

BMTY7002 Legal Affairs Essay - Element 2
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Blockchain

Introduction

This essay is about the new technology Blockchain. This explores what Blockchain is and its history involving the cryptocurrency Bitcoin. It informs about the advantages Blockchain could possibly have on the music industry in the coming years but it also explains the problems blockchain has a could face. The essay also features a section about Non Fundgial Tokens also known as NFTs and how they can be used in the music industry to create more revenue for an artist or band while giving examples of current musicians using the new technolgy. In the second part of the essay it tells the legal side of blockchains and how there are people named “miners” who are trying to crack the system then ending with a conclusion.

What is blockchain?

Blockchain is an operation of recording information in a way that's very secure and hard to change, break into or hack the system. Blockchain is an online ledger of deals that is converted and sent out across the network of systems on the blockchain. Every block in the chain has numbers of the deals that were made, so every time a transaction is made it gets engraved onto the blockchain putting a record down on the ledger. The database is decentralised meaning it is duplicated across the entire network of users that are on the blockchain meaning there is no single controller controlled by multiple people which is called the (DLT) Distributed Ledger Technology. The transactions are put down with a cryptographic signature named a hash (Euro Money, 2021).

A simple understanding analogy of blockchain technology that is used in today's world is Google Documents. When a Google document is created and shared with people through email it is distributed instead of copied or transferred (Built In, 2021). It creates a distributed chain that gives people access to Google docs at any time. No one is locked awaiting changes from a group but have to be accepted to access it and also modifications can be recorded in real time which makes it transparent. Blockchain is more complicated than just a Google document but the analogy is there because it shows the three ideas of Blockchain technology (Built In, 2021).

Blockchain History

Blockchain is known as a new technology but it has been slowly building up a rich reputation and has been going since 2008. In 2011 1 Bitcoin (BTC) worked out to be the same price as \$1 US dollar. Wikileaks and other organizations started to accept Bitcoin as donations. This shows that Bitcoin was coming into the real world of currency (Built In, 2021). Nakamoto created Bitcoin to be a digital form of money that could be sent person to person without needing a central bank or other authority to operate the ledger. While it wasn't the first online money to be made Bitcoin solved lots of problems within the online currency field has been the most successful version. Bitcoin is run off Blockchain and is the original and largest blockchain that still transacts Bitcoin today (ICAEW, 2021).

Blockchains possible improvement to music artists revenue

Blockchain in the music industry is solving big problems that have been occurring for years in the industry, such as long royalty payments. For example PRS the Performance Royalty Society pays musicians and artists money for every time they perform or their track has been played on the radio. PRS only has four dates in a year that make these payouts, in April, July, October and December. This is frustrating for music artists and musicians because they have to wait to get paid a longer time than most other industries which usually pay weekly or monthly. Most musicians are freelancers and sole traders too so they may not have a consistent income for their living and are relying on the royalties. This is where blockchain would be so helpful because it can make musicians able to receive equitable royalty payments fast (Daley, 2021).

Blockchain can also help get rid of fake show tickets by identifying provenance e.g. (proof of origin) of a product such as a music show ticket. This is because blockchain provides a strong security tracking system from one of the supply chains which for a music show would be the promoters selling the tickets online and it can trace all the way to the customer (Beaver, 2021).

Examples of blockchain used in the music industry

Imogen Heap

Imogen Heap is an artist that wanted to put lots of data encrypted online such as who wrote her songs, payment information, where the song was written and which musicians are on the records that are made. She wants to use something called "Creative Passport" which will have a beta website created. This will also get other artists paid for their work and this is all done through blockchain technology and smart contracts which transfer through digital currency (Ehrlich, 2019). Imogen Heap also has made her own NFTs and put them on sale on the

OpenSea marketplace using an auction model. Imogen's NFTs have creative credits and has different percentages for example on one track she has put 8.33% for her herself and music collaborators, 16% for Carne who works with Imogen, 3% for the mastering engineer, 45% for heaps Creative Passport start up and 5% to Nori in the NFT that she is selling (Dredge, 2021).

Kings Of Leon

Kings Of Leon a Rock Band is the first band to release an album as an NFT and did so in March 2021 with animated cover art and limited edition vinyl for their fans. The deal was who bought the bundle for \$50 dollars got put into a lottery to win exclusive VIP seats at their concerts and other perks (Dredge, 2021). Overtime Kings Of Leon tokens are expected to increase in value. Kings Of Leon decided to donate all proceeds from the two offerings to the Crew Nation fund for out of work touring professionals (Hissong and Hissong, 2021).

NFT Blockchain music community

Non fungible tokens (NFTs) broke into the mainstream social media hype and started to hit the music scene in 2021. The new tech pricked up peoples ears and got the attention of lots of music artists such as The Rolling Stones and Tory Lanez. Musicians are using NFTs by selling tokenized versions of their songs, digital art and packs of virtual merchandise making them lots of money adding to their revenues. This is giving more online digital power to the music industry and making more engagement between music artists and their fans (Tengblad, 2021).

The key feature about NFT tokens is that they can't be identical or replicas made, this is because Non-fungible tokens are engraved onto a blockchain showing the details of who owns the NFT. NFTs are also attractive to the modern world of fans as NFTs can be programmed for automated actions and smart contracts (Tengblad, 2021).

The music industry has almost spoken about the unfair distribution of money and the tight percentages that go to everyone and the artists are left with not much such as the record labels, other collaborators, and distributors all getting their cut. NFT's has made some artists already lots of money such as Mike Shinnoda from Linkin Park the rock band who raised around \$11,000 dollars for his first NFT (Tengblad, 2021).

There is no limit on what can be turned into an NFT in music such as songs, art covers, famous texts, apps or files from an artist. NFTs are another way artists can deliver new experiences to their fanbases (Tengblad, 2021).

Problems with Blockchain

Blockchain's cost to run

Blockchain has an environmental cost, this is because Blockchain works on encryption to provide its secure security and at the same time establish consensus over a distributed network. This means that in order to prove that the user has the permission to write on the ledger or write to the chain means lots of algorithms have to be in motion. For this action to happen it has to use lots of computer power which comes at a cost. One of the most popular blockchains Bitcoin last year claimed that the computing power to keep the network running takes in as much energy as was used by 159 of the world's nations (Marr, 2021). Although Bitcoin has a value of over \$170 billion dollars, smaller blockchains like those that are run by organisations with less funding may struggle to have the same intensity of security that is needed due to the lack of energy power (Marr, 2021).

Not enough regulation creates a risky environment

Cryptocurrency can be unstable and is very open to possible scams, this is because of the lack of regulation as it's still a new thing that hasn't been insured. Millions have been stolen because of this such as the case with Oncecoin which showed that people were being robbed with Ponzi schemes. More and more people are joining cryptocurrency hype because of the fear of missing out on the Next BitCoin which is now a massive Cryptocurrency that made a lot of people rich (Marr, 2021).

Understanding Blockchain can be complex

Blockchain isn't the easiest thing to understand and operate. It takes reading and a few classes to know what's going on as it can be difficult to describe. For end-users, it can be a struggle to appreciate the benefits. Lots of talks have said that Blockchain may be used in the future to secure and clear payments but banks such as HSBC or Lloyds are already doing a good job of it and may not want to add in the middle man Blockchain (Marr, 2021).

Blockchain and right holders

In the future, if Blockchain takes over and is taken in my music labels, publishers and streaming companies like Spotify everyone will be able to communicate and share the right information between each other and benefit by using the databases. Block can help the process of paying artists without them having to wait to get paid. Using blockchain technology in the music industry will allow it to be more transparent with money (Field, 2021).

More than money

Money is only a slight opening up to Blockchain, It can do lots more for artists that just accept payments quickly. In music, the law can be sticky so there are normally lots of contracts that have to be sorted out (Hissong, 2021). Blockchain will be perfect for music contracts because it will be engraved into the ledgers of blockchain and be secure than just put into another computer file or saved on a USB. Modern music creators are doing more and more DIY by themselves being the manager, producers, marketers and artists so Blockchains will also give them more official power to make and sign contracts.

Music companies using blockchain already

Audius is a blockchain based streaming service that operates like Spotify and Apple Music which wants to make passive streaming into a one to one with artists and fans. The company has not launched monetizing yet there is a lot of development work and it is currently free to use. It has two million monthly users and two hundred and fifty tracks on it with fifty thousand artists which makes it the biggest consumer streaming servicing using blockchain. Audius pays the artists directly through the blockchain and also the artists can do crowdfunding projects on there too. There will also be a way for fans to choose how much they want to pay for the artists for the song on how much they value the track or projects. Audius wants the site to have no ads on it on the free version but have the paid version highly more customizable (Hissong, 2021).

Blockchain Legals

Private law

When using blockchains there are a lot of legal problems that need to be thought about when using smart contracts on a blockchain. For example, if a smart contract is coded wrong or there is a mistake the contract may not be valid to use. The contract will also have to be available for both parties to view which may cause a dispute. Even if both parties act in good faith they may find out that they don't actually have a contract that's legal causing more issues (Deloitte, 2021).

Public law

There are risks that permissionless blockchains may be used for illegal reasons like money laundering or to take advantage of pseudonymous involvement to get in and around law problems. “miners” is what they call the people who are acting bad or in no good faith trying to break blockchains and un reveal private information. As blockchain is reasonably new there are no current specific laws to capture these miners. Smart Contracts being run on a blockchain can not be manipulated after the Smart Contract has been made. Time will tell to see if Blockchains are strong enough to hold against these miners (Deloitte, 2021).

Solutions

Lawyers and Technoolighists are fighting these problems and a few solutions have been found. One is where they have combined into two different styles of blockchains such as permission blockchains and permissionless blockchains which can allow access. Regarding which option is picked you can choose the audience who can see the blockchain. For someone to view a permissionless Smart Contract they will have to exchange their personal data and must comply with the data protection terms and conditions (Deloitte, 2021).

Conclusion

This investigation shows that Blockchain can become a great asset for the world we live in with safe secure payments and proof of ownership over a piece of work. It reveals that to the music industry it can help with quick payments to music artists instead of them having to wait for a specific period of time to get paid such as PRS the Performance Royalty Society only pay 3 times a year. There are also disadvantages such as “miners” trying to scam the system and break into peoples blockchains and also costing the environment lots of energy because of the high amount of power needed to run the systems. There is the exciting part of Blockchains like the NTFS and how they can make more revenue for music artists but at the same time create more of a connection between music artists and fans. Blockchain is still very complex and hasn't reached the verdict from the public but as it gets more popular people will be likely to take an interest and start to understand the new technology. Overall Blockchain has more advantages that can be taken into use and help organisations run their businesses easier but the risk of it being new and online without physical shops and laws not being applied yet can be a hard shift for it being used.

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