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### **HOW THE MONEY FLOWS: A LOOK AT MUSIC PUBLISHING INCOME STREAMS**

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Every songwriter's dream is to see the fruits of their labor produce royalties. Often, new songwriters are unaware of the flow of the various income streams. To generate income, the right to use the song must be licensed. The Copyright Act (17 U.S.C. § 100 *et seq.*) grants the author of a work, or the author's assignee, certain exclusive rights. These rights include reproduction, preparation of derivative works, distribution of the work, public performance of the work, and the right to display the work publicly. The licensing of these individual rights leads to income in the form of performance royalties, mechanical royalties, synchronization royalties and print royalties.

As we examine each potential royalty, assume the song discussed has a single author who has assigned his copyright to a music publisher. Additionally, the writer has no unrecouped advances.

**Performance royalties** are earned when a song is performed on the radio, at a night club, or at a concert. Performance rights societies (ASCAP, BMI, SESAC) collect the performance royalty from the sources listed above. Each songwriter and publisher must be a member of a performance rights society to be paid their royalty. The performance rights society will pay 50 percent of the royalty to the music publisher and 50 percent directly to the songwriter. Each performance rights society uses their own method for calculating the royalty earned. As a songwriter, you should investigate each organization's calculation method prior to deciding which organization will best represent your needs.

When a music publisher grants a license to a record label for an artist to record the song, the record label owes the publisher a **mechanical royalty** based on records sold which can be either physical CD's or digital downloads. The music publisher, in turn, pays one-half of the mechanical royalty collected to the songwriter. The current mechanical royalty rate is 9.1 cents per composition, per album sold. The rate is typically adjusted every two years and was scheduled to increase on January 1, 2008, but a new rate has yet to be determined.

Each time you hear a song in a commercial, in an episode of your favorite television show, or in a film, a **synchronization royalty** is earned. "Sync" royalties are negotiated by the music publisher with the proposed licensee. The amount of the license fee fluctuates based on numerous factors including the product being sold, the territory, the amount of the song used, and the term of the license. Like mechanical royalties, sync royalties are paid to the music publisher. The standard is for the publisher to remit one-half to the songwriter.

**Print royalties** are paid when your song is printed as sheet music, in hymnals, and lyric re-prints. The music publisher will either self-distribute the product or enter into a license agreement with a print publishing house. The publishing house distributes the print product and pays royalties to the music publisher based on a percentage of the suggested retail selling price divided by the number of compositions included in the printed product. Traditionally, the songwriter could expect to receive a royalty from his music publisher falling between eight and twelve percent of the product's suggested retail price. Today, most publishers are paying the songwriter one-half of the sums collected just as they would for a mechanical or sync usage.

There are numerous other areas where compositions may be utilized to generate income. Mechanical, performance, synchronization and print royalties are the four largest income streams. Financially successful music publishers and songwriters must learn the manner and method of exploiting their works to increase the flow of their income stream.

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