

YouTube Music Pass and Independent Artists

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[YouTube](#) Music Pass, the new Google-owned music service, has indicated that it intends to block content from independent labels that have not signed up for its subscription music service from its current free service. YouTube Music Pass is a new streaming service that will allow people to download music to their mobile devices and watch and listen to music videos without ads, even when not online. On June 17th, YouTube's head of content and business operations, Robert Kyncl, confirmed that independent artists could disappear from YouTube if their labels do not sign up for the new service.

"While we wish that we had 100% success rate [with signing labels to the new service], we understand that is not likely an achievable goal and therefore it is our responsibility to our users and the industry to launch the enhanced music experience," [said Kyncl](#). The decision to exclude labels from the free service if they have not signed up for Music Pass is proving to be hugely controversial. YouTube claims that, despite the potential loss of some independent artists, it has still signed up labels representing 90% of the music industry. Indies disagree with this estimation. [Merlin Network B.V.](#), an independent label licensing agency, estimates that indies collectively account for a 32.6% market share of the recorded music industry's sales and streams. "We have tried and will continue to try to help YouTube understand just how important independent music is to any streaming service and why it should be valued accordingly. Music fans want a service that offers the complete range of music available. This is something that companies such as [Spotify](#) and [Deezer](#) do, both of whom have excellent relationships with the independent music sector," said Alison Wenham, [WIN's](#) (Worldwide Independent Network) chief executive. WIN claims that smaller, independent labels are not being offered the same deals as the major labels. Moreover, they characterize the proposed contracts as "less than fair."

The scrutiny of YouTube's upcoming music subscription service has taken a new twist, with a version of the contract proposed by YouTube for indies having been published in full online. Music industry site [Digital Music News](#) obtained a [leaked version of YouTube's proposed contract](#) with indies and published all 32 pages. The contract sheds more light on the terms at the heart of this dispute. The most controversial clause concerns the ability of major labels to influence the rate of royalties paid to indies. Major labels are able to accept lower royalty rates for streams of songs in exchange for payment of advances by YouTube. The contract structure offered to majors provides for rates paid to indies to be forced down to the lower per-stream rates elected by the majors without the indies having the corresponding ability to get advances offered to the majors. Another structure provoking debate concerns "Catalogue Commitment and Monetization." YouTube wants labels to make their entire catalogues available to stream on both its premium and free services - videos and audio recordings alike - allowing YouTube to service ads in and around them on the free service. The mandatory inclusion of a label's entire catalogue would be problematic for artists who want to withhold their music from YouTube, as some have done from other

streaming services.

In Europe, the disparate effect on indies is being examined from an antitrust perspective. The [Independent Music Companies Association](#) (Impala), a trade body for independent music companies, filed a complaint with the European Commission on June 27th, urging it to investigate whether YouTube was abusing a dominant market position in its dealings with small labels. The European Union's antitrust chief, also issued a warning to YouTube, declaring that he could look into YouTube to find out if it was trying to abuse its market position. Currently, YouTube is allowing the companies more time to reach a deal, still expressing an intent to block them if no solution is found.

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