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[Internet Broadcast Royalties Available to Bluegrass Artists & Labels, What is SoundExchange & how Can They Help You?](#) ^[1]

By Shari Lacy

SoundExchange is a non-profit organization created in 2000 as an unincorporated division of the RIAA (Recording Industry Association of America). In 2003, SoundExchange split off as an independent, non-profit organization that licenses music for public performance by digital transmission. They collect the license fees and distribute royalties to those whose recordings are performed?specifically, the performer and the sound recording copyright owner (SRCO). SoundExchange is the only collective designated by the United States Copyright Office to distribute statutory royalties to copyright owners and performers (located under 17 U.S.C. 5 114 (g) (2).

According to the Sound Exchange website, prior to 1995 Sound Recording Copyright Owners (SRCOs) in the United States did not have a performance right. It wasn't until 1995 that the U.S. passed the Digital Performance Right in Sound Recordings Act (DPRA), granting a performance right for the digital transmission of sound recordings. This meant that, unlike their counterparts in most of Europe and other nations around the world, recording companies and artists in the U.S. were not entitled to receive payment for the public performance of their works. Users of music and digital music service providers broadcasted these works at will, without any money being paid to the rightful owners of those recordings or the featured artists who performed the songs. Most often the SRCO has been the record label.

Most bands that sign major label contracts and some indie label contracts, sign away ownership of their copyrights for a length of time. So in most cases the SRCO is the label, but in situations where the performers have retained control of their copyrights?bands not signed to a label or those who have gotten their copyrights back?they become recipients of both parts of the SoundExchange royalty: as performer and as SRCO.

In the United States, SoundExchange licenses and collects royalties from satellite radio?XM and Sirius, non-interactive webcasts, cable subscription services like DMX and Music Choice that play on certain cable TV stations, and from the handful of terrestrial stations that also simulcast on the web.

They do not, however, collect royalties on digital downloads?because they aren't considered a ?performance??or from analog TV and radio, or on interactive performances when listeners select what will be streamed.

How is SoundExchange different from other performance royalties organizations? SoundExchange provides a service similar to what BMI, ASCAP and SESAC do, but they license a different type of work. According to Bill Holland, Outreach Consultant for SoundExchange, "While BMI, ASCAP and SESAC pay songwriters and their music publishers," he says, "SoundExchange pays out to performers (recording artists) and copyright owners of the actual material, usually a record company, big or small." He adds, "For the first time ever, artists get paid directly. It used to be that artists' royalties would go back to the record company. If the artist happened to still owe money for recording, publicity or other services, the actual artist would not see any of the earnings," he emphasizes.

Here's an example: If you hear Patsy Cline singing "Crazy," which was written by Willie Nelson, on terrestrial radio, Willie will get a check from BMI because he's the songwriter, but Patsy gets nothing. But if you hear Patsy Cline's "Crazy" on XM Radio, Patsy's estate is paid by SoundExchange for performing the song, and Willie is paid by BMI for writing it.

Bands and performers should be members of SoundExchange, as well as one of the performing rights organizations (ASCAP, BMI or SESAC) especially if they are songwriters. Holland says, "ASCAP, BMI and SESAC also differ from SoundExchange in that they get performance royalties from regular broadcast radio and they have for years. Artists and labels, however, do not get royalties from terrestrial radio. They do receive royalties from the newer digital services—satellite, cable and internet streaming radio. Those are what we collect and distribute. We hope we can get a performance right for broadcast radio in the future."

SoundExchange currently represents over 3,000 record companies, their 6,000 labels and 20,000 artists united in receiving a fair price for the licensing of their music in a new digital world. SoundExchange members include small, medium and large independent record companies, as well as major label groups and artists-owned labels. SoundExchange will pay royalties regardless of whether artists and labels have become actual "members." When they have good payee information (a name and an address), they can pay out the royalty, even if these artists haven't formally become members. To date, SoundExchange has processed more than 200 million performances that can be attributed to approximately 40,000 different artist accounts. Since they don't have good payee info on most artists, however, they can't pay them. According to SoundExchange, several bluegrass artists have been the beneficiaries of their services including Lynn Morris, Mike Auldridge, Ronnie Bowman, Doyle Lawson and Alecia Nugent, to name a few. Each of these artists was contacted by SoundExchange's Outreach division to let them know they had funds available to them from digital performance royalties. Many artists have money in their name, waiting for them with SoundExchange but are simply not aware of it.

Artists should not only register with SoundExchange, but consider becoming actual members. One major benefit is obtaining foreign performance royalties that can only be distributed through SoundExchange if the artist has designated SoundExchange (through a membership agreement) to do so on his or her behalf.

There have been some big payouts. "One R&B artist who is moderately successful in the U.S. has a large following in Europe and was paid six figures in Dutch performance royalties. While this large amount is certainly not the norm, some checks are big, and they will get bigger as the industry grows," Bill Holland says. Plus, the checks get bigger with the foreign monies that SoundExchange is now able to collect on behalf of their members. These new

performance rights are an exciting new stream of revenue for U.S. artists.

“Many companies are taking advantage of the different services we offer,” Holland says. In this era of digital and internet radio play, artists and record companies are doing everything possible to insure that their investments pay off. SoundExchange provides a valued service to performers and labels who’ve not received any royalties for their performances over the years.

How Do I Register with SoundExchange?

Songs have to be registered with SoundExchange before any royalties can be paid. To find out more about SoundExchange, visit their website at www.soundexchange.com [2]. To benefit from SoundExchange services, you need to become a member, but membership is free. Once on the site, you can click on a link to a large list of artist and band names that SoundExchange is actually searching for in order to provide them with due royalties. Royalties for bands are collected for the leader, co-leader or all-share. SoundExchange does not collect royalties for side musicians, who may collect from a separate fund administered by the AFM and AFTRA.

Holland has been in the process of contacting people within the bluegrass industry to inform them they have money available to them in the form of royalty payments. “Basically, the first artists I contacted were those who had between \$200 and a couple of thousand dollars waiting for them,” he says. “The IBMA helped me with phone numbers and once I received the phone numbers, I starting calling people. I’d say that most had no idea about SoundExchange or a digital performance royalty, much less that they had some money legitimately waiting for them.”

For more information about SoundExchange or becoming a member, call SoundExchange at 202-640-5848.

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