

VRDB

Virtual Recording Database

White Paper
Version 2. July 2013

Presentation

This *White Paper*⁽¹⁾ details what the current situation and context are today with regards to the Reciprocity among SCAPR member societies, and how each PMO that chooses to join VRDB will benefit from this new service.

This is a high level document, which is a complement to the existing VRDB functional documents, the VRDB Glossary, the VRDB RFP (Request for Proposal) document for the VRDB Second Phase that will be available in mid-July and the VRDB Business Rules document. In those, you will find more details in regard to the concepts mentioned herein.

It is taken for granted that anyone reading this document is already familiar with the reciprocity processes among collective Management Organizations (also known as CMOs), and thus understands the terms and acronyms used such as: Repertoire, Sound Recording, Audiovisual Work, Lineup, Contributor, Artist, Main Artist, Matching, PMO, Collecting Society, Claiming Society, Collective Management Organization, SDEG, IPDA, DDEX, etc. You can find the description for those terms, and others used in the VRDB project, in the VRDB Glossary.

(1) A White Paper is a document intended to describe projects, services or strategies at a high level, and is a tool to promote discussion, take audience to a common level of understanding and agreement.

Part 1: Current Situation Analysis

Over the last ten years, Reciprocity exchanges between SCAPR member societies have been implemented, gradually. Although in the year 2000 the total number of international exchanges for Reciprocity was very small, this number has since increased to the point that, today, for some CMOs the effort devoted to Reciprocity tasks each year is comparable to, or in some cases exceeds, that required by the local distribution processes. Despite this, it is significant to note that we remain far from the limit of the potential exchanges that could be performed each year.

In the initial years, the Reciprocity operations between two CMOs were based on information exchanges formed from each one's understanding and point of view of possibilities. This led each CMO to calculate (or guess) what rights should be paid or claimed from the other. At that time it was common to exchange estimated amounts, as *lump sums*, whereby the CMO had to invent a distribution method to assess the amount that should be paid to each of its Artists. It was also customary to end up with distributions only to Main Artists, because of the name associated with the recording or album cover. Later the CMO had to devise its own method of how to split these distributions among featured and non-featured Artists.

As things evolved, some standard procedures were defined and implemented. Rightholder level exchanges and SDEG protocol are two good examples of this.

In the meantime, from the year 2000 until now, the collective management environment has also changed and evolved: CMOs now collect and manage a wider range of rights. An Artist can simultaneously mandate several CMOs to administer his/her rights for different territories and/or rights. Artists' mandates for CMOs are not forever, and they usually change.

Additionally, today it is quite common to find Contributors in a Sound Recording or Audiovisual Work, based in various countries, and mandating different CMOs in any possible imaginable combination.

All the previously described factors have made Reciprocity a real challenge, and any CMO wanting to achieve accurate Reciprocity requires skilled people, correct information, good systems and exemplary CMOs to deal with. New CMOs have to first understand the importance of these concepts, before going on to master them. To be in a position to begin reciprocal operations, they must first have accurate information and then implement

the necessary processes and systems to effectively manage that information.

After simple analysis, it can be observed that only a limited number of CMOs in SCAPR run accurate Reciprocity exchanges. Some CMOs are continuing to do Main Artist level exchanges, while others exchange unidentified *lump sums*, and others don't exchange at all, or maintain "B" level agreements. (that are unacceptable according to the SCAPR Code of Conduct).

THE RECIPROCITY CHALLENGES IN THE COMING YEARS

There is no doubt that in the global world in which we live today, where Sound Recordings and Audiovisual Works are used in any territory without limitation, Reciprocity as it is performed today, or in any other format, will spread rapidly. Therefore, it will soon be very difficult for a CMO to avoid exchanging rights. Artists and CMOs will, without question, demand worldwide accurate exchanges.

As the other sources of income for Artists are reduced or disappear (such as records sales), they will soon demand the rights for their work, wherever they generate it. They will also require faster payment.

RECIPROCITY CURRENT MODEL IS IN CRISIS

Let's take the case of a mature and technologically developed CMO, capable of handling the SDEG protocol, good IPD4 implementation, technical capacity to XML, and also a good network of established Reciprocity agreements. Without the financial resources large enough to purchase the extra support mechanisms required, the CMO would teeter on the verge of crisis with this model. The reasons are explained below:

No scalability in operations:

Reciprocity between two CMOs using SDEG is performed by making a number of defined exchanges of information, or "steps", between them. Specifically there are 5 steps (from the "Played Main Artists" to the "Statements") when the first CMO operates as the Claiming Society, and five more steps as Collecting Society, making a total of 10 steps. To make it more graphic, if each time a company makes an exchange, it must perform these 10 steps, then 10 exchanges means 100 steps. 35 exchanges $10 \times 35 = 350$ steps. There exists no allowance for scalability here. It is the worst consequence of working in a "many to many" relationship in what respects to Reciprocity.

As there is no correlation between the number of steps required and the revenue the CMO receives on behalf of its Artists, in the example cited, a small CMO would still execute 350 steps, despite its international revenue being negligible.

The CMOs facing this dilemma may, to save effort, choose to conduct biannual distributions, thus transmitting this disorder to their own Artists, and to the other CMOs involved in the exchange.

CMOs use their creativity to save effort in this very expensive task by inventing "Main Artists grouping" or by merging two SDEG protocol steps into one, but the savings are never substantial. Furthermore, these "workarounds" are always a domestic SDEG creation.

Inconsistency of the model:

Not all implementations of SDEG made in each CMO are equal. Moreover, it would be correct to say that all SDEG implementations are indeed different, because there is no IT system to validate the consistency of the implementations.

This increases workload because when a CMO receives a SDEG file from another, this receiving CMO needs to know what particular implementations have been performed using the standard SDEG format, so as to know what issues need to be solved due to deviations from the standard format on the part of the sending PMO. This has resulted in requirements for extra experts in XML, Excel, Access and SQL, at a cost not in the interests of the Artists.

It is worth mentioning here the absurdity of exchanges without predefined protocol.

Difficulty getting new SDEG adopters:

It is not easy to get all the Societies to use SDEG. Those which are new and have low collections, a lower level of technology or fewer resources, prefer to stay where they are, and do not take to SDEG easily. This immediately implies that the other Societies must manage more exceptions to exchange with them, devoting more resources to these exchanges.

Low quality of information:

The lack of exchange protocols implies that the quality of information exchanged is the least of the qualities of the parties exchanging. Also, using SDEG does not guarantee that the

information exchanged is of quality. The quality depends more on the severity of each PMO in the origin, or on the destination PMO's strategies to protect against failures of others in quality, typically by using reentrant IT systems that learn from previous errors.

The SDEG based exchange provides a certain level of accuracy in the result of the exchanges because it requires consideration of all rightholders. Exchanges not using SDEG are more precarious in this regard, and cannot guarantee the inclusion of all the legitimate rightholders, resulting in even more precariousness.

In relation to this last point, when the exchanges are made at Main Artist level, attention to rightholders is at the sole discretion of the Claiming Society while the Collecting Society can never certify that all rightholders have been paid.

Transparency:

Today, a PMO does not have access to Playlists of another PMO to make the exchange. The access to that information, (which is essential to ensure the accuracy of the exchange), is limited by the current model. This results in a lack of transparency, and reduces the confidence in the result of the exchanges, and may result in cross audits.

No annual calendar followed:

Typically, a PMO proposes an annual Reciprocity calendar to other societies for performing exchanges. This approach is very weak because not all are able to match calendars, while some simply do not wish to follow a calendar at all. The result is that no one ever follows a complete annual calendar for Reciprocity.

The effect of a large company on the small:

By SDEG, a large PMO literally inundates a small PMO with hundreds of thousands of lines of repertoire, as one of the steps of the protocol. The small PMO must digest and merge that volume of information within its local IT system (which may be small), for the sole benefit of the large PMO. This may require an effort that exceeds the small Company's human or technical capacity.

Furthermore, if the large PMO has a big repertoire, the Reciprocity paid to them from the small PMO will also be substantial.

Finally, there is the paradox that small Societies expend considerable effort to make large payments to large Societies, when it ought to be the reverse. If I am big, and earn big profits, surely I should be supporting the effort that enables me to earn those profits.

Part 2:

The approach with VRDB

THE SCAPR POSITION

SCAPR has among its strategic objectives, the Global Development of Reciprocity

It has to be achieved in terms of quality and economy, resulting in the benefit of the Artists.

SCAPR has to achieve this objective, for it is clear that it is on this, that the very survival of the Organisation, including its component Societies, depends.

THE VRDB VISION

VRDB will allow SCAPR to achieve the strategic goal of Global Reciprocity,

- Through the implementation of an international and centralised “managed service”, within which all SCAPR Societies joining VRDB will manage their Reciprocity activities.
- Delivering high standards of quality.
- Greatly simplifying current Reciprocity processes.
- Generating substantial savings to all Societies, which will, in turn, benefit Artists.
- Facilitating the accession of small companies.

VRDB MAIN REQUIREMENTS

VRDB allows for the incorporation of any PMO, provided that this PMO meets the technological and quality requirements.

VRDB is a service to Societies, which will be provided through the use of the technological platform VRDB and a specialised team.

VRDB will require participating societies to adhere to a regular yearly calendar in terms of providing information and implementing processes.

VALUES AND COMMITMENTS OF VRDB

VRDB shall meet the following values/commitments:

Quality: Information stored in VRDB shall comply with a strict level of quality, guaranteed through IT tools and the managed service.

Availability: VRDB will provide the service in "follow the sun" mode, according to the worldwide deployment of SCAPR and its Societies. The maximum acceptable downtime times shall be established in the service level agreements (SLAs).

Response time: This will be required both in the application response and the managed service, which will be established by SLAs.

Simplicity: The application will be both conceptually simple and easy to use in day-to-day operations.

Parallelism: The application and the associated service may be used concurrently by several Societies, without any "Serialisation" of processes, or waits (long response times) in the execution thereof.

Scalability: The VRDB managed service will not be limited by, nor its performance affected by, the number of concurrent Societies using it, or the volume of information stored in their databases. The effort made by a PMO in VRDB will not directly depend on the number of other Societies using VRDB.

Standardisation: VRDB will involve a high level of standardisation in operations, schedules and formats used by Societies. This level of standardisation will result from the use of a centralised technology, the provision of a managed service, and the agreed SLAs. Unique standards are the essence of VRDB: VRDB will use already available standards (such as IPD or DDEX), which will force Societies and providers (read monitoring firms) to adapt and use these monolithic and robust standards too.

Service: VRDB managed service will help VRDB Societies in their operations, and will regularly hold workshops to encourage and facilitate the accession of new Societies.

VRDB IS A SERVICE PROVIDED BY SCAPR AT A COST

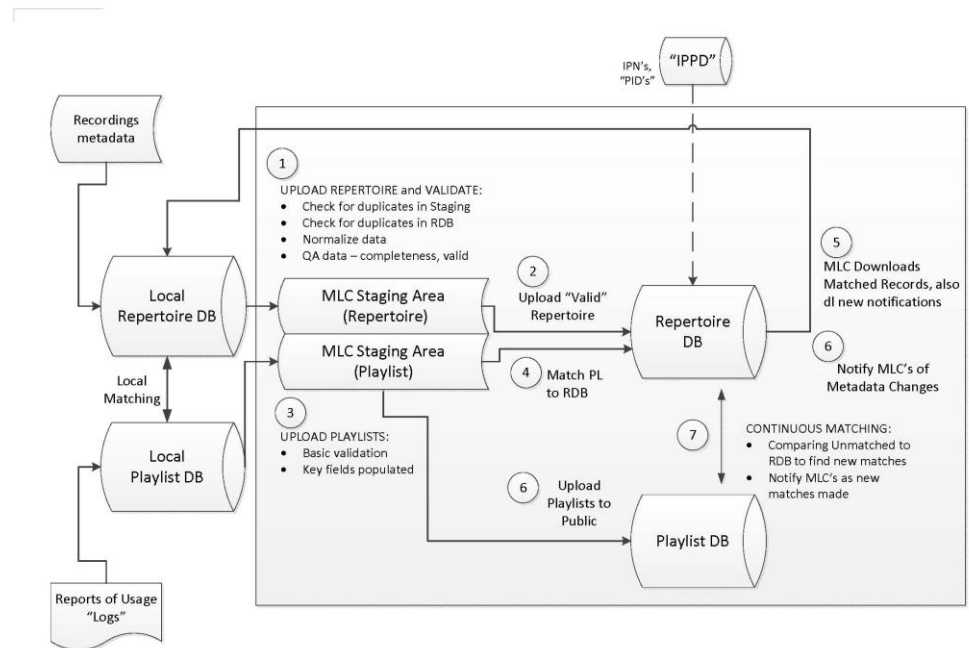
VRDB managed service must be provided by SCAPR and charged to the participating Societies, in proportion to the use or benefit obtained.

This will raise the level of professionalism in the provision of the service, facilitate the establishment of SLAs, and ultimately will ensure quality and high standards of service.

Participating Societies will justify the investment in terms of reduced time and effort in comparison to prior Reciprocity practices.

HIGH LEVEL APPROXIMATION TO VRDB

The following schema depicts the areas and relations involved in the operations with VRDB.



According to this schema, every VRDB User PMO has a local system where the “Local Repertoire DB” and “Local Playlist DB” entities are. These entities are represented in the left side of the diagram.

The Local System will be then the original source of information to populate VRDB (the group of entities into the big grey box), that will in turn “feed back” the local system with enriched information.

VRDB includes the “Staging Areas” (known as Sandbox Areas, or simply Sandbox), where every PMO works with its specific information for de-duplication, normalization and quality purposes.

VRDB also includes, as the most important element, the Business Area, which is the common information area for all the societies, containing the Repertoire DB (as summation of all individual Repertoires) and the Playlist DB (containing Playlist and Restlist information). Business Area is where the most

important VRDB processes take place, including the Matching and the Notifications processes.

Societies will upload, download and work in Sandboxes and Business Area according to a Protocol that is fundamental for the best efficiency of VRDB as a Service.

PROTOCOL TO BE FOLLOWED BY SOCIETIES USING VRDB

All Societies using VRDB must follow an annual protocol, in accordance with a common timetable that will consist of the following steps:

1. Repertoire Uploading

Each PMO will have to upload or update its interested Repertoire to VRDB, for the purpose of Reciprocity. The concept of Repertoire includes among others, the following entities: Sound Recordings, Audiovisual Works, Performer Lineups, Producers, Main Artists, etc. A PMO can also update previously uploaded Repertoire from past years.

It has been discussed whether Repertoire Uploading has to be a calendar bound process, meaning that it has to be done in a given time window during the year in sync with the rest of Societies. It is the consensus that it will not be mandatory in VRDB, because it will only affect reversely to the interested PMO, in its role of Claiming Society.

All Repertoire uploaded by the different Societies is consolidated or aggregated in a single Business Area, where the highest quality standard is achieved. This consolidation process is one of the foundations of VRDB.

From the concept of Repertoire Uploading, other concepts are derived, such as the Ownership of the information (which PMO owns the sound recording or audiovisual work for the purpose of its modification, and ultimately the quality of that information), Duplicates and De-Duplication, Conflicts and Negotiations.

The Repertoire Uploading process is linked to other standards, such as IPD, DDEX, etc. The Repertoire Uploading process is dual directional in that after the normal upload, the PMO must necessarily retrieve feedback information for its local system.

2. Playlists Uploading

Each PMO will annually upload into VRDB each of its Playlists (usage information in its territory) relevant for the purpose of Reciprocity. Typically, a company will upload into VRDB the same number of Playlists, as years that it has performed reciprocity with VRDB.

Business Rules and Specifications will cover in detail the Playlist Uploading operations.

The annual upload of Playlists is a process that will be established in the annual calendar, as an obligation for the VRDB User Societies.

3. Matching

The managed VRDB service, and alternatively the Societies, will implement the Matching processes that will identify what Repertoire has been used in the Playlists provided by the Societies. Matching algorithms will be monolithic and robust, and their performance will be one of the keys to the success of VRDB as a service. Each PMO must adapt its operations to the way of operation of these algorithms.

The matching process can be a permanent loop that analyzes any possible new match that arises after any discrete change in Repertoire or Playlist information. Matching is a central process in the VRDB service.

The result of the Matching is, by definition, incomplete, and the Societies concerned, will improve results through extra work done by their own effort, over the 'so-called' "Global Restlists".

Manual Matching work on the Restlists will be possible for Societies, to increase the efficiency of their Reciprocity, and to complement the overall quality of the VRDB information.

The Matching process will be "reentrant" in previous years, to the point of retroactivity agreed between Societies, according to principles such as local prescription (termination), collection, or defined by a common SCAPR policy.

4. Claims generation

VRDB will change the claiming model that we've been using up until today and it turns claiming activities into a proactive

model rather than the current reactive process that we've been following.

Since all member societies will be using a centralized repertoire repository there's no need to exchange Played Main Artists, Requests for Recordings, Played Recordings or Recording Claims. Every PMO will be notified in order to download matched recordings affecting to it, containing lineups and their mandates, so, in essence, all the information a PMO needs to add to their local system in order to run a proper and accurate Distribution.

In summary, instead of claiming several societies to pay for specific recordings, member societies can simply upload those recordings and their lineups and mandate information to the Shared Business Area and that repertoire metadata will get distributed accordingly to all member societies that had an unmatched playlist line through notifications, or that downloaded that recording in the past but didn't have the proper and complete lineup, and will add all the necessary metadata to their local systems and will pay out according to mandates.

5. Distribution

The Distribution is the last phase of Reciprocity, to take place in the local systems of each PMO, and is not considered to be realized into VRDB according to its current scope.

The Distribution is the process by which a PMO assigns economic amounts to recordings or audiovisual works owed by a third PMO, and downloaded from VRDB. The final result of the Distribution is the amount to be paid by a PMO to a third PMO.

As the Distribution is run outside VRDB, it allows each PMO to continue to use their own specific rules on Distribution payments, including invisibility as to the monetary amounts involved in their distribution process.

CONSEQUENCES OF VRDB IMPLEMENTATION

VRDB will drastically reduce the effort per PMO: The effort required to operate within VRDB will be in direct proportion to the size of each PMO. In the Repertoire and Playlist Uploading processes, described previously, little effort will be required from small Societies (with small repertoire or Playlists). Societies that handle large volumes will be required to make a correspondingly bigger effort. This will correct the “large PMO/small PMO” effect, described previously.

Also, the current effort to locally match against foreign repertoire will be eliminated, because it will be done only once and in VRDB. It adds substantial amounts of savings to the societies.

VRDB will permit every PMO to focus on its represented repertoire: because this local repertoire is very well known by every PMO. The overlapping effort of having ALL the Societies working on ALL the repertoire will be no longer needed. It will immediately lead to higher efficiency, cost savings, and a deeper documentation in the local repertoires.

Operations in VRDB are inherently scalable: the major part of the effort to be made by each PMO will be focused on the yearly uploading of Repertoire and Playlists. This effort will be the same both if the PMO carries out one exchange or many exchanges. The current paradigm of “many to many” exchanges will be eliminated, with the huge benefit that it carries in terms of costs savings.

Exchanges of information in VRDB will be safer: because VRDB will serve as the transport for all information involved: we will avoid using traditional emails with files attached as the way to transfer information.

VRDB is by definition consistent: and there will not be discrepancies in the VRDB implementation, because there will only be one centralized VRDB that will ensure that consistency.

VRDB is transparent: the playlists are visible to all the Societies with which one PMO does exchanges.

VRDB is the best solution for conflicts and duplicates handling: because those conflicts and duplicates will be detected altogether in the same place, and then managed or negotiated in that same place. It has been done in a fragmented fashion, costly and inefficient until now.

VRDB is adopted by more Societies: VRDB and SCAPR managed service will actively encourage the accession of new Societies. Additionally, VRDB Societies may require third societies to adhere to VRDB as the only possible way of

reciprocal exchanges among themselves. The new Societies will find in VRDB the level of standardisation and systems that they need to link the practice of Reciprocity.

VRDB warrants attention all right holders: because VRDB only considers the distribution at the rightholder level.

VRDB will be a service guaranteed by SCAPR: with its focus on helping Societies to implement VRDB and on providing first class support and technology to all members.

Part 3:

Other aspects for discussion within VRDB

CONVERGENCE OF IPD AND VRDB

In the following aspects:

- The convenience of having separate providers or a single provider.
- The interest of having different databases, different instances or different schemes (database terminology).
- The effect of propagating territory and rights mandates, and the immediate effect on performance when delivering claim results.

PRODUCERS INFORMATION

VRDB will manage Producers information. Such information will include Producers data, the associated mandates on Recordings per territory and period of time, and all information structure to cover the same level of implementation as for performers. VRDB will be prepared to match and notify Producers information.

Special entities will be necessary for Producers, as the so called IPPD, as the equivalent of IPD for Producers.

Special consideration is needed for the best implementation of Producers mandates into VRDB, that conceptually differ from Performers mandates.

THE IMAD / IMAN PARADIGM

Considering that IMAD must be part of VRDB, a precise definition is needed in the level of implementation of IMAD we want to achieve, at least in the following terms:

- IMAN as a key tool to streamline matching.
- IMAN not primarily related to rightholders distribution.
- IMAN cleansing, clustering and consolidation.
- IMAD as a natural link to IPI and ISNI.

DIFFERENT APPROACHES TO PLAYLIST UPLOADING

Discussion on concepts such as the full or partial upload of local Playlists into VRDB; the convenience of having a single Playlist per PMO and year of right or a number of them; the concept of Playlist and Restlist.

APPROACH TO MONITORING FIRMS

To establish the way monitoring firms will be required to format their information to be VRDB compatible.

Part 4:

Evolution of VRDB

So far, this document has described the VRDB project in its Second Phase. The completion of this phase, in the terms described herein, may allow for the evolution of the project in subsequent phases. Thus it can be adapted in line with any "lessons learned" during production.

The minimum objectives that must be considered during the subsequent phases of VRDB shall include:

The gradual reduction of the time of Exchange, (currently set at a minimum of 12 months) following the fundraising activity carried out locally by the collecting PMO. This time period clearly must be reduced in the medium term, and though some societies do not have the capacity to do so, VRDB should allow this reduction.

The inclusion of the Distribution within VRDB. Being run out at the moment, the distribution process can be an integral part of VRDB, although performed by each PMO. This would result in even more saving of time and effort for all Societies.

The ability for small societies to place their full operations within VRDB. This future phase will negate the need to implement costly IT platforms or protocols. The envisaged managed service should be in the position to provide a full end-to-end, individualised solution for Societies.