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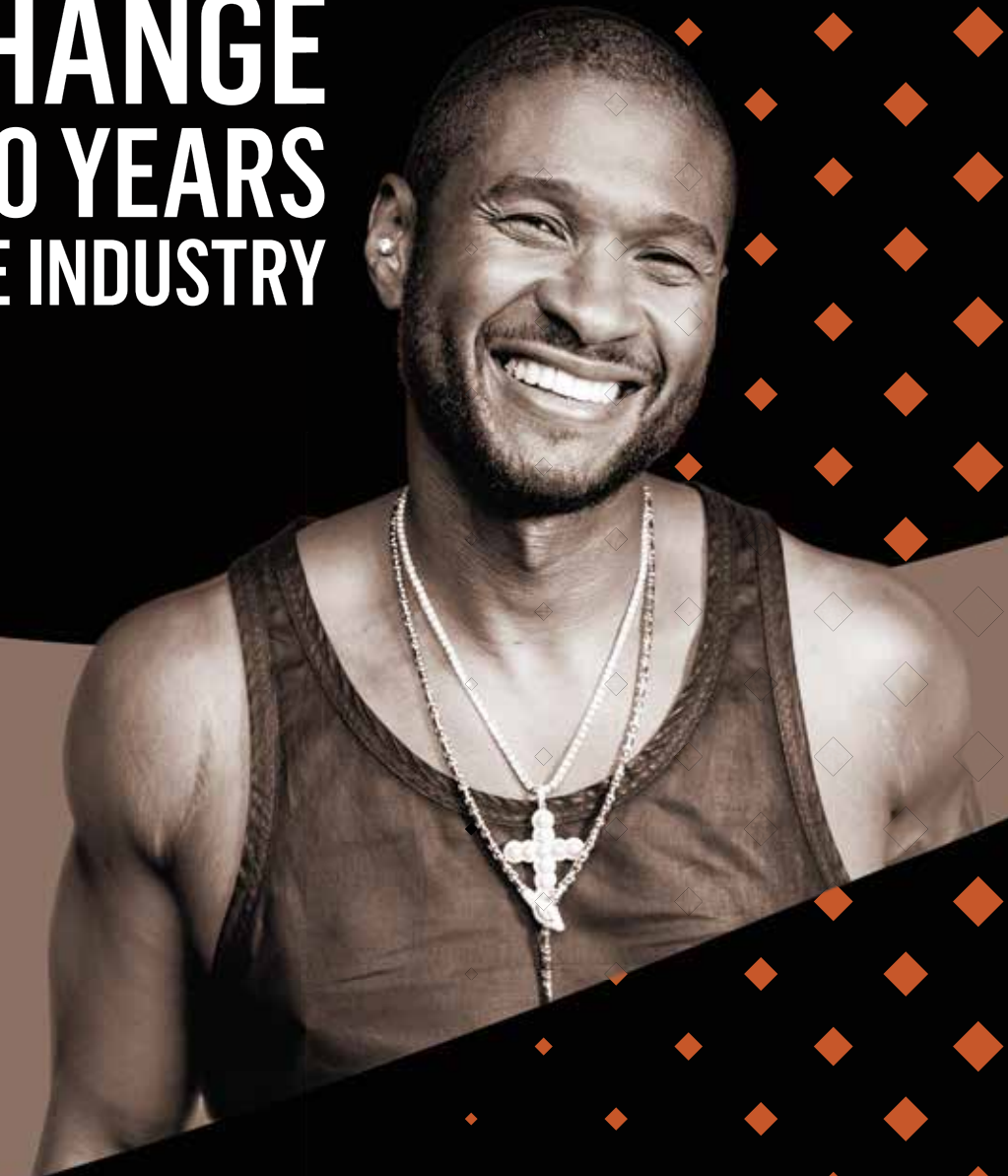
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Huppe at SoundExchange's
Washington, D.C., office.

THE \$10 BILLION TARGET

SoundExchange's president/CEO on hitting a royalty payment milestone on the organization's 20th anniversary

BY STEVE KNOPPER

IN HIS WASHINGTON, D.C., office, Michael Huppe rolls his chair past gold records, an Elvis Costello poster and an electric guitar to a back shelf to locate a key and unlock a drawer. "Let me see if I still have it here," the SoundExchange president/CEO says before pulling out a black vest with capital yellow letters that read "RIAA Anti-Piracy Unit" and draping it over his coat.

Prior to collecting performance royalties from digital radio stations, as well as broadcast companies such as SiriusXM, and distributing

them to creators for noninteractive digital streaming through SoundExchange, Huppe helped hunt down piracy rings around the country for the RIAA to ensure artists weren't losing out on revenue. "I have gone on raids — flea markets, cassette operations, some CD operations," he says.

Since Huppe joined SoundExchange in 2007, his tactics have changed — but his primary goal of getting performers and rights owners paid has not. Over the past two decades, he has helped raise their royalty rates and helped track them down at locations

from music festivals to Mississippi Delta homes to distribute earned royalty payments. Now SoundExchange is marking its 20th anniversary and, in May, announced it had distributed \$10 billion overall in payments. According to the organization's most recent annual report released in July, SoundExchange collected \$1 billion in digital royalties from more than 3,600 digital streaming platforms and distributed them to over 600,000 creators and rights holders in 2022 alone.

"You recognize you're really making a difference in people's lives," Huppe says.



Explain what it means for SoundExchange to cross what it calls the “\$10 billion distribution milestone.”

The growth rate of our payments surprised everyone, including me. When I came over to SoundExchange, I saw streaming was going to grow. We pay significant amounts of money to the big superstars, but also good amounts to working-class musicians that you may or may not have heard of. It makes a difference as to whether they stay in the industry. During the pandemic, for a lot of those musicians, we were the only revenue stream. The emails we received ... it’s really gratifying.

What are some examples of those messages?

One band with regional popularity had been driving around trying to make it in a van, crashing on friends’ couches, barely getting by. We were trying to find them because we had money for them. They were literally about to hang it up — they were at the end of their run, running out of steam. That initial SoundExchange payment made all the difference and incentivized them to keep going.

There was a widow of a Delta blues singer we had been trying to find forever. We finally found her, and she was in tears because they were about to foreclose on her house and because of that [payment], they saved her house.

After working at the RIAA, you joined SoundExchange in 2007, which had been operating for four years. What were those early days on the job like?

We were still sending out paper checks. Back then, they were quarterly or semi-annually, and half the staff would gather into a room and run the distribution. That makes me think how far we’ve come, from paper checks to a system that processes 35 billion [digital] performances a month from 600,000 accounts. We were like, “Oh, my God — the next \$100,000 [comes in] this quarter!” Now we’re regularly doing \$1 billion [in payouts] per year.

It’s SoundExchange’s 20th anniversary. What have been the company’s biggest achievements during your tenure?

When I first started working — I guess I was still at the RIAA — SiriusXM was paying 2% of revenue, and now it’s 15.5%. And streaming rates we get from webcasting have more than quadrupled. We’ve done a really good job of demonstrating and achieving the value for music. [Editor’s note: In August, SoundExchange filed a lawsuit against SiriusXM claiming the platform is “gaming the system” to “grossly underpay the royalties it owes” to the amount of \$150 million by manipulating how it bundles satellite services with web streaming services. A representative for SiriusXM has denied the allegations.]

How has SoundExchange helped those rate increases?

For the first few years, we would go before this three-judge panel at the Copyright Royalty Board. We’ve had a good track record of convincing them why we should be paid higher rates for music, which is so important to these services. The last satellite radio proceeding we had went from 11% to 15.5% overnight. So Dec. 31 of one year [2017], it was 11%, and the next day, they were paying us 15.5%. For the most part, it has been a gradual uptick.

“How far we’ve come, from paper checks to a system that processes 35 billion [digital] performances a month from 600,000 accounts.”

—Huppe



Left: country artist Randy Travis (seated); his wife, Mary Travis; and Huppe. Right: rapper Armani White (left) and Huppe.

What is SoundExchange’s general strategy for helping to persuade the CRB to raise the rates?

You put on artist witnesses and people from the union and record-label folks who explain what goes into the making of sound recordings. You bring in experts who can talk about the profit-and-loss situation or what the future five years of the industry is projecting. You do all that the right way and make a convincing case, and the court increasingly recognizes the value music plays in the services. They are big, long, expensive cases, but it’s worth it because we have to look out for the value of music.

How quickly does SoundExchange make those payments?

Ninety percent of our royalties are out the door in 45 days, whereas around the world, on average, folks pay out annually, semi-annually or quarterly. We’re working for the creators. Our job is to take their money from the digital service providers and get it to them as accurately and efficiently as possible.

Are you a musician?

I’ve played piano since I was 4 years old. My chops are not what they used to be! So don’t ask me that. I played in different bands through high school. I’ve always loved music. I’ll be honest with you: I never thought I’d end up in the music industry. I’m a recovering lawyer. When I was in law school, I got really interested in intellectual property [IP]. It’s this thing you can’t touch, you can’t hold, it’s not tangible — but the government vests a property right in it because they want to incentivize investment in creation. It just was a really interesting concept. [Without it], you wouldn’t have research in the next cancer treatment. You wouldn’t have people investing in music or movies or software.

After Harvard Law School, you started at the RIAA in 2000. How did you get to that job?



In addition to Huppe, SoundExchange is guided by an executive leadership team consisting of (from top) CFO/COO Anjula Singh, chief business officer Tommy Korpinen, chief technology officer Luis Bonilla and general counsel Tim Dadson.

I clerked in court in the Eastern District of Virginia. We saw a lot of IP — when someone’s infringing your patent, you could be losing millions of dollars a day or tens of millions, and it makes a difference going to a quick court. When I started out as a lawyer in a law firm here, I tried to do IP if I could, but I was just doing general litigation. I got this headhunter to [help me] come over to work at this place called the RIAA, which happened to be across the street from where I was working. I came in to do litigation and piracy work and a lot of other things at the RIAA.

Like what?

There were still full-blown, big, commercial pirate cassette operations. I was helping to

develop processes and cases. Slowly, that work moved from cassettes to commercial CDs to burnable CDs and downloads, and by the time I left, it was all streaming. We had eight offices around the country, probably 60 people in the department, tons of investigators. I helped create a system where we could build our own cases against pirates because we started to move toward the civil side instead of just criminal.

Any stories about busting flea markets?

The more tense times are when you’re going to someone’s house and they’ve got a CD-burning factory in the basement. Then you move on to the internet. It’s a whole different ball of wax. You’ve got people hiding behind 14 different anonymizers who may not even be based in this country. It was an interesting way to get into the business, that’s for sure.

What are the next big goals for SoundExchange?

SoundExchange, 10 years from now, is going to be an even bigger part of the industry than we are today. When we moved into publishing in June 2022, part of that was to bring some of the same philosophy and perspective and transparency into the publishing world that we brought into the sound-recording world. The ultimate thing is to marry up the metadata. Wouldn’t it be great if there was one central nonprofit place where you had all the authoritative data about who wrote the song, who owns the publishing, what are the splits, who played [in the] background, who sang vocals? It’s interesting and a little crazy we don’t have that as an industry. If we can move in that direction, that removes friction.

Obviously, [artificial intelligence] is a big topic. There are a lot of benefits and a lot of threats. We would like to play a part in making sure AI is rolled out responsibly so we can take advantage of all the benefits, but also set up guardrails so it doesn’t hurt creators — and, by the way, society.

I would love to continue our work in making the business side of music flow more smoothly. The sign of success, in 10 years, is that no one’s even talking about transparency or metadata or mistaken lineups or not knowing who wrote a song. I hope in 10 years, we’re not even talking about that because we’ve solved the problems that got us here.

How has SoundExchange changed over 20 years?

In those early years, people didn’t necessarily know who SoundExchange was. We would have money for somebody and contact them: “Just give us your name and number and bank account.” Understandably, people rarely give that up unless they get to know you. I think people know who we are now. At South by Southwest, we get a list of all the bands, we cross-reference bands, we put up fliers: “Do you know this band? Send them here. We have money for them.” If you’re commercially active in the industry and you don’t know who SoundExchange is, that’s kind of more on you than it is on us. **B**



SOUNDEXCHANGE’S FIGHT FOR FAIRNESS

UNDER ITS PRESIDENT/CEO, Michael Huppe, SoundExchange has consistently supported the American Music Fairness Act — which would, for the first time ever, impel terrestrial radio companies to pay performers and copyright holders when airing their songs.

Since U.S. Reps. Ted Deutch, D-Fla., and Darrell Issa, R-Calif., introduced the bill in June 2021, it has slowly progressed through Congress. In December 2022, the House Judiciary Committee approved the legislation. “For decades, broadcast corporations have made hundreds of billions of dollars while denying creators royalties for music played on AM/FM radio stations,” Huppe said in a statement at the time. “That’s fundamentally wrong.” In February, Sens. Marsha Blackburn, R-Tenn.; Alex Padilla, D-Calif.; Thom Tillis R-N.C.; and Dianne Feinstein, D-Calif., reintroduced the bill into the U.S. Senate.

On its website, SoundExchange summarized a key exception for small, local broadcasters: Those making less than \$1.5 million in annual revenue and whose parent companies make less than \$10 million annually would pay just \$2 per day to rights holders so they could play any song they want over the air.

The National Association of Broadcasters, which opposes the bill, last December called the legislation an “onerous performance fee” and a “new performance tax” that would “irrevocably damage local radio.” Since the Copyright Act of 1909, broadcasters have consistently won this argument. In the 1930s, top bandleaders Fred Waring and Paul Whiteman formed an advocacy group called the National Association of Performing Arts; in the late 1980s, Frank Sinatra wrote letters to fellow pop stars to build a unified artist coalition; and in the 1990s, Congress passed laws forcing digital services to pay royalties and exempted over-the-air broadcasters from doing the same.

In a December 2022 *Billboard* op-ed, Huppe countered the NAB: “Corporate broadcasters argue that a ‘mutually beneficial relationship’ exists between AM/FM radio and music creators,” he wrote. “Yet their actions belie that claim, as they spend millions to fight this legislation and avoid sharing the billions of dollars they make in advertising from music.”

—S. K.

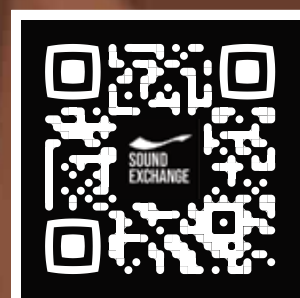
SOUNDEXCHANGE MUSIC FAIRNESS AWARD

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for a lifetime of advocacy and fighting for the rights of creators.



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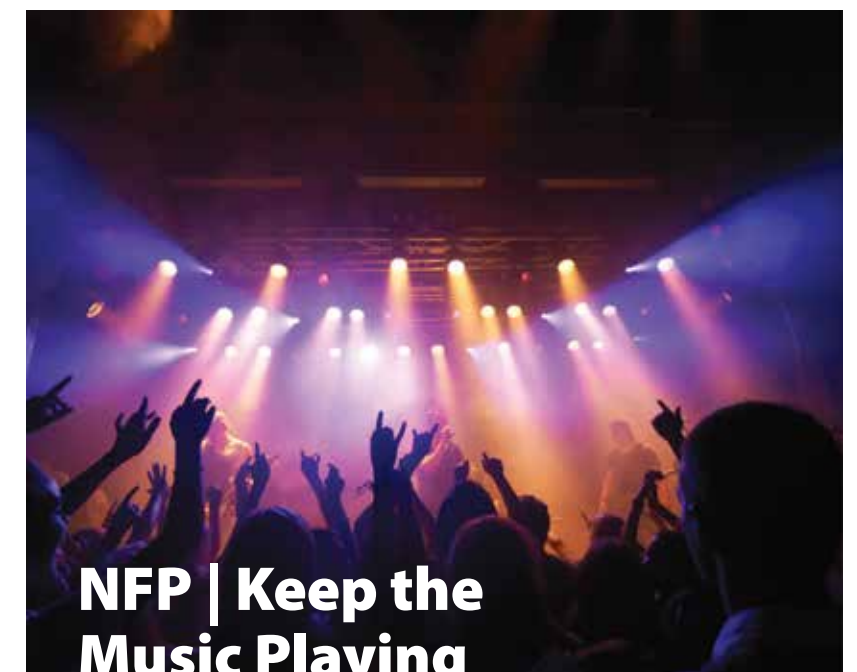
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THE SOUNDEXCHANGE
TEAM ON
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MUCH LOVE,



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ON 20 YEARS OF INVALUABLE SUPPORT TO
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