



The New York-based startup is in discussions with the major record labels— Vivendi SA’s Universal Music Group, Sony Corp.’s Sony Music Entertainment and Access Industries’ Warner Music Group—to license music that DJs have mixed. Such deals could pave the way for Dubset to distribute such mixes to streaming services such as Spotify.

The labels are in need of new revenue streams. Global recorded music sales peaked in 1999 at \$40 billion and have shriveled as fans started sharing files online and shifted to sites like YouTube for free music. The industry brought in \$15 billion in revenue in 2013—with more than \$1 billion from streaming services, according to the International Federation of the Phonographic Industry.

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Dubset Chief Executive Bob Barbieri estimated that online music mixes could eventually generate \$1.2 billion a year in additional revenue for the industry. Currently all the big subscription music services “deal with same library, but now you’re dealing with a whole new world of content that could help drive new subscription,” he said.

Dubset spent the past several years creating its “MixScan” technology to analyze DJ mixes, which it hosts on a small music-streaming service it operates called Thefuture.fm.

Before posting music on the site, Dubset analyzes it, measuring how many seconds each individual song is heard and logging the data into its library. It then pays royalties based on the number of times users listen to a given mix, along with the length of time each song was featured in the mix.

Its total payouts have been negligible to date, due to the site's tiny user base and revenue. Dubset has ingested more than 50,000 mixes into its database and there are 250,000 more waiting to be scanned into the system, Mr. Barbieri said.



Music mixes from DJs, such as DJ Vice, generally aren't included in subscription music services. Calculating artist royalties is a challenge. *PHOTO: INVISION/ASSOCIATED PRESS*

Extrapolating from the streaming habits of 100,000 consumers who used TheFuture.fm over the past two years, Madonna and her record label have likely been missing out on the most money in the absence of mix-content licensing agreements, Dubset said. Fans around the world have likely streamed her songs in DJ mixes about 204 million times over the past two years without paying, while Lady Gaga's music has been streamed 154 million times in mixes, according to the company.

Radiohead came in third place, likely missing payment on 52 million mix streams, while U2, Blondie and Phil Collins also ranked among the top 10 biggest losers.

David Guetta, a popular DJ and dance-music producer, recently started releasing regular mixes onto TheFuture.fm to endorse Dubset's technology. He said he hopes SoundCloud and other big online services will adopt the technology.

Until big music services start paying the creators of the individual tracks he puts in his mixes, he said, he can't release them to very wide audiences, since he doesn't have time to get clearance for every song himself. If he did put them up without permission, the rights holders would likely notice, given his celebrity, and might have the mixes taken

down.

“I feel like I’m too big to use SoundCloud, but I want to use it,” Mr. Guetta said.

SoundCloud, which specializes in streaming such mix content to 175 million monthly users, doesn’t pay royalties on such tracks.

The company would like to, according to people familiar, but doing so has been impossible without a label-approved system to determine what fragments of songs are worth.

SoundCloud started advertising last year and shares the revenue with several dozen partners, including Warner Music. The company also plans to launch a paid subscription service this year.

But Warner’s much larger rivals, Universal Music and Sony Music, haven’t signed deals with SoundCloud, and some executives at those labels remain dubious of the audio-sharing site’s business model, according to people familiar with the matter.

Warner Music, meantime, isn’t yet being paid for the music it owns that has been incorporated without permission into mixes on SoundCloud, according to people familiar with the matter.

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