



Digital Rights Awareness

Episode 6

Streaming Services vs Social Media Platforms: Licensing and Revenue Allocation

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Not so long ago, listening to music meant owning it: a CD on your shelf, a file on your computer. Then, in barely a decade, everything changed. Songs became streams, playlists replaced albums, and the music we loved turned into data flowing through invisible networks.

In this episode, we continue our journey through the digital transformation of music - from the rise of licensed streaming to the explosion of user-generated content - to understand how these shifts have reshaped value, visibility, and fairness across the music ecosystem.

How do streaming platforms and social media platforms differ in the way they license music and pay creators? And how has the law tried to close the gap between them?

The Digital Turn: From Ownership to Access

Digitisation turned recorded music from a tangible product into a flow of data. Access replaced ownership: instead of paying per copy, users pay for infinite listening. This transition expanded access exponentially but eroded the unitary value once attached to recordings.

Streaming services (Spotify, Apple Music, Deezer) became the new intermediaries between artists and audiences. They monetise attention rather than copies, using algorithmic curation and subscription tiers. The result is an “attention economy” where visibility determines revenue — but contractual opacity prevents artists from tracing how value is created and divided.

Streaming Services and the Logic of Licensing

Streaming relies on negotiated licenses with record labels and CMOs or music publishers' licensing entities. These are usually multi-territorial and relatively transparent, built on collective management structures (at least for musical works) inherited from the pre-digital era. Payments flow through contractual chains: platform → label → artist.

The case of Spotify illustrates this architecture. In practice, roughly 70 % of its income is redistributed to rights holders. Yet under the pro-rata model, most funds flow towards top-streamed catalogues. The company's algorithmic playlists reinforce concentration: what is “discovered” depends on data-driven recommendations rather than cultural diversity.

Still, among digital intermediaries, Spotify exemplifies the “licensed” model — a system that, although imperfect, internalises copyright value through negotiated remuneration. It

Episode 6 - Script

is far from perfect, but it provides a structured, legally recognised system of compensation.

YouTube and the Origins of the Value Gap

By contrast, social media platforms, such as YouTube, long stood outside the standard licensing ecosystem. It enabled users to upload and consume copyrighted content — generating massive advertising revenues while returning only a fraction to rights holders. This asymmetry became known as the “value gap”: the divergence between the economic value extracted by platforms and the remuneration returned to creators.

Social media platforms defended this system by invoking safe-harbour immunity as “hosting providers”. This meant they were not directly liable for infringing uploads provided they removed content upon notice. In practice, this shield exempted these platforms from paying full licensing fees comparable to those of streaming services.

YouTube’s Content ID system partially mitigated this, yet it reinforced inequalities: only major right-holders could access its content identification and monetisation system by having a real chance to negotiate their remuneration. For smaller creators, visibility often came without significant income.

Article 17 DSM Directive: Restoring a Level Playing Field

Fair MusE’s legal research shows that Article 17 of the DSM Directive (2019/790) was crafted precisely to address this imbalance and reestablish fair competition between licensed streaming services and user-generated content platforms. Article 17’s core principle is straightforward: platforms that organise and give access to large amounts of user-uploaded works are themselves directly liable for copyright infringements unless they obtain a licence or make best efforts to do so.

This provision defines social media platforms as “Online Content-Sharing Service Providers” — a distinct legal category placed between traditional intermediaries and streaming services.

The DSM Directive thereby eliminated the safe-harbour privilege for major content platforms and aligned their duties with those of Spotify-like streaming services.

Empirical evidence from Fair MusE’s Member-State studies shows that:

- (Negotiating obligations) Social media companies are now compelled to seek licences actively, having to show “best efforts” that will be ultimately assessed by courts.

Episode 6 - Script

- (Shift in bargaining power) Right-holders gained leverage to the point that social media licensing practices are increasingly similar to those of streaming services.
- (Data alignment) Platforms and right-holders began exchanging repertoire and usage data, improving identification and royalty distribution.

In other words, Article 17 operationalised platform accountability — replacing the reactive “notice-and-takedown” regime with a proactive “licence-before-use” approach.

Comparing Licensing Models

The comparison between streaming services and social-media platforms reveals two distinct licensing logics:

- Streaming services, such as Spotify, entered the market fully licensed, operating on negotiated, multi-territorial agreements with record labels, CMOs, and publishers (if necessary). Their hybrid subscription-and-advertising model, though imperfect, allows revenues to be calculated through per-stream metrics – namely, a transparent but highly unequal system that privileges top-streamed repertoire.
- Social-media platforms, by contrast, were historically unlicensed, relying on advertising and data monetisation under opaque revenue structures. Only with the introduction of Article 17 of the DSM Directive, social media were reclassified as “Online Content-Sharing Service Providers,” directly liable unless licensed. This legal shift aimed to restore fair competition between the two models, aligning their obligations and ensuring that the economic value generated by recorded music circulates more equitably within the digital ecosystem.

The Fairness Triad

Fair MusE describes Article 17 as “a fairness-enhancing provision” that complements Article 18 (fair remuneration) and Article 19 (transparency obligations). Together, they construct a triad of accountability:

- Platform responsibility
- Fair payment for human creators
- Transparency of exploitation data.

Conclusion and Looking Ahead

So, to sum up:

- Digitisation increased access but fragmented value. Recorded music became abundant yet economically diluted.

Episode 6 - Script

- Streaming licensed, social media lagged. Article 17 DSM now narrows this gap by imposing comparable licensing duties on Online Content-Sharing Service Providers.
- Fair competition and remuneration are interlinked. Only when all major intermediaries internalise the cost of copyright can creators capture a fair share of digital revenues.
- Transparency remains the missing link. As both Fair MusE's legal and economic analyses reveal, metadata and data access — not law alone — determine whether fairness translates into actual income.

Conclusion and Looking Ahead

The story of fairness in music is not only written in law but encoded in data. The alignment between streaming and social media licensing now depends on data interoperability. Without standard identifiers (ISRC, ISWC, IPI), even the best licensing framework fails to allocate royalties properly.

If you missed our previous episode, Collective Management and the Implications of Right-holders' Freedom of Choice, we invite you to explore how Europe's collective management systems underpin the digital economy of music and fairness.

In our next episode, we will uncover how data underpins the entire digital music economy, the invisible architecture on which equitable remuneration truly rests.