



Canadian Musical Reproduction Rights Agency Limited

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CMRRA COMMERCIAL TELEVISION TARIFF

Dear CMRRA Client:

CMRRA is pleased to announce an important expansion of its activities to help you benefit from the growing commercial use of the reproduction right in the audiovisual marketplace.

The reproduction right has become increasingly important as technology drives the evolution of the marketplace – and rights owners need to be fairly compensated for the use of this right. It is with this principle in mind that, on March 31, 2014, CMRRA filed a tariff proposal with the Copyright Board of Canada for the reproduction of musical works by Canadian commercial television broadcasters.

CMRRA's proposed tariff seeks to license, to the benefit of music publishers and content producers alike, the copying of music contained in audiovisual productions by Canadian commercial television stations in the course of their operations. Based on the proposed rate, this tariff could generate up to \$50 million a year in royalties for copyright owners, before adjustment for CMRRA represented repertoire and pre-cleared content.

Background on Broadcast Mechanical Royalties

For more than a decade, CMRRA has granted licences to Canadian radio broadcasters which permit them to reproduce musical works in our repertoire. Royalties are paid pursuant to a tariff approved by the Copyright Board, which has delivered nearly \$125 million in royalties to date to rights holders like you.

Why do broadcasters need licences? Because modern radio stations make copies of songs for many purposes, every day. Without these copies, broadcasters would not be able to take advantage of the many operational benefits of automation – benefits that create efficiency and save money. Our approach has always been simple: where the right to reproduce our clients' songs is being used, and the users benefit from it, that use should be licensed and royalties should be paid. It's a matter of fairness.

Commercial Television Tariff

That principle of fairness is why we are now turning our attention to other media in which music is reproduced.

Just as in the case of radio, television broadcasting today is automated. Stations receive program content which is then reproduced on their computer servers, which means that the music in that content is being reproduced as well. Our motivation for seeking a "television broadcast mechanical" tariff, then, is no different from that which applies to the reproduction of music in radio: television broadcasters are making copies of music. They derive operational and economic benefits from those copies. They should, accordingly, obtain licences and pay royalties for the copies they make.

Our proposed tariff will be applicable to 2015. We are proposing that TV broadcasters pay a royalty of up to 0.66% of their gross revenues, an amount which is consistent with other tariffs and licences already approved by the Copyright Board.

Who benefits and what happens next?

CMRRA's Commercial Television Tariff is intended to benefit a wide range of rightsholders – not only traditional music publishers but program producers as well. Many program producers own or control the reproduction right in the music they use in their content. They are music publishers too, many of whom are clients of CMRRA, and they too stand to benefit from the tariff once certified.

Objectors to this tariff have 60 days from its publication to indicate that they want to participate in the hearing process. We anticipate strong opposition to this proposal by the Canadian television broadcasters, and we also expect them to seek the support of their licensors, the program producers, to oppose it.

CMRRA needs your support by being equally vocal in this fight for the fair remuneration of your rights, and we invite you to share your comments with us in this regard. CMRRA's strength comes from its clients. We speak most effectively when we've got as many rights owners on board as possible. We will soon be embarking on the process of research and information-gathering that always precedes a hearing, and your assistance in this process will be very much appreciated. Our success in past tariff proceedings has always been greatly assisted by the support of our clients.

Got questions?

For a quick reference, we have attached answers to a list of FAQs that we believe you will find useful. If you have any other questions, we're happy to discuss them with you at any time. We're at the beginning of what will be a long and challenging process, and we will be in regular contact, particularly as our research gets underway.

I hope you'll share our sense of excitement as we move forward with this new initiative. Our mission, as always, is to realize the economic value of the use of your rights in Canada, and it's only fair that TV and radio broadcasters alike respect and compensate you for the reproductions they make of your music in the course of doing their business.

Best regards,



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FAQ - CMRRA Commercial Television Tariff

Q1: What is a tariff and how does it become legally binding?

A: A tariff sets out the royalties, and the related terms and conditions, that apply to a specific type of use of copyright-protected works by a specific type of user. It creates a level playing field, with standard terms and conditions that apply to all users of the works in Canada.

A tariff is first proposed by a collective that represents the owners and administrators of protected works, as an alternative to individual negotiations with each user. The Copyright Board of Canada then holds a hearing to review economic and other evidence related to the specific use of the works, including any objections that have been made by prospective users and any interventions made by other parties. The Copyright Board then issues a decision that “certifies” the tariff, with any changes that the Board considers necessary in light of the evidence presented during the hearing. Certification gives the tariff the force of law; if a user fails to pay the required royalties or comply with the related terms and conditions, the collective is entitled to enforce the tariff in court.

Q2: Has CMRRA proposed tariffs before?

A: Yes. The Copyright Board has previously certified tariffs for the reproduction of musical works by online music services, commercial radio stations, and satellite radio services. (These tariffs were proposed and are administered by CMRRA-SODRAC Inc.)

Q3: What is the CMRRA Commercial Television Tariff?

A: The CMRRA Commercial Television Tariff sets out the proposed royalties, and related terms and conditions, that would govern the reproduction of musical works in the CMRRA repertoire by commercial television stations in Canada.

Q4: How do television stations reproduce music?

A: Television stations make copies of their programming for various technical and operational purposes. In the course of doing so, they also copy the music contained in that programming. The purpose of the CMRRA Commercial Television Tariff is to recognize the value of those copies of music and to enable CMRRA-represented rights holders to be compensated for them.

Q5: I am a program producer and I own the music contained in the programs I license to television stations. How can this tariff be of benefit to me?

A: Most program producers who own or control the music in their programs already earn royalties through tariffs that govern the performing rights administered by SOCAN. The goal of the CMRRA Commercial Television Tariff is to secure the payment of reproduction rights royalties in addition to those generated by the performing right. It has long been customary for program producers to exclude the performing right in music from their broadcast licences, leaving that right available to be licensed collectively by the performing rights collective. To realize the benefit of the CMRRA Commercial Television Tariff, you will need to do the same with the

reproduction right in music. By doing so, you will be able to realize the full economic value of the copies made by television stations, as you already do in the case of radio stations.

Q6: I am a music publisher and I license my songs to program producers. Isn't this already covered in my synchronization licences?

A: Not necessarily. Individual songs included in films, television programs, and other audiovisual productions are usually the subject of synchronization licences granted by, or on behalf of, the owner of the copyrights in those songs to the original program producer. However, synchronization licences do not always specifically authorize the extensive copying that is undertaken by the producer's own Canadian licensees, including commercial television broadcasters. The CMRRA Commercial Television Tariff seeks to license these unlicensed copies made by the broadcaster, rather than by the producer, as well.

Q7: Is the CMRRA Commercial Television Tariff meant to replace synchronization licences?

A: No. A synchronization licence still needs to be granted to the program producer for the original fixation of the musical work in the audiovisual production.

Q8: What volume of royalties do you anticipate the CMRRA Commercial Television Tariff will generate?

A: According to data collected by the CRTC, Canada's broadcast regulator, the commercial TV industry's gross revenue in 2012 was \$6.5 billion. We have proposed that TV broadcasters pay a royalty of up to 0.66% of their gross revenues. Based on the rate we have filed, this Tariff could generate as much as \$50 million per year in revenue for rights holders. However, this amount would be reduced in proportion to CMRRA's representation of the musical works contained in the programs broadcast in Canada. It would be reduced further by the proportion of musical works for which the program producer controls the applicable rights (including where they have been granted to the producer under a synchronization licence) and licenses them to a broadcaster under a broadcast licence.

Q9: How do I participate in this new revenue stream?

A: In order to receive royalties generated by the proposed CMRRA Commercial Television Tariff or under any CMRRA licensing agreement that authorizes this use, the right to make the applicable copies (whether by television broadcasters or by other content distributors) in Canada must be licensed through CMRRA. An affiliation agreement will be available shortly for this purpose.

Q10: What about the licensing of copies made by video-on-demand services?

A: The CMRRA Commercial Television Tariff does not cover the reproduction of musical works by video-on-demand services, which allow consumers to select and view a film or program on demand, either on television or on a computer or mobile device. CMRRA will seek to license these uses by way of direct licence agreements with individual services.

Q11: How long will it take for the CMRRA Commercial Television Tariff to be certified by the Copyright Board?

A: Although the proposed Tariff is applicable to 2015, it is unlikely that a hearing will have been held and a decision rendered by the end of that year. As with any proposed tariff, we anticipate that the full process, from the filing of the tariff to its certification, will take at least a couple of years. By filing now, however, CMRRA has established the legal ability, upon certification of the tariff, to collect royalties retroactively for this use of your works as of January 1, 2015.