NEW YORK - National Public Radio is teaming up with online radio broadcasters to appeal new music royalties that they say would put smaller operators out of business and force others to sharply scale back their online music offerings.

NPR filed a notice with the U.S. Court of Appeals in Washington Wednesday signaling that it would challenge the ruling by a panel of copyright judges that would sharply raise the amount of royalties that NPR stations and others have to pay record companies for streaming music over the Internet.

NPR also said it was filing a request with the same court on Thursday along with other Webcasters for an emergency stay blocking the adoption of the new rates, which are set to go into effect July 15.

Several NPR member stations such as KCRW in Los Angeles have significant online audiences for music programming, and would have to drastically cut back those offerings under the new royalty rates, NPR says.

NPR spokeswoman Andi Sporkin, in a statement, called the decision by the Copyright Royalty Board on May 1 "ill-conceived" and said it would cause "irreparable harm" to member stations by forcing them to cut back on streaming music online.

In addition to NPR, smaller Webcasters and a group representing major Internet companies including Yahoo Inc. (Nasdaq: YHOO - news), Time Warner Inc.'s AOL unit and RealNetworks Inc. were expected to join in the motion for a stay on Thursday.

Separately, a bill seeking to block the new royalties and implement a different payment system is gathering steam in Congress. The Internet Radio Equality Act has 100 co-sponsors in the House of Representatives and has also been introduced in the Senate, says Kurt Hanson, who operates a small online radio company called AccuRadio.

Hanson says the new royalty rates would put smaller operators such as his out of business. Currently, smaller Webcasters pay a portion of their revenues — usually from...
advertising — in royalties, amounting to about 10 percent to 12 percent. The new rates would require them to pay each time a song is heard by a listener, as well as minimum amounts per channel.

The royalties in question only apply to digital transmission of music, such as over the Internet and through satellite radio. Sirius Satellite Radio Inc. and XM Satellite Radio Holdings Inc. have their own agreements with the music industry, but those are also being renegotiated.

Normal radio stations don't pay those royalties for regular broadcasts since radio airplay is seen as having value for promoting sales of music CDs. Both traditional radio stations as well as online broadcasters pay separate royalties to the composers and publishers of music.
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