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Introduction

This essay will discuss the technology blockchain and the potential it has to change current procedures within the music industry. It will cover how the technology can change how we deal with Copyright and intellectual property within the music industry. Finally, this essay will analyse current blockchain technology being used within the music industry and how it is affecting artists, labels and publishers. As well as analyse the further effects it would have on other aspects of the industry, such as different business models and independent artists.

What is Blockchain and how does it work?

Blockchain emerged in 2016 within the technology industry as a new way to share and process data, specifically transaction data (Mearian, 2019). The system is based on peer to peer network (P2P) technology, this essentially means that two or more PCs are connected and share the same resources (Cope, 2002). Blockchain uses a distributed ledger system that can be openly shared among different users to create an unalterable record of transactions, each time-stamped and linked to the previous transaction (Mearian, 2019). Every new transaction builds another block in the chain, hence the name Blockchain.

The technology is also extremely hard to hack as every user within the system has equal control and access to the same data, this makes the data stored within the system unchangeable without overpowering 50% of the computers within the shared network. The system is also decentralized which means that one person does not control or own the network (The BPI, 2016). Since its origins, blockchain technology

has been developed by several industries such as cryptocurrencies (eg. Bitcoin) and most recently NFTs (Non-Fungible Tokens) within the art and music industries.

Blockchain and Copyright

Blockchain technology has been adapted for use in several different industries, most recently the music industry has expressed interest in the technology. A number of different companies have tried to develop different systems and file formats, in order to use blockchain technology as a way to control copyright infringement and protection of intellectual property as well as other issues the industry now faces, due to the increasing use of digital formats.

One of these companies created the format dotBlockchain or dotBC. It was co-created by the co-founder of Pledge Music, Benji Rogers as a way to revolutionize the music rights clearance industry. Rogers assured that it had the ability to solve data, rights, and payment issues within the industry (Jones, 2017). DotBC would work by providing a new file format and database for music to be distributed in, dotBlockchain would not just hold the audio file of the music but also data about the track. This data would include information such as complete ownership information, mechanical rights, usage rights, publishing information, contact and payment information (The BPI, 2016). Ever since the rise of digital in the early 2000s we have seen an increase in copyright infringement and illegal file sharing. As an industry, music has strict laws over ownership and usage of content, however it has one of the easiest file formats to share and misuse. This makes it even harder to regulate and enforce legislation as anyone with a computer can partake in illegal file sharing and copyright infringement. Not only this but formats such as MP3 can easily be

tampered with for instance a person could tamper with the ownership information attached to the MP3. This means that a person's music can essentially be copied and redistributed under different ownership on open platforms such as YouTube. With blockchain technology the industry has the ability to create a fair-trade system and a format that is incredibly hard to tamper with. Not only this but rights holders would be able to use the feature of smart contracts within the blockchain technology to set rules on how and where their content can be used. If these rules included within the smart contracts are not accepted by the user, the play request would be rejected and the user would not be able to listen to the music or use the content (Mearian, 2019). This could help stop copyrighted music being distributed or copied without the rights holder's permission as well as stopping the content being used in a way the rights holder has not agreed to, for instance third party uploads to YouTube.

Using blockchain technology would also allow the music industry to create the first decentralised global music database (The BPI, 2016). This would allow companies within the music industry to be able to access payment information such as where and who to pay royalties to more easily. This is an active issue within the industry especially in the licensing and rights side, as a piece of work is normally registered with a collection society in its country of origins. Most collection societies will have partnerships with international societies (Passman, 2021), to ensure that they can collect international royalties for their members. However, this process is known to be difficult and take a substantial amount of time, with artists experiencing considerable delays before they see any royalty payments (Stassen, 2021).

Blockchain would be able to create a global database where companies would have access to same amount of data and information, no matter whether the track was created in a different country. Due to the nature of the technology the database

would also be decentralised meaning, no company involved in the chain would own the system (The BPI, 2016). However, it may not be as perfect of a system as some professionals have made it out to be. Creating a database with the information of all pieces of music that currently exist within the industry would be an expensive and lengthy process. On top of this, older music such as tracks from the 50s, 60s and 70s may cause some problems, as it is not always clear or easy to find who owns what and who deserves what royalties. A global database would definitely improve certain areas of the industry, but there are some problems that would need to be addressed going forwards in order for the system to be successful.

Cryptocurrency and Music Royalties

Royalty payments would be easier to collect if the industry was able to use a decentralised blockchain system, but it could also help improve payments by the use of micro payments and cryptocurrencies. A cryptocurrency, is an electronic peer to peer currency that can be used in digital transactions, a well-known example of a cryptocurrency is Bitcoin. It was created as a development of blockchain technology to improve some of the issues faced when completing a transaction online (Williams, 2018). Some of the issues faced with digital transactions were the need to use a third-party organisation to process the payment, which normally meant an added transaction fee, similar to a royalties collection society for artists. Another issue faced with digital transactions is dealing with cross border payments, as mentioned earlier this is also an issue commonly faced within the music industry (Williams, 2018). Cryptocurrencies would remove both of these issues as it is a peer to peer system that requires no third party, nor is it effected by the rule of different countries.

The most recent cryptocurrency being used within music and art currently are NFTs. NFT stands for a “Non-Fungible Token” this means, NFTs cannot be changed into anything else, it basically acts as a “one of a kind trading card”, similar to game cards such as Pokémon (Clark, 2021). Between February 2021 and March 2021, NFTs have managed to top over \$25 million in profits. An example of NFTs being used currently within music is the band Kings of Leon selling their most recent album as an NFT (Stassen, 2021). The band made three different types of NFTs available each one with a unique range of content, ranging from digital art to live experiences along with a copy of the band’s album (Skinner, 2021). This release was greeted with a high level of success with the band generating \$2 million from selling unique digital collectables along via NFTs with their new album (Moore, 2021). Typically, Artists aren’t selling copyright using NFTs and are mainly sharing unique digital collectable or exclusive content with them. However, it has been argued that the digital content shared using NFTs isn’t as unique as some artists are making them out to be and the content can easily be compared with the use of an iPhone (Ingham, 2021). So, it comes down to consumers finding the actual NFT token rare and collectable rather than the content provided, its clear consumers are hoping NFTs raise in value in the future so bigger profits can be made similar to the business surrounding the cryptocurrency bitcoin, as cryptocurrency exists on a market similar to standard currency so could increase in value at any time (Clark, 2021).

NFTs were introduced to the music industry as a way for artists in the business to increase their profits selling these one of a kind digital token and we have witnessed consumers pay large sums of money to get the chance to own one. However, it has be stated by many professionals that this may not be the saving grace the industry

needs, as evidence shows it is just allowing established artists generate further income and not helping smaller artists who are more in need of the income (Schwartz, 2021). One of the reasons for this is audience demographics, on average more popular artists obtain fans that have a larger amount of disposable cash compared to small independent artists (Schwartz, 2021). Therefore, making NFTs not as desirable for a smaller artists audience, as fans may not be willing to spend thousands to millions just to own a unique digital “trading card” (Clark, 2021). Not only this but it is unlikely for smaller artists to have connections to professionals within the blockchain and cryptocurrency industry, which could make it harder for them to access the market in general. The final issue with using NFTs and cryptocurrencies is that they already have a consumer demographic and independent industry. Cryptocurrency consumers evaluate the market and choose which currency to invest in, this means that the music industries use of NFTs is not just attracting fans of the specific artists, but consumers who see the NFT more as a valuable asset that could be sold on to make more profit (Schwartz, 2021). This would allow artists to generate more income but would not provide a successful method when it comes to widening a fan base or allowing products to be accessible to all demographics.

Blockchain and The Wider Effects on The Industry

Blockchain technology would be helpful when trying to resolve copyright issues that currently exist in the industry as well as helping generate more income for some artists. However, some professionals may not welcome the technology as it could have drastic effect on certain companies and their uses. The main issues are that if

we allow a blockchain global database or a blockchain format to become the main form of digital distribution within the industry some businesses may no longer be useful for artists. Musicoins is a streaming platform designed with blockchain technology, that allows artists to receive royalties the soon as a consumer presses play, using micropayments (Khoury, 2017). Similar to the dotblockchain system this would allow artists to access royalties quicker and prevent copyright infringement. This would affect businesses such as music publishers and labels as artists would ultimately be able to distribute their work digitally while protecting copyrights (Khoury, 2017). They would also be able to obtain royalties quicker due to micropayment as well as the process being able to be more efficient compared to traditional routes, due to the current industry relying on an exchange of play data before royalties are processed. This is often a timely process with musicians waiting excessive amount of time especially when it comes to international royalties. Music publishers and labels will also take a percentage of royalties, meaning that after waiting sometimes months or years to obtain royalties payments, artists will not receive the full amount due to businesses expecting a cut for retrieving them in the first place. The only way forward could be for businesses such as publishers and labels to take control of the blockchain technology and use it within their own business model this would allow artists to still see them as useful when it comes to registering work and collecting royalties (Khoury, 2017). It would also allow them to run a more efficient industry compared to the current system that music is working with.

Another issue the industry may face with using technology such as blockchain is that the current industry thrives on a lack of transparency. Berklee College of Music conducted a year long study that suggested that about 20% of royalty payments do not make it to their rightful owners in Europe and North America (Hogan, 2015). This

is because of the increasing number of 'middlemen' that are needed in order to process royalties most which require a substantial fee for completing the work (Revelator, 2015). However, most artists are not aware of who these middlemen are and what they do that requires them to receive such large amounts of money, especially when artists are struggling to generate income from digital distribution. Another example of lack of transparency is that labels often do not report large amounts of data, with most only providing a brief report every six months. One reason for this is so that artists are not totally aware of how the business is working and what income is generated. It was revealed in 2015 that Sony received \$42.5 million as an advance payment from Spotify but it was unclear whether the company had shared this payment with artists and songwriters (Singleton, 2015), many argued it wasn't as some eligible songwriters had reported a delay in royalty payments. This lack in transparency ultimately benefited the label financially but this did not benefit artists or songwriters as they were denied rightful payments. This is one reason why artists could be inclined to use blockchain as it would allow for full transparency and control that they currently don't have access to. But it would also cause labels to become less essential to their clients, which is becoming an increasingly bigger problem regardless of blockchain, due to the digital world. As artists have easy access to digital distribution and digital marketing causing labels to be only essential to provide clout and financial backing.

Conclusion

Overall blockchain technology would allow systems such as royalty collection and copyright protection to become more efficient for the industry. It would also allow artists to be able to protect and control their rights regarding their intellectual property, an issue that has been at the forefront of the industry since the rise of digital in the early 2000s. However, if the business side of the industry do not start investing and using the technology along side artists this could threaten some businesses and cause others to become obsolete. This would ultimately strengthen the independent artist side of the industry making it even easier for artists to access once hidden sides of the industry and achieve levels of success similar to signed artists. The other issue regarding blockchain is the use of cryptocurrencies such as NFTs as it may just allow richer artists to become richer as cryptocurrencies would attracted investors more then it would attracted average fans. Blockchain technology could definitely benefit the music industry especially in the world of copyright but for it to benefit the whole industry the technology would have to be developed further.

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