

Blockchain technology and Music

Essay by Edina Hadzihafizbegovic

Legal and Business Affairs (BMTY7002)

6th April 2023

Summary

The music industry has undergone significant transformation in terms of technology in the last few decades from physical to digital platforms. Today, most of society consume and distribute music through digital streaming services. The top streaming platforms such as Spotify, Apple Music, Tidal and Soundcloud alone have more than 250 000 million monthly customers (Penman, 2023).

Although it's been made a lot easier to access and consume music on demand, the problems that have occurred in that transition over the last 15 years have raised concerns that music is being undervalued. Insufficient revenue for artists has resulted in musicians seeking a fair cut or deal in a world where it takes a huge number of streams to earn a living. For example, one million streams on Spotify equates to income of about \$7000, which the artist most likely needs to split with producers, record company and songwriters, leaving the artist typically earning about \$2100 (Penman, 2023).

One of the most important methods being used today to tackle these issues is addressing them through blockchain technology. Blockchain technology is believed to be the future in music and has the potential to help in unravelling the major problems in the music industry today, such as paying artists fairly and bridging the gap between artists and fans by going back to a more direct engagement between them.

Blockchain technology developed as a basis for cryptocurrency bitcoin and its payment system. Blockchain can be traced as far back as 2008 when Satoshi Nakamoto is considered to be the person behind the invention of bitcoin and its great effect but not as important as its fundamental blockchain technology (Penman,2023).

“It is a peer-to-peer way of transferring money, skipping the banks. It’s encrypted with blockchain technology, which creates digital signatures to prove where the bitcoin has come from.” (Shepherd, 2021).

Ultimately blockchain’s technology’s purpose is to allow digital information to be recorded and distributed. In a business network it’s being used as a shared ledger that facilitates the process of recording transactions and tracking assets such as a house, car, cash, land or intangible intellectual property (e.g. patents, copyrights, branding, etc.).

In this study, I will outline the definition of blockchain technology further and how it is being applied in music industry, I will discuss what some of the music companies and networks are using blockchain technology for and I will explain the strategies adopted when applying it in practice.

Furthermore, this study will also provide a view on the challenges blockchain entails and why block chain technology hasn’t drastically replaced the music market yet. It will also consider how blockchain’s purpose functions in music in terms of intellectual property and what the legal implications are.

“Nowadays, no one thinks twice about listening to music on YouTube or buying albums on iTunes. (Full disclosure: YouTube and Apple are commercial partners to my company for music distribution.) However, I can still remember when buying CDs (or even tapes!) at a record store was the norm and digital distribution was a new, confusing, and even intimidating idea to the average consumer. I see many similarities between the emergence of the internet in the 2000s and the early applications of blockchain in 2022” (Tengblad, 2022).

What is Blockchain technology?

Blockchain technology was originally a science term used for structuring and sharing data and using old technology in new ways.

In other terms one can think of blockchain as “distributed databases that a group of individuals control and that store and share information” (Lawrence, 2022).

This way people can share and create a digital ledger or a house of data through a data structure that is blockchain.

There are different types of blockchain: public, permissioned and private.

Public blockchain

Public blockchain, such as Bitcoin is for anyone at any level to use and without restriction, participating freely in the large network’s activities using a native token.

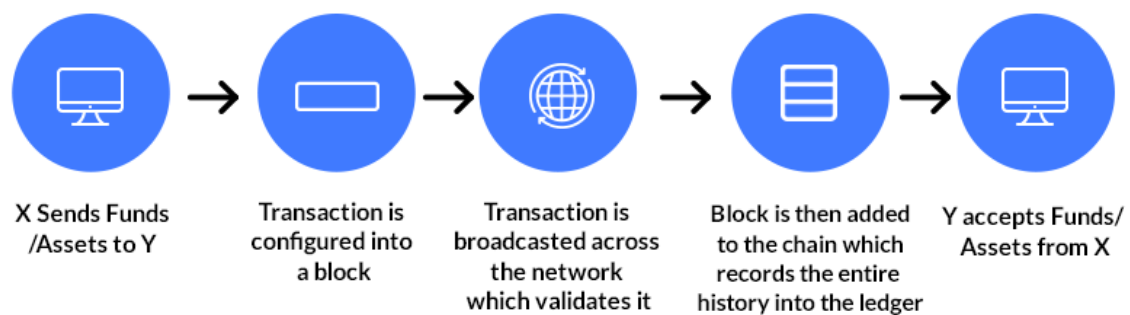
Permissioned blockchain

Permissioned blockchains are also usually large networks run through native tokens, but more controlled and restrictive.

Private blockchain

Private blockchain is usually smaller and does not use tokens where information on activities in the network is confidential and membership is private (Lawrence, 2022).

How Blockchain Works



Blockchain is a system of recording information in a way that makes it difficult or impossible to change, hack, or cheat the system.

(Powers, Accessed 2023)

Blockchain technology is often chosen for its appealing features in how useful it can be to store data.

Ian Penman, founding partner at New Media Law LLP, mentions two major ways, “Data written is immutable which provides an auditable record of events that cannot be modified. You couldn’t possibly hack into all the blockchain nodes and change each event” (Penman, 2023).

“Secondly, an exact copy is maintained in a large number of independent locations; there is no central point of failure.” (Penman, 2023).

Moreover, the blockchain technology system can be applied in transformative ways where for example music networks can store music copyright information and data better, offer more transparent value for recorded music, improve workflow, and save time, as well as providing other options for revenue growth. Because of blockchain’s more secure nature it also allows the artists, songwriters, and musicians more accurate royalty distribution.

How are some of the companies and networks in the music industry utilising blockchain technology and what are their strategies?

DISCO is an administration and copyright company that enables music publishers and record companies to manage their catalogue and their rights.

Disco is for anyone who works with music and media. As a platform Disco says that one of their main purposes is to make workflow easier. For example, an artist could have several subscriptions and their work may appear in different areas such as a SoundCloud, Drop Box, a website, a press kit, etc. By using blockchain technology as the ledger to help, the artist can now do all that work from one single location rather than separate platforms and subscriptions. Not only can you have all your information placed with Disco, but you can also securely share and receive files with publishers and managers more efficiently.

Josh Doyle, music producer, said; “I’ve been really looking for something like DISCO for years. It’s really solving a lot of problems for me, saving me time, and not killing my budget like some of the other lesser options available” (Doyle, Accessed 2023).

Michael Dann Joseph music lecturer at Tile Yard Education said.

“The music supervisors get so many tracks that meta data is key, that doesn’t just work across music supervision but also pitching records for other artists because the reality is that any projects that I’ve been a part of, and I’ve been lucky to be a part of some amazing projects. The reality is that A&Rs are receiving thousands of tracks daily, so the quick as they come and go, I can have all the information I need right here right now, and they can move on it.” (Joseph, 2023).

Royal is a NFT based platform and marketplace that allows anyone to invest in music and earn royalties with the artists. Meaning that fans and artists co-own music together as way to participate in the financial upside together.

One of the company’s belief systems in their strategy is to encourage creative control and freedom for artists through devoted fans.

How does it work?

According to Royal’s website instructions, you buy a token through their website with a credit card that enables you to see the percentage of your piece of ownership per token tier along with any extras and pricing.

This token represents your share of streaming rights in the artist, song or album, where the artist is in control of what percentage of the song they hold. The artist has control and can add extras that include fan experiences, merchandise, exclusive tracks, etc.

How can you claim streaming royalties?

Similar to other streaming services, such as Spotify and Apple, you can claim royalties when the song or album streams start growing. The time for pay-out usually happens every 6 months when artists get paid, where you then get notified to claim and transfer your royalty funds to another crypto wallet. You can also put your token up for sale.

“Royal is actually hands down one of the best music market places that’s actually been created and is the future of music ownership.” (Joseph, 2023).

As a platform Royal has been able to reinvent how music can be consumed in way that allows direct communication between fans and artists and shared ownership. All stats and data are provided on how much the artists decide to share in terms of percentage of song, a legal contract and how much you would earn in streaming, which is a lot more than the current streaming platforms such as Spotify.

Music coin is a blockchain platform where you can stream music without having to pay a subscription to access their catalogue. They are based in Hong Kong and have an ad free policy and free streaming service where the artist gets paid straightaway. Music coin also allows fans to communicate with their favourite musicians directly with features such as

providing feedback, tipping, and sharing songs. They also encourage fair compensation to artists by providing transparent contracts and no third parties are involved.

Success stories in NFT's

The musician, producer and DJ Justin Blau, who goes by the name of 3LAU, was just a couple of years ago in the news for selling his NFT collection through auction for \$11.6 million in just 3 days. From that sales success, YMU his management company has realised the great impact and power that the new technology of NFTs brings and how it can affect artist revenue streams. YMU have further followed up with new NFT auctions for some of their other artists managed by them (Stassen M, 2021).

M Stassen also elaborates on blockchain technology in his article.

“NFTs use blockchain technology to authenticate and designate an official copy of a piece of digital media that allow artists, musicians, influencers and others to commercialize digital goods, or in other words, digital collectables.” (Stassen M, 2021).

“A record of each NFT transaction is kept on a blockchain, making it part of a permanent public record and serving as a certification of authenticity that cannot be altered or erased.” (Stassen, 2021).

Recently, in less than 2 months the singer and country artist Sammy Arriaga managed to sell his collection of NFTs worth \$250, 000 in April 2022.

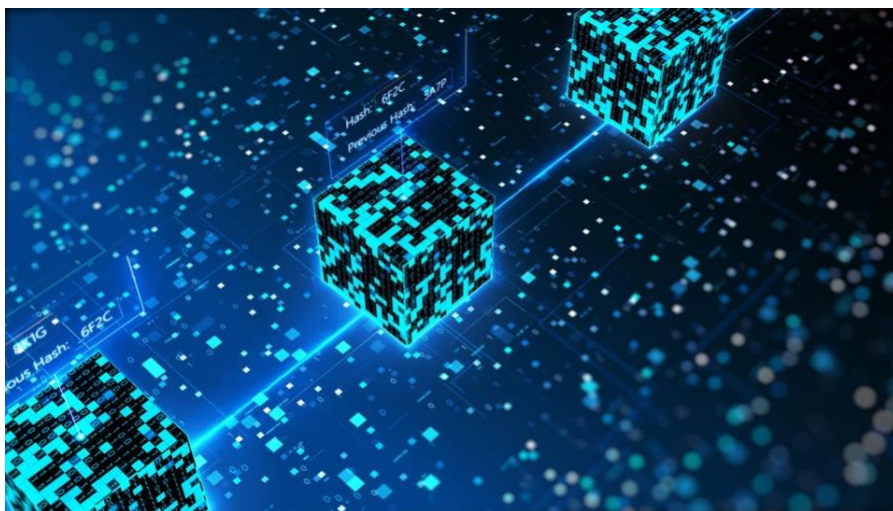
"NFT's are bringing back value to art of all kinds and reigniting creators to pursue their passion without fear by allowing them to retain ownership. We're so early in this space that it

feels like we're in a renaissance," said Arriaga. "I'm humbled to be an early adopter."

(Arriaga, 2022).

Sammy Arriaga is an artist who has been positively impacted by blockchain technology and further encourages this new space by stating:

"The time for the independent artist is now. I don't care if any label out there doesn't think you have 'star quality.' No one should ever do this with the mentality of being signed or becoming famous." (Arriaga, 2022)



(Buddhi, 2022)

Advantages and disadvantages in block chain technology

The advantages of blockchain technology over a non-blockchain database are its support of immutability, meaning that it is impossible to change, hack or tamper within the network.

Other important advantages are blockchain's transparency, meaning it can be trusted, as well as its traceability, since it is easier to trace any changes made within the network. However, the disadvantages of blockchain technology include speed and performance. Compared to the

traditional database, blockchain is considered slower in performance and speed since it carries out more operations. Blockchain is higher in cost to implement than the traditional database and blockchain technology makes it complicated to modify data once recorded. The problem with that feature is that it allows for no mistakes to be corrected or for adjustments to be made. (Buddhi V, 2022).

“One solution doesn't fit all requirements, and this is the same with blockchain technology. There is a lot of buzz in the industry about blockchain and Web3, and many organizations are looking to move from Web 2.0 to Web3, but this is not a straightforward "lift-and-shift" type of solution. Organizations should do their due diligence and conduct a deep dive analysis to see if the blockchain technology fits their needs and then plan the development or migration to Web3 accordingly.” (Buddhi, 2022).

Hesitation and the hype on Blockchain technology

Whilst a lot of businesses in music believe blockchain is the solution for a lot of current problems, Tom Allen, Co-founder and CEO of Curve Royalties, holds more sceptical, concerning and hesitant views on blockchain technology. Even though we are being presented with exciting new technologies, realistically it takes time for these to manifest in practice worldwide and for people to fully embrace the changes in our lives and work.

“Realistically, especially when it comes to the global reporting of music royalties, this timeframe is overly optimistic. I suspect we’re looking at a horizon of more like 10 or 15 years-plus before we see mainstream, tangible benefits from these dial-changing ideas.” (Allen, 2022).

“There is currently a lot of noise around NFTs, smart contracts and crypto currencies – and some wild claims that these new innovations are going to change the way we live and work in the next couple of years.” (Allen, 2022).

Conclusion

Blockchain technology is already being used and taken shape in successful, impressive, and revolutionary ways in the music industry. There is a common denominator amongst the music networks and that is the strategies to create a better revenue stream for artists and the support of creative control. Blockchain technology is a more secure and trusted system in place to protect the artist’s work than the more traditional databases that we have been operating with. Allowing music networks and businesses to easier store and trace data without the third parties involved will also make the workflow easier and save a lot of time. Block chain technology will contribute to the music industry in phenomenal ways and the new technology will be a step and the answer to a lot of the problems plaguing the music industry today.

However, as positive as it seems, a more realistic outlook should be considered. New and bold technologies exist and are rapidly moving but there are also methods in block chain technology that might not work for everyone. It is suggested that we fully understand the block chain technology and stay informed of its development. The downsides to block chain technology are to be watched out for and they include the facts that it’s slower in speed, performance and cost more than the traditional databases.

The reality is also that it will take time to battle the problems that we currently encounter in the music industry, and it won’t be so simple.

“When we look at how artist deals actually work, and how royalties are required to be reported, we can see quite clearly that that requirement for granularity in the data – details such as per-track or work, per-territory, per-usage type – means that the volume of transactions passing through any network would be HUGE” (Allen, 2022)

In spite of this, there are many fascinating areas and one of them is the concept of fans participating in ownership through blockchain and engaging more directly with artists.

Bibliography

Allen, Music Business Worldwide, T. (2023) *Yes, Blockchain might well revolutionise music royalties. no, it's not going to happen anytime soon.*, Music Business Worldwide. Available at: <https://www.musicbusinessworldwide.com/yes-blockchain-might-revolutionise-music-royalties-no-its-not-going-to-happen-anytime-soon/> (Accessed: April 6, 2023).

Budhi, V. (2022) *Council post: Advantages and disadvantages of Blockchain technology*, Forbes. Forbes Magazine. Available at: <https://www.forbes.com/sites/forbestechcouncil/2022/10/20/advantages-and-disadvantages-of-blockchain-technology/?sh=183f1dce3453> (Accessed: April 6, 2023).

DISCO. Available at: <https://www.disco.ac/> (Accessed: April 6, 2023).

Independent Nashville singer-songwriter sells over \$250,000 worth of his first music NFT's in 7 weeks (no date) Yahoo! Finance. Yahoo! Available at: <https://finance.yahoo.com/news/independent-nashville-singer-songwriter-sells-181000222.html> (Accessed: April 6, 2023).

Invest in music (no date) Royal. Available at: <https://royal.io/> (Accessed: April 6, 2023).

Joseph, M.D. (2023) "Music Industry Landscape/Creative Music Management X3L." Online: Online, 24 March.

Musicoin. Available at: <https://musicoin.org/> (Accessed: April 6, 2023).

Penman, I. (2023) "Founding partner at New Media Law LLP," Online, 6 April.

Powers, J. (no date) <https://www.simplesolve.com/blog/moving-to-blockchain-powered-insurance>.

Shepherd, T. (2021) *Satoshi Nakamoto, Craig Wright and a bitcoin mystery in America*, The Guardian. Guardian News and Media. Available at: <https://www.theguardian.com/technology/2021/dec/11/satoshi-nakamoto-craig-wright-and-a-bitcoin-mystery-in-america> (Accessed: April 6, 2023).

<https://www.theguardian.com/technology/2021/dec/11/satoshi-nakamoto-craig-wright-and-a-bitcoin-mystery-in-america> (Accessed: April 6, 2023).

Stassen, M. (2021) *As 3LAU makes \$11.6m from NFT sales, his management company eyes more auctions for more artists*, *Music Business Worldwide*. Available at: <https://www.musicbusinessworldwide.com/as-3lau-makes-11-6m-from-nft-sales-his-management-company-eyes-more-auctions-for-more-artists/> (Accessed: April 6, 2023).

Tengblad, M. (2022) *Council post: How blockchain could transform the music industry*, *Forbes*. Forbes Magazine. Available at: <https://www.forbes.com/sites/forbesbusinesscouncil/2022/09/07/how-blockchain-could-transform-the-music-industry/> (Accessed: April 6, 2023).

Tiana Laurence and Updated: 07-25-2022 *et al.* (no date) *How blockchains work, dummies*. Available at: <https://www.dummies.com/article/business-careers-money/personal-finance/cryptocurrency/what-is-blockchain-and-what-blockchains-are-242782/> (Accessed: April 6, 2023).