

Online radio stations strike big deal on royalties

July 7 2009, By JOELLE TESSLER , AP Technology Writer

(AP) -- The future of Internet radio appears more secure after a handful of online stations reached an agreement Tuesday to head off a potentially crippling increase in copyright royalty rates.

The deal is the product of two years of negotiations between webcasters and [copyright](#) holders. In March 2007, a ruling by the federal Copyright [Royalty](#) Board dramatically raised the rates that Internet radio stations must pay artists and recording labels - leading many online radio stations to warn that the new rates would put them out of business by eating up as much as 70 percent of revenue.

At least one popular online [radio service](#) - Pandora Media of Oakland, Calif., which derives much of its revenue from advertising - said the new agreement will help ensure its survival.

"For us, it's hard to overstate how significant this is," said Pandora founder Tim Westergren. "It was either this or an ugly alternative."

The revenue-sharing deal announced Tuesday is between SoundExchange, a nonprofit that collects royalties for recording copyright owners from digital radio services, and three smaller webcasters: radioIO, Digitally Imported and AccuRadio.

Westergren said Pandora plans to sign on to the new royalty terms too. And Jonathan Potter, executive director of the Digital Media Association, which represents webcasters and other online media

companies, predicted some of the association's other members will also join the deal.

Under the agreement, large commercial webcasters will pay copyright owners up to 25 percent of their revenue or a "per-performance" rate that is below the rates set by the Copyright Royalty Board. Smaller webcasters will pay either a percent of revenue or a percent of expenses.

In a statement, SoundExchange executive director John Simson said the deal will give webcasters a chance to "flesh out various [business models](#)" and give artists and other copyright holders the opportunity to "share in the success their recordings generate."

Lawmakers also praised the agreement. Congress has already passed legislation making any deal reached between webcasters and SoundExchange legally binding. Because Internet radio companies operate under a government license, these deals need congressional authorization.

Already this year, SoundExchange struck new online royalty agreements with the National Association of Broadcasters and the Corporation for Public Broadcasting.

Traditional AM and FM broadcasters are exempt from copyright royalty rates for over-the-air radio play, because that airplay is thought to provide free promotion for artists and labels. But the broadcasters are subject to the new rates for any songs streamed over radio station Web sites.

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