



Artist to  
Business to Business  
to Consumer  
Audio Branding System

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## D7.5 Agreement on a New Single License Model for In-Store Audio Systems for European Collecting Societies

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**ABC\_DJ - Artist-to-Business-to-Business-to-Consumer Audio Branding System**

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## History

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Vo.1	Muñoz, Reguera	2018-12-28	First Draft
Vo.2	Muñoz, Reguera	2018-12-29	First Draft revised by HDIS
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## Glossary

<b>Acronym/Abbreviation</b>	<b>Full Name/Description</b>
ABC_DJ	Artist-to-Business-to-Business-to-Consumer audio branding system
BMP	Background Music Provider
CMO	Collecting Management Organization
DSP	Digital Service Provider
EU	European Union
IME	Independent Manager Entity
MLM	Music Library Manager

## Executive Summary

The goal of this document is to propose a novel, convenient and adequate in-store license model for both users and CMOs.

To this end we have carried out a case study integrating three different users, from a CMO perspective: A Music Provider, and two end users (a 100 sq m clothing store and bar). The goal is to demonstrate, in a practical way, the procedures these users would need to follow, in order to use music in their businesses in several EU territories. This is accomplished by linking the users' particular characteristics, to the formalisation of both licenses and payment of the corresponding tariffs, for each competent CMO, in each country.

This case study will shed light on the degree of opacity, difficulty and lack of harmonisation when it comes to music licensing procedures, still displayed by traditional CMOs within the EU.

Henceforward, we will present new licensing and managing models that have been arising in recent years, which advocate for the removal of hurdles and barriers towards one-stop-shop services.

Finally, we will illustrate our proposal for a new licensing model in a didactic and straightforward way. This licensing model is not intended as a finalized formal agreement, since that task must be carried forward and approved by the different European CMOs. Instead, it intends to provide a compact set of principles and guidelines arising out of our three years long research, seeking to provide realistic, practical and viable advice in the short term.

Finally, we will suggest a plausible scaling-up of the repertoire for ABC\_DJ's Music Library Manager, as a result of the conversations held between Lovemonk and independent record labels.

# 1. Introduction

With our previous research in D7.1 and D7.2 we tried to compare the different CMOs' internal processes – their territorial scope, bases for the calculation of the rates, the frequency of revenue collection from users and pay-outs to rights holders, how they calculate the real use of the repertoire they represent and the administration costs, among others.

The main conclusions we reached after analysing the survey results are that, while there is a common, harmonised legislative framework, there are still important differences between the different European CMOs when it comes to management processes. And, above all, it is necessary that as soon as the CMOs begin to work with higher levels of transparency as well as coordinate and cooperate together to make the processes easier and more understandable for users, there will be lower management costs and deals will be more effective and efficient for rights holders.

Therefore, now that we have an understanding of the legal environment and the management process from the CMOs' perspective, it is time to focus on the users and see what situation they face when they want to play music in their businesses

What we intend to do in this Deliverable 7.5, is to put ourselves in the position of a user (i.e. both the Music Providers and their customers) and see what steps or processes must be carried out in order to use environmental music and comply with the regulations regarding intellectual property rights.

## 2. Case Study Research

### 2.1 Objectives

We wanted to keep the focus of this analysis as close to the "average consumer" (in this case, the licensee of the CMOs), as possible, and see what they would have to deal with when formalising the necessary authorisations. We have done this mainly by accessing the CMOs' websites, where the information should be clear and accessible to anyone and, if possible, available in English.

Allow us to give you a quick recap of what a background music system is, and how it works. Normally, background music services include several audio channels and are transmitted via Internet through a player installed by the provider, or a piece of software on a client's computer compatible with the system. The broadcast is usually continuous, without interruptions.

From the point of view of the CMOs, we find two types of users in an in-store music system: the Music Provider, which could be defined as an operator that broadcasts phonograms as part of a background music service; and the customers of the Music Provider, which can be any type of public establishment that uses music to set the mood for their premises.

#### MUSIC PROVIDERS

There are two basic service modalities in Music Provider activities. We are going to define them, since there are differences in terms of the intellectual property rights involved – nuances depending on the country the Music Provider is located in will be shown below.

The two types of services would be:

- Services including downloads: transmission of phonograms from the Music Provider to their clients (public establishments) by means of sending and downloading of the files, through digital networks, such as Internet. Thus, the files are fixed on a hard drive at the client's facilities, either on a computer owned by the client itself or on a device owned by the company providing the services.
- Streaming services (without downloading): transmission of phonograms by streaming, without the possibility of reproduction after the transmission finalises.

To carry out these services, the Music Provider must sign a Music Service Providers license with the corresponding CMOs. Through this authorisation and payment of the corresponding fee to the CMO for the use of background music in public spaces, permission is granted to:

- Play the works of the corresponding CMOs' repertoire as a digital or analog file, which may or may not be connected to a network like Internet, a mobile network, or any other wired or wireless network, for the service offered by the user and thus,
- The provider can provide music to the users of the musical service to use as



background music for their public places, workplaces, web pages, etc., by:

- o making the music, or the transmission thereof, exclusively available online, through digital networks, by wire, cable, fibre optics or other analog procedures; or
- o wireless audio broadcast only; or by distributing copies of the recordings of the musical programs.

At this point, we find differences in terms of the rights involved in the activity carried out by the Music Provider. E.g., in Spain it is understood that in the transmission made by the Music Provider to their customers, an act of reproduction and public performance takes place.

On the other hand, in countries such as the France, Germany or Italy, tariffs only include the reproduction rights and not public performance rights, since they consider a transmission to be public performance only when the music is heard in the establishment.

### PUBLIC ESTABLISHMENTS

For the CMOs, there are many different types of public establishments making use of their repertoire.

When establishing the tariffs, the establishments are divided in three types on behalf of the CMOs:

- necessary use, which takes place in pubs, certain kinds of bars, and clubs, since music is an essential part of this type of business and the activity could not be carried out without it
- secondary use, which takes place in restaurants, certain kinds of bars, hairdressers, waiting rooms, etc. – in this type of businesses, the music has a purely environmental use;
- essential use, which takes place in banquets, wedding dances, etc.

There are establishments, such as a gym, in which the music use can be one type or another, depending on which room we are in.

For example, in changing rooms, receptions, in the workout room, music use is secondary, since it is merely environmental. The activity of the gym in these rooms could be carried out normally even if there were no music, but it adds an extra to the activity, which makes it more comfortable and pleasant for both clientele and employees.

In aerobic and/or dance rooms, on the other hand music use is necessary – without music it would be difficult to do the class, and it would lose a great part, if not all, of its essence.

Therefore, it may be the case that the same client has to pay several different rates, depending on the use of the music in each part of their establishment.

Of these three types of use, we chose to focus on establishments that make secondary use of music, which is the most common type in in-store music systems.

In establishments that make a necessary or an essential use, the services of a Music

Provider usually do not apply.

In these cases, it will sometimes be the owners, workers or even the customers of the establishments who are responsible for choosing the music. For example, in the case of a gym's dance or aerobics classes: the monitor of these classes chooses the music that best suits the class each day. Another example is a wedding: many times it will be the bride and groom themselves who decide what music they want to have at their event. And yet another example could be a nightclub, where the DJs choose the music.

Taking all of the above into account, in order to carry out our analysis, we opted, within public establishments with secondary use of music, to take the viewpoints of a clothing store and a bar, both with average dimensions of 100 m<sup>2</sup>.

For this analysis, we have investigated the tariffs and licensing processes in EU markets where there is a greater homogeneity of criteria and with the same categories and user characteristics: Germany, United Kingdom, France, Italy, Spain and Portugal.

We will see below, country by country, what the licensing processes and the tariff costs are that these three types of users (Music Provider, bar and store) have to deal with.

### 2.1.1 Germany

The entities in charge of musical rights management are GEMA (musical works) and GVL (sound recordings).

A Music Provider that wants to carry out its activity in Germany must contact both entities and carry out the licensing process with each of them, with the costs indicated below. These procedures can be done online.

At GEMA, the corresponding rate is as follows:

“Online use: linear streaming on a small scale.”

Linear streaming: the start of the stream is identical for all users of the service, all listen to the same content at the same time. Small size: max 200,000 requests per year (each uninterrupted access is considered as a single request, as long as the total duration of the access does not exceed 12 hours).

Remuneration arises from the duplication of musical works in databases, documentation servers or in memories of a similar kind (e.g. server rights).

In the case of establishments, it is not necessary to obtain an authorisation from each of them separately, since they have an agreement between them through which GEMA collects and carries out all authorisation procedures and will subsequently pay the corresponding part to GVL.

Normally, the amount of revenues collected by GEMA that corresponds to GVL varies between 20% and 26%. In the case of the establishment being a bar or a store, the percentage is set at 26%, on the rates indicated below.

As for the rates, the user is given the choice between a monthly, quarterly or annual agreement. The costs vary somewhat, depending on the chosen timeframe – in fact, the shorter the period, the higher the rate, probably because the administration costs are higher.

Like in some other countries, such as Italy, GEMA makes a distinction in the way of playing background music: music playback using original sound carriers, via radio broadcast, or on an in-store music system.

The tariff that corresponds to this use is the Tariff R that can be found on the GEMA website, albeit only in German at the moment.

All following amounts are net amounts, a tax rate of 7% is not yet included.

	GEMA	GVL
MUSIC PROVIDER	2,160€ NET/YEAR	N/A
FASHION SHOP	10,70€ PER MONTH 29,46€ QUARTERLY 107,10€ PER YEAR	
BAR	24,28€ PER MONTH 66,77€ QUARTERLY 242,80€ PER YEAR	

### 2.1.2 Spain

In Spain, AGEDI-AIE have created the OCR (Joint Collection Body), through which users can obtain the authorisation for the use of their repertoires using one license. At the time of collection, SGAE will collect on behalf of the three entities and then transfer the corresponding amount to AGEDI-AIE for the distribution to their members.

The two entities use quite similar processes for both the Music Provider and public establishments.

We must emphasise that, unlike in other countries (the majority), in Spain, public establishments are invoiced for public performance, and the Music Provider for reproduction and public performance, as the transmission from the Music Provider to his clients constitute an act of public performance.

In our opinion, both SGAE and AGEDI-AIE provide sufficient and detailed information on their respective websites about their rates, discounts, etc. Regarding AGEDI-AIE, the calculation of their rates is more complex and complicated to understand for the user.

There are two types of rates: the General Effective Use Rate (TUE), which takes into account the actual intensity of use of the phonograms revealed by each user and the General Use per Average Availability Rate (TDP), which is based on in the average intensity of the set of users. They differ from each other in the way of calculating the tax rate. We will opt for this assumption by the TDP.

At both institutions, online licenses can be managed for all users.

	SGAE	AGEDI/AIE
MUSIC PROVIDER	5% OF GROSS INCOME	*1
FASHION SHOP	15,52€ PER MONTH	*2
BAR	24,07€ PER MONTH	*3

\*1 (Gross income – deductions) x 18% - discounts + 15,77€/per year and per every 10 customers (price of the service rendered)

\*2, \*3  $[2,66\% \times 3,39\% (\text{Use}) \times 100 (\text{m}^2) \times 458,33 - (1,1671 * 100(\text{m}^2)) + 2,34\text{€}]$

### 2.1.3 France

In France we find three CMOs: SACEM, which manages publishing rights; SPPF (CMO with a mandate on major label catalogs), which handles neighbouring rights; and SPPF (CMO with a mandate on indie recording catalogs).

First, we will focus on SACEM. The exploitation of music in the background music field is licensed through the B2B model in which, as in other countries and CMOs, it is understood that:

- The Music Provider is responsible for paying the mechanical rights to the publishers (International repertoire) & National collecting societies (local repertoires) & the neighbouring rights to the recording companies or CMOs managing these rights. (Pan Euro territory scope)
- End users (Bars, Restaurants, Shops) are responsible for paying performing rights directly to each national collecting societies depending on the location.

SACEM provides a licensing agreement covering mechanical rights on a pan European territory scope. They can also provide an UMPI (Universal Music Publishing Internal – so UK & US creators of Universal Music Publishing).

As we can see, in France there is the advantage that the Music Provider can obtain a pan-European license, which is a huge advantage for the MP. However, SACEM does not have agreements with each country's CMOs in charge of neighbouring rights management, so the MP must go to SPPF, SPPF or both.

Below the current terms applicable to cover the mechanical rights for B2B webcasting services as of today. Generally music providers are bundling their offer under the form of

a monthly recurring subscription to be paid by the End Users (Bars, Restaurants, Shops).

This is a model between:

- A revenue share rate (9 / 11 / 13%) applicable on the subscription revenues paid by the end user to the music providers.
- and a monthly minimum per sound source/location (€2.88 / 3.52 / 4.16).

The SCPP collects the remuneration associated with the reproduction, public transmission and/or provision of sound recordings relating to its Corporate Register, directly from:

- Publishers for audiovisual communication (TV) services
  - Publishers of online services
- Operators of sound systems for public places
  - Publishers of interactive voice services
- Publishers of interactive listening terminals
  - Providers and users of call waiting telephone systems
- Theatres and producers of shows
  - Publishers of Internet radio stations and podcasting services

The remuneration collected from broadcasters depends on:

- The number of reproductions for Providers of On-Hold Music.
  - Number of clicks for online servers.
  - Number of hours of reproductions for sound system operators (physical media)
- Turnover (with a minimum guaranteed amount per site) for sound system operators of satellite/ADSL broadband/automated broadcasting systems
- Number of references produced for hypermarket terminals.
- Turnover for surcharged Audiotel
  - Turnover for webcasting and podcasting
- Turnover and usage rate of sound recordings for publishers of audiovisual communication (TV) services
- Turnover and playback duration of sound recordings for producers of shows
  - Number of incoming and mixed lines for call waiting recordings (collection carried out by the SCPA)

Allows the MP to pay for public communication on behalf of its clients.

The Music Provider must also go to SPPF to obtain the corresponding license for the reproduction of its repertoire. We have not been able to obtain more information from the SPPF website, since it is not available, and the information that is, can only be found in French. For more information, SPPF advises to contact them via email. We have never received any reply from them, not for this Deliverable, nor for the previous ones.

The rates for public establishments can be consulted on the SACEM website, classified by type of business. The user will choose the type of business and the website will guide them through the different licenses and applicable rates. In most cases, the license can be downloaded directly from the website, but in order to do that, a profile on the SACEM website is mandatory.

SPRE collects, by grouping together all the management entities of artists and musical producers, by means of a legal mandate, the equitable remuneration for the diffusion made by public music establishments, whether essential or secondary for their business.

Their website is available only in French.

SACEM is mandated to collect on behalf of SPRE and then report its share of the amount collected. In turn, SPRE distributes the proceeds according to a 50-50 split between phonogram producers and artists.

The rates are established according to the capacity of the establishment and the number of inhabitants of the population in which they are located, in the case of a bar or restaurant.

Thus, for the assumption that concerns us, a bar located in Paris, would have to pay an amount of €800 per year approximately to SPRE, and €1760 to SACEM.

For stores, they take into account the number of employees. For example, a store with about 6 employees would have to pay €195 a year to SPRE, and €491 to SACEM, according to their general rates.

SACEM offers reduced rates for users who send them a report on their use of their repertoire.

	SACEM	SCPP	SPPF
MUSIC PROVIDER	9%/11% OR 13% OF APPLICABLE REVENUE PLUS A MONTHLY MINIMUM PER SOUND SOURCE/LOCATION (2.88€/3.52€ OR 4.16€)	15% OF NET INCOME	N/A
	SPRE		
FASHION SHOP	491€ PER YEAR	195€ PER YEAR	
BAR	1760€ PER YEAR	800€ PER YEAR	

### 2.1.4 Italy

SIAE has created the portal Musica D'Ambiente (“Background Music”), through which public establishments can formalise the authorisation and musical rights license for background music use in their premises. Thus, users can manage and pay their subscription

online without having to go to the SIAE territorial offices.

SIAE is also authorised by SCF to collect its rates, but only for public performance carried out by the different establishments.

However, Music Providers have to deal with both entities to formalise the authorisation.

All licenses are paid through the Musica d'Ambiente portal. SIAE also allows for licensing of related rights (of artists and producers).

SIAE take into account the type and number of music systems used by the establishment, as well as the establishment's size in m<sup>2</sup> in order to calculate the licensing rates.

- For a bar, SIAE makes a distinction between radio, audio or video devices, with rates varying up to more than €200 between radio and video devices. They also give the option of a flat audio rate for the use of several audio devices. In this case, the price would be €219, and €61,67 for related rights.
- For a store, they make a distinction between traditional radio, audio reproduction devices – which is what interests us and which we reflect here –, and TV and video reproduction devices, with traditional radio being the most affordable and video reproduction devices the most expensive, with rates varying up to more than €400 for a 100m<sup>2</sup> establishment.

Rates are paid annually or in shorter periods. For shorter periods, both for bars and stores, rates are established based on the annual rate:

- Semester: 60% of the annual fee
- Quarter: 40% of the annual fee
- Month: 20% of the annual fee

For the Music Providers, SIAE offers a specific license called SAS (In-store Audio Services). This license is available for B2B background music services in public spaces.

This license covers remote performance of musical works, regardless of the technology used: via cable, via the Internet and intranet, via satellite, etc.

The organisation points out that these services can carry out programs with musical content that can include advertisements, promotional messages, and information for the public, to be reproduced in stores, shopping centres, etc.

The website does not provide more information, and refers to an email address to obtain the license and more information.

Contact: [audioinstore.multimedia@siae.it](mailto:audioinstore.multimedia@siae.it)

The information provided by SCF is quite similar to that given by SIAE. They clearly state that the license for the Music Provider authorises them to perform the "archive copy", where they can choose from the entire SCF repertoire and make customised audio or video playlists for their clients.

Both entities clearly state that the license to the Music Provider does not include public

performance by public establishments.

To get the license and more information, like SIAE, they refer to an email address.

On their respective websites, both SIAE and SCF show a list of Music Providers they have signed an authorisation license with, but none indicate the rates.

	SIAE	SCF
MUSIC PROVIDER	179€ PER YEAR	48,53€
FASHION SHOP	111,9€ PER YEAR	47,31€
BAR	N/A	N/A

### 2.1.5 Portugal

The CMOs responsible for music rights management in Portugal are SPA (authors) and PASSMUSICA, which includes AUDIOGEST and GDA for artists and producers.

On the SPA website we can find sufficient information about their rates and licensing process.

According to SPA, there are three different ways of using the works with regards to Background Music services:

- Reproduction of the works on a server,
- Distribution of the works, via internet or other means, to the servers of public establishments;
- Public performance of the works in public establishments.

In this setup the Music Provider will be the one executing the reproduction and distribution of the works and is the entity in charge of requesting authorisation and paying the corresponding fees.

Public establishments, therefore, will take charge of public performance.

PassMúsica indicates what a Music Provider should do to obtain authorisation. They must submit a written document stating their intention to provide music to public establishments consisting of:

- The company's fiscal data
- Description of the technical processes involved in their activity. From obtaining the phonograms to their delivery to the different clients/establishments, indicating the formats



used, as well as the mechanisms to protect and limit access to the content, in order to prevent unlawful copying or unauthorised third-party use.

After analysing and approving this data, PassMúsica elaborates a draft authorisation contract that must be approved by the Music Provider.

Both public establishments and Music Providers need to deal with both entities to formalise the license and the payment of their rates.

	SPA	PASSMUSICA (AUDIOGEST-GDA)
MUSIC PROVIDER	5,5%*1	20% OF GROSS INCOME
FASHION SHOP	7€ PER MONTH 84€ PER YEAR	50€ PER MONTH*2
BAR	32€ PER MONTH 384€ PER YEAR	62,5% PER MONTH*2

\*1 For value charged for each distribution location of works. With a minimum of:

- €4 per room (1 to 50 places)
- €3 per room (51 to 200 places)
- €2 per location (201 places and up)

These steps will be applied regressively, according to the increase in the number of rooms.

\*2 rates are established according to the following criteria:

- m2 x €0.75 for establishments open to the public with sitting places.
- m2 x €0.5 for establishments open to the public without sitting places.
- if both options apply for one establishment, rates are set accordingly.

In the case of the establishment being a bar, we have calculated the rate on the assumption that half of the space is seated, and the other half is not. Hence the tariff of €62.5. On the other hand we regard a store as a space that is non-seated, and therefore the cost would be €50.

## 2.1.6 United Kingdom

PRS for Music and PPL, the two UK CMOs, have joined forces to create PPL PRS Ltd, a joint venture combining the two societies' public performance licensing activities. On February 26, 2018, PPL PRS Ltd launched TheMusic license, which offers a single license on behalf of PRS for Music and PPL, to play or perform music in public. Before this unification, each business had to obtain a separate license from each of the two entities.

During this first year PPL PRS Ltd will notify each user explaining the transition process.

They have a wide range of rates to cover the different uses of music, corresponding to each type of business. To understand how much TheMusic license will cost, you can visit the PPL PRS website to see all the different rates.

The Music license allows users to legally play music for employees or customers in their business through radio, TV, (other) digital devices, and live performances.

This way, the licensing process is much simpler and easier for users – having one single contact, one single invoice and one single license.

TheMusic license collects business fees in the UK on behalf of PPL and PRS for Music.

PPL then distributes the proceeds from the use of recorded music on behalf of music producers and artists, while PRS for Music will distribute the proceeds from the use of compositions and musical lyrics on behalf of songwriters, composers and publishers.

The cost of TheMusic license will depend on whether the use of the music will be for background purposes or entertainment.

According to PPL, *"Background music is the playing of recorded music to create an atmosphere or ambience that is not a special feature of, or essential to, the main event or is essential to the operation of a premises"*.

For the calculation of the rate, the following is taken into account:

- The areas where music is played.
- The square meterage of each area where music is audible.

## MUSIC PROVIDERS

Music Providers have to deal with both entities to obtain the corresponding license for the use of their repertoires.

On the PRS website we find the following information:

*"The license also covers:*

- *The creation of a digital database of audio-only, music video tracks or karaoke tracks to supply the service.*
- *Electronic means of music transmission to customers in the UK only.*
- *Satellite means of music transmission (only those from the UK) to customers in the EEA.*
- *The creation of copies at the client end on hard disk where tracks are delivered to a client site for local storage or streaming via electronic means or satellite in the UK only.*

*Potential customers must pass to credit check and take on reporting duties to qualify for M2B2B and pay royalties in areas.*

*1. Send reporting forms detailing revenue generated from operating the service (30 days*

after the end of each calendar quarter).

2. PRS send an invoice / within 7 days).

3. Customers pays invoices (within 15 days of issue date).”

On the PPL website there is no information regarding the rates for Music Providers. To request the license, they need to send an email. We have tried to obtain this information via the same email address, but unfortunately we have not yet received any answer.

The following prices are net amounts (excluding VAT).

	PPL	PRS
MUSIC PROVIDER	N/A	PHYSICAL DELIVERY: 6% OF APPLICABLE REVENUE MINIMUM PER SITE PER MONTH: 2€  ONLINE/SATELLITE DELIVERY: 7% OF APPLICABLE REVENUE MINIMUM PER SITE PER MONTH: 2.5€
FASHION SHOP	307 £ PER YEAR (PPEL-138,31€ / PRS-168,70€)	
BAR		

### 3. Differences and Similarities in Rates and Licensing

#### MUSIC PROVIDERS

We see that the general rule applied to the establishment of rates is a percentage based on the gross income, received by the Music Provider for the distribution of phonograms through digital networks.

But the levels of the rates vary: in some cases they are the result of negotiations with users, with associations of users, or sometimes US-rates are taken as a reference.

As for the amount of the rates, we see that it can vary, depending on the country and the corresponding entity, in between 5% and 20% on the Music Provider's gross income.

The Music Provider must attend, except in the case of SACEM, which provides pan-European licenses, to each of them to formalise the authorisation and the payment of their fees. That is to say, there is no coordination between the national entities themselves, neither for the licensing of this type of use nor for the collection of the corresponding fees.

#### BAR / STORE (appx. 100M2)

In the management of this type of users we find greater coordination and cooperation between the CMOs of each country, working together in the collection of user fees and thus making the task easier for them. And, although we do not have numbers, we understand that proceeding like this means saving an important amount of time and resources for the CMOs.

The next step is to eliminate borders, and that a user with establishments in several countries does not have to go one by one requesting licenses.

With respect to the amount of the rates, we see important differences that do not address each country's economic level, since of all the countries analysed, we see that Portugal is the most expensive, and Germany would be the most affordable.

It is obvious that there is a decompensation between the standard of living of each country and the tariffs that are established. Although the criteria and the bases are very similar in almost all surveyed countries, in practice, when calculating the rates, we see great differences that we believe should be unified, or at least be commensurate with the activity and its geo-economic environment.

We also see that in several countries, some Music Providers that have agreements with the CMOs can manage the payment of the fees that correspond to their clients and transfer them to the corresponding CMO.

For example, In Spain, the main background music service is On The Spot, authorised for public performance in establishments and public places where music is used as entertainment, and also for necessary use.

In Spain, a client of On The Spot is authorised for public performance in establishments and public places where music is used as entertainment or necessary use: bars, cafeteria, hotels, commercial establishments, gyms, and so on, and can therefore offer their services to that establishment.

On The Spot can only manage the collection of AGEDI-AIE for Public Communication carried out by the premises or establishments of some clients, in which the music is used in the background.

Nightclubs, pubs, and similar venues making a necessary use of the music, must pay the remuneration directly to AGEDI-AIE, which in turn will negotiate a contract with its members formalising the lawful use of public communication rights, and establishes the amount of the fee to be paid. In these cases, companies such as Hilo Musical cannot offer their services, since the use of music in these places is considered essential.



## 4. Where We are Going

### RECIPROCIITY AGREEMENTS

CMOs cooperate on an international scale, based on representation agreements. These representation agreements must comply with the essential requirement that the national CMOs treat members of foreign CMOs in a non-discriminatory manner. Therefore, CMOs must exchange all the information that may be useful.

The 2008 CISAC Decision obliged 24 copyright management entities to eliminate affiliation and exclusivity clauses from reciprocal agreements.

Affiliation meaning accepting an author member of another entity, or with a different nationality, as a member of a management entity.

The term exclusivity refers to the impossibility for a collective management society to authorise its own repertoire in other territories, or for a third entity to represent the same repertoire in the territory of the local organisation.

With this decision, an attempt is made to put an end to the territorial limitation of the management mandate to the territory of the other entity with which the agreement is signed. Thanks to this decision, companies such as Soundreef, an Independent Management Entity, incorporated in the UK, managing the rights of more than 30,000 authors and publishers around the world, have emerged.

One of the greatest legislative advances in multiterritorial licenses is the D. 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market.

The purpose of this Directive is to improve the way in which all collective management entities are managed, by introducing governance rules, rules on collective management and transparency obligations.

This Directive also establishes common rules for granting multi-territorial rights licenses for musical works for online use in the internal market.

In Spain, for example, SGAE can offer a multi-territorial license for a Music Provider from its direct repertoire, but the inclusion of foreign repertoires that it manages through representation contracts with foreign authors is limited to the territory of Spain, although with certain exceptions. They understand that in most cases, the local society is the most efficient at the time of controlling and collecting for the use of the repertoires it administers.

We hope that with the legislative novelties that come from European directives, there will gradually be room for multi-territorial licenses and the licensing process will be easier more transparent for users.

### NEW MANAGEMENT MODELS

As we saw in D7.2, blockchain technology is the software protocol that supports the most famous cryptocurrency in the world, bitcoin. This protocol is innovative in that it is an open and decentralized information system. Its security lies in the real-time encryption of each new bit of data that involves thousands of computers distributed throughout the world, and whose participation is necessary for the modification of any block of information. This makes blockchain a system of very high data security. Since the technology first appeared, it has been tested for application in different industries, mainly in banking, where it can be highly useful, as it avoids the participation of financial intermediaries in the real world

who validate operations. This way, transfer times are reduced to zero on a global scale. This is why blockchain has been baptized by some experts as the “internet of money”. It would be the last expected step in the transition from physical to virtual currency. This idea, taken to the world of music rights management, would mean reducing the instalments delay of royalties in the entire world, which currently can take years to reach their holders.

On the other hand, we are seeing the first signs of collaboration between collective management societies, driven by the "Digital Single Market 2014-16" that promotes the multi-territorial centralization of licenses in the digital field. Its main objective is to facilitate licensing agreements with Digital Service Providers (DSP) such as Spotify, Deezer or iTunes.

We will analyse some of the projects that are leading the application of blockchain technology in music and how they intend to revolutionise rights management below.

## EUROPEAN LICENSING HUBS

### ICE

The World's First Integrated Processing Hub.

Founded in 2010 by PRS and STIM with the aim of creating a common repertoire database of both companies. GEMA joined in 2015. Currently there are 8 partners, the other five being BUMA-STEMRA, KODA, TEOSTO, TONO, and SABAM.

They are currently preparing a new version of their integrated database. The architecture of that shared database is called Cube and promises a great simplification of registration and liquidation processes. Cube is a technology developed on transparency, flexibility and automation approaches for the management of multi-territorial copyrights. To build it, its creators used cloud computing and machine learning tools, and it has been designed to serve publishers, management companies and DSP services. Its launch is announced for spring 2019 and would serve both authors' societies, editors, and DSPs. It currently represents 32 million songs and is thus Europe's largest licensing hub, capable of handling licenses in 33 European countries.

### ARMONIA

Armonia is the second European online music licensing hub by repertoire volume. It covers southern and eastern Europe and was designed to service Digital Service Providers (DSP).

Founded in 2013 by Sacem, SGAE and SIAE, which were later joined by AKM, Artisjus, Sabam, SPA and Suisa. Today, Armonia represents 13 million works and covers digital licenses for 33 European countries.

When we asked both organizations if they thought to extend their services to Background Music Providers, both platforms informed us that this objective is indeed on their agenda for future negotiations.

They can provide solutions regarding the payment of mechanical rights, and in some territories also of public performance in the telecommunication existing between the BMP (Background Music Provider) and the points of sale of its service (stores). When the content is sent to stores, a mechanical reproduction usually takes place on some kind of format, and this right is the one that could be licensed in Europe via these new digital hubs.

## NEW BLOCKCHAIN MODELS

We are currently in the midst of a storm of new initiatives based on blockchain technologies. Here is a brief summary of the most significant ones that can provide solutions in the field of in-store music.

### OPEN MUSIC INITIATIVE

A very promising initiative led by the University of Berklee and MIT.

Open Music Initiative (OMI) is a nonprofit collective of musicians, entrepreneurs, industry professionals, academics, technologists, and politics. Its mission is to promote and advance the development of open source standards and innovation related to music rights. Utilizing today's technologies and open source mindset, OMI believes the way music rights owners are identified and compensated can be radically improved for digital era sustainability.

Founders: Panos Panay, cofounder of OMI and founding managing director of Berklee, ICENeha Narula, director of research, Digital Currency Initiative at the MIT Media Lab

BerkleeICE and researchers from the MIT Media Lab Digital Currency Initiative

Partners:

Universal Music Group; Sony Music Entertainment; Warner Music Group; BMG; Spotify; YouTube; Pandora; SoundCloud; Netflix; SiriusXM; WBUR (Boston's NPR news station); CD Baby; Tunecore; Downtown Music Publishing; SACEM, the French collective rights management organization; mechanical licensing service provider HFA and its rights management affiliate, Rumblefish; Righsshare; the trade groups FeaturedArtist Coalition; Music Managers Forum; Future of Music Coalition; and a wide variety of startups in the developing area of music rights licensing.

Aim:

OMI will leverage technology to enable and support the creation of standards for data collection, data reconciliation, and file formats.

Put simply, OMI will dramatically simplify the way that music creators and rights owners are identified and compensated.

- Changing the process by which royalties are determined, leading to expected increases in royalty rates for publishers, composers, and songwriters.
- Creating a streamlined, digital process for obtaining licenses and eliminating complexity of finding the rights-holder data.
- Establishing a new blanket license for streaming services like Spotify and Apple Music to obtain the mechanical rights to play songs and to pay songwriters, composers, and publishers for their copyrighted work.
- Establishing the creation of a Mechanical license Collective (MLC), a new centralized licensing entity to be funded by the streaming services, that would issue these blanket licenses and would collect and distribute royalties to all songwriters, composers, and publishers.
- Through the centralized MLC, limiting the liability that streaming services currently face in streaming songs for which they do not have assurance that all licenses have been obtained, thus accelerating innovation.



## DOTBLOCKCHAIN

Founded in 2016 by music technology specialist Benji Rogers, graduated from Berklee College of Music (United States) and founder of Pledge Music (2009).

His objectives:

- Using existing industry standards like DDEX and CWR data. Its architecture ensures that multiple parties can build a collective truth about a given song and/or recording and its owners through communication layers, public and private data sets, and blockchain technology to ensure that all data is current and synchronized.
- The most important achievement of this project so far has been the birth of UNISON: the first IME (Independent Management Entity) operating in Europe using blockchain technology.

The IMEs are profit-making entities that are created with the intention of liberalising the monopolistic sector of intellectual property rights management while at the same time seeking to make it more flexible and providing new control and administration tools.

The main characteristics of the IMEs are that they must have a profit motive, do not need administrative authorisation and their procedural legitimacy and representation must be based on the existence and proof of a mandate contract, contrary to what happens with the CMOs, where contracts are of adhesion and the rights are transferred exclusively.

Today we are still seeing how the IMEs are established. For example, in Spain it was not until 2018 when the concept of the IME was included in legislation, with the delayed transposition of D.2014/16.

According to Spanish regulations, IMEs must meet a series of requirements for the start of their activity:

- Make a prior communication to the Ministry of Education, Culture and Sports including contact information, VAT number, services provided and any other documentation that can be determined.
- Proof of not being owned by rights holders or management entities.
- Have a profit motive.
- Comply with transparency requirements: they have to publish their statutes, accession criteria, managed repertoire, rates and discounts, contracts with associations and contract models, distribution rules and discounts on their website.
- Collaborate with the competent Administrations and comply with the information and documentation requirements.
- Negotiate with users who request it and grant non-exclusive authorisations in conditions of good faith and transparency.
- Negotiate sectoral agreements with the associations that request it and be representative.
- Share annual information on the collected rights with the rights holders.
- Share information on the works administered, their repertoire and the designated territories with rights holders or users who request it.

- Notify the Ministry of Education, Culture and Sports of their contract models and contracts with associations.

Different infractions classified as minor, serious and very serious are also stipulated, indicating the amounts involved in each case.

However, although the IME can be an advance in intellectual property rights management, or at least constitute an alternative to the CMOs and break the monopoly that reigns in this field, we see that there are still some issues to be solved.

For example, the compulsory collective management of equitable remuneration rights will continue to be carried out exclusively by “traditional” management entities, as defined in recital 12 of Directive 2014/26/EU on collective management.<sup>1</sup>

- The IMEs perform the same function as the CMOs, unless they are not authorised to collect the exclusive rights. This means that, for example, In-store Music would remain the exclusive jurisdiction of the CMOs that have the legal mandate to represent, collect and liquidate the exclusive rights.

It remains to be seen if these IMEs would have enough negotiation capacity to guarantee user licenses that are attractive enough for the authors. Everything seems to indicate that, although its appearance may indicate an improvement in terms of effectiveness, since they would be profit-making entities with a clear commercial vocation to collect

<sup>1</sup> This Directive, while applying to all collective management organisations, with the exception of Title III, which applies only to collective management organisations managing authors’ rights in musical works for online use on a multi-territorial basis, does not interfere with arrangement concerning the management, the extended effect of an agreement between a representative collective management organisation and a user, i.e. extended collective licensing, mandatory collective management, legal presumptions of representation and transfer of rights to collective management organisations.

more and better, the fact they are speaking on behalf of only part of the repertoire weakens their position. Everything depends on whether your repertoire is attractive enough for the media, especially television.

There are many other private initiatives that try to be first and create the standard that dominates the new technological environment in music:

### UJO MUSIC

Ujo Music is a cryptocurrency platform founded by Jesse Grushack that lets artists create, publish, license and distribute music and get compensated for it under the Ethereum network. The platform features decentralised file storage, constellate for metadata, persistent identity, and automatic royalty payments.

Ujo Music began as a project within a startup incubator focused on building projects around the Ethereum blockchain called ConsenSys. The first Ujo Music prototype was built to be used by Imogen Heap, a famous British singer/songwriter. The Ujo Music platform was used to license Heap's music under different terms such as permanent download, stream, stems (songs for remixing), and sync rights (for advertising purposes).

### JAAK

JAAK is a start-up located in London that has successfully developed music rights

management software called KORD. This system is based on blockchain and has been developed with the collaboration of Warner Music Group, Warner Chappell, BMG and Global Music Rights.

There are also many other platforms that want to give services directly to artists based on blockchain technology like:

BITSON, MYCELIA, VIBERATE, BLOKUR or SOUNDAC.

## 5. Conclusions

After analysing the landscape of intellectual property rights management in the in-store music realm, we can say that there is some progress towards management models in line with the technological era in which we live.

But we still have a very complex and fragmented collective rights management model that makes it almost impossible to reorganise the whole process in a single agreement.

It is true that, thanks to D. 2014/16 – which came about in order to reduce management costs and create a single market in which intellectual property rights can be managed more effectively – and the technological evolution, more and more innovative models are emerging which hopefully end up making management easier and more transparent.

In the five countries surveyed in this document, we have only been able to confirm that one entity, SACEM, offers a pan-European license for Music Providers. Probably because SACEM is the only CMO member of ARMONIA up to date and also this pan-European license only apply for dubbing (mechanicals rights). Thus, Music Providers can carry out their activity throughout Europe with a single license.

In all other cases, the Music Provider must go virtually from entity to entity to get authorisation and pay the corresponding fees. Active coordination policies between CMOs could change this situation almost immediately.

As for public establishments, due to the nature of the activity they carry out, i.e. outside the digital environment, we cannot speak, not even remotely, of pan-European licenses or any formula that resembles them. Each establishment must go to the national

management entities to formalise the corresponding authorisations. To facilitate these processes, it is increasingly common that public establishments can pay the corresponding fees to CMOs through the fee paid to the Music Provider. This simple coordination between Music Providers and CMOs, in the fashion we will describe in the following chapter, will increase clarity, and consolidate all the fees associated with music in one single bill.

Regarding the rates, in D.7.1 we already concluded that there is a great disparity in the scales that are used to determine the applicable rates. For this reason, in this Deliverable we wanted to choose countries where these scales are similar and analyse, with our case study, whether the resulting tariffs are coherent with their geo-economic environment. As we have seen, this is not the case – not for rates paid by Music Providers, nor for those paid by public establishments.

## 6. New Single License Model for In-Store Audio Systems for European Collecting Societies

For more than 10 years, society, the media and European institutions have been urging management companies to enter the single market, eliminating borders and granting pan-European licenses and thus creating an environment of competition between them.

Since 2005, the European Commission has encouraged competition between CMOs, although obviously, the largest management entities have been reluctant since they have seen how the comfortable monopoly they have always enjoyed would be limited.

The result of this monopoly is that a Music Provider that wants to carry out its activity throughout Europe must reach agreements with dozens of European entities.

We want to propose a licensing model that we believe benefits both users and rights holders.

As the central figure of an in-store music system, we obviously have the Music Provider with different types of public establishments as clients.

We believe that, due to the very nature of a Music Provider, this is an ideal scenario for pan-European licenses, as we have seen with SACEM.

However, it is true that with pan-European licenses it may be so, that a very small entity has to monitor the use in countries where it has neither the technical means, nor the infrastructures to do so with a minimum of effectiveness.

We believe that an unhealthy competition of CMO's on the European market could be avoided by introducing pan-European licenses which can be signed by a Music Provider with the premise that the company does so with the CMO of its country of origin, or, if it is a multinational, in the country where their fiscal headquarters are based. That is to say, a Spanish Music Provider would sign a pan-European license with the Spanish entities to be able to operate throughout the EU. Thus CMO's would not be in competition with other CMOs and capable of offering prices even more disparate from the ones currently in place.

To do this, and to avoid the injustice, that there are more expensive tariffs for use in Portugal than in Germany, unambiguous valuation criteria should be agreed upon for all countries. In this sense, we have reached a conclusion that seems obvious and simple. A commercial space where music is used for a captive audience is nothing more than a different radio modality, if we stick to the actual use of the repertoire.

Virtually everywhere in the world, the criteria by which a radio pays its public performance royalties are usually two:

1) The relevance of music according to the activity. Radios pay a higher fee if they are FM music channels, or a lower one if they are AM broadcasters who are basically news or talk radio, with a reduced use of music. Similarly, the use of music in a dentist's office is not as relevant as in a fashion store. This criterion is the one that should set the percentage to be settled on the second criterion.

2) Sales – undoubtedly the most suitable index to accommodate the rate to the real activity of the trade. Just like for a radio station.

Naturally, for businesses that are just starting up and have not yet got any kind of sales result, a minimum rate should be established.

Perhaps this minimum rate could be an average of the existing rates in the Eurozone, suitable for an objective corrective index.

In order to find these minimum rates, a consensus should also be reached per sector in relation to the type of use of the music, and perhaps in initially to the size of the business in square meters, which gives a proper idea of the maximum audience.

The correction index could well be the GDP (PPP) gross domestic product (at purchasing power parity) per capita of each country. The average of all fees for copyright and related rights imposed by European CMOs should be equal to the average European GDP (PPP). Subsequently, it should be harmonised to confirm the percentage deviation of the local GDP.

We deem an alliance between European entities for the creation of a European one-stop-shops that can be accessed from any country most suitable for future challenges.

Music Providers can help this European one-stop-shop to determine the real holdings of the repertoires, since they can enter into account with real data concerning the use of the repertoires in each country. This is because they have the technology that allows them to report to whom, where and when they are sending, and therefore using that repertoire. Besides, this process will guarantee the viability of a real pay-per-use for In-store Music. A revenue stream that is becoming increasingly important nowadays.

Next, we will present the items the license between the parties involved should feature. Our proposal, reflecting a minimum agreement between the parties involved can be found in Annex 1. For this purpose we have identified and selected the most relevant legal clauses listed in many CMOs licenses, using them as the building blocks for our license example.

SUBJECT	<p>Grant a non-exclusive licence to:</p> <ul style="list-style-type: none"> <li>- reproduce Repertoire Works within the Territory.</li> <li>- distribute by means only for rental, Physical Media to End</li> </ul>
TERRITORY	<ul style="list-style-type: none"> <li>•EU</li> <li>•EU countries at Music Provider's choice</li> </ul>
EXCEPTIONS AND LIMITATIONS	<ul style="list-style-type: none"> <li>•Any kind of synchronisation</li> <li>•Public performance of Repertoire Works at the End Customers Sites</li> </ul>
LICENCE FEES	<ul style="list-style-type: none"> <li>•For Music Suppliers: from 5% to 20% of applicable revenue</li> <li>•European average tariff indexed to European GDP (PPP), local correction rate applied in relation to the average EU GDP (PPP).*</li> </ul>
PAYMENT	<p>Monthly, quarterly, per year at Music Provider's choice</p>
SUPPLY OF INFORMATION	<p>The Licensee will deliver the Music Usage Information to the Licensor and any further information or documentation in its possession, custody or control reasonably requested by the Licensor at any time, in order to enable the Licensor to verify the Repertoire Works use.</p>
AUDITS AND BOOKS OF ACCOUNT	<p>The Licensee shall make available for inspection, upon reasonable notice, both during and for twelve months after termination of the Agreement, proper, detailed books and records relating to the use of all Musical Works.</p>
TERMINATION	<p>Each party shall have the right to terminate the Agreement on giving at least three month notice in writing to the other party.</p> <p>Each party shall have the right to terminate the Agreement by notice forthwith where the other party commits a material breach of the Agreement which is capable of remedy and fails to remedy such breach within 14 clear days after receipt of notice such breach or commits a material breach of the Agreement which is not capable of remedy.</p>
MISCELLANEOUS	<p>The Licence shall be construed according to the laws of [the Music Provider's Country] and the parties agree to submit to the jurisdiction of the [at parties' choice]</p>

And what about the use of music by public establishments?

The agreements between Music Providers and clients should include a service clause

through which the client is released from dealing with payments to the different management entities while the Music Providers are taking care of that task.

As we have seen, this is already happening today, and we believe that this method is the most effective one for several reasons:

- The Music Provider offers a more complete service, which is therefore more attractive for its customers.
- So far, the entities have been carrying out surveillance and monitoring tasks of uses, using inspectors, surveys, and tracking technologies for the exploitation of content, which, as we know, are not fully effective or adapted to reality.

The Music Providers, thanks to their technology, can report the actual use made by its customers of the repertoire managed by the CMOs and, therefore, the subsequent distribution of rights to the holders would be adjusted to reality, not weighted by scales that don't rely on the actual repertoire use. Therefore, rights holders would benefit from a fairer distribution. We have to add that for this distribution to be so, management entities should change their practices and regulations on distributions they make, by limiting them to this real use.

If the Music Provider helps management entities with these tasks of monitoring and control, the mandatory fixed costs that come with this work would decrease and, therefore, the entities' fees should as well. Something that, obviously, is positive for users.

We are aware of the complexity of this system. – even on a national level. Yet technology advances much faster than regulations do and either we adapt to new forms of businesses operating in the digital field, both from the European and national legislative powers and from the practices of the management entities, or in a short time, this whole management conglomerate will be obsolete.

Meanwhile, we appeal to ask the EU and the member countries to move in the direction of a single CMO under the umbrella of all public performance rights management societies. This would help to have a simplified and more comprehensible vision of musical rights and to improve access and incorporation of more businesses.

It should be noted here that the difficulty, complexity and opacity of the collection system encourages many users to use illicit and homemade background music models, in order not to go through the innumerable procedures that they face today.

## 7. Build-Up of Repertoire for the MLM: Independent Labels

During the span of our work, which began in 2016, we have kept in touch with multiple independent record labels, in particular with UFI (Unión de Productores Fonográficos Independientes de España) and with IMPALA (Independent Music Companies

Association) who represent over 4.000 European record labels.

Developments carried out by the ABC\_DJ Consortium over the course of three year project translate into very useful tools for any music producer. In an environment framed by algorithms and AI, perfecting the categorisation of music files, with the added possibility of segmenting those files according to semantic concepts, opens up potential secondary uses in audiovisual media (cinema, tv, advertising), as well as in in-store music.

Since to date it is not possible to offer a finished, commercially defined product, we are not able to offer a concrete license model at present.

However, all the record labels we have approached have shown a willingness to collaborate, by sharing content in exchange for information.

In preparing this document, we asked some of them whether they would agree to share their releases in the future, in return for the use of our technology and information. All of them answered positively. Among them, the following are noteworthy: Everlasting, Mushroom Pillow, Boa, Tru Thoughts, Compost, Legere, Rocafort, Jalapeño, A Go Go and of course, Lovemonk. Their catalogues combined add up to 10,000 works.

As a result of our investigation we have concluded that most small record producers are not aware of In-Store music as a business field, and how they could benefit from it as a means of commercial exploitation of their catalogues.

This is proof that the independent record label sector is eager to receive more proposals of this kind, that too many times are out of their range.

We believe there is great potential to offer a service focused on minority music.



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# Annex 1

## MUSIC PROVIDER LICENSING SCHEME

Signed on behalf of the Licensee:

Name	Date	Signature
------	------	-----------

Signed on behalf of the European One-Stop-Shop, contracting for and on behalf of itself and for and on behalf of and as agent of its various members:

Name	Date	Signature
------	------	-----------

### 1.- SUBJECT

This Agreement grants to the Licensee a non-exclusive license to do the following during the Term:

- (a) to reproduce the repertoire Works within the Territory;
- (b) to supply the repertoire Works to End Customers for the exclusive purpose of serving as background music for public venues, public venues, working places or websites.

### 2.- TERRITORY

The Territory of this Agreement shall be:

- European Union; or
- European Union countries at Music Provider's choice

### 3.- TERM

The term of this Agreement shall be one year. It shall be renewable for equal and successive periods.

#### 4.- EXCEPTIONS AND LIMITATIONS

This Agreement does not grant any “synchronisation license” (to the extent that such a license may be required by the Licensee) covering the initial fixation of repertoire Works in combination with visual images to create and produce Audio-Visual Material.

This Agreement shall not extend to the public performance of repertoire Works at the End Customers sites, whether as part of the Licensed Services or otherwise. A separate license for the public performance of the repertoire Work(s) must be obtained from the relevant performing right society in the relevant country.

All rights not specifically granted under this Agreement are hereby reserved.

#### 5.- LICENSE FEES

Licensee agrees to pay for the license granted herein the license fees as stated below:

From 5% to 20% of applicable revenue.

European average tariff indexed to European GDP (PPP), local correction rate applied in relation to the average EU GDP (PPP).

#### 6.- PAYMENT

Within 30 days of the end of each month/quarter/year the Licensee shall provide to the Licensor a fully completed self-accounting revenue statement in the reporting form attached at Appendix 2.

Within 7 days of receipt of the reporting form, the Licensor raise and invoice for the Fee due, and the Licensee shall pay such amount to the Licensor no later than 15 days after the invoice is delivered to the Licensee.

#### 7.- SUPPLY OF INFORMATION

The Licensee will deliver the music usage information to the Licensor and any further information or documentation in its possession, custody or control reasonably requested by the Licensor at any time, in order to enable the Licensor to verify the repertoire works use.

#### 8.- AUDITS

The Licensee shall make available for inspection, upon reasonable notice, both during and for twelve months after termination of the Agreement, proper, detailed books and records

relating to the use of all Musical Works.

## 9.- TERMINATION

Each party shall have the right to terminate the Agreement on giving at least three month notice in writing to the other party.

Each party shall have the right to terminate the Agreement by notice forthwith where the other party commits a material breach of the Agreement which is capable of remedy and fails to remedy such breach within 14 clear days after receipt of notice such breach or commits a material breach of the Agreement which is not capable of remedy.

## 10.- MISCELLANEOUS

The license shall be construed according to the laws of [the Music Provider's Country] and the parties agree to submit to the jurisdiction of the [at parties' choice].