

# Understanding Royalty

**Issue: Many of them do not understand the concept of royalties or how it applies; they are often paid a one-time fee, which may be insufficient.**

## **Guidance Needed:**

### 1. What is a royalty (in simple terms)?

A royalty is a payment made to a copyright owner, based on the ongoing use or earnings of the work (rather than a one-time flat payment). It is often a percentage of income the work generates (from sales, streaming, performance, broadcasting, licensing, etc.). For example: "You pay me 10% of net receipts from the film's soundtrack sales whenever it's used."

### 2. Types of royalties

- Performance royalties / Public performance royalties: When the song is played in public (concerts, radio, TV, streaming, restaurants, malls), the composer, lyricist, performer may receive payment from a performance rights organization (PRO) or through collecting societies.
- Mechanical royalties / Reproduction royalties: When the song is reproduced (e.g., CDs, digital downloads, streaming, film soundtrack reproductions) — the rights to reproduce the composition must be licensed, and the composer/lyricist is paid a royalty per reproduction or as a share.
- Synchronization (sync) royalties / synchronization license: When the song is synchronized with visuals (e.g., in a film, TV show, advertisement), a sync fee and/or royalty is payable.
- Print / sheet music royalties: If lyrics or music sheets are printed and sold.
- Digital streaming / download royalties: Platforms pay per stream or per download, and a share goes to composers/lyricists (via mechanical or performance rights).
- Neighbouring / performer royalties: For performers (singers, session musicians), when their recorded performance is played publicly or broadcast.

### 3. Examples of royalty application

- Suppose a film uses a song written by a composer. The composer may negotiate: upfront license fee + 5% of gross revenue from soundtrack sales.
- If the song is streamed 1 million times, and per-stream revenue is 80.10, the total revenue is €100,000; if royalty share is 10%, the composer would get 710,000 (minus intermediaries).
- A singer whose recorded performance is used on radio may get performance royalties via the collecting society.
- A producer might license the song only for use in the film (territory: India; term: 5 years), and after that, rights revert to the composer, who continues to earn from performance and other uses.

#### 4. How to negotiate for royalties instead of a flat fee

Some tips:

- Always ask for a minimum guarantee + royalty: i.e. a base fee plus a contingent royalty beyond a threshold.
- Limit the scope of rights you grant: for a certain term, territory, medium (e.g. film only, not merchandising).
- Include audit rights: allow you or an independent auditor to check accounting of usage and revenues.
- Specify clear payment timing, accounting periods, statements.
- Seek a reversion clause: after the term, rights revert to you.
- Insist on a percentage share for long-term usage (e.g., streaming, re-broadcast).
- Use comparable market benchmarks (if other artists in your field command 5-10 %, you can argue similarly).
- Avoid "all-use-perpetual" grants: push back unless compensated for full rights.

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