

**Before the  
COPYRIGHT ROYALTY JUDGES  
LIBRARY OF CONGRESS  
Washington, D.C.**

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<b>In The Matter Of:</b>	)	
	)	<b>Docket No. 2006-1 CRB DSTRA</b>
<b>Adjustment of Rates and Terms for</b>	)	
<b>Preexisting Subscription Services and</b>	)	
<b>Satellite Digital Audio Radio Services</b>	)	
	)	
	)	

**SECOND AMENDED PROPOSAL OF RATES AND TERMS OF  
SIRIUS SATELLITE RADIO INC. AND XM SATELLITE RADIO INC.**

Pursuant to 37 C.F.R. § 351.4(a)(3), Sirius Satellite Radio Inc. and XM Satellite Radio Inc. (collectively the “SDARS”) hereby submit their Second Amended Proposal of Rates and Terms for (1) the digital audio transmission of sound recordings by an eligible preexisting satellite digital audio radio service provider (as defined in 17 U.S.C. § 114(j)(10)) operating under the statutory licenses set forth in 17 U.S.C. § 114, and (2) the making of ephemeral phonorecords necessary to facilitate such transmissions pursuant to the statutory licence set forth in 17 U.S.C. § 112(e), during the period January 1, 2007 through December 31, 2012.

The SDARS propose the rates and terms set forth in the attached proposed regulatory language. This proposal is described in detail in the SDARS' Joint Proposed Findings of Fact, being submitted today, and is reproduced as Appendix A to that document. See 37 C.F.R. § 351.4(a)(3).

Respectfully submitted,



R. Bruce Rich (N.Y. Bar No. 1304534)  
Bruce S. Meyer (N.Y. Bar No. 2108447)  
Ralph I. Miller (D.C. Bar No. 186510)  
Jonathan Bloom (N.Y. Bar No. 2495810)  
Mark J. Fiore (N.Y. Bar No. 4132395)  
Todd Larson (N.Y. Bar No. 4358438)  
William R. Cruse (N.Y. Bar No. 4315073)  
WEIL, GOTSHAL & MANGES LLP  
767 Fifth Avenue  
New York, NY 10153  
Tel: 212.310.8170  
Fax: 212.310.8007  
r.bruce.rich@weil.com,  
bruce.meyer@weil.com,  
ralph.miller@weil.com,  
onathan.bloom@weil.com,  
mark.fiore@weil.com,  
todd.larson@weil.com,  
william.cruse@weil.com

*Counsel for XM Satellite Radio Inc.*

October 1, 2007



Bruce G. Joseph (D.C. Bar No. 338236)  
Michael L. Sturm (D.C. Bar No. 422338)  
Thomas W. Kirby (D.C. Bar No. 915231)  
Karyn K. Ablin (D.C. Bar No. 454473)  
Benjamin B. Reed (D.C. Bar No. 461768)  
Jennifer L. Elgin (D.C. Bar No. 432975)  
Matthew J. Astle (D.C. Bar No. 488084)  
WILEY REIN LLP  
1776 K St NW  
Washington, DC 20006  
Tel: 202.719.7258  
Fax: 202.719.7049  
bjoseph@wileyrein.com,  
msturm@wileyrein.com,  
tkirby@wileyrein.com, kablin@wileyrein,  
breed@wileyrein.com, jelgin@wileyrein.com,  
mastle@wileyrein.com

*Counsel for Sirius Satellite Radio Inc.*

## SDARS' Second Amended Rates and Terms

### PART 3\_\_ -- RATES AND TERMS FOR SUBSCRIPTION TRANSMISSIONS AND THE REPRODUCTION OF EPHEMERAL RECORDINGS BY PREEXISTING SATELLITE DIGITAL AUDIO RADIO SERVICES

Sec.

3 \_\_.1 General.

3 \_\_.2 Definitions.

3 \_\_.3 Royalty fees for public performance of sound recordings and the making of ephemeral recordings.

3 \_\_.4 Administrative provisions.

3 \_\_.5 Confidential information and statements of account.

3 \_\_.6 Notice and Recordkeeping.

#### **§ 3 \_\_.1 General.**

(a) Scope. This part 3 \_\_ establishes rates and terms of royalty payments for the public performance of sound recordings and the reproduction of multiple ephemeral recordings by preexisting satellite digital audio radio services in accordance with the provisions of 17 U.S.C. §§ 112(e) and 114 for the period from January 1, 2007 through December 31, 2012.

(b) Relationship to voluntary agreements. Notwithstanding the royalty rates and terms established in this part, the rates and terms of any license agreements entered into by Copyright Owners and Licensees shall apply in lieu of the rates and terms of this part to transmissions within the scope of such agreements.

#### **§ 3 \_\_.2 Definitions.**

For purposes of this part, the following definitions shall apply:

(a) "Copyright Owner" is a sound recording copyright owner who is entitled to receive royalty payments under 17 U.S.C. § 112(e) or 114(g).

(b) A "Designated Agent" is any agent designated by the Librarian of Congress for the receipt and distribution of royalty payments made pursuant to this part.

(c) "Licensee" means an owner or operator of a preexisting satellite digital audio radio service (as defined in 17 U.S.C. § 114(j)(10)) and its parent, subsidiaries and divisions.

(d) "Play" is each instance in which any portion of a sound recording is transmitted by a preexisting satellite digital audio radio service, regardless of the number of listeners who tune in or listen to the transmission, but excluding the following:

(1) A transmission of a sound recording that does not require a license (e.g., a sound recording that is not copyrighted);

(2) A transmission of a sound recording for which the service has previously obtained a public performance license from the copyright owner of such recording; and

(3) An incidental performance that both:

(i) makes no more than incidental use of sound recordings including, but not limited to, brief musical transitions in and out of commercials or program segments, brief performances during news, talk and sports programming, brief background performances during disk jockey announcements, brief performances during commercials of sixty seconds or less in duration, or brief performances during sporting or public events; and

(ii) other than ambient music that is background at a public event, does not contain an entire sound recording and does not feature a particular sound recording of more than thirty seconds (as in the case of sound recording used as a theme song).

(e) "SDARS" means the preexisting satellite digital audio radio services as defined in 17 U.S.C. § 114(j)(10).

(f) "Term" means the period commencing January 1, 2007, and continuing through December 31, 2012.

### **§ 3\_\_3 Royalty fees for public performances of sound recordings and the making of ephemeral recordings.**

(a) Royalty. Commencing January 1, 2007 and continuing through December 31, 2007, the royalty fee to be paid by a Licensee for the public performance of sound recordings pursuant to 17 U.S.C. § 114(d)(2) and the making of any number of ephemeral phonorecords to facilitate such performances pursuant to 17 U.S.C. § 112(e) shall be \$1.60 per Play of a copyrighted sound recording. The royalty rate to be paid for Plays in 2008 and subsequent years of the license period shall be adjusted each year by a percentage equal to the percentage change in combined SDARS subscribers during the preceding year. (For example, if the number of subscribers to both SDARS at the end of 2007 has increased twenty percent from year-end 2006, the royalty fee for 2008 will increase by twenty percent, to \$1.92 per Play.)

(b) Payments. Payments made by a Licensee shall be due 60 days after the close of each calendar quarter for all Plays during that calendar quarter.

(c) Late Fee. If a Licensee fails to make any payment under this part when due and following ten days after receipt of written notice from a Designated Agent, the Licensee shall pay a late fee on any overdue amount of 0.50% per month, or the highest lawful rate, whichever is lower, from the date of receipt of written notice until the date full

payment is received by a Designated Agent.

(d) Weekends and Holidays. In the event the deadline for any payment due under this part falls on a day which is not a business day, payment shall be due on the next business day.

### **§ 3\_\_4 Administrative provisions.**

(a) Audit.

(i) A Designated Agent may audit compliance by the Licensee with the royalty payment provisions of these regulations. If there is more than one Designated Agent, all Designated Agents shall mutually retain a single auditor to perform a single audit on a Licensee.

(ii) The Designated Agent may conduct a single audit of a Licensee during any given calendar year, for any or all of the 36 months prior to the commencement of the audit. No calendar year shall be subject to audit more than once. Audits shall be conducted during regular business hours, at a mutually agreeable time; provided that an audit shall commence no later than 90 days following a written request for audit.

(iii) Audits shall be performed by an independent auditor according to generally accepted auditing standards.

(iv) If as a result of the audit the parties agree or, in the absence of such agreement there is a final determination, that a Licensee has underpaid royalties by 10 or more percent, within 60 days of such determination the Licensee shall pay the amount of the underpayment with interest at the rate provided in 28 U.S.C. § 1961, plus reasonable out-of-pocket costs incurred by the auditor.

(v) If as a result of the audit the auditor determines that a Licensee has overpaid royalties, the Licensee may credit against future royalty payments the amount of such overpayment plus interest accrued at the rate provided in 28 U.S.C. § 1961, and shall pay the Licensee's reasonable out-of-pocket costs incurred from the audit.

### **§ 3\_\_5 Confidential information and statements of account.**

(a) For purposes of this part, confidential information shall include statements of account and any information pertaining to the statements of account designated as confidential by the Licensee filing the statement. Confidential information shall also include any information so designated in a confidentiality agreement which has been duly executed between a Licensee and an interested party, or between one or more interested parties; *provided* that all such information shall be made available, for the verification proceedings provided for in §§3\_\_4 of this part.

(b) Licensees shall submit quarterly statements of account on a form provided by the agent designated to collect such forms and the royalty payments.

(c) A statement of account shall include only such information as is necessary to compute the accompanying royalty payment. Additional information beyond that which is sufficient to verify the calculation of the royalty shall not be required or included on the statement of account.

(d) Access to the confidential information pertaining to the royalty payments shall be limited to:

(i) Those employees, agents, consultants and independent contractors of the Designated Agent, subject to an appropriate confidentiality agreement, who are engaged in the collection and distribution of royalty payments hereunder and activities directly related hereto, who are not also employees or officers of a sound recording copyright owner or performing artist, and who, for the purpose of performing such duties during the ordinary course of employment, require access to the records; and

(ii) An independent and qualified auditor who is not an employee or officer of a sound recording copyright owner or performing artist, but is authorized to act on behalf of the interested copyright owners with respect to the verification of the royalty payments.

(e) The Designated Agent or any person identified in paragraph (d) of this section shall implement procedures to safeguard all confidential financial and business information, including, but not limited to royalty payments, submitted as part of the statements of account, using a reasonable standard of care, but no less than the same degree of security used to protect confidential financial and business information or similarly sensitive information belonging to the Designated Agent or such person.

(f) Books and records relating to the payment of the license fees shall be kept in accordance with generally accepted accounting principles for a period of three years after submission of the statement of account pertaining to that payment. These records shall include, but are not limited to, the statements of account, records documenting an interested party's share of the royalty fees, and the records pertaining to the administration of the collection process and the further distribution of the royalty fees to those interested parties entitled to receive such fees.

### **§ 3\_\_6 Notice and Recordkeeping.**

(a) General. This section prescribes the rules under which Licensees shall serve copyright owners with notice of use of their sound recordings, what the content of that notice should be, and under which records of such use shall be kept and made available.

(b) Definition. A “*Report of Use of Sound Recordings Under Statutory License*” (sometimes referred to as a “*Report of Use*”) is the sole report of use required to be provided by a Licensee under this Agreement.

(c) Service. Reports of Use shall be served upon SoundExchange. Licensees shall have no obligation to provide Reports of Use for any period prior to January 1, 2006. Licensees shall serve Reports of Use on SoundExchange by no later than the ninetieth day after the close of each month. Reports of Use shall be served, by certified or registered mail, or by other means provided in SoundExchange's "File and Reports of Use Delivery Specifications" filed in the Copyright Office in Docket No. RM 2002-1B or agreed upon by a Licensee and SoundExchange.

(d) Content.

(1) A "Report of Use of Sound Recordings under Statutory License" shall be identified as such by prominent caption or heading, and shall include a Licensee's intended or actual playlist for each channel and each day of the reported month, except that no reporting requirement shall apply to programming reasonably classified as news, talk or sports. Subject to subsection (d)(2), each intended or actual playlist shall include a consecutive listing of every recording scheduled to be or actually transmitted, as the case may be, and shall contain the following information in the following order:

- (A) The name of the service or entity;
- (B) The channel;
- (C) The sound recording title;
- (D) The featured recording artist, group, or orchestra;
- (E) The retail album title;
- (F) The marketing label of the commercially released and available album or other product on which the sound recording is found;
- (G) The catalog number for albums or other products commercially released;
- (H) The International Standard Recording Code (ISRC) embedded in the sound recording, where available and feasible, for albums or other products commercially released after 1998;
- (I) Where available, the copyright owner information provided in the copyright notice on the retail album or other product (e.g., following the symbol © (the letter P in a circle) or, in the case of compilation albums created for commercial purposes, in the copyright notice for the individual sound recording, for commercially released albums or other products;
- (J) The date of transmission;

(K) The time of transmission; and

(L) The release year of the retail album or other product (as opposed to the individual sound recording), as provided in the copyright notice on the retail album or other product (e.g., following the symbol © (the letter C in a circle), if present, or otherwise following the symbol ℙ (the letter P in a circle)), for commercially released albums or other products.

(2) Notwithstanding subsection (d)(1) –

(A) In the case of programming provided to a Licensee by a third party programmer –

(i) if such programming is provided to the Licensee under a contract entered into before the Execution Date and not thereafter amended or renewed, then the Licensee shall have no obligation to provide Reports of Use with respect to that programming; and

(ii) the Licensee shall use commercially reasonable efforts to include in any new contract for programming, or any amendment or renewal of such a contract, a requirement that the provider of programming provide the Licensee the information required by subsection (d)(1), or in the case of programming consisting of simultaneous retransmission of an over-the-air terrestrial AM or FM radio broadcast by a broadcaster that also transmits such programming over the Internet, such information as may from time to time be required by Copyright Office regulations relating to the broadcaster's transmissions over the Internet, and the Licensee shall provide SoundExchange Reports of Use containing the information provided by the third party programmer.

In any case in which a Licensee does not provide Reports of Use for programming provided to a Licensee by a third party programmer, the Licensee shall report to SoundExchange the relevant channel and the reason it is unable to provide such Reports of Use.

(B) Licensees only shall be required to provide the information identified in subsections (d)(1)(C) through (I) and (L) to the extent that such information can be provided using commercially reasonable efforts.

(C) Licensees shall not be required to provide information with respect to a performance of a sound recording that does not require a license (e.g., the sound recording is not copyrighted)



(D) Licensees shall not be required to provide information with respect to a performance of a sound recording for which the service has previously obtained a license from the Copyright Owner of such sound recording; and

(E) Licensees shall not be required to provide information with respect to an incidental performance that both: (i) makes no more than incidental use of sound recordings including, but not limited to, brief musical transitions in and out of commercials or program segments, brief performances during news, talk and sports programming, brief background performances during disk jockey announcements, brief performances during commercials of sixty seconds or less in duration, or brief performances during sporting or other public events, and (ii) other than ambient music that is background at a public event, does not contain an entire sound recording and does not feature a particular sound recording of more than thirty seconds (as in the case of a sound recording used as a theme song).

(e) Signature. Reports of Use shall include a signed statement by the appropriate officer or representative of the Licensee attesting that the information contained in the Report is believed to be accurate and is maintained by the Licensee in its ordinary course of business. The signature shall be accompanied by the printed or typewritten name and title of the person signing the Report, and by the date of signature.

(f) Other Media. If a Licensee makes digital audio transmissions of sound recordings in any medium other than through its SDARS, reports containing the elements set forth in subsection (d) shall be deemed to satisfy the Licensee's obligations to identify the sound recordings used in such transmissions (in contrast to any obligations the Licensee may have under applicable regulations to provide information concerning matters other than the identity of such sound recordings).

(g) Format. Reports of Use shall be provided in accordance with SoundExchange's "File and Reports of Use Delivery Specifications" filed in the Copyright Office in Docket No. RM 2002-1B.

(h) Confidentiality.

(1) Definition. "Confidential Information" means information submitted by a Licensee to SoundExchange in a Report of Use that is uniquely specific to Licensee, including without limitation, the number of performances made by the Licensee and the identification of particular sound recordings as having been performed by the Licensee, but not any information that at the time of delivery to Sound Exchange is generally known to the public or subsequently becomes generally known to the public through no fault of SoundExchange, including without limitation, information identifying sound recordings themselves.

(2) Use of Confidential Information. SoundExchange shall not use any Confidential Information for any purpose other than royalty collection and distribution, determining and enforcing compliance with statutory license

requirements and the requirements of this Agreement, and activities directly related to the foregoing; provided that SoundExchange may report Confidential Information to its members in a form in which information pertaining to both Licensees is aggregated with information pertaining to other statutory licensees such that Confidential Information pertaining to Licensees, either individually or collectively, cannot readily be identified.

(3) **Disclosure of Confidential Information.** Access to Confidential Information shall be limited to those employees, agents, attorneys, consultants and independent contractors of SoundExchange, subject to an appropriate confidentiality agreement, who are not also employees or officers of a Copyright Owner or Performer, and who, for the purpose of performing such duties during the ordinary course of their work, require access to Confidential Information. SoundExchange also may disclose Confidential Information to a successor or assignee permitted by this Agreement.


(i) **Documentation.** Licensees shall, for a period of at least three years from the date of service of the Report of Use, keep and retain a copy of the Report of Use.

**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing Second Amended Proposal of Rates and Terms of Sirius Satellite Radio Inc. and XM Satellite Radio Inc. was served on October 1, 2007 by overnight mail on the following party:

Thomas J. Perrelli  
Michael DeSanctis  
Jenner & Block LLP  
601 Thirteenth Street, NW,  
Suite 1200 South  
Washington, DC 20005  
tperrelli@jenner.com

*Counsel for SoundExchange, Inc.*

  
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