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MODELS OF DISTRIBUTION AND THEIR IMPACT ON ROYALTIES

Hargunjit Singh
Ms. Sonakshi Varshney
Amity Law School, Noida

INTRODUCTION

This chapter explores the various models of royalty distribution in the evolving landscape of digital music, with particular focus on the pro-rata and user-centric payment systems. The rise of streaming platforms such as Spotify, Apple Music, and YouTube has significantly altered the traditional mechanisms of calculating and distributing royalties to artists, labels, and performers. The pro-rata model, which has been the dominant system for decades, operates by pooling revenue from subscriptions and ads, distributing it based on market share. On the other hand, the user-centric model, gaining traction in recent years, proposes a more direct method of compensation where royalties are allocated based on the specific listening habits of individual users. This chapter examines both models in detail, comparing their structures and implications for fairness and transparency in the distribution of royalties. Through this analysis, it becomes evident that while both models have their advantages and drawbacks, they also present critical challenges in ensuring equitable compensation for creators in a rapidly changing digital economy. The discussion further explores the potential for future reforms in royalty distribution systems to better align with the interests of artists and foster a more balanced music industry.

THE PRO-RATA MODEL IN MUSIC STREAMING: MECHANICS, IMPLICATIONS, AND CONTROVERSIES

In the digital age, music streaming has emerged as the dominant form of music consumption, with platforms like Spotify, Apple Music, Amazon Music, and others becoming the primary intermediaries between creators and listeners. As streaming has overtaken physical and digital sales, the mechanisms used to compensate artists and rights holders have come under increasing scrutiny. At the heart of this conversation lies the Pro-Rata Model, a system used by most major streaming services to distribute revenues among rights holders. While this model

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offers a seemingly simple and scalable solution for handling massive volumes of content and users, it is also one of the most hotly debated structures in the contemporary music industry.

The pro-rata model is a market share-based revenue distribution system. In essence, streaming platforms collect all subscription and ad revenues for a given period (usually a month), deduct their operational costs and a pre-determined percentage as their profit margin, and then distribute the remaining revenue among rights holders based on each song's share of the total streams.

To illustrate: If a platform earns ₹100 crores in a month and Song A represents 1% of all streams on the platform during that time, the rights holders for Song A would receive 1% of the distributable revenue (after deductions), regardless of who streamed the song or how many subscribers listened to it.
This method simplifies the process by pooling user payments and treating the entire platform as a single ecosystem. It avoids the need to calculate royalties based on individual user preferences or behaviours and instead calculates value based on aggregate platform activity.

The pro-rata model has its roots in the early days of streaming, when services needed a scalable and efficient way to manage payments to an immense and ever-growing catalog of music. Spotify, Apple Music, and most others adopted this model because it is technologically and administratively efficient. It was also agreeable to major labels, who own vast catalogs and tend to benefit from the model's concentration of earnings towards the most-streamed content.[1]

In India, platforms like Gaana, JioSaavn, Wynk Music, and Spotify India follow similar systems. These platforms negotiate licensing deals with record labels, and often the specifics of pro-rata payments are determined through pre-negotiated agreements that may include **minimum guarantees, upfront fees**, and **catalog access** rights.

[1] Spotify, Loud & Clear: How the Money Flows,
https://loudandclear.byspotify.com.

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Despite its simplicity, the pro-rata model has faced significant criticism, especially from independent artists, niche genres, and cultural commentators who argue that it disproportionately benefits superstar acts and reinforces systemic inequities.

CRITICISMS AND CONTROVERSIES

Disproportionate Favour to Top Artists

Because the model rewards market share, it inevitably results in the top 1% of artists receiving a significant share of total royalties. An artist like Taylor Swift or Arijit Singh, with hundreds of millions of monthly streams, earns far more per stream than an indie artist with a modest but loyal following. This leads to an economic environment where superstardom becomes the only sustainable path, while mid-tier and emerging artists struggle to earn a living.

User Disconnection from Value

A key criticism is that under the pro-rata model, a user's subscription fee supports all music on the platform, not just the music they personally listen to. For instance, if a user only listens to Indian classical music, but those genres represent a tiny fraction of global streams, the majority of their subscription fee ends up supporting global pop artists instead of the creators they actually engage with.

Manipulation and Stream Farms

The pro-rata system is vulnerable to **stream manipulation**. Because revenue is tied to stream count regardless of source, there are incentives for fraudulent actors to use **stream farms or bots** to artificially inflate numbers. This undermines the legitimacy of charts and disadvantages honest creators.

Genre Bias

Some genres—like classical, jazz, or ambient—tend to have longer tracks or lower play counts per listener. Because pro-rata rewards raw stream numbers rather than listener engagement or track duration, these genres often receive less compensation despite having dedicated audiences.

Legal and Policy Debates

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As the fairness of royalty systems becomes a legislative concern, governments and industry watchdogs are beginning to explore the implications of the pro-rata model. In the United Kingdom, the Digital, Culture, Media and Sport (DCMS) Committee published a report in 2021 criticizing the current streaming economy and calling for a "complete reset." One of its key recommendations was to assess the benefits of switching to the User Centric Payment System model.[2]

In India, the royalty structure is still evolving, particularly after the Copyright (Amendment) Act, 2012, which ensured that authors and composers retain rights to royalties.[3] However, because of the lack of transparency in licensing deals and royalty flows, Indian artists often struggle to know how much of their earnings come from streaming and whether it is calculated fairly. As Indian law gradually begins to address streaming more comprehensively, the model of royalty allocation—whether pro-rata, user-centric, or hybrid—will be a critical area for policy development.

Philosophical and Ethical Implications

At its core, the debate over the pro-rata model is not just about accounting, but about value, fairness, and sustainability. What kind of cultural ecosystem do we want to foster? Should revenue flows reflect mass popularity, or should they acknowledge diverse, loyal listener bases? Should algorithms and playlists that drive the majority of consumption be restructured to support equity and access?

These are fundamental questions as we grapple with the digital transformation of the music economy. While pro-rata is efficient, it risks turning streaming platforms into “winner-take-all” ecosystems unless consciously rebalanced.

To conclude the pro-rata model, it remains the default royalty distribution method across most music streaming platforms, including in India. While it offers simplicity and scalability, it also entrenches inequalities and marginalizes smaller voices. As legal, technological, and ethical

[2] Digital, Culture, Media and Sport Committee, Economics of Music Streaming: Government Response to Committee’s Second Report (UK Parliament, 2021).

[3] The Copyright Act, No. 14 of 1957, India Code, as amended by the Copyright (Amendment) Act, 2012.

conversations surrounding digital music continue to evolve, the question is no longer whether the pro-rata model works—but whether it is fair, sustainable, and reflective of the rich diversity of global music culture.

Calls for reform—from artists, lawmakers, and listeners—are growing louder. Whether platforms adapt by embracing more equitable alternatives like the user-centric model, or through hybrid solutions and greater transparency, one thing is clear: the future of royalties in the streaming era is not just a matter of numbers—it's a matter of values.

THE USER-CENTRIC PAYMENT SYSTEM: RETHINKING MUSIC STREAMING ROYALTIES FOR EQUITY AND FAIRNESS

The rise of digital music streaming has revolutionized how we consume music—but it has also brought forth complex challenges around compensation, fairness, and sustainability in the music industry. As artists, labels, and lawmakers alike scrutinize the economic structures underpinning streaming platforms, one model has gained growing interest and advocacy: the **User-Centric Payment System (UCPS)**. Unlike the traditional pro-rata system that pools all subscription revenues and allocates them based on total streams, UCPS proposes a more individualized, listener-driven approach. Under this model, a user's subscription fee is distributed only among the artists they actually listen to. At first glance, the idea seems logical, democratic, and artist-friendly. But how exactly does it work, and what are its implications for the future of music royalties?

The User-Centric Payment System upends the platform-wide revenue pool of the pro-rata system. Instead, it distributes each user's subscription (or ad revenue) proportionally to the artists they stream.

For instance, suppose a user pays ₹120 per month for a music subscription and listens exclusively to three independent artists—Artist A (50% of the time), Artist B (30%), and Artist C (20%). Under UCPS, after platform fees are deducted, the remaining amount (say, ₹100) is divided accordingly: ₹50 to Artist A, ₹30 to Artist B, and ₹20 to Artist C.

This model prioritizes **user choice and listening behaviour**, ensuring that users' money supports the music they actually engage with, rather than contributing to a massive shared pool dominated by global superstars.

The UCPS idea gained traction in response to widespread dissatisfaction with the pro-rata model, which critics argue creates **gross disparities** in royalty distribution. Pro-rata rewards the most streamed tracks across the platform, often benefitting major label artists and leaving smaller, independent creators with a fraction of the earnings—regardless of how loyal or niche their audiences may be.

In Europe, France's streaming platform Deezer has been a vocal proponent of the user-centric model. Collaborating with the Centre National de la Musique (CNM), it conducted a comprehensive study in 2021 to assess UCPS's economic and cultural impact. While it found that major superstars might earn slightly less, independent and mid-level artists, as well as niche genres like jazz and classical music, would benefit.[4]

ADVANTAGES OF THE USER-CENTRIC MODEL

Fairer Distribution of Revenue

UCPS ensures that artists are directly compensated for their actual listeners. It particularly helps independent musicians, regional artists, and niche genres—who often have fewer but highly dedicated fans.

Artist-Listener Connection

UCPS promotes a more **ethical streaming ecosystem**, strengthening the relationship between artists and their audiences. Listeners know that their subscription directly supports the music they love, reinforcing loyalty and engagement.

Reduced Fraud and Stream Manipulation

Under the pro-rata model, mass streaming—whether genuine or through bots—directly boosts an artist's share of revenue. UCPS reduces incentives for **stream farms** and artificial plays, because income derives from real user engagement rather than raw volume.

[4] Centre National de la Musique (CNM), User-Centric Payment System Study, 2021.

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Cultural Diversity and Local Music Empowerment

In countries like India, where the music landscape is incredibly diverse—featuring regional languages, folk traditions, and independent scenes—UCPS would better reflect listener preferences and reward creators who are otherwise drowned out by the dominance of Bollywood or global pop.

Challenges to Implementation

Despite its appeal, UCPS faces **technical, contractual, and political obstacles**.

Infrastructure and Data Complexity

Implementing UCPS requires platforms to track and account for each user's listening activity with high accuracy, and maintain real-time systems to distribute payments accordingly. This may be feasible for newer or smaller services but poses scalability challenges for giants like Spotify or Apple Music.

Resistance from Major Labels

Major record labels, who benefit substantially from the pro-rata system due to their catalog dominance, may resist a shift to UCPS. The current model guarantees high revenue from mass consumption, and any transition that potentially redistributes wealth is likely to be met with negotiation and legal caution.

Existing Licensing Agreements

UCPS implementation would require **renegotiating licensing agreements** with labels, publishers, and collection societies—many of which are complex, territory-specific, and long-term. This legal inertia is a significant barrier.

Modest Redistribution

Some studies, including those in Germany and Finland, indicate that UCPS may only lead to **modest redistribution** of royalties in absolute terms. However, for small or emerging artists, even marginal improvements could be meaningful.

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INDIAN CONTEXT: A CASE FOR USER-CENTRIC REFORM

India's music market is unique in its linguistic and cultural diversity. Listeners in Tamil Nadu, Assam, Punjab, or Kerala often consume content in their local languages, and independent artists have begun carving out substantial fan bases through YouTube, Instagram, and home-grown streaming platforms.

Yet, due to the dominance of Bollywood music and a few global artists, these independent creators struggle to earn royalties through pro-rata-based platforms like JioSaavn, Gaana, or Spotify India. Implementing UCPS in India could revolutionize earnings for **vernacular artists**, ensuring that rural and regional engagement is fairly monetized.

Moreover, the 2012 **Copyright (Amendment) Act** in India aimed to ensure that authors and composers receive royalties separately from labels. If paired with a user-centric model, it could create a fairer and more transparent system for Indian artists—though regulatory reform and platform compliance would be essential.

SoundCloud and Deezer - Case Studies

In 2021, SoundCloud became one of the first platforms to implement UCPS for independent artists. Early reports from the company suggested that up to 80% of participating artists saw an increase in earnings, especially those with smaller but dedicated fanbases.[5]

Similarly, Deezer has championed UCPS in France and has lobbied for it to become an industry standard. It argues that UCPS aligns better with the spirit of fairness and transparency, and can help reduce the commercial dominance of "background music" or algorithm-driven consumption.

These pilots show that UCPS is not just a theory—it's a practical model, and early adopters can pave the way for larger services.

[5] SoundCloud, Fan-Powered Royalties,

https://blog.soundcloud.com.

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TOWARD AN EQUITABLE STREAMING ECONOMY

The User-Centric Payment System is not merely an alternative royalty distribution model—it is a philosophical shift toward **equity, recognition, and artist empowerment**. By rewarding actual listening behaviour, UCPS decentralizes the dominance of major labels and superstar acts and opens space for independent and regional creators to thrive.

While challenges remain—especially in terms of scalability, licensing renegotiations, and industry politics—the UCPS model presents a compelling vision for the future of streaming. In countries like India, where musical diversity is both cultural and economic, such a system could be transformative. The global music industry now stands at a crossroads between maintaining a profit-optimized status quo or embracing a user-centric approach that truly values the art—and artists—behind the music.

THE EVOLOTUION OF STREAMING MODELS

The advent of digital streaming transformed not just the way people consume music but also how the legal world understands and governs music rights. To comprehend the evolution of streaming rights, one must begin with the foundational structures of copyright law that predate the internet, tracing how these frameworks were challenged and ultimately reshaped by digital technology. In particular, platforms like Napster and LimeWire not only revolutionized access to music but also exposed major deficiencies in existing legal frameworks, catalyzing a wave of legal reforms and precedents that continue to shape today's music streaming environment.

THE NAPSTER ERA

In the pre-internet era, music was primarily distributed in tangible forms — vinyl records, cassette tapes, and compact discs (CDs). Copyright law had evolved to accommodate these mediums, with distinct rights assigned to different stakeholders. For example, the composer or lyricist typically held the musical composition copyright, while the recording artist or record label held the sound recording copyright. These rights were monetized through mechanisms such as mechanical royalties (for reproductions on physical media), performance royalties (for public performances and broadcasts), and synchronization rights (for audiovisual use). Royalty collection was managed through collecting societies like ASCAP, BMI, and SESAC in the United States and IPRS and PPL in India. However, these frameworks assumed a clear

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delineation between the act of reproduction and performance, an assumption fundamentally upended by the arrival of digital streaming.

The initial signs of disruption appeared in the late 1990s with the launch of Napster in 1999. Founded by Shawn Fanning and Sean Parker, Napster was a peer-to-peer (P2P) file-sharing service that allowed users to share and download MP3 files directly from each other's devices. Though innovative, Napster operated without securing any licenses from copyright holders. This omission proved pivotal, prompting a cascade of lawsuits that would have long-standing implications.

One of the landmark cases against Napster was A&M Records, Inc. v. Napster, Inc. (2001), in which the U.S. Court of Appeals for the Ninth Circuit ruled that Napster was liable for contributory and vicarious copyright infringement. The court held that although Napster itself did not directly upload infringing files, it facilitated and enabled widespread infringement. This case became a watershed moment in digital copyright law, establishing that platforms enabling the exchange of copyrighted materials could be held liable even if they didn't host the content themselves. [6]Napster was forced to shut down, but it had already changed the landscape.

Following Napster's demise, several other P2P platforms emerged to fill the void, including Kazaa, eDonkey, BearShare, and most notably, LimeWire. Launched in 2000, LimeWire operated on the Gnutella network and continued the practice of decentralized file sharing. Like Napster, LimeWire quickly drew legal ire. The Recording Industry Association of America (RIAA) led a campaign against it, culminating in the case of Arista Records LLC v. Lime Group LLC (2010). The U.S. District Court for the Southern District of New York found LimeWire liable for inducing copyright infringement. The platform was shut down and agreed to pay over $100 million in settlements.[7]

These cases exposed the inadequacies of the traditional copyright model when confronted with the internet's decentralized nature. The pre-internet frameworks were ill-equipped to manage the nuances of digital consumption, where reproduction and performance often occurred

[6] A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001).
[7] Arista Records LLC v. Lime Group LLC, 784 F. Supp. 2d 398 (S.D.N.Y. 2011).

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simultaneously and where the concept of "ownership" of digital files became ambiguous. Legislators around the world began responding. In the United States, the Digital Millennium Copyright Act (DMCA) was enacted in 1998 to offer a preliminary structure, including safe harbor provisions for service providers. In the European Union, the Information Society Directive of 2001 sought to harmonize digital copyright laws across member states.

In India, the Copyright Act, 1957 initially made little provision for digital rights. The legal framework primarily supported traditional rights models, though the 1994 amendment began to recognize performers' rights. It wasn't until the Copyright (Amendment) Act, 2012 that digital rights and streaming began to be explicitly considered. Section 31D, for example, introduced statutory licensing for broadcasting and internet streaming, creating legal pathways for platforms to obtain content. However, ambiguity persisted regarding whether internet streaming qualified as a broadcast or a unique form of distribution. This led to interpretative challenges and litigation in Indian courts, especially concerning compulsory licensing and royalty division.

The chaos unleashed by Napster and LimeWire thus did more than disrupt the music industry; it revealed the structural unpreparedness of copyright law to address new digital realities. It forced a rethinking of fundamental legal concepts and accelerated the push for laws that could accommodate streaming. From lawsuits and regulatory debates emerged the need for more nuanced distinctions between different forms of digital use, leading eventually to reforms such as the Music Modernization Act in the U.S. and the EU Copyright Directive, and analogous efforts in jurisdictions like India.

In retrospect, Napster and LimeWire represent more than technological innovation or legal controversy. They are emblematic of a critical juncture in copyright history where the law struggled to keep pace with technological change. Their rise and fall signaled the need for a paradigm shift — a reimagining of copyright not just as a tool for protection, but as a flexible system capable of adapting to an evolving media environment. This shift laid the groundwork for the structured streaming services we know today, such as Spotify and Apple Music, which operate under complex licensing regimes shaped in response to the legal precedents and lessons of the early digital era.

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THE ERA OF ITUNES AND SPOTIFY: HOW THEIR INTRODUCTION CHANGED THE GAME AND THE LEGAL CHALLENGES THEY BROUGHT

The evolution of music consumption in the digital age has been defined by two pivotal moments: the launch of Apple's iTunes Store in 2003 and the emergence of Spotify in 2008. These platforms revolutionized the way music was accessed, monetized, and distributed. In doing so, they transformed not just the industry's business models, but also challenged existing legal frameworks and forced a global reassessment of copyright law, licensing agreements, and royalty structures.

The iTunes Model: Ownership in a Digital Form

When Apple launched the iTunes Store, it presented a legal alternative to rampant digital piracy which had, until then, flourished in the wake of Napster, LimeWire, and other peer-to-peer file-sharing networks. iTunes introduced the concept of digital ownership—users could legally purchase individual tracks or full albums for a fixed price and download them to their personal devices.

This marked a significant shift from the traditional model, which emphasized physical sales (CDs, vinyl) or illegal downloads. For artists and labels, iTunes offered an opportunity to monetize digital content effectively, albeit with concerns. One of the major legal innovations at the time was Apple's success in negotiating standardized licensing agreements with major labels. This created a centralized and cohesive distribution model that could be regulated and monetized.

However, this model also led to tension over royalty rates. Labels typically received the lion's share of revenues, while artists and songwriters often complained of inequitable splits. Questions were also raised about the legal definitions of a "sale" versus a "license." In several lawsuits—such as F.B.T. Productions, LLC v. Aftermath Records—courts had to interpret whether a digital download was to be treated as a traditional sale or as a license, which would entitle artists to a higher percentage of revenue.

In India, while iTunes did not dominate the market to the extent it did in the West, its model influenced local digital music platforms such as Saavn (now JioSaavn) and Gaana, which began

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negotiating licensing deals under similar frameworks, particularly with Bollywood-centric content.

The Spotify Model: Access over Ownership

Spotify's emergence in 2008 fundamentally changed the consumer mindset—from **ownership to access**. It introduced the concept of streaming, allowing users to listen to music on-demand via internet connectivity without downloading the files. This model was initially controversial because it offered a freemium tier—users could listen for free with advertisements—and paid subscriptions for ad-free experiences.

From a legal and structural standpoint, Spotify was radically different from iTunes. Rather than selling music per unit, Spotify had to establish **complex licensing arrangements** with both labels and performance rights organizations (PROs) for streaming usage. These arrangements had to cover: Mechanical rights for the reproduction of songs; Performance rights for the broadcast of music; Public performance rights, even though the songs were streamed privately; Neighbouring rights for sound recording owners.

Spotify's algorithmic and non-linear nature—where users could stream any song from a vast library, rather than buying individual tracks—necessitated a **pro-rata royalty model**, where monthly revenue was pooled and distributed based on each song's share of total streams. This led to widespread criticism from independent artists and songwriters, who often saw minuscule payouts despite large listenerships.

Legal Challenges and Structural Issues

Spotify and other streaming platforms found themselves in frequent legal battles, especially in the United States and the European Union. Two landmark cases include:

- **The Copyright Royalty Board (CRB) Decision (2018)**

The CRB mandated a 44% increase in mechanical royalty rates for streaming services over a five-year period. Spotify, Google, Amazon, and Pandora appealed the decision, prompting backlash from the songwriter community.

- **Spotify vs. Wixen Music Publishing (2018)**

Wixen sued Spotify for over $1.6 billion, claiming that Spotify had failed to obtain proper mechanical licenses for thousands of songs. Though eventually settled, the case highlighted the grey area between technological innovation and legal responsibility.

To resolve licensing issues and reduce lawsuits, the U.S. Congress passed the Music Modernization Act (MMA) in 2018. The act simplified licensing procedures and created a centralized body—the Mechanical Licensing Collective (MLC)—to handle blanket licenses for streaming services. It was one of the first legislative attempts to catch up with the realities of the digital music ecosystem.[89]

In India, the Copyright (Amendment) Act, 2012 played a key role in the regulation of digital music. The amendment ensured that authors and composers retained a portion of royalties, even if they had assigned their rights. Indian streaming platforms had to comply with this regime, leading to licensing agreements with Indian Performing Rights Society (IPRS) and other rights management organizations. However, enforcement remained uneven, and artists often faced difficulty tracking their royalty payments.

THE RISE OF GLOBAL LICENSING HUBS

The new streaming economy also led to the emergence of **global licensing hubs** like ICE (International Copyright Enterprise), founded by PRS for Music (UK), STIM (Sweden), and GEMA (Germany). These organizations aggregated rights for multiple territories, simplifying the process for platforms like Spotify and Apple Music to operate globally.

However, the **opacity of streaming royalty distribution**—with its reliance on confidential contracts between labels, publishers, and platforms—has been a persistent issue. In many cases, artists and songwriters remain unaware of the actual terms under which their works are monetized.

[8] Music Modernization Act, Pub. L. No. 115-264, 132 Stat. 3676 (2018).
[9] U.S. Copyright Office, Mechanical Licensing Collective (MLC), https://www.copyright.gov/music-modernization/.

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THE INDIAN CONTEXT: CATCHING UP WITH GLOBAL TRENDS

In India, the music streaming boom came slightly later, with the widespread use of smartphones and affordable data via Reliance Jio. Platforms like Gaana, JioSaavn, Wynk, and later Spotify (launched in India in 2019) began competing for market share. These services often had to navigate a highly fragmented rights landscape, with film producers, labels, and composers all asserting claims to ownership and royalties.

The legal framework for streaming in India remains in development. While the **IPRS was re-authorized in 2017** after years of dormancy, disputes over royalty sharing still occur. Moreover, Indian artists are only now beginning to organize and push for transparency, echoing global calls for reform in the streaming economy.

The iTunes and Spotify eras represent more than technological shifts—they are legal revolutions. They altered the fundamental relationship between music creators, distributors, and consumers. While iTunes introduced digital legitimacy and revenue via downloads, Spotify reshaped consumption through access, personalization, and immediacy. However, both models brought significant legal complications related to licensing, royalty distribution, and copyright interpretation.

In response, legal systems around the world have begun to evolve, albeit slowly. From the U.S. Music Modernization Act to India's 2012 Copyright Amendment, attempts are being made to align copyright law with digital realities. Yet, challenges persist, particularly in ensuring that artists are fairly compensated in an industry still dominated by opaque deals and disproportionate power dynamics.

As streaming continues to evolve—possibly incorporating blockchain technology, NFTs, or AI-generated music—the need for a robust, transparent, and equitable legal framework has never been more urgent.

THE RISE OF INDEPENDENT ARTISTS AND ITS IMPACT ON ROYALTY MODELS

The music industry has undergone a seismic transformation in the last two decades, catalysed by the internet, digital distribution platforms, and the proliferation of affordable production

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tools. Among the most consequential outcomes of this digital revolution is the rise of independent (indie) artists—musicians who operate without the traditional support of major record labels. These artists, empowered by direct-to-fan platforms, social media, and streaming services, have not only redefined artistic autonomy but have also brought about a fundamental shift in the way royalties are generated, distributed, and debated. The rise of indie artists has thus introduced both new opportunities and challenges to the royalty ecosystem.

Historically, the music industry was dominated by a handful of powerful record labels—Sony Music, Universal Music Group, Warner Music Group—who controlled access to production, promotion, and distribution. Artists who wished to reach a global audience had to sign contracts with these labels, often ceding significant rights over their work. These contracts typically included royalty arrangements heavily skewed in favour of the labels, who recouped their investments before the artist saw a share of profits. Moreover, royalties were mostly collected through physical sales—vinyl, cassettes, CDs—making distribution complex and accounting opaque.

With the advent of the internet and digital file sharing, followed by legal digital marketplaces such as iTunes and later Spotify, Apple Music, and YouTube, the barriers to entry for new artists began to erode. Affordable recording software (like Ableton Live, FL Studio, and GarageBand), coupled with distribution platforms like DistroKid, TuneCore, and CD Baby, allowed artists to produce, distribute, and monetize their music independently. No longer tethered to the conventional label system, artists could retain ownership of their master recordings and publishing rights.

This paradigm shift has directly impacted royalty models. In the traditional label-artist model, revenue flows through a hierarchy of intermediaries—distributors, publishers, collection societies—each taking a cut before reaching the artist. Independent artists, however, can now directly upload their music to streaming services and digital storefronts, often using distribution services that charge a flat fee or take a minimal commission. This streamlined model results in a more equitable royalty share, provided the artist understands and navigates the complexities of metadata, rights management, and licensing.

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Moreover, streaming services like Spotify and Apple Music offer dashboards with detailed analytics and real-time revenue tracking, a transparency previously unheard of in the industry. Platforms like Bandcamp go further by allowing artists to set their own prices, collect emails, and directly interact with fans, creating a symbiotic ecosystem that favours authenticity and community-building. This level of control over distribution and audience engagement significantly enhances an artist's ability to generate income through royalties without relinquishing creative or economic rights.

Nonetheless, the rise of indie artists has not resolved all issues within royalty systems. Streaming platforms predominantly operate under a pro-rata distribution model, where total revenue is pooled and then divided based on each artist's share of total streams across the platform. This model tends to favour chart-topping artists, regardless of how niche listeners may support smaller artists. Consequently, even successful indie musicians often find themselves earning fractions of a cent per stream, making it difficult to sustain a career solely on streaming royalties.

In response to this, many indie artists and advocacy groups have championed the user-centric royalty model, where a listener's subscription fee is distributed only among the artists they actually listen to. While this model has the potential to create a more equitable distribution of royalties, it faces resistance from major labels and streaming services due to the complexity of implementation and the potential redistribution of income.

Independent artists have also turned to alternative revenue models to supplement streaming royalties. These include fan subscriptions on Patreon, live streaming concerts, merchandise sales, sync licensing for films and advertisements, and even blockchain-based platforms offering direct peer-to-peer royalties through smart contracts. Each of these models reflects a broader trend toward decentralization and diversification in how artists monetize their music.

In the Indian context, the rise of independent music has gained significant traction in recent years. Regional languages, folk fusion, indie pop, and hip-hop have flourished on platforms like YouTube and Instagram, bypassing Bollywood's hegemony. Artists such as Prateek Kuhad, Ritviz, Divine, and others have built dedicated fan bases without reliance on major labels.

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Indian artists are increasingly taking control of their IP rights, collaborating with global producers, and reaching international audiences.

However, India's royalty landscape remains fragmented. Collection societies like the Indian Performing Right Society (IPRS) and the Phonographic Performance Limited (PPL) have faced criticism for inefficiencies, lack of transparency, and disputes over rightful ownership. The 2012 amendments to the Indian Copyright Act, which aimed to protect authors and composers by mandating royalty sharing, remain under-enforced. For independent artists, this means that despite the potential for self-empowerment, institutional support for royalty collection remains weak.

Thus, while the rise of independent artists has undeniably democratized music production and distribution, it has also exposed gaps in the existing royalty infrastructure. Without robust legal frameworks, transparency in digital accounting, and the development of artist-centric platforms, many of the benefits of independence risk being undercut by systemic inequities. At the same time, this shift has brought music royalties into broader public discourse, encouraging legal scholars, policymakers, and artists to rethink traditional models and advocate for reform.

Ultimately, the impact of independent artists on royalty models is a story of empowerment, innovation, and ongoing struggle. As more musicians assert control over their creative outputs and seek equitable compensation, the industry must adapt to this new reality. Whether through legal reform, technological innovation, or cultural shifts in how music is valued and consumed, the future of music royalties will undoubtedly be shaped by the independent voices rising from all corners of the globe.