Music Industry Caps Fees for Webcasters

By DIBYA SARKAR, AP Business Writer
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WASHINGTON -- A music industry group Thursday said it would cap "per channel" fees for major Internet radio companies streaming music on multiple channels.

SoundExchange, which collects royalties from Webcasters and distributes them to artists and record labels, said it would limit fees -- at $50,000 a year -- for online radio station companies that offer more than 100 channels to customers.

A panel of three copyright judges earlier this year mandated that Webcasters had to pay higher royalty fees and a $500 fee "per station or channel" streamed, regardless of the total number of channels.

The ruling meant that large Webcasters, such as Pandora Media Inc. and Time Warner Inc.'s AOL, that stream hundreds of channels faced much higher payments to SoundExchange than in the past.

Representatives from both companies said the new agreement was a positive first step, but they are still negotiating on how the new royalty rates will be calculated.

"That $500 per channel minimum was kind of absurd and the truth is everybody knew that," Pandora founder Tim Westergren said. "But the real meat of this is the (royalty) rate, which has not been figured out yet."

The agreement also calls for accurate reporting of what's streamed rather than the sampling that had been used in the past to determine fees. And SoundExchange also wants Internet radio stations who accept the deal to collaborate on how to prevent illegal downloading of copyrighted streaming music.

SoundExchange said the agreement applies only to its members of some 20,000 recording artists and 3,500 record labels, including all the major labels.

Richard Ades, a SoundExchange spokesman, said it has been negotiating with several Webcasters for the past month and that the group hopes the new agreement will be adopted industrywide.
This deal comes two days after SoundExchange offered discounted royalty rates to small Webcasters -- with less than $1.25 million in gross annual revenue and a certain audience size -- through 2010. That offer, which expires Sept. 14, also only applies to SoundExchange members.

However, several small Webcasters said they plan to reject the offer because it is not economically viable for them, and they're hoping for further negotiations with SoundExchange.

The copyright judges ruled in May that a new system of sharply higher royalties and fees should be implemented, replacing a system whose rates expired Dec. 31, 2005.

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