

## **PRS for MUSIC**

# **DIGITAL MUSIC SERVICES LICENCE**

The Digital Music Services Licence is designed for online music services that offer services in the UK only which generate annual revenues of less than or equal to £500k. These services may offer direct to consumers (D2C) downloads and on demand and interactive streaming of musical works, including online karaoke services.

### **Key features**

The following explanation of key features is for information only and shall not form part of your contract. Details of the licence terms and conditions should be read in full. Your contract shall be made up of your Application Form, the Commercial Terms as set out below, the Digital Music Services Licence Special Conditions as set out below, and the Digital Music Licences Standard Terms and Conditions.

The Digital Music Services Licence covers the use of PRS for Music repertoire and MCPS Commercial Music repertoire in services which make musical works (or karaoke versions of the same) available to be streamed on-demand or to be downloaded by users in the UK only. A karaoke version of a musical work is a version where the vocal part is removed from the work and the lyrics may appear graphically onscreen as the music plays.

As such, the licence covers five different types of Licensed Services:

- **Music Download Services** – services which make individual musical works (other than karaoke versions) available to be downloaded by the user on a permanent basis.
- **Music On Demand Services** – services which make individual musical works (other than karaoke versions) available to be streamed by users at a time and place of their choosing.
- **Music Download Karaoke Services** – services which make karaoke versions of musical works available to be downloaded by the user on a permanent basis.
- **Music On Demand Karaoke Services** – services which make karaoke versions of musical available to be streamed by users at a time and place of their choosing.
- **Interactive Webcasting Service** – services which make individual musical works (other than karaoke versions) available to be streamed by the user, whereby the user has access to interactive functionality in order to have a level of control over the musical works streamed such as (but not limited to) influencing the tracks by personal recommendations or the ability to skip the tracks they hear, but cannot select individual musical works.

This licence is also only available to customers which have an annual revenue in respect of each Licensed Service of £500,000 or less. Services exceeding £500,000 per annum should contact PRS to discuss their licensing needs.

### **Rights Granted**

- Communication to the public of PRS for Music repertoire
- Mechanical rights associated with MCPS commercial repertoire.
- Lyric reproduction rights

### **Term**

Your licence term period shall be for 12 months, after which point it shall automatically renew for the following 12-month licence period and will continue to be issued for continuing years on a rolling basis, unless formal notice of termination of the licence is received. All royalties will be charged at the royalty rate in force at the beginning of the licence-year.

Within the application process, you will need to provide the estimated revenue in respect of each Licensed Service for the annual licence period ahead. During the Licence period, you must provide to us financial reporting and music usage reporting on a quarterly basis. This reporting will be used to validate and reconcile your royalty fees, as well as to support accurate distribution of royalties to rightsholders.

### **Restrictions & Exclusions**

The proposed licence does not permit you to use any works in advertising campaigns, sponsorship, or in corporate videos for conferences, B2B promotional use, or any product launches etc.

For clarity, the following rights excluded from the scope of this licence are listed below:

- Customers generating above £500,000 of applicable revenue (as defined below) per annum. If any of your digital music services generates more than £500,000 of applicable revenue, this will require a direct, bespoke licence from PRS For Music.
- Synchronisation rights, which, if required, can be obtained under a separate licence either directly from the rightsholders or via our website where we are mandated to do so.

- Sound recordings rights, which are (typically) owned by record labels and not licensed by PRS for Music.
- Sheet music or the use of musical notation (known as graphic rights), available directly from rightsholders.
- Podcasts and Audiobooks, which are covered under the Digital Music Licence for Podcasts and Audiobooks
- Live online concerts.
- Worship services. Choirs performing as part of a worship service that is streamed online are covered under our Digital Music Licence for Worship. If the choir performance is streamed online but is not part of a worship service, it is instead covered under our Digital Music Licence for Business. Ticketed choir performances or pay per view concerts streamed online are covered under our Online Live Concert Licence.
- This licence does not cover any public performance rights. Public performance rights are administered by PPL PRS, [www.pplprs.co.uk](http://www.pplprs.co.uk).

## COMMERCIAL TERMS

### A) Royalty Fees

- A.1 All Licensees must pay an “**Annual Minimum Fee**” of £193 (+VAT) per Permitted Service offered under the Licensed Service. For example, a Licensed Service which has (i) made available fewer than 2,200 permanent downloads of musical works per annum (i.e. by way of a Music Download Service attracting total revenues of less than £1,206.25; and (ii) made available fewer than 45,000 on demand Streams (i.e. by way of a Music On Demand Service) attracting total applicable revenue of less than £1,206.25, the annual minimum fee (£193 + VAT) shall apply in respect of each service, giving a total of £386 + VAT. Customers whose Royalty Fees calculated on the basis of clause A.2 or A.3 below exceed £193 + VAT for any one Permitted Service, the Royalty Fee calculation in clauses A.2 and A.3 will be applied for all Permitted Services offered under the Licensed Service.
- A.2 In respect of (i) a Music Download Service, (ii) a Music On Demand Service or (iii) an Interactive Webcasting Service respectively, the Royalty Fee shall be the greater of the Music Royalty Rate and the Music Per Stream Minimum Royalty (where such greater of calculation shall apply separately in respect of each Licensed Service), where:
- A.2.1 “**Music Royalty Rate**” means 16% of Applicable Revenue derived from Music Download Services, Music On Demand Services, or Interactive Webcasting Service (as applicable) during the relevant Licence Year.
- A.2.2 “**Music Per Stream Minimum Royalty**” means the applicable Music Per Stream Minimum (as set out below) multiplied by the total number of Streams or Downloads from the relevant Permitted Service during the relevant Licence Year.
- A.2.3: “**Music Per Stream Minimum**” means:
- A.2.3.1 in relation to Music Download Services, £0.0088;
  - A.2.3.2 in relation to Music On Demand Services, £0.0043; and
  - A.2.3.3 in relation to Interactive Webcast Services, £0.0017.
- A.3 In respect of (i) Music Download Karaoke Services or a (ii) Music On Demand Karaoke Services respectively, the Royalty Fee shall be the greater of the Karaoke Royalty Rate and the Karaoke Per Stream Minimum Royalty (where such greater of calculation shall apply separately in respect of each Licensed Service), where:
- A.3.1 “**Karaoke Royalty Rate**” means 25% of Applicable Revenue derived from Music Download Karaoke Services and Music On Demand Karaoke Services during the relevant Licence Year.
- A.3.2 “**Karaoke Per Stream Minimum Royalty**” means the applicable Karaoke Per Stream Minimum (as set out below) multiplied by the total number of Streams or Downloads from the relevant Permitted Service during the relevant Licence Year.
- A.3.3: “**Karaoke Per Stream Minimum**” means:
- A.3.3.1 in relation to Music Download Karaoke Services, £0.20; and
  - A.3.3.1 in relation to Music On Demand Services, £0.0064.
- A.5 Royalty Fees shall be cumulative and for any service which combines more than one Licensed Service, an aggregate fee shall be payable.
- A.6 All Royalty Fees paid by the Licensee shall remain subject to adjustment based on validated reporting and subject to the provisions set out under clause 8 of the Digital Music Licences Standard Terms and Conditions.
- A.7 The Music Per Stream Minimum, the Karaoke Per Stream Minimum and the Annual Minimum Fee will be adjusted by inflation each year on the anniversary of the launch of the scheme (1 October) using the percentage (to the nearest whole percentage point) by which Consumer Price Index (unadjusted) changes in the year to the previous May. April is the latest month prior to the anniversary date for which figures are likely to be published for this index. After application of the inflation adjustment the Annual Minimum Fee will be rounded to the nearest pound and Music Per Stream Minimum and Karaoke Per Stream Minimum shall be rounded to four (4) decimal places, save for in relation to Music Download Karaoke Services, which will be rounded to the nearest penny.

## SPECIAL CONDITIONS

### 1. Scope

1.1 These special conditions apply to the Digital Music Services Licence. These conditions shall be incorporated into, and should be read in conjunction with, the general Digital Music Licence standard terms and conditions, available to review from the *PRS for Music* website ([www.prsformusic.com](http://www.prsformusic.com)), as updated from time to time. In the event of a conflict between any of the Commercial Terms, the general Terms and Conditions and these Special Conditions, the order of precedence shall be (1) the Commercial Terms; (2) the Special Conditions and (3) the general Terms and Conditions.

### 2. Definitions

**"Applicable Revenue"** means the Gross Revenue for the relevant service less VAT (or other equivalent sales tax, as applicable).

**"Content"** means,

- (a) for Music Download, Music On Demand Services, and Interactive Webcast Services, audio-only material other than Ringtones; and
- (b) for Music Download Karaoke Services and Music On Demand Karaoke Services, audio-only material and/or audio visual material where the lyrics for a Musical Work being played are graphically represented onscreen alongside the Musical Work. For the avoidance of doubt, no additional audio-visual content is included within the definitions of Content.

This definition supersedes the definition of Content in the Digital Music Licences Standard Terms and Conditions for the purposes of this Digital Music Services Licence only.

**"Download"** means the download of any one Musical Work, whereby such Musical Work may be retained by the User on a permanent basis. For the avoidance of doubt, the communication to the public for retention by the User on a permanent basis of ten (10) Musical Works shall be treated as ten (10) separate Downloads.

This definition supersedes the definition of Download in the Digital Music Licences Standard Terms and Conditions for the purposes of this Digital Music Services Licence only.

**"Excluded Service"** means either:

- (a) any service (or the relevant part of a service) which falls within the scope (from time to time) of any of the following MCPS/PRS licensing schemes:
  - (i) MCPS – Karaoke and MIDI scheme;
  - (ii) MCPS – Music-on-hold scheme;
  - (iii) MCPS & PRS – Music Services B2B;

- (iv) MCPS – Premium Telephone Line Services scheme;
  - (v) PRS – Premium Telephone Line Services scheme;
  - (vi) MCPS & PRS Joint Ringback scheme;
  - (vii) MCPS & PRS B2B Music Preview scheme;
  - (viii) MCPS & PRS Joint Digital Fitness scheme;
  - (ix) MCPS & PRS Joint Digital Schools scheme;
  - (x) MCPS & PRS Joint Further & Higher Education scheme;
  - (xi) MCPS & PRS Joint Digital Worship scheme;
  - (xii) MCPS & PRS Joint Digital Music Licence For Business;
  - (xiii) MCPS & PRS Joint Digital Music Licence for Podcasts and Audiobooks; or
  - (xiv) MCPS and PRS Joint Internet Radio scheme; or
  - (xv) MCPS and PRS Joint e-Learning scheme.
- (b) any service which is a:
- (i) Clips Service;
  - (ii) General Entertainment Download Service;
  - (iii) General Entertainment On Demand Service;
  - (iv) Music Clips Service;
  - (v) Podcasting Service;
  - (vi) Simulcast Service
  - (vii) Webcast Service,

each as defined in the Digital Music Licences Standard Terms and Conditions; or

- (c) any service which has an annual Gross Revenue of more than £500,000.

**"Gross Revenue"** shall have the meaning set out Schedule 1. Broadly, Gross Revenue means all revenue received (or receivable) by the Licensee from Users in consideration of the provision of the Licensed Services and all other revenue received (or receivable) by the Licensee as a result of the provision of the Licensed Services such as, without limitation, advertising and sponsorship fees. For the avoidance of doubt, this is by way of a summary only. The definition of Gross Revenue applicable to this Agreement is the definition set out in Schedule 1.

**"Interactive Webcast Service"** means a service (or the relevant part of a service), other than an Excluded Service, by which individual Musical Works are communicated to the public via a Network and:

- (a) no permanent or temporary copy of any Musical Work is retained by the User; and
- (b) such service includes interactive functionality, whereby the User has a level of control over the Musical Works Streamed, including influencing the Musical Works Streamed by personal recommendations or the ability to skip individual tracks of Musical Works.

**"Karaoke Per Stream Minimum"** is defined at clause A.3.3 above.

**"Karaoke Per Stream Minimum Royalty"** is defined at clause A.3.2 above.

**"Karaoke Royalty Rate"** is defined at clause A.3.1 above.

**"Music Download Service"** means a service (or the relevant part of a service), other than an Excluded Service or a Music Download Karaoke Service, offering Downloads. This definition supersedes the definition of Music Download Service in the Digital Music Licences Standard Terms and Conditions for the purposes of this Digital Music Services Licence only.

**"Music Download Karaoke Service"** means a service (or the relevant part of a service), other than an Excluded Service, offering Downloads in the form of Karaoke Versions. This definition supersedes the definition of Music Download Karaoke Service in the Digital Music Licences Standard Terms and Conditions for the purposes of this Digital Music Services Licence only.

**"Music On Demand Service"** means a service (or the relevant part of a service), other than an Excluded Service or a Music On Demand Karaoke Service whereby a User may receive a Musical Work by streaming on-demand via a Network (where the time and place at which such Musical Work is received is selected by the User) and/or by way of Limited Download. Any service falling primarily within the foregoing definition but which also includes elements which fall within the definition of Interactive Webcast Service (as defined in these Special Conditions) shall be deemed to be a Music On Demand Service in respect of the relevant parts of such service that fulfil such definition of Interactive Webcast Service.

This definition supersedes the definition of Music On Demand Service in the Digital Music Licences Standard Terms and Conditions for the purposes of this Digital Music Services Licence only.

**"Music On Demand Karaoke Service"** means a service (or the relevant part of a service), other than an Excluded Service) whereby a User may receive a Karaoke Version of a Musical Work by streaming on-demand via a Network (where the time and place at which such Musical Work is received is selected by the User) and/or by way of Limited Download. Any service falling primarily within the foregoing definition but which also includes elements which fall within the definition of Interactive Webcast Service (as defined in these Special Conditions) shall be deemed to be a Music On Demand Karaoke Service in respect of the relevant parts of such service that fulfil such definition of Interactive Webcast Service.

This definition supersedes the definition of Music On Demand Karaoke Service in the Digital Music Licences Standard Terms and Conditions for the purposes of this Digital Music Services Licence only.

**"Music Per Stream Minimum"** is defined at clause A.2.3 above.

**"Music Per Stream Minimum Royalty"** is defined at clause A.2.2 above.

**"Music Royalty Rate"** is defined at clause A.2.1 above.

**"Music Usage Declaration"** means a fully and accurately completed form containing the information as set out in Appendix 2 of this Special Terms & Conditions.

**"Permitted Service"** means an Interactive Webcasting Service, a Music Download Service, a Music On Demand Service, a Music Download Karaoke Service, and/or a Music On Demand Karaoke Service (each as defined in these Special Conditions) which makes Musical Works and Content available to users in the Territory only.

**"Stream"** means the communication to a User of 30 seconds or more of any Musical Work. For the avoidance of doubt, the communication to the public of for example, ten (10) Musical Works shall be treated as ten (10) separate Streams.

This definition supersedes the definition of Stream in the Digital Music Licences Standard Terms and Conditions for the purposes of this Digital Music Services Licence only.

### 3. Special Conditions

3.1 The Royalty Fees shall be cumulative and for any service which combines more than one Licensed Service, an aggregate fee shall be payable.

3.2 The Licensee shall provide to the Licensors' within 30 days of the end of each Quarter within the Term:

- (a) the total Gross Revenue in respect of each Licensed Service in respect of the relevant Quarter; and
- (b) a Music Usage Declaration in respect of each Licensed Service in the format as set out in Schedule 2.

3.3 Clause 2.1 of the Digital Music Licence Standard Terms and Conditions shall be amended by inserting a new sub-clause 2.1(e) as follows:

*(e) to reproduce Repertoire Works into Audio-Visual Material displaying lyrics in conjunction with the musical works in the United Kingdom for the sole purpose of communication to the public of such Audio-Visual Material by means of the Licensed Service solely for the duration of the Term.*

3.4 Clause 3.2 of the Digital Music Licence Standard Terms and Conditions shall be amended to read as follows:

*3.2 For the avoidance of doubt, this Agreement does not grant any "synchronisation licence" (to the extent that such a licence may be required by the Licensee) covering the initial fixation of Repertoire Works in combination with visual images to create and produce Audio-Visual Material, other than the specific synchronisation licence which is granted to enable the Licensee to combine Musical Works with Audio-Visual Material in which the lyrics of the Musical Work are displayed alongside the audio content.*

- 3.5 For the purposes of this licence clause 5.7 of the Digital Music Licences Standard Terms and Conditions shall be replaced with the following: *"The Licensee represents and warrants that (i) the Use Details (including, for the avoidance of doubt, any information provided to the Licensors in accordance with clauses 5.8 and 5.9), are a true and accurate reflection of the use of the Licensed Service, and (ii) the Licensee (a) operates and (b) owns (or controls) the Licensed Services."*
- 3.6 Without prejudice to any other restrictions set out in the Digital Music Licence standard terms and conditions, the licences granted under clause 2 of the Digital Music Licence standard terms and conditions are only valid insofar as the Licensed Service is provided only for the Permitted Usages.
- 3.7 The headings under the Commercial Terms and Special Conditions are included for ease of reference only and are not part of this Agreement and are not to be taken into account in its construction.

**SCHEDULE 1**  
**GROSS REVENUE DEFINITION**

**"Gross Revenue"** means, subject to the provisions of this Schedule 1:

- a. all revenue received (or receivable) by the Licensee from Users in consideration for the provision of the relevant Licensed Services; and
- b. all revenue, including by way of advertising, sponsorship and commissions, received (or receivable) by the Licensee as a result of the inclusion of third party advertising "in-stream" or "in-download" as part of the Licensed Service, being advertising placed immediately at the start, end or during the actual delivery (by way of streaming or downloading as applicable) of a Repertoire Work to a User; and
- c. all revenue, including by way of sponsorship, click-throughs and other commissions, received (or receivable) by the Licensee as a result of the placement of third party advertising, buy or click-through buttons on a Relevant Page (as defined below) of the Licensed Service (and including any page which directly follows such Relevant Page leading up to and including the downloading or streaming of the music offering). For the avoidance of doubt, advertising revenue referred to in this sub-paragraph (c) shall not include revenue arising from sponsored searches or click-through commissions arising from such searches;

and in each of the above cases such revenue shall, for the avoidance of doubt, include any such revenue whether received or receivable by the Licensee or any associate, affiliate, agent or representative of such party.

There shall be no other deduction or set-off from the above revenues other than reasonable refunds to Users for services that they were unable to use (but had paid for) due to technical faults in the Licensed Services. For the avoidance of doubt, Gross Revenue shall not be reduced by credit card commissions or similar payment process charges.

For the avoidance of doubt, where the relevant Licensed Service is provided as part of a "portal based service" of which the Licensed Service forms only one part of a suite of services including some that do not relate to music in any way, it is not intended that the definition of Gross Revenue set out above includes the entire revenue of the portal or indeed any revenue of the portal which is not attributable to the relevant Licensed Service.

**"Relevant Page"** means a page or application:

- (a) from which Licensed Services are "actually offered" to Users. A Licensed Service is "actually offered" to Users from a page if Musical Works are enabled or made directly available from that Licensed Service to the User to download or stream from that page (in most cases this will be where such Musical Works can be purchased by the User or their download or stream otherwise takes place); but only
- (b) where such offering forms all or the predominant part of that page, being for the purposes of this Agreement where the offering comprises 75% or more of the space on that page excluding space occupied by any advertising. For the purposes of performing the foregoing calculation, the "offering" shall include any content which directly relates to the actual offering of the Licensed Service pursuant to sub-paragraph (a) above (by way of example, but without limitation, an image of the artist or artwork closely associated with the offering, reviews of the offering, credits, and music player controls).



SCHEDULE 2

Music Usage Reporting Form



H1 - Licensee Name: \_\_\_\_\_

H2 - PPL Licensee ID: \_\_\_\_\_

H3 - PRS Physical Licensee ID: \_\_\_\_\_

H4 - PRS Online License: \_\_\_\_\_

H5 - Reporting Period Start Date: (YYYYMMDD) \_\_\_\_\_

H6 - Reporting Period End Date: (YYYYMMDD) \_\_\_\_\_

D - Recording Information													E - Product Information			F - Recording Usage Information		Y - Content Delivery Information	
Z1 - Customer / Site Name	Z2 - Customer / Site ID	D1 - Music Type	D2 - Music Usage Indicator	D3 - Audio/Video	D4 - Licensee's Recording ID	Tunecode	D6 - ISRC of Sound Recording	D7 - Title of Sound Recording (including version/mix)	D8 - Band / Artist Name	D9 - Composer (for classical)	D10 - Releasing Label	D11 - Total Length of Sound Recording (MMMMSS)	E1 - Product Catalogue No.	E2 - Product Title (e.g. CD Name)	E3 - Track No. on product	F4 - Number of times downloaded or played during reporting period	Y1 - Delivery Medium (Physical/Online)		

