

American Music Licensing Collective

www.songrights.net

June 5, 2019

Mr. Steve Ruwe Assistant General Counsel United States Copyright Office Library of Congress Via Email: <u>Sruwe@copyright.gov</u>

Dear Mr. Ruwe,

As per your request, as stated in your letter of May 8, we are submitting to you the American Music Licensing Collective's summary of our meeting of May 30th of this year.

We thank you and the other members of your team who took the time to meet with us. Please let us know if you have any questions regarding the summary, below.

Yours very truly,

The AMLC Board and Committee Members

SUMMARY

Members of the Board and Committee members of the AMLC met with Copyright Office executives from 9:00 a.m. to 11:45 a.m. on May 30, 2019, to address specific questions pertaining to the selection of the MLC by the Register of Copyrights posed in a letter of May 8, 2019.

In attendance or via teleconferencing for the AMLC at the meeting were as follows:

AMLC Board members Jeff Price (Audiam); John Barker (Clear Box Rights); Brownlee Ferguson (Bluewater Music); Ricardo Ordonez (Union Entertainment); Rick Carnes, (songwriter/Songwriters Guild of America); Marti Cuevas (Mayimba Music); Maximo Aguirre (Maximo Aguirre Music Publishing/Alvani Tunes Music); Lisa Moberly (Optic Noise); David Willen (Technology), and Rhonda Seegal (Interim CFO).

Joining by phone were David Wolfert (Board Observer), Wally Badarou (ISHE sarl Music); Joerg Evers (Eversongs); Zoe Keating (songwriter); Imogen Heap (songwriter); Maria Schneider, (songwriter); Henry Gradstein (King, Holmes, Paterno Law); Committee member Hakim Draper (Boogie Shack Music Group); and Janice Scott, representing DataClef.

In attendance from the Copyright Office were:

Karyn Temple (Register of Copyrights); Regan A. Smith (General Counsel and Associate Register of Copyrights); John Riley (Attorney Advisor); Kevin Amer (Deputy General Counsel); Jason Sloan (Assistant General Counsel); and Steve Ruwe (Assistant General Counsel).

The meeting began with welcoming comments from Register Temple, followed by selfintroductions by the AMLC board. These included brief background information about each member.

• Jeff Price presented an outline of what is estimated to be **the MLC constituency**: the selfpublished songwriters and music publishing administrators whose copyrighted compositions the MLC would be licensing and collecting. Mr. Price quoted Daniel Ek, CEO of Spotify, regarding the April, 2019 Spotify earnings call. Mr. Ek stated that there were approximately 40,000 new recordings distributed to Spotify every 24 hours. Mr. Price indicated this number of new recordings and associated compositions is consistent with his first-hand knowledge and experience as the CEO of TuneCore. Mr. Price pointed out that 40,000 new tracks per day is equal to 14 million music tracks per year, uploaded to Spotify alone. More than 12 million—85 %—of those tracks come from over a million global "Do-It-Yourself" ("DIY") sector selfpublished songwriters. (*https://www.hypebot.com/hypebot/2019/04/spotify-adds-40000-newtracks-every-day-thats-not-a-typo.html).

Mr. Price stated that all indications are that the major and larger independent music publishers expect to continue to directly license compositions under their control to the music services. The advantage in such direct arrangements are that these publishers receive from the digital services advances and "hybrid licenses" that the MLC is not eligible to provide. He concluded by stating

that the global constituency of over a million self-published songwriters are and will not be direct licensed. Therefore, the MLC will be predominantly licensing and collecting on their behalf.

Ms. Smith asked about increasing song ingestion among the DSPs. Mr. Price responded that this is likely to increase over time by an estimated 10 to 15%. Ms. Smith asked what percentage of recordings are currently matched to compositions by DSPs. Mr. Price replied that, based on his experience and direct conversations with current DSPs vendors using only a first pass automated system, approximately 62% to 67% of recordings are matched. Additional matching is done on second, third, and additional passes, using a combination of human work and automation. Both Mr. Price and Mr. Willen reliably estimate that AMLC's capability of matching will be at a 90-95% matching rate. This is based on Mr. Price's and Mr. Willen's extensive hands-on, day-to-day experience and knowledge in mapping and matching, as well as their and technical knowledge and capabilities.

• The AMLC board made clear that it is highly qualified and prepared to address **the requirements of the MMA**, as well as the needs and interests of the entire MLC constituency. This includes self-published songwriters, independent music publishers, and major music publishers.

Ms. Moberly spoke to the <u>Education and Outreach</u> experience of the board members including the following:

- AMLC board and committee members have educated and assisted artists and songwriters directly and via independent artist and songwriter education organizations. They possess:

- "On the street," first-hand experience in registering music compositions copyrights with the Copyright Office, utilizing PROs, SoundExchange, HFA and other publishing organization interfaces firsthand;
- An understanding of how independent songwriters register music and how major publishers function in copyright and registration processes;
- Translatable skills that can directly address the needs of songwriters and publishers;
- Relationships with or direct work for global music rights organizations and performing rights organizations.

Mr. Ordonez spoke on the AMLC's **Board and Committee Member Diversity Background**, which includes music publishing experience throughout the world, an intimate understanding of how to work and integrate with global music rights organizations and PROs, and a wide range of capabilities, including financial, technology and digital streaming royalty collection expertise covering the following:

- AMLC board and committee members offer a deep and diverse range of strengths and knowledge, including extensive experience with:

- Music publishing, both within and outside of the United States. Board members have established and played key roles in successful publishing companies spanning Latin America, Europe and beyond. They enjoy relationships with PRO's around the world;

- Collection and disbursement of digital streaming royalties, including advanced identification, income tracking and reporting;
- Risk management, analysis, finance, and accounting;
- Start-up company management and growth;
- Independent songwriters and music management;
- Artist and songwriter outreach, advocacy, marketing and education;
- CWR and DDEX committees;
- Employment at reproduction rights collection agencies, PROs, MROs;
- Financial, security and Regulatory requirements;
- Annual audited financials.

Mr. Price addressed the AMLC board members' expertise in <u>Technology Specific to Royalty</u> <u>Collection</u>:

- AMLC board and committee members have experience in developing for commercial businesses scalable, versatile technology platforms that are accurate, timely, and budget-conscious. Such systems have provided users with the ability to:

- Match streaming royalties to songwriters and publishers;
- Work efficiently and seamlessly with third party software and data;
- Account for royalties with detailed and transparent statements;
- Provide systemized monthly royalty and statement disbursement;
- Maximize the AMLC technology solution, which utilizes existing systems in an evolutionary design, thus reducing risk to songwriters;
- Develop and release iteratively enhanced solutions that will identify issues and improve the solution over time. These will utilize outsourced providers to leverage best in class capabilities;
- Estimate budget calls for a lean and versatile organization, limiting duplication and superfluous administrative positions;
- Comply with US and international privacy and security concerns and requirements;
- Understand and build the proper workflows and systems to be compliant with all legal regulatory requirements;
- Create a secure and efficient entity that meets all audit requirements of the big three auditors

Mr. Aguirre indicated that, in addition to his role as Board member of the AMLC, he is also the U.S. representative on the Mexican music rights organizations SACM, which counts over 30,000 members and copyright owners. He spoke on <u>Songwriter and Independent Publisher In-</u><u>Depth Experience</u>, which includes both independent and major publisher experience:

- AMLC board and committee members include career songwriters who have established and maintain independent publishing entities. Most of them having extensive experience in advocating for music creators. As a result, they possess:

- An in-depth understanding of the pitfalls and lack of functionality in PROs, SoundExchange, HFA, and other music registration sites;
- Familiarity with solutions for the modernization of registration processes;

- An understanding of the needs of songwriters who are both growing careers and maintaining established careers;
- Diverse experience in working with both major and independent publishers;
- The need for the proper understanding and representation of not only US songwriters, but also those around the world who will be licensed and paid by the MLC.

Ms. Cuevas discussed the direct experience of **Board and Committee Members' Business Background**:

- AMLC board and committee members have founded, run, and grown royalty-based music companies. They have hands-on experience with:

- Budget projection, financing, projected-earning estimates, fund-raising, and budget allocation;
- Staff hiring and employee management;
- Oversight of and hiring for technology implementation;
- Advertising, marketing, and outreach, including functional and informational website design and development, client recruitment and growth, communication, and public relations;
- Business relationships across a broad base of the music industry, including technology companies, data companies, CMOs, publishers, record labels, artist managers, music attorneys, and the songwriter community;

- Ms. Seegal discussed how her background as the President of Finance at Amtrak, Deputy Treasurer of the General Electric Corporation, and President of Finance for Xerox provides her with an understanding of the regulatory, compliance, and audit requirements for the MLC. Key to this understanding is an appreciation of the risks of conflicts-of-interest. She noted that any MLC Board member who has a first fiduciary duty to another company is burdened with a conflict-of-interest that, at minimum, will impact the perception that the MLC is able to serve a tremendous number of the copyright holders it is designed to serve. In her professional opinion, the members of the AMLC Board are experienced, knowledgeable, and independent entrepreneurs, who have little to no conflicts-of-interest in fiduciary responsibility to any shareholders that may stand to significantly benefit from an AMLC Board member connection.

• Responding to the **Copyright Office's written Question #9**, Mr. Barker spoke about the status of AMLC Board members John Barker, Joerg Evers, and Wally Badarou's as "publisher representatives", and Henry Gradstein's as an "independent publisher."

- Mr. Barker referred to the Copyright Office NOI, which states: "Ten voting members shall be representatives of music publishers to which songwriters have assigned exclusive rights of reproduction and distribution of musical works with respect to covered activities, and none of which may be owned by, or under common control with, any other board member."

Further, the MMA mandates the following requirements of the MLC Committees:

- Operations Advisory Committee – "This committee is required to have an equal number of members who are musical work copyright owners, to be appointed by the MLC board...."

- Unclaimed Royalties Oversight Committee – "...five of which shall be musical work copyright owners and...."

- Dispute Resolution Committee – "...an equal number of representatives of musical work copyright owners and..."

As such, Mr. Barker set forth the following qualifications for himself and Messrs. Evers, Badarou, and Gradstein:

John Barker is the owner and CEO or ClearBox Rights, LLC, an independent copyright administration company. ClearBox has been engaged to be the "exclusive" agent for licensing and collection of royalties for all types of uses, including Section 115 licenses, in the U.S. and the world, by hundreds of independent music publishing companies. Under any standard interpretation, John Barker is unequivocally a "representative of music publishers to which songwriters have assigned exclusive rights of reproduction and distribution of musical works with respect to covered activities…"

To further clarify, the language above used for the criteria of the MLC Board differs from the language used as criteria for the three MLC Committees, which states that members should be "musical work copyright owners." The AMLC concludes that "representatives of music publishers" and "musical work copyright owners" are two distinct and different definitions of parties.

Joerg Evers is the founder and owner of EVERSONGS MUSIKVERLAG UND MUSIKPRODUKTION GMBH (ASCAP IPI# 85735642), a music publishing and music production company registered in 1980 as a member **of** GEMA. EVERSONGS owns an intensive catalogue of both self-written works by Joerg Evers and many other songwriters. These works are regularly made available on U.S. Digital Service Providers.

Wally Badarou is the owner of ISHE Music (ASCAP IPI# 152201033), Paris France (SACEM Member), administered by Peermusic, Ltd, London, including works by Jerry Lipkins, and available via U.S. Digital Service Providers.

Henry Gradstein is the owner of GLVD Publishing (BMI CAE/IPI# 465328149), which owns and administers over 100 songs, most of which are available on U.S. Digital Service Providers.

Ms. Smith asked about the board selection process. This is addressed towards the end of this letter.

• Responding to the **Copyright Office's written Question #1**, **Updates to RFP or vendor selection processes**, Mr. Price spoke on the following:

- The AMLC identified vendors that have been used by music publishers and DSPs for a minimum of ten consecutive years.

The vendor requirements were as follows:

- To be in good standing;
- To have no pending litigation;
- To have worked with or for the major music publishers, independent music publishers and self-published songwriters;
- To have worked with or for at least one of the following DSPS: Amazon, Google, Apple, Spotify, Pandora for a minimum of three consecutive years in the last five years;
- To have distributed a minimum of (US) \$100 million to rights holders each year for the last two years;
- To be cash flow-positive and financially stable;
- To have performed services that included (but were not limited to):
 - Receipt, normalization, and ingestion of sound recording metadata into a database;
 - Receipt, normalization, and ingestion of musical composition metadata into a database;
 - Output of metadata and other music copyright information to a third party;
 - Familiarity with and operating with a third party via a Statement Of Work, with a Master User Agreement that includes "up time" that exceeds 98%;
 - Understanding of musical copyrights for sound recordings and musical compositions;
 - Understanding of the MMA and its requirements;
 - Familiarity with and using, CWR, CWR2 and DDEX specifications;
 - Understanding and utilization of Cis-NET;
 - Annual financial audits for the last 10 years conducted by a reputable third party auditor;
 - Big data capabilities;
 - Technology security audit with compliance for both the US and EU/UK;
 - Online user interface allowing any rights holder to provide ownership and other information in regard to copyrights they own or control;
 - Education and outreach to self-published songwriters;
 - Experience in making payment distributions to rights-holders around the world;
 - Tax compliance and requirements including knowledge of W9s and W8-BENS;
 - Working with over 25,000 rights holders directly;
 - Pre-existing database of sound recording metadata that exceeds 50 million recordings;
 - Pre-existing database of composition metadata that exceeds 15 million compositions;
 - Conflict resolution with a dedicated staff and workflow;
 - "Mapping" a recording to musical composition, the musical composition the songwriter(s), the songwriter(s) to the music publisher(s);

- Producing easy to understand electronic royalty statements for musical compositions for a minimum of 10 consecutive years;
- Customer care and support team that can take in-bound phone calls as well as email communication;
- A customer support "ticketing' and management system to allow response time to be tracked and goals quantified;
- $\circ~$ Approved by DiMA and/or currently providing vendor services for a DiMA member;
- Collaborative in regards to technology iterations;
- Knowledgeable in regards to projected costs predicated on quantifiable metrics (i.e transactional volume, number of work hours etc.);
- Ability to handle "big data" and scale further with little to no operational impact, if required.

- Ms. Smith asked if the AMLC board was moving forward with Dataclef and if the AMLC was excluding MRI or other vendors.

Mr. Price replied that the AMLC either was contacted by or reached out to multiple potential vendors. He listed some by name. He stated that many of the vendors replied that they would work with the AMLC if it is designated as the MLC. However, due to political pressure directed at them, they were concerned they would suffer negative consequences if they were listed in the AMLC application. Therefore, they asked the AMLC not to list them. MRI and DataClef were comfortable with being included.

In addition, the NMPA's MLC candidate reportedly required "exclusivity" for vendors that submitted an RFI, and some vendors were concerned about repercussions if they submitted an RFI to the AMLC, as well. Mr. Price and Mr. Willen stated that the AMLC Board is prepared to work with any appropriate vendors and that the AMLC had created no requirement of exclusivity. Based on past direct work experience, invitations to discuss, and discussions, the AMLC has considered other vendors.

Ms. Scott introduced herself as the COO of DataClef. She spoke briefly about DataClef's qualifications, experience, and data accumulation.. Mr. Price added that many of DataClef's features, products and services are "live" and operational. They have been used by many entities in the music sector, including the NMPA, for the MediaNet settlement.

Mr. Ferguson added that the AMLC board views vendor selection as an evolutionary process. In order to select the correct vendors for the creation of our software and hardware, we are continuing to seek information regarding how best to achieve the MLC's goals, as defined in the MMA.

Numerous societies have engaged vendors over the last several years to build new systems or modernize older systems for licensing, matching, and royalty payments. The AMLC board will diligently research what other societies have done in these areas, paying particular attention to problems incurred in the development and building of their software.

It is important to note that, although the MLC will begin with no software system and it will be responsible for building, maintaining and operating a new system, these functions have and are being reliably handed by other societies all over the world. In fact, all the development problems the MLC will face have been confronted by other sister societies. A key focus of the AMLC Board will be to engage and communicate with other societies, in order to learn as much as possible before the final selection of vendors. This will enable us to minimize delays and cost overruns in the building of the MLC systems.

Ms. Smith asked how AMLC viewed the ownership of the MLC database.

Mr. Willen replied that the AMLC believes that the database must be owned by the MLC, not by the vendor. Ms. Scott pointed out that, in other, similar situations, DataClef regards the data as the property of the "client," not that of DataClef.

Mr. Ordonez addressed the relevance and importance of globalization. He believes that the international PRO's will adapt to the technology required by the MLC.

• Mr. Willen addressed **DiMA #3 question: How the AMLC selected one potential solution** over another to solve the challenges of more transactions, how automation will replace certain manual methods of data conflicts and locating and identifying rightsholders for unmatched works, as well as how it will choose which of the various potential solutions to implement in the future.

- Large scale technical implementations that engage multiple vendors experience dramatically higher failure rates, due to the exponential increase in human and technical contact points and communication channels. The AMLC single-vendor approach helps ensure a successful launch on schedule and on budget.

- AMLC selected the DataClef solutions based on experience, depth, and technical sophistication. These solutions are proven to handle the transactional volumes needed and AMLC has defined a multi-phase implementation of machine learning to detect, enhance, and ultimately replace manual resolution. Further, DataClef has deep expertise in CWR and rightsholder identification.

• Mr. Price and Mr. Willen responded to the **Copyright Office's Question #5: How the Board** intends to achieve and measure the success of activities regarding matching works, including the tuning of confidence levels in matching systems, and utilization of manual review.

- AMLC intends to obtain from DataClef an external metric in regard to existing match rates. In addition, AMLC will ask the DSPs to provide existing match rates, as a benchmark. Each subcomponent of the mapping and matching system will be instrumented to generate detailed performance metrics. These will be collected by the analytics sub-system, which will generate visualizations (e.g. graphs) of success rates and derivative metrics and other statistics. - These analytics will be one driver of tuning decisions. Manual review (data sampling and spot checks) will also be used to validate the outputs of these systems. As more analytics are collected and integrated, the system will become more accurate and confidence levels will rise.

- For full transparency, the AMLC will make these metrics and success rates, along with volumetric data, available on its public website; i.e. total number of works matched; total number of works unmatched; average match confidence level; comparison to prior periods, etc.

Ms. Smith asked Mr. Price if he had asked DiMA about its match rates. She proposed a hypothetical scenario wherein the MMA had not passed: what might the match rate be?

Mr. Price responded that, based on his experiences and direct conversations with current DSPs vendors using only a first pass automated system, currently, approximately 62% to 67% of recordings are matched. Further matching is done on second, third and additional passes using a combination of human work and automation. He estimates that, without the MMA, match rates would remain at that level.

Ms. Smith asked about the process of working with distributors to fix metadata and copyright information to compositions, and if the AMLC has a plan in the event the distributors decline to work in tandem with the MLC to fix processes.

Mr. Price replied that it would ultimately be the responsibility of the MLC to fix any missing composition data. However, he believes the digital distributors could play a key role in helping to resolve missing data issues, as the distributor is the "point of birth" for the commercial exploitation of the recording and composition. He articulated an approach where DSPs could create incentives or dis-incentives for the distributors to provide clean, accurate and complete data. He further cited the prior DSP approach in which they randomly sampled distributor data and recordings and rewarded them for clean and non-infringing data and recordings with faster live times and latency live times if they are not reaching DSP defined goals. This reward system creates economic incentive through competition between the distributors by rewarding (and, thereby, giving them a competitive advantage) through creating the most compliant and accurate data systems. He stated he would have the MLC sit and speak with DiMA about incentives and "best practices" in hopes of bringing and incentivizing the distributors to play a role.

He also discussed performing an analysis of the current unmatched recordings in three stages: 1first, "bucketing" them by distribution entity; 2- a second pass of identifying which recordings have zero percent ownership on the composition and upwards; 3- analyzing which recordings streamed thereby generating royalties. This then would reveal where the biggest "hole" is, which would allow a response to solve the empirically identified "problem" area. In addition, Mr. Price suggested that the distributor be contacted with a list of the recordings they distributed that generated revenue for mechanicals that were not paid due to missing ownership information. The distributor could match the recording to their own client, then contact them to request additional information. This would permit their client to be paid the additional money they earned. Ms. Smith noted that the AMLC had spoken about working with the DSP's, and that that cooperation will be critical to improving the matching process. She asked whether the AMLC would work with the Copyright Office.

- Mr. barker responded that the AMLC would absolutely be interested in working with the Copyright Office and committed to doing so.

Ms. Smith asked if the AMLC had had any conversations with digital distributors in regard to the MLC and its processes.

- Mr. Price responded that the AMLC has spoken with DIMA and other DSPs multiple times about its processes.

Ms. Smith whether the AMLC intends to make public the metrics it will use to evaluate the matching process, especially with respect to deciding when to distribute "undesignated" royalties.

- Mr. Willen responded that we would post in detail via the MLC website and in marketing outreach the criteria for point of unmatched royalty distribution.

Mr. Price added that the only reasons he could think of to not make the metrics public was if the responsible party wished to hide something, had privacy concerns, or was prohibited by the law from doing so. Otherwise, all information should be made public.

Mr. Evers added that regarding matching, through his membership in CISAC's CisNet Working Group he is connected to the participating international CisNet-using societies. Through planned CisNet connections, the AMLC would be able to enhance the process of matching owners to copyrights.

• Mr. Willen and Mr. Price then spoke to DiMA questions #1: Details on goals of 90+% match rate with an anticipated match rate of 94% after five years.

- Mr. Willen responded that target match rate during initial warm-up phase beginning 1Q2021 is at least 90%. Match rate metrics will be instrumented and reported throughout the processing pipeline, and made public quarterly. Continuous system and data improvements will result in improved matching to reach targets.

• Mr. Ferguson and Mr. Price addressed Copyright Office Question #6; What criteria will be used to determine where to engage in continued efforts to match unclaimed royalties, and the metrics for electing to proceed to distribution of unclaimed royalties?

- Mr. Ferguson replied that the goal of the AMLC is to attempt to match all unclaimed royalties to the rightful owners of the compositions that generate these royalties. Clearly, 100% matching within a set time period is not possible. Nonetheless, the board of the AMLC believes that its

goal of finding all the owners of all unclaimed royalties will set the operational culture of the MLC. That, in turn, will maximize the payment of unclaimed royalties to the proper owners.

- Metrics and cost benefit analysis for finding owners of unclaimed royalties will be established, monitored and amended as deemed appropriate by the Board and operational personal of the MLC. Cost-benefit analysis criteria for making a determination of whether or not to continue searching for an owner of unclaimed royalties will include:
 - The length of time a composition's unclaimed royalty remains unclaimed;
 - The amount of money earned by a composition that is unclaimed;
 - The number of times an unclaimed composition has been attempted to be matched with the MLC database and other society databases over a period of time. (Note that databases are constantly updated and this constant matching of unclaimed compositions with compositional databases will be critical to successful matching);
 - The MLC, as directed by the AMLC, will have a manual matching department. A criterion will be established for which compositions will be sent to this department, and how many attempts at matching will occur.

The AMLC notes that all societies around the world face the problem of unclaimed royalties that the MLC will have on the first day of its operations. With the help of its two Board members who belong to the boards of other major PROs, the AMLC will within the first few months of its establishment engage these other societies to learn their criteria for matching unclaimed royalties and incorporate their strategies for matching and their cost-benefit analysis, when appropriate.

Mr. Willen stressed that distribution criteria may be based on results, rather than an arbitrary timeframe. The distribution of unclaimed royalties will be predicated on a set of metrics at the rate of which unclaimed royalties become claimed. The inputs for this will come from the publicclaiming portal, where eligible individual entities/people can go to locate and "claim" sound recordings of their compositions, as well as from automated "bulk" submissions of information (i.e. an aggregator is asked to provide composition information for sound recordings it distributed that generated accrued, but unclaimed royalties. The aggregator provides the information back to the MLC and that information is verified, etc. That information is then ingested into the MLC database for a future mapping/matching distribution run.)

The AMLC plans to monitor and watch for the rate to increase, as we increase education and outreach efforts.

Our education and outreach efforts should be tied to: an assumption that the user has some rudimentary knowledge of the requirements of the MMA; confirmation that the person or entity that earned the royalties has the knowledge, education and understanding of mechanical royalties; confirmation that they earned mechanical royalties that have been collected by the MLC. In addition, the person/entity must also have the resources necessary to register with the MLC.

This allows for ramp-up time for domestic and global education. In addition, it allows for betatesting of the MLC website and registration process, in order to reduce friction and ensure users are clearly understanding the registration process.

To help quantify, motivate and provide a set of goals and metrics to be met, a country-by-country analysis will be performed, using both the number of registered works and publishers with the music rights or public performance collection agency, as compared to the number of registrations of works and publishers with the MLC. The music rights or public performance collection agency will be provided these metrics on a schedule, allowing them to chart their progress.

In addition, the music rights or public performance collection agency will be provided information about the aggregate amount of revenue being distributed to their members.

When we no longer observe an increase in the rate in which unclaimed royalties are being claimed, we will have maximized our outreach. When the rate of unclaimed has dropped below a predetermined threshold of x%, we will have a clear indication that the accrued, but unclaimed royalties collected by the MLC are eligible for distribution.

We will also track the amount of unclaimed royalties from each new receipt of revenue and information from a DSP on aTBD time schedule. This will allow us to see increases, decreases, or staticities in the unclaimed. If there is an anomaly in any particular time period, it will be researched to determine the cause and the impact, if any, on liquidation metrics.

In addition, we will create metrics around each distributor in regards to what percentage of the unclaimed originate with the sound recording they distributed. These metrics will be provided to the distributor/aggregator with recommended goals and "best practices" to improve performance and decrease the percentage of recordings generating unclaimed mechanicals.

• Mr. Willen discussed **DiMA Question #8: The changes the AMLC views as necessary to more accurately, effectively, and efficiently pay out royalties** He stated:

- Implementation of AMLC database with rich and accurate mapping from ISRCs to ISWCs;
- Enhanced ISWC implementation within recording distribution eco-system;
- Public portal and communication/outreach;

• Mr. Willen then answered Copyright Question #2: Ability to provide access to database inputs to the public, including in machine readable format.

- Secure private cloud infra-structure implementing portal-based solutions for data loading. Matching tools to accept and process copyright information from rights holders;

- Either ad hoc or batch submissions;
- Batch will support multiple machine-readable formats;
- Coordinate with data received by DSPs

• Copyright Question #3, Intended approaches to transparency to the industry and the general public, including notification of distribution of unclaimed royalties, was addressed by Mr. Ferguson, Ms. Moberly, Mr. Carnes, and Mr. Evers.

- Mr. Evers and Mr. Badarou pointed out that, as set out by the rules of CISAC, of which the MLC is bound to be a member, transparency to industry and general public will be ongoing, as well as coordinated and included with general outreach and informational campaigns as well as separately.

Ms. Moberly responded on the following points:

- Unclaimed Royalty notification will be the culmination of the following coordinated processes:
 - Establishment of MLC website search engine which enables the general public to search by various key words and data to determine if they have unmatched compositions that are unclaimed;
 - Easy, direct process to begin claim of unmatched compositions including a verification process insuring rightful owners are confirmed;
 - Quarterly updates to remove newly claimed compositions and add current/new unclaimed compositions. Dated updates will encourage users to return for additional searches;
 - Messaging to include general (potentially quarterly) announcements via MLC site, coordinated with PRO's, songwriter organizations, and social media to encourage songwriters and publishers to register with the MLC and search for possible unclaimed compositions;
 - Automatic matching of unclaimed compositions upon registration if a match is found;
 - Dedicated informational campaign six weeks prior as a call out to claim royalties before a coming distribution period and visible to registrant relevant compositions;
 - Analytic information from previous unclaimed royalty distribution(s) to include graphs/pie charts and percentages of receiving unclaimed funds by entity, geography and amounts;
 - Data, accounting, and royalty amounts of each unclaimed composition(s) to be accessible on request for registered accounts, specific to account.

Additional marketing and outreach campaigns related to unclaimed royalties for consideration:

- Promotional campaign coinciding with distribution announcements: "MLC is about to distribute X-amount of unclaimed royalties in 30 days. Make that number smaller.", with links to search page for unmatched compositions;
- Direct messaging and announcements to publishers with a timely reminder to search, update and claim before distribution date;
- Direct messaging and announcement to PRO's WW with a timely reminder to search, update and claim before distribution date.

Mr. Carnes responded that transparency is important to all music creators and publishers when it comes to getting paid, properly. But when it comes to exposing who wrote how much of what composition the following problems exist:

- Many songwriters and composers are forced to share the royalties and often a share of the copyright in order to get a song recorded. The majority of these writers are NOT going to want others to know about this for competitive reasons. If it becomes known that they allowed 'cut-ins' on one song then they will always be in a situation where they will be asked to surrender a portion of the next song and the next.
- Music publishers are not going to want other publishers to know who owns what share of what songs in their catalog because they are concerned that other music publishers will find out that there is a piece of one of their big hits that is controlled by someone who might be willing to sell it. This would then allow the new co-owner of the publishing rights to start licensing the composition to film, tv, and advertising without their permission. If there is one large global database that could be conveniently searched this would make trolling for 'pieces' of choice copyrights much easier than it is now.

Joerge Evers and I (Rick Carnes) were members of the songwriters oversight committee of Cis-Net and helped to solve these problems in that system. As a result, the AMLC possesses the expertise and experience to assist the global songwriting community. This is why the MLC needs songwriters who understand privacy issues in an international context.

In response to **DiMA Question #10**, **How the AMLC intends to comply with the accountability, transparency, and oversight components of the MMA as part of the Collective's ongoing operations**, Mr. Willen responded that AMLC will implement and publicize detailed reporting and metrics on all components of licensing, matching, and distribution. These will be posted on the public facing website on a quarterly basis.

Copyright Question #4, Diversity of Board Members and how education and outreach efforts will be addressed to diverse communities, including overseas copyright owners was then addressed by several board members, including Ms. Moberly, Ms. Cuevas, Mr. Ordonez, Mr. Evers, Mr. Badarou, Mr. Aguirre, Mr. Draper, and Ms. Keating.

- Ms. Moberly responded that the AMLC Board includes publisher members who are members of virtually all the major and many smaller societies throughout the world. Some of the AMLC Board members have been or are on boards or committees of GEMA and SACEM. Communication with sister societies throughout the world regarding the purpose and goals of the MLC will be a high priority. This communication will include:

- Having sister societies inform their members of the importance and functions of the MLC through their websites, newsletters, emails and membership meetings;
- Attending international conferences with sister societies.

Board member qualifications and experience relate directly to diversity and outreach across the world from past singer songwriter advocacy, direct relationships with PRO's worldwide, board memberships of PRO's, songwriter, and publishing organizations, and independent and major publishing experience and business relationships. Current professional positions and qualifications of board members allow for consistent, regular outreach, education, and relationship-building around the world:

- Internationally-touring songwriter board members have: have written for and been featured in publications such as Fast Company, Forbes, Wired, NY Times, and The Guardian, and TV appearances; lead songwriter advocacy and maintain connections to universities around the world including speaking to over 100 groups in 40 countries; founded a non profit organization to build open source digital tools for musicians and labels; created educational videos with The British Academy of Songwriters and Composers (Ivors Academy), and The Society of Composers and Lyricists; created a nonprofit organization that builds open source digital tools for musicians and labels. Advocate for the rights of creators.
- Board Members in the U.S. are based in Los Angeles, New York, Nashville, and Florida, and overseas, in Germany, France, Sweden and Italy, with the ability to meet in person with MLC members, potential MLC members, PROs, and songwriter organizations. We are able to converse in English, German, French, Spanish, and have lived or are currently living in Germany, France, Sweden, Venezuela, Ecuador, Argentina, Mexico, and in the States work from New York, Los Angeles, Nashville, and Florida.
- Two Board Members have roles on the CIAM Executive Board, as board member and Vice President, with **excellent contacts to the global community of CISAC creators and copyright owners**, with the ability to communicate and distribute MLC information and guidance. CIAM's system of continental alliances—ESCA (Europe), ALCAM (Latin America), APMA (Asian Pacific), PACSA (Pan Africa, (MCNA (North America—offers seamless partnership and education opportunities. One Board Member is also a member of CisNetWorking Group and its X-Industry Steering Committee as Tech/Metadata representative of CIAM, steering worldwide cooperation efforts and exchanges with other participants including publishers.
- We hold active and current memberships and board seats on: Copyright of the South, CMA, NARAS, supervisory board of GEMA, SACEM, European Composer & Songwriter Alliance, Committee of International Council of Authors of Music, Music Creators of North America, Songwriters Guild of America, Pan-African Composer & Songwriter Alliance, Alliance of Latin American Creators of Music, Asia-Pacific Music Alliance and direct relationships with over 36 PRO societies throughout the world covering Europe, North America, Central and South America, Africa, Asia and Australia.

- International Outreach Discussion

Mr. Aguirre addressed the international constituency: The international community of songwriters and independent music publishers can't be overlooked or ignored in this process. I am an independent music publisher specializing in Latin music. Latin music encompasses music

from countries as diverse a France, Italy, Portugal, Spain, as well as Brazil, Argentina, Mexico, Colombia, Peru and many Caribbean countries. In the U.S. the Latin population amount to 10% of the country and of that percentage, 70% has Mexican roots. There are more than 800 radio Spanish speaking radio stations and 2 national TV networks. Except in the U.K., there is no music in the U.S. with the impact of Latin Music in all major markets. I have 45 years of experience in the entertainment business in Argentina, Mexico, the U.S. market and Latin American in general. I represent, in the U.S., for Mechanical and Public performance, SACM, the Mexican society of composers and authors, one of the most important PROs in the world, with 29,000 members and about half a million songs.

Ms. Smith asked about the AMLC's ability to reach and education artists in specific targeted communities, in response to IPSJ comments.

- Mr. Draper replied: I have been in the education and outreach arena independently for years. I speak to groups creators, writers, producers, composers as often as I can, and I am always shocked at the number of folks with music available on streaming sites but don't know what a PRO is. We have spent hours after speaking engagements helping writers create a PRO account. Unfortunately, I can tell you from experience that we will not be able to put up a page with instructions on how to sign up for PRO. These folks need to be educated on the functionality of getting compensated for music. In my personal efforts, we speak to niche communities, like the urban music community, and we incorporate guests that have had some success in the genre that we are speaking to which allows us to focus on building a relatable story which allows us to be more effective in our educational efforts and get more people signed up.

- Mr. Carnes further discussed the importance of diversity contacts and his outreach via Songwriters Guild of America.

- Ms. Moberly discussed targeted outreach to specific genres, as well as geographically, targeting folk music, blues, jazz, and areas such as Austin, Nashville, Florida, New York and Chicago.

Ms. Smith asked if the Board saw its outreach efforts working in collaboration with the Copyright efforts.

- Mr. Draper responded, I feel that in order for this to be effective, whoever ends up with the appointment needs to take a more collaborative approach to education and outreach with both the Copyright Office and the PROs.

- Ms. Moberly outlined a U.S. diversified response for education and outreach which includes the following:

Our board members are experienced not only with working with specific genres, but the communities from which they come. Outside the U.S., partnerships with the world's PROs will create advantages to both the MLC and individual PROs; PRO's will stand to gain membership and take advantage of a direct revenue stream, and MLC will obtain accurate data to remit

royalties to those mechanical collection societies. Outreach and education efforts within the U.S. and outside the U.S. will have two different approaches:

- U.S. Diversity Outreach/Education

Diversity outreach can be broken down both regionally and genre-specifically, and outreach efforts should be tailored to target those communities. Targeted outreach genres currently include Latin, Hip-Hop, Country, and American Music such as Folk, Cajun, Zydeco, Blues and Jazz. Geographic music communities would include but not be limited to Louisiana, Mississippi, Chicago, Austin, Nashville and Florida. Outreach and education can include:

- Ads in genre specific publications/websites;
- MLC member interviews representing a community, geography or genre;
- Targeting music creators online where they congregate, such as BandCamp.com and other independent music sharing websites;
- MLC Townhall meetings in above referenced locations.

• In response to **Copyright Question #7**, **More information on outreach efforts, especially ones geared to laymen**, Ms. Moberly addressed the following:

- International:

International outreach and education will be focused on PRO relationships in each territory. Board will work in conjunction and consultation with PROs to deliver messaging and information with input from PROs based on their individual needs.

International PRO Relationships:

- Partnering with PRO's on an outreach and educational level to implement marketing that will best fit each territory's needs and ways of messaging;
- Provide MLC marketing and informational material to PROs that can be used to recruit new PRO membership;
- Reciprocal links on MLC and PRO pages to share region-specific information.

- <u>U.S.:</u>

Ongoing, regular and consistent outreach and education will be crucial to educate the general public on the MLC in general, and to enforce name recognition and familiarity. As outlined in the AMLC proposal submitted to the Copyright Office, education and outreach efforts include:

- Advertisements;
- Press Outlets;
- Social Media/Word of Mouth;
- MLC presence at industry conferences and music related events;
- Event Sponsorship/Brand Partnerships;
- Video marketing campaigns;
- Coordinated campaign partnerships with DSP's.

However, we believe one of the most effective approaches of outreach/education for developing songwriters and young creators is in-person contact. **Townhall meetings and MLC dedicated events** will be key to spreading information about the MLC, educating the general music creator

community, and registering songwriters. Events may be held regularly, their frequency depending on location. Well-known songwriters or other industry experts might be included in a MLC event, in order to encourage attendance. Q&A segments that follow discussions and registration can be available.

Discussions about music publishing and the MLC can be brought to the university setting and other music programs, as well as to regular MLC events. The continental alliances (ECSA, MCNA, PACSA, ALCAM, APMA and their umbrella federation CIAM) have the ability and capabilities to carry out the above tasks, as well.

Crucial to making MLC accessible to the lay person are the following:

1. A discussion of music publishing in general. Any discussion on the function of the MLC must include an understanding of the purpose of PRO's, and a general overview of music royalties. Informational material and web content must relay this information and emphasize how MLC collects different royalties from other societies. While the MLC can encourage songwriters to affiliate with BMI, ASCAP, or SESAC, it is important to communicate that MLC is collecting royalties that will not be collected from any of the above societies.

In addition, there are specific elements that are vitally important to making the above outreach and education programs meaningful and successful, with a focus on the layman, young songwriter/music creator or anyone new to understanding music royalties but applicable to all songwriters and publishers. **The following points speak not just to outreach, but active participation** (in the form of updating catalogues, new addresses, contact info, etc.) and generating good word of mouth. The topics, below, while seemingly minor, are in fact real and important solutions to hurdles that singer songwriters consistently encounter.

- 2. Make online registration easy and simple. If possible, limit the registration process to three pages, while collecting all necessary information for identification of the work and its rightsholders, hereby using the globally accepted international identifiers as much as possible. Ideally, registration forms would include pop up menus for each line, with an explanation of each piece of requested information. Allow for input of song title registration as a single process, whether manually input or uploaded. Registration should not be a confusing or painful process that takes several hours to understand and complete. Similarly, updating a catalogue, adding a song, or correcting a song title must be easy and simple. Retrieving password should be easily
- **3.** Access to MLC representatives both via email and phone. One-on-one communication is imperative to building relationships with the music creators it serves. Accessible, information representatives will be able to assist with registering, maintenance questions and password retrieval.
- **4. Outreach and education to digital distributors who offer opt-in administration**. In an effort to create a consistent and standardized complete set of information

relating to each composition, an outreach effort should be made to work in tandem with digital distributors registering with the MLC on behalf of their clients.

Ms. Cuevas explained that indie representatives associated with the AMLC are prepared for all aspects of education and outreach. This is due to our grassroots, hands-on experience and the necessity of being a "jack of all trades, master of all," engaging personally in performing duties, from the most basic registrations at the CO, PRO and sending songs to sub-publishers, to setting up an accounting system, accounting and paying, collecting, negotiating and drafting agreements. She stated: From the first experiences working with J & N Publishing in 1990, each semester accounting period I personally travelled to the Dominican Republic, met our writers, set up a conference to review statements and to answer questions. Recently did a panel with 60 writer-members and independent publishers associated with SGACEDOM (the Dominican PRO). The conference was super-precipitated time-wise or there would have been many more writers. The reception was more than enthusiastic and there are plans to repeat it monthly. Have plans to take this type of informational panel on the road throughout Spanish speaking territories. This would be a companion of social media and print campaigns, website, etc. for promoting the MLC. Since 1990 I have signed composers up at ASCAP and BMI, literally hundreds of them. I still do so with new writers for a double reason: first, it is moral; second, if a writer does not have an IPI#, the song will not qualify for CWR and it will never have an ISWC assigned.

• Mr. Ferguson and Ms. Seegal discussed **Copyright Question #8**, The role of Copyright Office oversight as set forth 17 U.S.C. &115(d)(12) and elsewhere in the Act (see S. Rep. No. 115-339, at 5 (2018) (The legislation history addressing 17 U.S.C. &115(d)(12) suggests that the Register promulgate the necessary regulations in a way that "balances the need to protect the public's interest with the need to let the new collective operate without over-regulation"), including views regarding the proposed AMLC's adoption of bylaws and succession of Board Members.

Mr. Ferguson discussed the Register of Copyrights Protection of Confidential Information language (C) PROTECTION OF CONFIDENTIAL INFORMATION.—The Register of Copyrights shall adopt regulations to provide for the appropriate procedures to ensure that confidential, private, proprietary, or privileged information contained in the records of the mechanical licensing collective and digital licensee coordinator is not improperly disclosed or used, including through any disclosure or use by the board of directors or personnel of either entity, and specifically including the unclaimed royalties oversight committee and the dispute resolution committee of the mechanical licensing collective.

The Copyright Office uses the word "oversight" in this description. The AMLC takes this to mean that meaningful consultation with the Office regarding bylaws and board member succession will be imperative before any formal action is taken. Ideas to be considered in drafting of the regulations and items include:

- Establishing database security measures, so that board members do not have access to royalty, ownership, etc. data;
- Establishing operational procedures that include regular changing of passwords;
- Mandating confidentiality agreements for every MLC employee;
- Implementing of training programs for MLC employees that include confidentiality and ethics training (note CPAs have this as part of their continuing education courses);
- Considering other suggestions from sister societies as well as financial institutions.

Ms. Seegal discussed PPI as follows:

- The Act on the Protection of Personal Information was fully enacted in 2005 to protect the rights and interests of individuals while taking consideration of the usefulness of personal information. The law applies to business operators that hold the personal information of 5,000 or more individuals.

Some additional suggested items to be implemented:

All board members shall sign confidentiality agreements protecting confidential and sensitive business and financial information and data. These agreement will contain sufficiently strict terms consistent with similar confidentiality agreements for highly valuable confidential information. In addition, the AMLC will institute policies and procedures regarding firewalls and access restrictions to ensure that all reasonable measures are taken to protect the corporation from unauthorized disclosures.

In response to an earlier question posed by Ms. Smith, the board then addressed the process of board membership and the criteria under which the board was formed. Mr. Barker described a process that began with several founding members. Founding members began the recruitment of additional board members based on the following criteria:

- Met the criteria as set out by MMA for board membership requirements, including copyright owners, representatives of music publishers. A special emphasis was placed on songwriters holding positions on the board;
- An effort was made to create a diverse board that had experience in representing independent songwriters and major publishers;
- A special effort was given to contact and recruit individuals with strong technology background or familiarity with music industry technology processes;
- Board members must be independent and have no conflicts-of-interest; or as few conflicts-of-interest as possible;
- -
- Represented a diverse board with expertise in a wide array of genres and relationships in distinct music communities.

Board member searches were conducted via personal relationships, recommendations, and invitations to submit inquiries of interest via public posting on the AMLC website.

In response to the outreach and education discussion, Mr. Ruwe asked if the AMLC budget has changed since submitting its proposal, particularly given the number of outreach and education efforts discussed. Mr. Price responded that the proposed budget included all outreach and education efforts under discussion for several reasons. With social media today, the outreach can be powerful with a single video or through viral information campaigns.

Mr. Ordonez responded that in regards to international outreach and education efforts, the PRO's will contribute and lead the outreach, as it will be in international PRO's financial interest to recruit as many new members as possible. International PRO's can help mold marketing and informational messages geared towards each specific region and culture. With this cooperation, outreach internationally will be successful while working with a conservative budget.

The Copyright Office asked the following additional questions:

• Notification of distribution of "undesignated" (unclaimed) amounts. Mr. Ruwe: Will the AMLC notify the public prior to distribution of monies? What information would you include? Has the committee talked about it?

- Yes, this has been discussed. We definitely have plans to notify the public;
- Ms. Moberly emphasized in her response that six (6) weeks prior to any distribution there would be public notification (in an effort to continue to try to identify songwriters/ owners.) A dedicated campaign as a call-out to claim royalties;
- AMLC believes it should not be time-based;
- Also, it is the AMLC intent to public metrics and charts and graphs to provide transparency about the process of matching and distributions, but we have not decided definitively what will be included. We would like to gather more data in order to be in a position to make a more informed decision.

• **Dispute Resolution**: What will happen if songwriters disagree about a royalty and come to the MLC? Will the AMLC/MLC make a final ruling? There is some "concern" expressed about the rules to settle issues. Will the MLC adjudicate disputes in the committee or just set policies? The AMLC responded:

- Mr. Ordonez: No. The AMLC should not adjudicate. The role of the AMLC is to develop and publicize specific guidelines for artists to follow;
- It is not the MLC's role to decide ownership;
- The AMLC does not want to create a situation that could create a liability;
- The process would lead to a resolution. Either the parties would wind up in court or one will drop out.

General comments, including from Mr. Ferguson and Mr. Ordonez, stated that the AMLC would develop a procedure to efficiently resolve double claims (also called counterclaims). The AMLC

would compare processes of other societies for handling double claims and then develop the criteria best-suited to the MLC. Processes have been established over the course of many years by many PRO's. Also, the AMLC will not adjudicate double claims, meaning that we will not judge who is correct and who isn't when such claims arise.

• Additional Committees. Mr. Ruwe: Did you create three new committees not called for in the MMA? Will those committees "compete" with the Operations Committee? The AMLC responded:

- The MMA specified strict qualifications of people serving on committees;
- The AMLC felt it was important to benefit from people with extensive experience in some additional areas outside those designated by the MMA, who may not qualify per the strict qualifications by including them on "support" committees. These committees will have no authority, and therefore not compete with other committees, but will simply be used as support to the MLC Board and official committees.

• Mr. Sloan asked the AMLC to discuss **conflicts-of-interest**

Mr. Price responded that he was concerned about conflicts-of-interest that are likely to arise if music publishers have representatives serving on both the Sound Exchange Board and the Board of the NMPA's MLC. He noted that the NMPA's MLC has indicated that it may designate Sound Exchange to serve as its primary vendor.

Mr. Sloan clarified that his question was about any possible conflicts between SOCAN and the AMLC.

- Mr. Ferguson reiterated his earlier point about fiduciary responsibilities: the music industry by its very nature is a small, social network where relationships are important for doing business. He stated that, as independent business owners and songwriters, the Board Members had no ties or fiduciary responsibilities to any shareholders.

- Mr. Barker further clarified that while he had been in a consulting position with SOCAN for a period of time, that relationship ended prior to the AMLC being formed. Mr. Barker continues to have an arm's-length business relationship with SOCAN for certain collection activity, as he does with various other entities.

- Mr. Price then added there was no collusion, coordination, or internal conversations of any sort between SOCAN and the AMLC.

He further stated Audiam is not a vendor and is not going to be one. In addition, he stated Audiam was acquired by a SOCAN holding company in July 2016. It is based in the U.S., has its own management and employees (none of which are SOCAN employees), is incorporated in the state of Delaware with its own Tax ID, has own employee handbook and rules, own HR department, own technology and own board of directors that includes non-SOCAN executives.

• Market Share: How do you interpret the market share calculations?

AMLC response is based on the number of copyright owners, not the total number of copyrights.

Mr. Ordonez provided an example of copyright owners versus copyrights. The Global Music Rights organization represents approximately 74 members of top composers in its organization, but the Columbian PRO SAYCO represents over 10,000 members, the majority of which are individual independent publishers and songwriters.

Endorsements: How do you respond to the question about endorsements (from organizations)? What is the distinction in endorsement when there is a letter from an organization stating "I" based on the person who signed vs. "we" which means the signer is representing the entire organization.

- In most cases, the officers/executives of an organization have the authority to speak on behalf of the entire membership, (such as the continental alliance such as ECSA, European Composers and Songwriters Alliance), and we were assured by certain authorities outside of the AMLC board that the AMLC had such support with endorsement letters.
- One specific organization who later publicly clarified their endorsement stance recognized that the organization had a policy in place of not providing endorsement.
- Some endorsements were interpreted to be an endorsement by the individual, and others on behalf of the entire membership.
- With respect to verifying each person's qualifications and vetting each endorsement individually, we had not yet completed the process
- However, the AMLC has continued to receive numerous additional endorsements from both individuals and organizations since the original proposal filing date.
- Mr. Price offered to provide the Copyright office a list of each individual copyright owner and the name of the applicable composition. The Copyright office declined indicating it could not accept additional documentation.

Mr. Carnes responded that Sony-ATV, which controls some of his compositions, is representing that these compositions allow them to "endorse" on his behalf. However, Mr. Carnes noted, he did not give Sony-ATV such permission, nor does he agree with Sony's endorsement of a candidate for the MLC.

The AMLC and Copyright Office conversation concluded at 11:45 a.m.