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QUESTION:

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

Behind the posh cars, fancy clothes, mansions and the limelight are musicians that have mostly been caught up in shady unfair 360 deals. Some of them are bound by these contracts and cannot even pull out. To make matters worse, these musicians are at the worse end of the deal as they are earning peanuts from performance to their music that is being streamed online. Mac Demarco in WikkiMilli (2021) expressed his frustrations over the 360 deals when he said that “Do not sign a 360 deal. I don’t care how much money they’re offering you,...And they own your image.” Fortunately, the internet has brought about changes in the music industry. It has enabled musicians to own their work and earn directly from their fanbase. This is through block chain.

One may wonder how the block chain came about. Iredale (2020) gave a detailed account as she linked it to Stuart Haber and W. Scott Stornetta in 1991.

“Their first work involved working on a cryptographically secured chain of blocks whereby no one could tamper with timestamps of documents. In 1992, they upgraded their system to incorporate Merkle trees that enhanced efficiency thereby enabling the collection of more documents on a single block. In 2008 [Satoshi Nakamoto](#) is accredited as the brains behind blockchain technology. Nakamoto conceptualized the first blockchain in 2008 from where the technology has evolved and found its way into many applications beyond cryptocurrencies. Satoshi Nakamoto released the first whitepaper about the technology in 2009. In the whitepaper, he provided details of how the technology was well equipped to enhance digital trust given the decentralization aspect that meant nobody would ever be in control of anything.”

IBM (n.d) defines the block chain as “a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network.” In attempting to break down this network from the definition itself, I discovered that whatever data that is distributed in the block chain is disseminated transparently through a ledger. The ledger is where the transactions are recorded, these transactions are to be recorded only once to avoid any duplications. The ledger is said to be immutable, meaning that it can never change over time. As the assets are transferred in ownership, from one owner to another there are constantly tracked. In terms of music, the assets that are referred to here include copyrights, intellectual property and branding that happen to be intangible. If such assets can be tracked and traded online, it makes it easier for the musicians to operate individually without the help from any record labels.

In the case where music is concerned, the intangible assets that are traded through the block chain are called NFTs. These are Non-Fungible Tokens. Ditto Music (2021) describes the NFT as “a digital file - whether that’s a song, piece of artwork, a trading card or anything else - can be kept on the blockchain as a one-of-a-kind collectable item. NFTs can’t be faked, copied or deleted.” In the simplest of terms for example, musicians now have an option of selling their future royalties to their fans in the form of tokens. When the music does well, the fans that would have bought the tokens will have a share in the revenue that will be earned by the musician. Some fans just want a piece of their favourite musician’s song for prestige reasons only. The block chain music based services include Musicoin, Audius, Mycelia, MediaChain and Copyright Coins

NFTs became more popular in the year 2021 during lockdown as most musicians could not perform live or tour around the world. The listeners were also spending more time at home which meant that they had more listening time. The ones that were seeking some form of

status and had the money to spend on NFTs popularised it. If we are to bring it closer to home, during the 90s teenagers just enjoyed collecting magazine posters of their favourite celebrities. This is likened to this process apart from the fact that during the 90s it was the physical collection of posters, with NFTs everything happens digitally. The available auction platforms for selling the NFTs include, Rarible, Open sea, Foundation, Nifty gateway, Media Chain, Axie marketplace and NFT ShowRoom. NFT payment platforms are also available and they include Meta Mask, Torus, Wallet Connect, MyEther Wallet, Portis, Coinbase and Formatic. May (2022) clearly explains the process of obtaining the NFTs and selling them. He spelled out the fact that,

“All of the NFT auction platforms mentioned above will want paying upfront to 'mint' an NFT, which is the process that turns your artwork into a non-fungible token that you can sell. In most cases, payment must be made in cryptocurrency, which means that before you have a chance of earning any cryptocurrency by selling an NFT of your work, you'll need to buy some in order to cover the fees.”

The authors do give justice to the explanations about the NFTs, but I still felt the need of exploring the platform as a buyer for better understanding. The platform that drew my attention was Open Sea. I discovered that assets being sold through NFTs include art, collectibles, music, collectibles, photography, sports cards, trading cards. The main cryptocurrency that is used on this platform is Ethereum and it can be bought at any currency exchange platform like CoinBase. The Ethereum is then used to pay for any transactions on the Open Sea platform. The Ethereum is then transferred to a crypto wallet on OpenSea. Based on what one is looking for, in this instance music one can type the keywords of the artist. After finding the desired musician, it is advised for the buyer to review the purchases details then buy or bid. Payment details are required after submitting the request. The transaction is verified by entering a personal private key which is the last step. OpenSea then reveals your purchased NFTs on the dashboard. The process seemed to be user friendly as well. The earnings are directed straight to the owner of the music, cutting out the middleman like the record label, manager (depending on the contract) or the publisher.

One of the testimonies of musicians that have sold their music through the block chain include that which was highlighted by Gardner (2022),

“I had one person buy my song for the amount it would have taken a million streams to get,” says Iman Europe, a singer-songwriter who has made 22.2 Ether (now worth almost \$60,000), selling five singles and a music video as NFTs since November. That compares with the roughly \$300 a month she was earning from streaming, despite having garnered some 4 million listens across platforms. Nearly 40% of her NFT revenue was made on secondary sales, where she received a 10% cut of each resale.”

To some it may appear as some form of luck but if it was in comparison with the revenues that musicians make from platforms like Spotify and Amazon music, NFTs are worth a try.

3 LAU's earnings through his music were jaw dropping. According to Roars (2021), He “auctioned his album ‘Ultraviolet’ as an NFT drop in March and it collected a huge \$11.6 million.” Tell me of a musician who would not want to see those numbers of zeros in their account. The interesting part being that they will get all of it without having to pay the manager, publisher, record label.

Interestingly, musicians can also sell their concert tickets through NFTs. That way they avoid the chances of being scammed. There were and still are so many cases of people who buy concert tickets in large quantities and then re-sell them at ridiculous high prices. NFTs make it possible for the buyer to verify the authenticity of the ticket as the system is transparent. Even if the ticket is to be resold, the earnings are directed straight to the musician. Since NFTs seem to be turned into anything just for the musicians to have close contact with their fans, musicians can host competition for example the highest bidder (fan) being the one to spend the whole day with their favourite musician. Another one could be of a musician selling their autograph through the block chain. The ideas are endless with the NFTs the most important part being that the musician gets to earn what they deserve without any form of exploitation from anyone.

In total agreement with Roars (2021) the value of music is measured through NFTs. Having to own something that is attached to your favourite musician at a price be it the song itself is somehow fulfilling. If a musician can raise over a million pounds through NFTs it motivates the musician to keep going knowing that they are appreciated. The music industry as a whole gains a good reputation. Looking at the state of the music industry, most of the record sales were dropping let alone the music streaming platforms that are hardly sustaining the musicians and the Covid -19 pandemic that affected the musicians adversely. NFTs could just revolutionise the whole industry.

It might be a concern for some musicians that their music in the block chain might be streamed for free. More value is placed on ownership rather than streaming. The chances being that if a fan wants to buy the NFT the value could be more than that of streaming in platforms like Spotify, Deezer to mention a few.

It is noteworthy to mention that when fans purchase the music NFTs, it does not mean that they also buy the copyrights of the musician. Fuchs (2022) commented that “While NFTs are relatively new and may be an unfamiliar type of art, copyright law will treat NFTs the same as any other traditional artwork. If an artist creates a new piece of artwork, they will automatically acquire a copyright of that new artwork.” In other words, the rightful owner of the copyright is the creator regardless of the NFTs that would have been bought by the fans. The musician still has the right over his work’s distribution and any changes that may take place.

Copyright may somehow fit into NFTs in a case better explained by Fuchs (2020).

“A non-copyright owner may own a validly acquired re-print of a copyrighted work or may just want to create an NFT based on a piece of artwork that they admire. Creating a piece of artwork based on a copyrighted work may only be non-infringing if it is subject to the fair use exception to copyright law or if the non-copyright owner has received a license from the copyright owner. Thus, the NFT may be infringing on the original work unless it has been changed such that it has a “new expression, meaning, or message” that would subject it to the fair use doctrine,”

Fuchs’ explanation triggered my thoughts if anyone could make sell public domain songs through the block chain. Thus public domain song will need to have some music elements that will differentiate it from the original song. It is therefore advisable for the musician that

wants to sell a public domain song as an NFT to seek permission from the original creator or acknowledge or credit the original creator in the description area of the NFT. This is because, when a musician is minting (digitalising the version of a song in the block chain or turning it into a token) the NFT it is a requirement for them to list themselves as the creator of the NFT.

During the minting process of the music NFTs, smart contracts are created at the same time. Dullabh (2022) defines a smart contract as “a self-executing programme or protocol in which the contents of an agreement are inscribed directly into lines of computer code to facilitate the performance of agreement.” In the smart contract one may find information regarding to in this instance, the musician (if they composed the song), the sale agreement, anyone that is involved in the royalty share each time it will be sold. Normally the smart contracts are not in the block chain but rather there are saved as link that can only be visible to the owner of the NFT. At the moment it seems like almost every angle is covered and organised meaning that this was a well thought project, with time it will definitely improve.

The question remains, are NFTs the answer for the music industry as a whole? I am prone to think about the Independent musicians. Yes, their music is good and appealing, but does that mean that if they mint it in the block chain it will be recognised and suddenly create a demand? My answer will be no because the independent musicians still need promote their music with or without the NFTs.

Most musicians are not fans of streaming platforms such as Spotify, Amazon, iTunes to name a few. This is due to the fact that the revenue earned through these streaming platforms cannot sustain a musician especially if they are not famous. What is favourable about these platforms is the fact that musicians can upload their music on all the streaming platforms at the same time unlike on the case of NFTs. Once the musician decides to sell their song or album through the block chain, it is a requirement for the to choose one NFT platform they would want to mint in. If they choose to move to another platform, they will be required to delete the NFT and move on to the next NFT platform.

Having gone through the process of buying an NFT I came to the realisation that it is such a long process for the buyer. For instance, if a musician's target market age group is around 45-65+ (Gaithers Music), most buyers are illiterate when it comes to block chain and some may lose interest in buying because of the process that is involved when purchasing the NFTs. The idea of them having to buy cryptocurrencies first and the whole process ahead can be too much for some buyers.

Unfortunately, there are some reported cases of people who were hacking the NFT systems. Some stole the cryptocurrencies from people. This makes it hard for some people to put their trust on the block chain because some of the were scammed and lost large sums of money when Christine converted from cryptocurrency. In short, NFT platforms cannot be trusted.

In closing I recommend that musicians, especially the Independent ones do whatever they can to get to the top and stay there. If they feel like trying NFTs they can go ahead who knows it might just be the door of success of their music career. They should also bear in mind of the short falls that come with the system.

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