

## What Are Music Royalties?

Music royalties are a cut off the top of any revenue earned from music in any way. The owner of a royalty gets paid first, before stockholders, company executives, or others.

It's the difference between earning 1-cent for every iPhone sold before expenses, versus earning dividends in Apple stock.

In music, royalties are generated from copyrights. *There are two copyrights attached to any given song, which earn royalties in different ways.*



### COMPOSITION

A song as it is written and published on paper



### RECORDING

A song as it is performed and recorded

#### Example: "The Christmas Song" ("Chestnuts Roasting On An Open Fire...")

Mel Torme co-wrote the song, and therefore **owns part of the composition copyright**. Although songwriters often assign that copyright to music publishers.

But Nat King Cole recorded it, as did dozens of others over the years. Nat King Cole and the others **own the sound recording of the version they made**.

*Sometimes the same person both writes and performs a song.  
In that case, they own both the composition and the sound recording copyright.*

Copyrights last for quite a while, typically the lifetime of the musician plus 70 years.

For the most part, any use of a song pays both the composer and the performer. Music sales, streaming, and licensing all pay the songwriter and the recording artist. Rates differ depending on whether it's on-demand streaming, Internet radio streaming, licensed for a TV show or advertisement, and so on. The only exception is traditional radio, where in the U.S. only the composition copyright is paid.

Streaming music services, both on-demand and Internet radio services, pay higher rates for the sound recording royalty than they do for the composition.

There are also established entities tasked with tracking, collecting, and distributing royalties to royalty owners. Labels, and digital distributors, typically collect royalties due the sound recording copyright, and pay the artists directly. Publishers and performing rights organizations collected royalties due for the composition, and in turn pay the songwriter.

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