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Introduction

Some of the biggest issues of the music industry in the past years revolve around copyrights management and royalties distribution. Since the digitisation of the business, many steps have been taken towards more straight-forward and seamless practices across the industry, but the implementation of new strategies is an historically long process. Major record labels have always controlled and dictated which future practices would work, and we are now in the midst of a digital, crypto revolution. The application of blockchain sales and deals to the wider public is slowly approaching the music industry as well with rights management, art sales, and ticketing as main areas of interest. This essay will focus on the history and evolution of intellectual property management, addressing modern and current issues for what concerns digital rights. The paper aims to analyse the changes in intellectual property tracking and to evaluate how these new forms of technology could facilitate - or hinder - a better tracking system of royalties across digital mediums. To do so, the essay will critically analyse blockchain practices and it will make predictions based on the literature currently available.

The main findings include that a centralised database might help solve the issue of slow royalty payments and rights ownership, but adopting this strategy could be harmful to customers if appropriate measures are not put in place.

Intellectual Property Considerations

Intellectual property is a term used to identify inventions of the mind, and it is usually used to refer to artistic products. The law establishes that the owner of intellectual property is the one who created it, or the one who bought it from the original creator or previous owner ([gov.uk](https://www.gov.uk), 2021). Intellectual property is instituted from the moment the concept is created, and it gives way to an important number of legal rights that allow the creator or owner to exploit the product and generate revenue for the use of it. Over the last twenty years, the tracking of intellectual property rights in the music industry has undergone significant changes in response to the digitisation of the business. These changes have not always been favourable for songwriters and musicians, leading to an unprecedented crisis especially for what concerns unsigned acts.

Goldman (2003) analysed the decline of recorded music revenues between 1999 and 2009, finding that half of music consumers did not think that music was worth paying for. When Apple iTunes was launched in 2005, people did not think that as low as 99p per

song would be worth spending for when music was widely available for free. Having witnessed a decline in revenues, the industry found ways to circumvent the piracy obstacle by licensing music videos on YouTube and radio stations such as Pandora (Goldman, 2003). However, it was the launch of Spotify in 2008 that shaped what is now the modern music environment, giving access to millions of licensed songs for free or for a substantially cheap subscription. Nowadays, streaming revenues account to the 62.1% of global industry income (IFPI, 2021). It is now believed that the streaming revolution saved the music industry; however, streaming brought new challenges into the market. Sisario (2013) explains that, if songwriters would earn between 7 to 10 cents from a 99p iTunes download, Spotify would pay 0.5p per stream. The figure has considerably lowered over the years, with royalties now being calculated only after the first 30 seconds of the song are streamed, and with a value of 0.00318p (Pastukhov, 2019). According to Spotify (2021), royalties are not paid on a per-stream rate, and the payments vary based on differences in how the music is streamed or on agreements that songwriters have with their labels or distributors. The amount of money flowing in artists' bank accounts, however, is determined by the share of streams they own on the platform (Spotify, 2021). This mechanism allows a small pool of (usually signed) musicians to benefit from subscription and ad revenue, while the rest of the artists do not see any money. If streaming platforms as we know them exist, it is because of the consent of major labels that helped them grow after such deals were put in place. Labels were forced to change by the societal needs for less expensive and more available music, but in doing so they safeguarded their own interests more than the artists'.

Royalties are collected by collection societies across the world, and they are then distributed to the rightsholders. However, royalty payments are notoriously slow, with record labels usually distributing royalties only twice a year (Butler, 2020). Other artists reported a lack of transparency in royalty statements, that at times were not distributed entirely (Bradley, 2018), leaving them with little to no money left.

Many people have been trying to tackle the issue of tracking and distributing royalties, but no solution to this day seems to be effective. In recent years, industry disruptors have been supporting an increasingly popular type of technology: blockchain.

Blockchain and Copyright

Blockchain is a publicly accessible, decentralised database of information that can be shared among users to track shared records of events (Guo *et al.*, 2020, pp. 119-120).

Historically, the blockchain has always been used to buy and sell cryptocurrencies, but in recent years a large number of organisations have started implementing it in their daily business in different ways (Deloitte, 2020). In particular, the music industry has been trying to use the blockchain as a means to track creators in the metadata of songs, thus allowing for a more direct approach that could eliminate the 'black box income' issue. In this way, collection societies would join a single database of rights-owners, eliminating the need for middle men.

The first attempt at decentralising the tracking of rights dates back to 2000, when a group of collection societies (comprising of ASCAP and PRS for Music) formed the International Music Joint Venture. The project was quickly abandoned, and in 2008 the Global Database Repertoire Working Group (hereinafter referred to as 'GRD') was started by then-EU Commissioner Neelie Kroes to create one single authority for music royalties around the world (Milosic, 2015). The GRD was backed by Universal Music Group and EMI Music Publishing, along other big names in the tech industry (such as Apple and Amazon) and collection societies from all over the world. The benefits of having a single, global database for royalties collection and distribution lies in the transparent and easy process of accessing rights-related income in all territories, benefitting musicians, labels and publishers. More over, the database allows for easier licensing processes, as all rights-holders would be listed on the database. However, if this apparently more efficient system was to be created, it would also detract revenues from collection societies, that would become obsolete in this controlled environment. For this reason, in 2014 collection societies began pulling out from the project, and a subsequent lack of funding marked the end of GRD, that left behind a \$13.7 million debt (Milosic, 2015). According to Cooke (2014), in order for the database to work, all collection societies in the world would have needed to come together under one single alliance, but this was not happening in 2014 when smaller, competing alliances were being formed among societies. At the time, what was more likely to happen was to have various database around the globe to merge, rather than a single one that would potentially fail, unless proved otherwise (Cooke, 2015).

Nowadays, the music industry is still trying to find ways to improve rights management, and the blockchain still looks like the most viable option. However, the blockchain technology comes with substantial limitations. The first is the environmental impact of the blockchain, that uses expensive hardware, computer energy and e-waste to operate (Giungato, Rana, Tarabella and Tricase, 2017, pp. 3-5). All these elements need energy to

work, and they consequently produce a huge amount of greenhouse gases. The second issue is the notorious slowness of the blockchain which, operating as a peer-to-peer service, cannot always rely on its users being online (Gomi, 2021). The most popular blockchain networks Bitcoin and Ethereum, for instance, can only process from three to twenty transactions per second (De Meijer, 2020). This issue means that rights holders would not be able to access their royalty wallets seamlessly as advertised, and also that there would be delays when consulting the database if only one server is not connected. More over, wallets only support cryptocurrencies, that need to be converted to 'real' money in order to be used. Cryptocurrencies are not regulated in the market, and although predictions show that they could be implemented in our daily lives as real currency, they are still not recognised by governments worldwide (Haar, 2021). This means that royalty paid under crypto money could be hard to be accessed, and the fleeting values could also cause more issues.

On the other hand, while the blockchain is still materially and technologically limited, it is allowing artists to track their art down and make money. It is the case of Kings of Leon, who in March 2021 generated \$2 million from the sale of their new album as a collection of 'Non Fungible Tokens' (also referred to as 'NFTs') (Moore, 2021). By releasing the album as NFT, not only the band was able to make a significant amount of money (money that, if generated through streaming, would have taken the unreasonable amount of more than 68 million streams), but they were also capable of tracking down the royalties stream. In fact, as mentioned above, the blockchain allows users to track the history of the songs. If this was to be applied to a decentralised collection society, the issue of black box income and missed payments could be easily tackled. Now, the problem of slowness of transactions and ownership still persists; however, the industry is still trying to shift towards a purely digital environment. In 2017, Spotify implemented a 'blockchain team' through a partnership with Mediachain Labs (Cooke, 2017). Although the introduction of a more secure and straightforward royalty-reward mechanism is still in the works, Spotify CEO Daniel Ek also got the company involved in Facebook's cryptocurrency initiative 'Diem', which is said to eventually allow payments on the platform itself to support artists (Dredge, 2020).

The main issue of adopting a blockchain-based system is the uncertainty behind rights ownership, as most creators are unknown to collection societies. However, many firms such as eMusic are working on smart contracts, digital files encapsulated in the blockchain that will allow anyone to access records and track their royalty history (Cooke, 2018). This

system will remove any middle man between collection societies and artists or publishers, thus allowing for a more secure and direct business practice. Nonetheless, it is major record labels that control and dictate any change in the industry. In 2018, Warner Music and Dotblockchain, a rights management blockchain service, announced an alliance meant to tackle the music rights data issue (Cooke, 2018). The implementation of smart contracts and creative 'passports' by all parties of the industry could indeed put an end to the infamous reputation of royalties distribution. Moreover, having access to a one-stop database of creators and owners would also facilitate licensing and synch, meaning more artists could be rewarded for the use of their songs (Cooke, 2017). However, having one single company deal with a global database also has downsides that need to be carefully considered before adopting this strategy. Monopolies tend to control the market by having standard, higher prices (Pettinger, 2020). If the competition was bigger, customers would have more choice, and businesses would try and incentivise people to use their services: we are currently experiencing this situation with digital distributors such. Independent musicians have access to a consistent number of competitors that offer different services at different prices, meaning that their buyer power is strong. If we were to have only one distributor the price to enter the industry would be too high for up-and-coming artists. In the same way, if we had only one digital collection society for the whole world, regulations would be harder to put in place and customers would need to bend to the rules of a market that has high chances of being rigged. However, the high profits could also be used in research and development providing better services on a larger scale (Pettinger, 2020). At the same time, the lack of competition may bring to fewer incentives to be efficient, as the profit is guaranteed to arrive in the business. Examples of these type of issues related to monopolies can be found in many small-scale copyright collection societies such as the Italian SIAE. In 2018 SIAE has been ordered to deal with such concerns by the Italian Competition Authority, as the company was found to be using tactics to "impair the right of songwriters to choose alternative societies to represent their rights" (Cooke, 2018).

Artists tend to not trust royalties income, and some are starting to rely on much faster revenue streams such as in-app micro payments: it is the case of Instagram and TikTok, where supporters can make transactions that go directly to creators' digital wallets. If artists are already starting to shift to a digital workspace, it seems to only be a matter of time until the blockchain becomes standard practice. However, environmental and technical issues still need to be overcome before the public can start perceiving it as a reliable tool.

Conclusion

Since the beginning of 2000s many digital ventures were started to try and tackle the issue of tracking ownership and distributing royalties faster and smarter. Of all the societies that were born, none remained - either for the existing collection societies' fear of going out of business, or for a lack of resources. The blockchain needs a significant amount of energy and servers to operate, and there are no guarantees that this system would benefit both sides of the industry. More over, a large number of songs has uncertain authors, making it more difficult to establish ownership in the database.

Although the odds seem to be against such changes, many businesses are focussing on digital rights management, and musicians as well are using the blockchain to their advantage. NFTs and digital sales on the blockchain have provided small to large scale musicians extra revenue, especially during the 2020-2021 pandemic when all touring income was stopped. By selling music on the blockchain, more over, songwriters are allowed to track their songs' rights. If this was implemented to royalties, anyone could access the database and track any song's use, allowing for fairer practices and instant digital-wallet collection of any income generated. It was found that although blockchain could put an end to the current, unclear situation, it also has downsides that need to be tackled before implementing it on a worldwide scale like it happened in 2000 with GRD. Historically, it has always been major record labels to decide when and how the industry would change. As of now, it seems that societal changes are leading the revolution, with many artists now waiting for the blockchain to become a tangible reality.

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