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‘The music streaming industry has certainly come as a stark improvement, providing a cost-efficient and user-friendly alternative to piracy, allowing artists to receive royalties for their work. However, with this shift, the undeniable discrepancy in terms of the distribution of royalties has come to light. As is the case with many things, the distribution of royalties to artists resembles a Pareto chart where a very small percentage of artists account for the majority of music streams and thus royalty earnings.’- Madeira, A., 2020. Blockchain To Disrupt Music Industry And Make It Change Tune

Musicians rarely get full royalties of their work once released to the public and streamed on various platforms. The music industry often divides the royalties between ‘middle-men’ involved in the release, or the content in general. Independent artists are starting to use Blockchains such as eMusic and Musiclife, to collect full royalties for their content, which means they will have more financial stability.

Musicoin

Musicoin is a free streaming service which ‘uses Blockchain to decentralize peer-to-peer, platform’. Musicoin is similar to Bitcoin in that their transactions are transparent and secure which also means that 100% of the streams’ revenue is given to the artists.

‘You're probably wondering how our platform is both free for listeners, and at the same time pays musicians better than any streaming service

currently available. We accomplish this by leveraging the blockchain to remove intermediaries and implementing a model called Universal Basic Income (UBI) that supports both listeners and musicians.'-Musicoin.org. 2019. Musicoin.

UBI is a model that ensures sure each contributor receives a fair share of pay for their contribution. The UBI secures payment to the artist without influence on the current market force, and is higher than other music streaming sverices. Users on Musicoin are therefore able to stream music for free and without ads. The point of UBI is that creators receive a basic, yet fair and stable income. The money is in the form of tokens, where people can exchange and use their tokens to buy services.

Musicoin uses a form of payment towards artists called Cryptocurrency, which generates and holds the income without going through a bank or using personal information such as names.

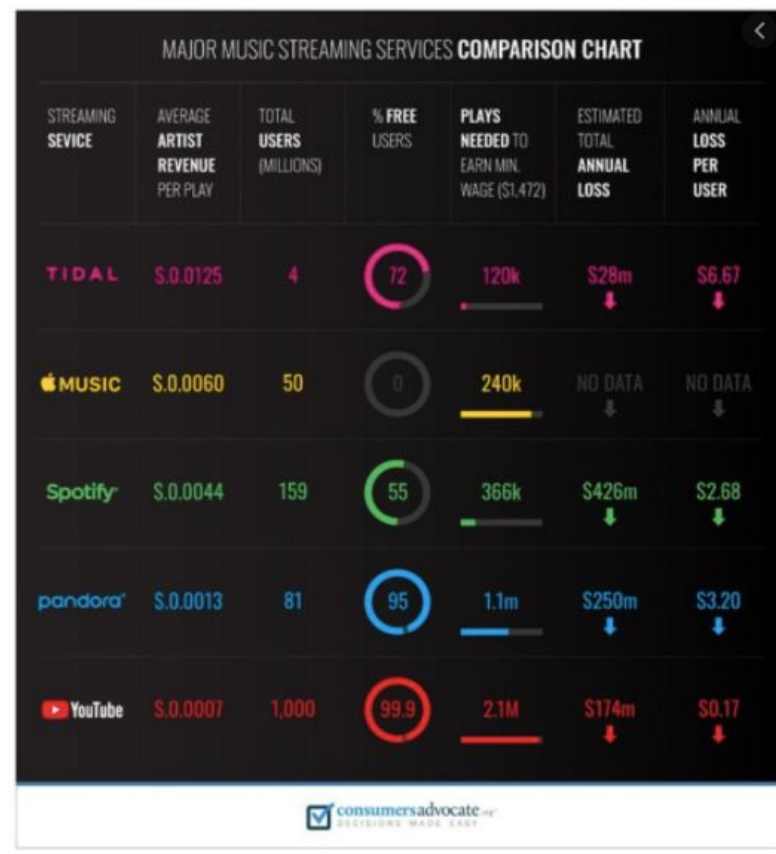
The currency on Blockchains cannot be reversed, double-spent or manipulated

Smart Contracts

The Smart Contracts on Musicoin offers a pay-to-play service (PPP), meaning every time a song is played the musician or parties involved, will automatically receive an income for that stream. Musicoin offers features such as tipping musicians if listeners wish to, including paid downloads and artist merchandise. Musicoin stands as a crowdfunding streaming site, as mentioned above, they can advertise funding and contributions from fans. This is particularly helpful for less established musicians who need funding in order to develop their own career. Instead of using platforms such as GoFundMe, they can listen, download and fund musicians on one platform.

Below is a chart showing major music streaming services comparing the income and royalties artists receive with every stream. As can be seen, the artist revenue is a very small percentage of the overall income of an artist featured on the site. The chart shows the profit and loss per play of a group of major streaming services.

The revenue for artists is small, which means smaller, less established artists wouldn't make a living or generate enough income to live off, unlike Blockchain streaming sites such as Musicoins, who give all the revenue to the artists without the middleman.



‘Blockchain technology also provides a direct link between artists and their fans. When an artist’s smart contract includes a parameter that pays a percentage of the revenue generated to fans who share their songs, it creates a powerful referral program. Fans can spend their acquired tokens toward merchandise or tickets, or even exchange their tokens for fiat (traditional currency)’- IEEE Innovation at Work. n.d. Blockchain Smart Contracts: How The Music Industry Stands To Benefit - IEEE Innovation At Work.

The Smart Contract involved between the artist and Blockchain service ensures no breach of conduct and no third party involvement.

With Smart Contracts involved, the party can list all the contributors involved and what percentage they will receive through the streams also with the added benefit of artists being able to access their money at any time, instead of waiting for royalties, percentages and cuts to come through.

The artist is fully in control of their music, future and how they connect with listeners which also creates a more stable future for artists financially.

Written Contracts and Smart Contracts

Music License Agreement

This Music License Agreement is made and entered into as of the date of grant set forth below.

BETWEEN: [COMPANY NAME] (the "Owner"), a corporation,
organization with complete address.

AND: [LICENSEE NAME] (the "Licensee"), with complete
address.

WHEREAS, OWNER, owns the copyright, publishing rights and all other related rights in and to certain songs (hereinafter "SONGS"), the titles of which are set forth in Schedule (A) hereto;

WHEREAS, Company desires to obtain certain rights to the Songs and Composer's performance of those Songs for use in any purpose.

NOW, THEREFORE, in consideration of the promises, conditions, covenants and warranties herein contained, the parties agree as follows:

GENERAL TERMS:

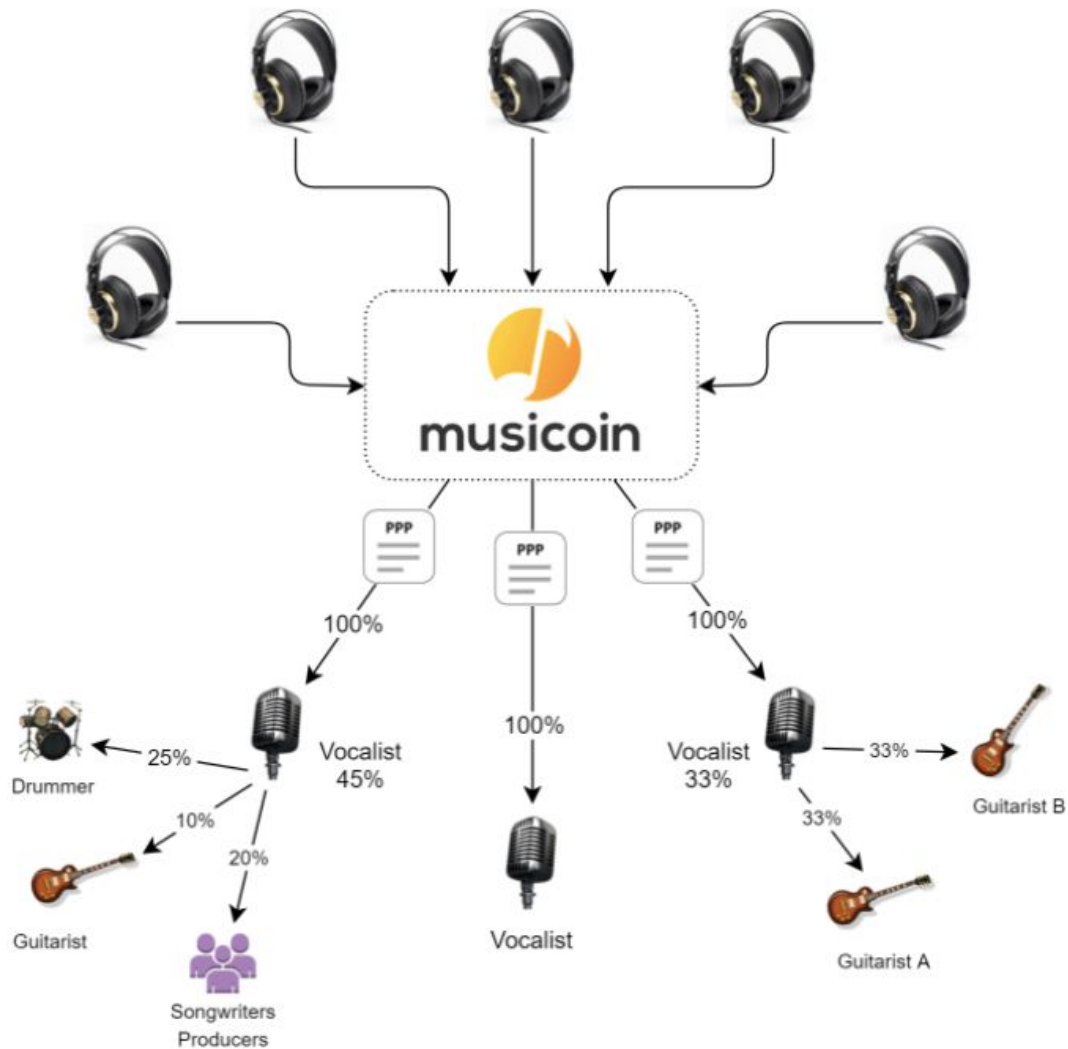
- The mechanical, synchronization, and performance rights granted to the Licensee within the Agreement include, right to re-record, duplicate and release the Work as part of a production in whatever medium(s) necessary (i.e. video tape, film, CD-ROM, DVD).
- If the music is used in software such as a video game application or other software product, the music will be "embedded" with the intention that the end user of the software or is unable to extract or use the music on its own; right to use the music as a soundtrack "sync'd" with visual images as part of a production; and right to use the music as part of the public viewing or broadcast of a production (including but not limited to TV shows, videos, DVDs, Web Sites, podcasts, multimedia presentations, and films).
- The Licensor grants Licensee an exclusive perpetual license to use the Work herein.

RIGHTS NOT INCLUDED IN THIS AGREEMENT:

- The rights granted to the Licensee do not permit the Licensee to claim ownership or authorship of the music represented under this Agreement.
- The transfer, share or sub-lease this license agreement with any other party, copy or duplicate the Represented Tracks except for use in the Licensee's productions, permit any other individual or third party the right to use the Represented Tracks in place of the Licensee.
- The resell, trade, or exploit for profit the represented tracks contained herein outright or as part of other music and/or audio-related collections, in part or in whole, to any

Above is an example of a contractual agreement between an artist and a label. As can be seen in the 'rights not included' section of the agreement, the artist cannot be granted the license of the ownership and authorship of the music.

Unlike the contract example above, below is a Smart Contract used on Musicoin. As can be seen the contract distributes all the royalties and earnings to a specific percentage which will go directly and instantly towards the parties involved.



The system works as a Pay Per Play generator (PPP), where the income comes with per play on the tracks. However, a smart contract is not technically a contract in the legal sense.

A quote from DLA Piper in a piece he wrote for Lexology explains what a smart contract is, he describes it as; *'A computer code running on top of a blockchain containing a set of rules under which the parties to that smart contract agree to interact with each other. If and when the predefined rules are met, the agreement is automatically enforced. The smart contract code facilitates, verifies, and enforces the negotiation or performance of an agreement or transaction. It is the simplest form of decentralized automation.'*

Piper, D., 2019. *Legal Issues Of Blockchain And How To Deal With Them* | Lexology. [online] Lexology.com.

Contracts regarding an artist signing with a record label, collecting royalties that do not belong to a party, using material without consent etc. the contract is absolute and can lead to a court case and a party being sued. In the contract there will be the 'terms and conditions' of the contract, that both parties must comply with.

If the contract is breached by a party, then legal action can be taken. However, in order to provide evidence of an infringement of a contract, the party taking action must have the contract in writing or recorded including letters and emails/ the contract itself in writing. A verbal agreement can also be a contract, as long as there is evidence of the verbal agreement.

There must be proof shown that there has been a breach of contract in order to take action including evidence of the terms and conditions that were not met.

Evidence of loss from the suffered team must also be shown, for example, profit loss and damage.

The court may decide to order a specific performance for the party breaching the contract, telling them to fulfil part of the obligation they failed to do this can also include compensation to the innocent party.

Verbal contracts require an offer, an acceptance of the offer and consideration from the party's. Once the verbal agreement has been made, it is just as legally binding as a contract in writing.

Some contracts are required to be written and signed such as licensing of intellectual property rights. Both parties will have to have agreed with the terms and conditions with respect to the services offered. Verbal agreements require a witness to testify the contract which is sufficient evidence to support the claim.

Because of the importance of evidence of the legally binding contract, it is advised to have the contract in writing to support evidence in case of infringement.

In order to terminate a contract there must be evidence of a breach of contract party's behalf. Sometimes the contract has expired or ended and is automatically terminated, unless it is renewed on both parties behalf.

Contracts in the music industry

Contracts in the music industry often consist of a legally binding, written contract signed by both parties with the terms and conditions clearly included in the contractual agreement.

Recording contracts can consist of a set period until termination or renewal, such as a one year recording deal with the option of being continued. A contract for exclusive rights for a party means that one of the parties is bound by contract to not breach it by exploiting rights that have not been granted to them. For example, if a songwriter signed a contract to write solely for one artist which will be used commercially, the songwriter would be breaching the contract if they were to write songs for other artists that are also being released publicly.

The grant of rights in any license agreement grants the rights to a party for master, mechanical, sync and performance, which gives the party copyright ownership of the work. The transfer of ownership in a copyright means that the creator can offer up ownership of the material to another entity.

An Advance is when a label or publisher pays the artist a lump sum of money in advance for the exploitation of their work. The money given to the artist is recoupable, meaning the label or those granting the advance, will receive the money back if the artist fulfills their obligation and generates the income expected.

If an artist is dropped by a label and their contract is terminated before their contractual obligation is at its end, then the artist does not have to repay the advance given to them even if the label is not recuperated the money given to the artist.

In recording contracts artists are given royalty rates, which can range from 7% to 25%. There are different types of royalties, and depending on how involved the artist is with the mechanical, songwriting, performance and distribution, then they will receive the royalty for the part they play.

Controlled composition is when a songwriter or co-songwriter composes the music and receives certain royalties for it. If the artist composed and performed the pieces, then they will receive a higher royalty than if they did only one of the two. Songwriters tend to earn more royalties from songs than the performer.

The implications on advances within contracts with record labels are very risky, since even though the label has faith that an artist will bring in the income. This isn't always the case.

In September 2006 Lady Gaga was signed to the label Def Jam as a recording and performing artist, which was quickly terminated after just 3 months of being with them without explanation. She was given an advance of \$850,000 with the plan to release an album the following Summer. Even though her contract was terminated and she was dropped from the label, Lady Gaga did not have to repay the advance, as she met the requirements of her contract, but was dropped without reason.

Conclusion

To conclude this essay, I will critique and observe the implications of contracts and smart contracts relating to the music industry. As I discussed earlier, Blockchains are becoming more of a favored use of income for artists, especially less established, unsigned ones. The royalties can be evenly split or laid out to be a specific percentage for each party involved in the creation of the music. There are a fair few record labels who would rather not use cryptocurrency to evenly distribute the royalties, as artists earn a lot less on other music streaming platforms. Spotify and other platforms with monthly subscriptions, pay artists very little for each stream meaning they will be earning less from other platforms than they would with Musicoin. From researching Musicoin smart contracts and written contractual agreements, the smart contracts have proven to myself, to be the safer way of binding a contract. Because of the way the contract is set out, there is very little chance of breaching of the contract or unfairness on either party.

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