

Sept 9<sup>th</sup>, 2014

Response to Docket No. 2014-03  
Copyright.gov

Re: Copyright Reform Study 2014

To Whom It May Concern:

Pilot Music Business Services, LLC is a music licensing administration company. I am the company's owner and President. Our clients are various end users of licensed music such as television and media networks, production companies as well as music composers. I believe I can offer a broad view with regards to the concerns faced by both the licensing world and musicians.

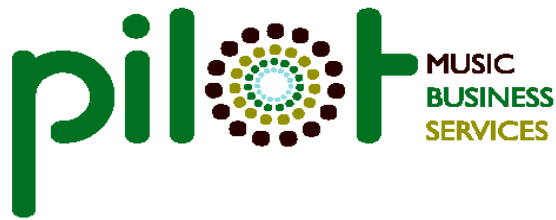
#### INTRODUCTION:

Creativity is the core of a healthy thriving society. We express who we are as a culture through our arts and musical works. Copyright protects these works and the free market. In today's society we have seen the end of record sales, as we once knew them. A teenager no longer sits for hours reading album liner notes. He is more likely to share music without concern of its copyright, with a friend or within a peer-to-peer network. Protecting appropriate compensation protects the arts and their future creation. I care deeply that musicians are paid appropriately for their creations, which we enjoy so readily in our society. Musicians should be able to make a fair living and co-exist in this new world of Internet technology.

#### CONSENT DECREE:

Much has changed since the creation of the Consent Decree in the early 1940's, pre-WWII. The Decree was created to prevent price fixing and a monopoly in the marketplace. Negotiations are not permitted under the Decree. We know from recent lawsuits between Publishers and the PROs those publishers that are discontent with streaming rates must leave the PROs all together. It would be a travesty to cause the total withdrawal of publishers from the PROs because of the inability to negotiate freely. Free market negotiations will benefit both parties, the PRO so that publishers remain in the system and publishers so they may receive market rates. Open market negotiation also helps to prevent expensive lawsuits for rate setting.

One of our clients, ESPN Inc., TV and other media networks, has created a successful program which licenses Performance Rights directly with licensors on a song-by-song basis for many years now. It seems to me that that direct licensing facilitates a free and open market system. I believe fees for Performance Rights should directly relate to the amount of music used and not the revenue of the business. In the case of Pandora, a business model based solely on music use,



Pandora should pay higher rates than the other companies, higher than cable or broadcasters who have varied business structure.

I see no harm in allowing the PRO to collect Mechanical Royalties. I do not believe the collection of Synchronization Licenses (“Sync License”) would be best served by the PROs. Sync Licenses are presently negotiated directly between each party. Sync Rights require the collection of a multitude of criteria to negotiate a fair and reasonable fee. Crucial to Sync Licensing is to prevent negative or inappropriate material associated with a composition. Because Sync Rights are negotiated on a case by case basis, a writer and publisher can protect and limit exposure of a work by prescribing where and how it is used. A publisher will also consider direct monetizing on channels such as YouTube. Negotiations are best handled between willing parties and cannot be accomplished by a standardized or statutory rate or through the PROs.

#### INEQUITIES OF THE COPYRIGHT ACT:

Under Section 114 and 115 of the Copyright Act rates are set for publishers which are not set for the Sound Records. Unlike the publishers, the Sound Recordings are able to negotiate in a free market. Publishers should be paid the same if not more than the underlying recording. It has been widely reported that Pandora, Amazon Prime and other services pay the Sound Recordings a much higher rate for streaming music services than that paid to Publishers.

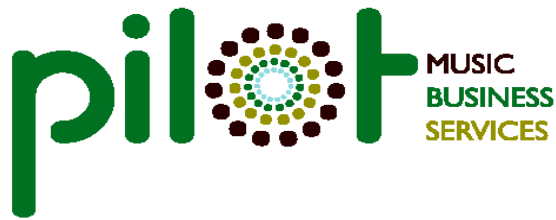
According to “The Guardian” Pandora is paying \$90.00 per million streams to songwriters and \$1000. - \$4000. per million streams to labels. From Statista, Pandora paid \$315 million in royalties in 2013. Only a small fraction of total royalties go to publishers, \$26. million with remaining amount going to sound recordings. This is a gross inequity.

It is the vendor’s responsibility to appropriately monetize their business model. It is not the responsibility of the musician to pay for mistakes in a business model through lost royalties or lost record sales. It is time to pay musicians appropriately for the works they created.

In today’s market, it is nearly impossible for a young musician to make a living. With the advent of streaming media services, we have witnessed the obliteration of album sales and if compensation is not fixed, we will see the decimation of an Industry.

Streaming services have replaced radio but interactive media services have replaced and caused the dramatic decline in record sales. Because an audience can now listen to a full CD or an artist’s collection on-line, music sales are no longer required to hear popular music. Streaming services would not have a business without music. Musicians must be compensated fairly for this takeover of the Music Industry.

Statutory rates have not seen a significant increase in years. I advocate a significant increase in the Statutory rate. Interactive music services should pay a higher rate than Statutory for



streaming and, a rate higher than that paid for the Sound Recording. Sound recordings would not exist without the underlying composition and it makes no sense that they are paid at a higher rate.

Further, one centralized database is needed. Perhaps the CRB rate board could be made responsible for maintaining copyright database for all available copyrights. Publishers would maintain and input data when a composition is created. This database would provide copyright information to the PRO and all forms of Licensing.

Sincerely,

Ms. Woodie Stevenson  
Pilot Music Business Services, LLC

WS/pt