual Property (IP) refers to the protection of an individuals' self-conceived work, creatively, in business or invention. IP includes Copyright, particularly prominent within the music entertainment industry; protects an individual's sound, written work rights; Trademark, this is the protection of a word, phrase or design rights

Some of the legal implications that may occur and deem to be beneficial is the how Blockchain will allow the effective distribution of music rights.

Music Business Worldwide discusses the efforts some of the worlds biggest music collection societies stakeholders American Societies of Composers, Authors and Publishers - ASCAP (US); Société des Auteurs, Compositeurs et Éditeurs de Musique - SACEM (FR) and Performing Right Society - PRS for Music (UK) are making in order to improve the future of the music industry, using the digital technology blockchain. Building a way to manage links between music recordings International Standard Recording Codes (ISRCs) and music work International Standard Word Codes (ISWCs) with a blockchain-based system.

'Establishing robust links between these two pieces of data offers a practical solution with enormous potential for improving the processes of royalty matching, which will in turn speed up licensing, reduce errors and reduce costs. The goal of the project is to prototype how the music industry could create and adopt a shared, decentralized database of musical work metadata with real-time updates and tracking capabilities.'

ASCAP, SACEM, PRS press release (2017, MBW)*

Working with IBM, to leverage the open source blockchain technology from the Linux Foundation and Hyperledger Fabric to collaborate and qualify existing links between music recording (ISRCs) and music work content (ISWCs) to rectifying ownership information and conflicts from the same work across multiple right holders maximising blockchain technology. This triad have all expressed their excitement in joining forces in order to do resolve music industry issues using this advanced technology:

“We are very excited about this joint initiative. SACEM’s vision is to ensure a diverse and sustainable future for music, where creators are rewarded efficiently for their work. We have a long history of constant innovation and this partnership represents the next stage in that story...Through this partnership, we aim to develop new blockchain-based technologies that will tackle a long-standing issue with music industry metadata – a problem that has grown more acute as online music rights distribution has become increasingly decentralized with the rise in digital channels. By developing this blockchain technology in partnership with ASCAP and PRS for Music, we will unlock value to the benefit of music creators worldwide.”

Jean-Noël Tronc, SACEM’s Chief Executive Officer (2017, MBW)*

“ASCAP is always looking for opportunities to exploit new technology platforms to specifically address the needs of our members and the music industry, which has been calling for greater transparency and accuracy...Blockchain has become well-known for its use in payments systems because of its ability to capture real-time data and transaction updates that can be shared with multiple parties, and in the process, dramatically improve operations by reducing costs. ASCAP is excited to partner with SACEM and PRS on this project on behalf of our members.”

Elizabeth Matthews, ASCAP’s Chief Executive Officer (2017, MBW)

“Establishing authoritative copyright data has long been a goal of PRS for Music and is one of the biggest challenges the industry faces...Blockchain and distributed ledger technologies are opening up a world of new opportunities for all industries to address long-standing challenges. The digital market requires real-time reporting on behalf of multiple stakeholders across the world. If blockchain can help us achieve this, it will unlock opportunities for developers of new digital applications, increase accuracy of royalty payments and release value for rightsholders...We see huge opportunity for beneficial industry change and collaboration from this initiative.”

Robert Ashcroft, PRS for Music’s Chief Executive (2017, MBW)

A distributed ledger, a new database using Blockchain technology creates a substantially more secure way of storing and managing data. Every individual on the cryptostorage network having their own identical copy of the shared data. If data is altered in any way it appears on all blocks or copies within the chain. Blockchain has the potential to save music stakeholders millions, revolutionising rights creating opportunity to unify copyrights and decentralised infrastructures so that music content can be monetized more efficiently, this was proposed by JAAK a Blockchain startup (MBW, 2018).

In the present day and age we are seeing more music organisations begin to change the narrative of music exploitation and cartelization within the vastly competitive industry. K-Tune founded by alias of the same name, a financial expert, entrepreneur and outstanding K-pop producer has created a platform for global music producers with a focus on the K-pop genre, open market for artists around the globe to collaborate where were talent precedes value; blockchain technology being fundamental to the pioneering organisation. K-Tune allows users to find partners to work with, open projects and buy high standard components of a song such as the track, melody, lyrics that enhances their work; offering amateurs the

opportunity to work with professionals and established writers with new talent and sound. The composition is augmented by a collection of renowned K-Pop producers and writers called 'Masters' who provide guidance through the whole music production process from the beginning to sales. This company breaks the obstacles to ensure fair profit-sharing, to sell their work to a major label and get a fair share of profits (Forbes, 2019).

Conclusion

At this point, many analysts believe that we are still in the process of harnessing the untapped potential of smart contracts. Thus, whether we have truly moved on to the subsequent stage of the development of blockchain is debatable.

New applications of blockchain technology are constantly being discovered and implemented. It may be deemed challenging to identify the end goal of developments and how they would impact the technology cryptocurrency industry in its entirety. Supporters of blockchain are likely to find this incredibly exciting; from their perspective, we are living in a moment with a recurring technology that continues to evolve.

Blockchain has the potential to save the music industry billions by revolutionising the rights and royalties processes, ensuring artists, writers, publishers and everyone in the music industry value chain is paid appropriately.

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