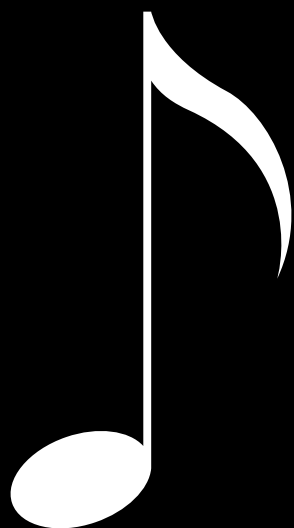




State organization «Ukrainian Agency of Copyright and Related Rights»







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*Oksana Matvieieva*

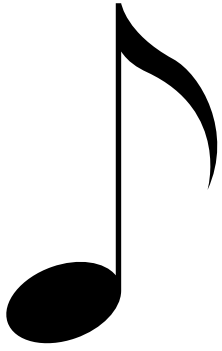
Director General

## *Dear Colleagues!*

You hold in your hands something a bit heftier than usual annual report of State organization «Ukrainian Agency of Copyright and Related Rights». Over the past two years we have gone through difficult times and therefore haven't managed to come up with an annual document in 2012. Covering the activities of the agency for the 2012-2013 years in this report we would like to prove our reversion to normal operation and mark the achievements of the reporting period.

Chronologically report may be divided into two parts. The year 2012 was a crisis for the agency – reforming in the field of intellectual property of Ukraine, moving to the new premises, opposition to unscrupulous competitors, hacker attacks of the web-site – the ongoing issues inevitably distracted us from the core business and influenced working efficiency. In 2013 along with the reform (we got the status of «state organization») and change of management the agency was given a renewed strategy and started its successful implementation. Last year was the year of reforms and changes and judging by the statistics set forth below on the pages of this report such transformations have already brought their first fruits.

Bringing back the authors who broke their contracts with the agency, increasing payoffs, strengthening ties with foreign partners and bringing our activities into compliance with international standards became the priority activities of the agency during the reporting period. Commitment to international cooperation has tripled the revenues from foreign organizations.



Suspended in 2012 due to ongoing problems relationship with sister societies from CISAC were fully recovered. Moreover, in the second half of 2013 international cooperation department initiated talks on reciprocal representation of interests with collective management organizations in Finland, Norway, Denmark, Belgium, Japan, Australia, Azerbaijan and other countries of the world.

High-level requirements inevitably led us to the search of modern methods of work organization. In 2013 we increasingly addressed to the experience of foreign partners. Participation in the events organized by International Confederation of Societies of Authors and Composers (CISAC) (the European Committee of CISAC, Day of Mechanical Right organized by CISAC and BIEM, Annual Seminar of CISAC) gave us an opportunity to learn the principles and methods of our foreign partners' work and define our future development and improvement paths.

Thus purchase and implementation of advanced software which is used for transparent and fair distribution of royalties (CoSIS) became an important step towards improving the efficiency of the agency. Furthermore in 2013 we initiated talks with the Spanish software company BMAT in regards to the purchase of program product Vericast for automatic air monitoring. The agency recognizes huge potential of this program which in due course could greatly simplify interaction between agency and media users of music rights (television and radio channels) after having proved to be effective. Automatic air monitoring can replace monthly «manual» reporting on the content used and greatly enhance accuracy of the data on actually used musical works.

Overall our authors are satisfied with the work accomplished by UACRR during the reporting period (to what numerous letters of thanks testify) and the final figures which are going to be referred to further. Each of the six departments of the agency will expend below on their activity during 2012-2013. In the end I would like to note that we are not going to rest on the laurels and already see new ways of development and prospects which also will be shared in the relevant section of this report.

Despite the crisis we have gone through, Ukrainian Agency of Copyright and Related Rights remains to be the strongest collective management organization in Ukraine. We have been protecting interests of our authors for the last 90 years and are going to be reliable partners for them in the future.

*Sincerely,  
Oksana Matvieieva Director General,  
UACRR*



Yurii Rybchynskyi



*Dear Sirs!*

I concluded my first author's agreement with the Agency about 50 years ago. Meanwhile Ukraine gained its independence, the government changed, as far as I recall UACRR changed its name several times however continued to operate. I never really got to the bottom of their internal affairs until in 2012 it seemed to me that the agency was on the brink of collapse. People who got used to work as a big family and simply do their job well appeared to be not set for such jawbone of new aggressive competitive landscape.

Lots of people terminated their contracts and started to quit back then and it became obvious that something shall be changed. The change started from the management. At the same time it was decided to follow the voice of their creators and the Board of Authors was established which I have the honor to chair. Today one can finally say that the crisis has been managed. New management proved able to bring back the experienced employees who left the agency in 2012 and hire young professionals. New people brought the knowledge of foreign languages and understanding of modern market of intellectual property. However the most important is the enthusiasm and desire to move on, aspiration to build their country starting from themselves. Eternal stays the main aim of the agency which is to protect the rights of our creators and help forward the creation of legal environment in our country for the development of the creativity. I think it is a good cause which is worth strength and soul to be lent for.

*Sincerely,  
Head of Board of Authors of UACRR,  
Yurii Rybchynskyi*

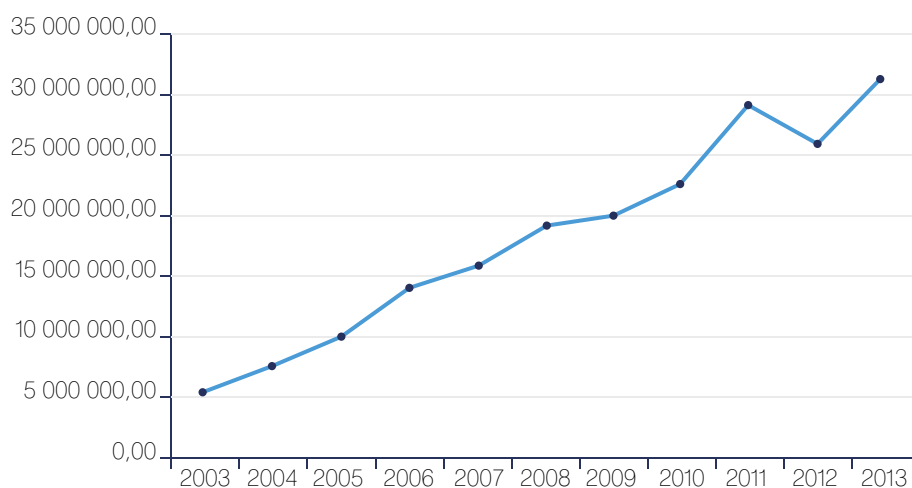
# 1. Royalty collection



*Yulia Popova*  
Licensing Director

During 2013 the agency's employees took energetic measures to conclude licensing agreements with users, to monitor the compliance with the agreement obligations which reflected in the index of total amount of royalties collected for the year 2013 amounting to UAH 30,67 million which is 4,37 million more compared to the last year. It's worth noting that in comparison with 2012 the total amount of royalties collected for the benefit of Ukrainian and foreign authors increased by 16,58% and became record for the last decade.

*Diagram 1. Royalty collection dynamics for the period of 2003-2013, UAH.*



The total amount of collected royalties involves revenues for the use of works by way of public performance and broadcasting, reproduction and publication including mechanical reproduction, mobile content and Internet. In 2013 revenues from these sources are as follows.

### Public performance and broadcasting

Collections for public performance of Ukrainian and foreign authors' works come from users of so-called «grand» and «small» rights. The theaters are traditionally considered to be «grand» rights users who exploit dramatic and musical-dramatic works in their repertoire.

«Small» rights include collections for music usage by television and radio stations, cultural entertaining facilities (philharmonics, cinemas, circuses, clubs), hotels and sports complexes, in public catering facilities (cafes, bars, restaurants), trade organizations etc.

As of the end of 2013 the agency collected over UAH 10.08 million from «small» rights users while collections from «grand» rights users amounted to more than UAH 16.58 million.

### Mechanical reproduction, mobile content and Internet

Collections for mechanical reproduction of musical works include royalties for granting non-exclusive license for reproduction and publication of works in sound (mechanical) record on physical carriers. In 2013 revenues from license granting for mechanical reproduction amounted to UAH 92,66 thousand. Drop of the royalty collection for mechanical reproduction compared to the last year is explained by the rapid development of Internet technologies resulting in general decrease of CDs and records markets which couldn't help but affected license demand.

Mobile content collections include revenues from permits (non-exclusive license) for use of works from the agency's repertoire as a mobile content (in other words in digital format for the usage exclusively through a mobile phone). In 2013, the amount of royalties collected by the agency for this type of use was UAH 256,83 thousand.

Royalty collection for the use of music in the digital environment is relatively new work stream for the agency. Conclusion of a licensing agreement with video site YouTube became a significant step for us. Besides, we are holding negotiations with other major digital service providers such as Spotify, Deezer, iTunes, Rdio etc. We realize that this work stream is very perspective and plan to improve our work methods on collecting royalties for the use of digital music.

Table 1. Royalty collection for the years 2012-2013.

Royalty collection	2012 (UAH, M)	2013 (UAH, M)
«Grand» rights	13,60	16,58
«Small» rights	9,92	10,08
Reproduction and publication	0,62	0,82
Foreign and national CMOs	2,15	3,19
<b>Total</b>	<b>26,29</b>	<b>30,67</b>



Ruslan Kvintā feat band INDI

## 2. *Royalty distribution and payments*



*Olga Snigir*

Acting Head of Distribution  
Department

The main function of collective management organizations is the royalty collection, distribution and on time payment. In 2013 Ukrainian Agency of Copyright and Related Rights paid off the royalties totaling UAH 15,91 million. During the year we carried out an important work on improvement of technical basis for more transparent and fair distribution of royalties. Transition and adjustment to the new system took time. Therefore at the end of the 2013 we managed to pay off about 60% of the royalties collected. The rest of the remuneration is going to be paid in the beginning of 2014.

### **Technical basis**

Royalty distribution system check revealed shortcomings in its operation and proved the necessity to replace the existing software.

At end of 2012 Agency started its preparations for procurement and implementation of the distribution program CoSIS, developed in accordance with CISAC standards. Experience in using this program by collective management organizations from the Eastern Europe and CIS countries shows that the implementation can take from 6 to 12 months.

In June 2013, after holding the introductory workshop new software was successfully put into operation. At the beginning of November there were about 2 thousand of authors, more than 11 thousand of works and 130 collective management organizations representing music and musical-dramatic works of creators from around the world keyed into the database. The database is being updated to the present time.

Due to CoSIS implementation the information about our right holders in the IPI System international database was fully updated which will allow foreign collecting societies to identify our members more effectively.

The next step of CoSIS program implementation is the contribution of the works of our member authors to WID database (Works International Database) which along with the update of the IPI database will streamline the identification of the works of Ukrainian authors by our sister societies and increase the royalty revenues.

Since November 2013 the process of royalty distribution by CoSIS has commenced and for December 2013 Ukrainian authors received their first royalties distributed in the new program.

### Distribution of royalties

Overall, in 2012 the agency transferred over UAH 13,58 million in behalf of Ukrainian and foreign creators. Royalties received by national right holders amounted to UAH 8,81 million, of which Ukrainian authors received UAH 8,07 million and music publishers received slightly more than UAH 730 thousand. The amount of royalties paid to foreign organizations amounted to UAH 4,78 million.

In 2013 the amount of royalties paid witnessed an upturn by 17% comparing to the previous period and amounted to UAH 15,91 million. Royalties received by national right holders amounted to UAH 11,97 million, of which Ukrainian authors received UAH 9,71 million and music publishers UAH 2,26 million. The amount of royalties paid to foreign organizations amounted to UAH 3,94 million.

Table 2. Royalty payments for the years 2012-2013.

Royalty payments	2012 (UAH, M)	2013 (UAH, M)
<b>Authors of UACRR</b>	8,07	9,71
<b>Ukrainian publishers</b>	0,73	2,26
<b>Foreign CMOs</b>	4,78	3,94
<b>Total amount</b>	<b>13,58</b>	<b>15,91</b>
<b>Tax paid</b>	2,25	2,41

### Distribution Rules

Updating the Agency's technical resources required appropriate amendments to the methods of royalty distribution and payoffs. Therefore in 2013 the Agency elaborated new rules of «small» rights royalty distribution. The rules were approved by CISAC and Board of Authors of UACRR.

The said rules regulate:

- procedure and methods of «small» rights royalty distribution;
- order of payment of distributed royalties for «small» rights.

These rules determine the procedure of royalty distribution and payment in case of public performance, radio or cable broadcasting including the retransmission of musical works or their fragments.



fragment of the performance «KIN IV»



fragment of the performance «Morituri te salutant»

### 3. *Our authors*



*Olena Gavrylko*

Head of the Rights Holders  
Department

As of the end of 2013 Ukrainian Agency of Copyright and Related Rights had 4595 Ukrainian authors registered. During 2012 UACRR concluded 147 new contracts on management of proprietary authors' rights and during 2013 the number of concluded contracts was 214.

The 2012 crises affected the relations with Ukrainian publishers and most of them terminated their agreements with UACRR. In 2013 having paid the arrears and therefore regained their trust the agency repaired its ties to Ukrainian publishers.

#### **Our authors' achievements**

The success of the agency is first and utmost the success of our authors. In 2013 an existing member of UACRR [\*Anatolii Avdievsky\*](#) – a well-known Ukrainian conductor – was awarded the IV degree Order of Prince Yaroslav the Wise for Merit to Ukraine and for significant contribution to the national music.

Composer and our ordinary member and friend [\*Vitalii Volkomor\*](#) was awarded the title of Honored Artist of Ukraine.

Honored Artist of Ukraine, writer, art critic and indefatigable theater enthusiast [\*Vasyl Nevolov\*](#) was awarded the Medal of the Ministry of Education and Science of Ukraine for the education development. Furthermore he was awarded the prize of the National Union of theater workers of Ukraine in the field of theater studies and theater criticism.



Potap



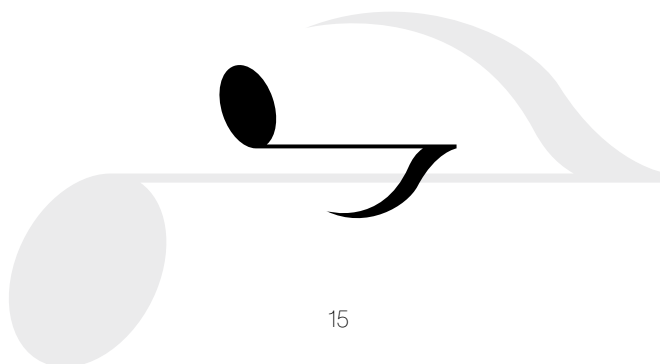
Composer **Ruslan Kvinta** decided not to dwell on the sheer creativity and tried his hand as a producer of the musical show «The Voice of country – 4».

We wish our authors to keep on delighting us with their works, desiring greater and reaching only the highest heights. As for our part we are going to do our best so «the artist could only have the creativity at heart.»

### Board of Authors

In September 2013 at the general congress of the authors the decision was made to establish the Board of Authors at Ukrainian Agency of Copyright and Related Rights whose expertise will be public control over agency's activities and advisory services on copyright issues. Following the results of voting the Board of Authors was elected consisting of: stage director and playwright Ihor Afanasiev, composer Yurii Shevchenko, writer and playwright Anatolii Krym, stage director Igor Shub, poetess Valeriia Serova, poetess Olga Tkach and composer Natalia Topchii. Poet and honored man of art Yurii Rybchynskyi chaired the Board of Authors. At the first meeting of the new body the Regulation about the Board of Authors was adopted, discussed and approved defining its main functions:

- dealing with issues related to the implementation of management on a collective basis of authors' proprietary rights;
- developing the proposals for amendments and additions to the legislation of Ukraine on copyright and related rights;
- making recommendations on the content of standard copyright agreements;
- making practical suggestions for improving the mechanism of collection and distribution of royalties;
- approving support programs for Ukrainian authors;
- exercising representative functions in relationship with public authorities and public organizations.





Ihor Stetsuk

## 4. *International cooperation*



*Liudmyla Isymbal*

Head of International Cooperation  
Department

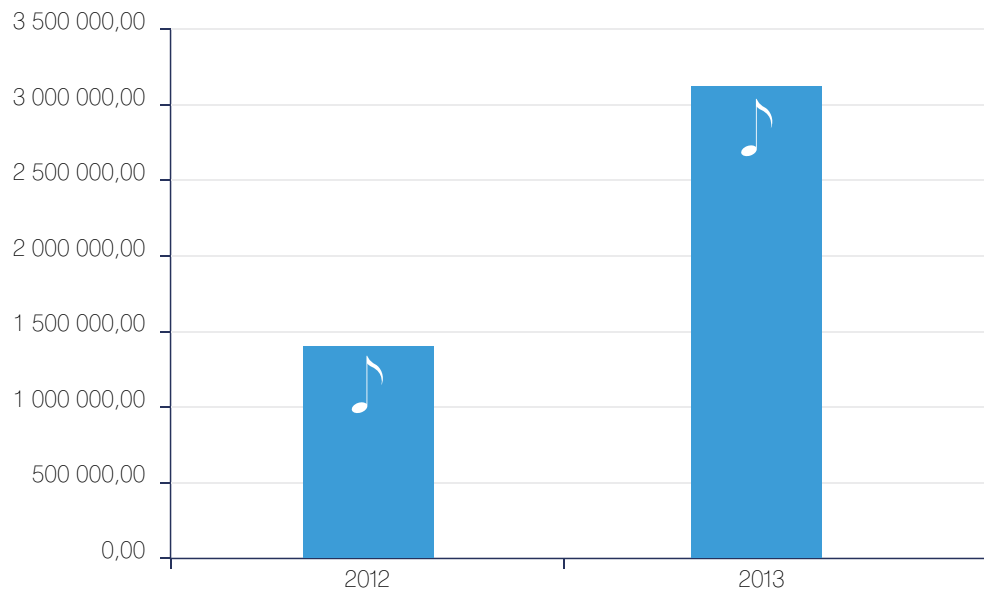
### **Creation of the international cooperation department**

At the end of 2013, the agency underwent structural changes. Department of international cooperation was created on the basis of the departments dealing with foreign CMOs and licensing agreements with the foreign right holders of the «grand» rights to raise the effectiveness of the operation in the world market. The emergence of a special division contributed to the optimization of the work with our foreign colleagues.

In 2013, the international cooperation department renewed the conclusion of contracts of reciprocal representation of interests with members of the International Confederation of Societies of Authors and Composers (CISAC) suspended in 2012. The development of contractual relationships with foreign colleagues broadens the powers of the agency and provides more effective protection of foreign authors on the territory of Ukraine.

Undoubted achievement of 2013 was an increase of royalties received from foreign CMOs in favor of Ukrainian authors which is more than twice as high (Diagram 2). The department is currently engaged in talks on reciprocal representation of interests with such organizations as TEOSTO (Finland), TONO (Norway), KODA (Denmark), SABAM (Belgium), JASRAC (Japan), APRA (Australia), AAS (Azerbaijan) and other foreign counterparts.

Diagram 2. Royalties received from foreign CMOs, UAH.



### Participation in international events

During the year 2013 the representatives from the newly created department of international cooperation of UACRR took active part in the events organized by the International Confederation of Societies of Authors and Composers (CISAC). Thus we attended the European Committee of CISAC in Bratislava, Mechanical Right Day organized by CISAC/BIEM in Prague and already traditional annual seminar of CISAC in Budapest. Adoption of the experience of foreign colleagues is one of the priorities of international cooperation department.

### Relations with foreign partners

During 2013 the sector of the licensing agreements with the right holders in the sphere of «grand» rights restored all the ties to copyright holders lost during the crisis. Moreover, the department managed to conclude 34 new license agreements with copyright holders worldwide and receive 14 licenses from foreign CMOs.

We are particularly proud of the fact that during 2013 the agency was able to pay off most of the debts to foreign CMOs.

In addition, the department of international cooperation is actively working on obtaining the necessary evidence data required by the applicable laws for carrying out the claim settlement regarding violations of the rights of foreign right holders. The necessary documentation confirming the authority of the foreign CMOs, and therefore under the agreement of reciprocal representation of interests, of Ukrainian Agency of Copyright and Related Rights was acquired from such foreign organizations as ASCAP, BMI, GEMA, PRS, SIAE, SGAE, BUMA for what agency is sincerely grateful.

## 5. Copyright protection



*Yuriy Myagkikhod*  
Head of Legal Department

One of the important functional responsibilities of Ukrainian Agency of Copyright and Related Rights is to represent the interests of the right holders, who transferred their rights to UACCR for collective management, in the courts of Ukraine in case of their rights infringement according to Ukrainian copyright legislation. Thus, in 2013, the legal department of the agency brought 27 cases before the courts of Ukraine totaling 4.9 million UAH.

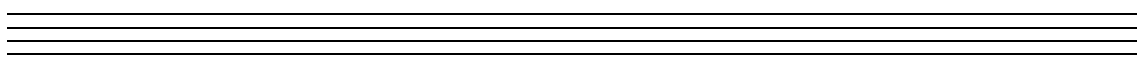
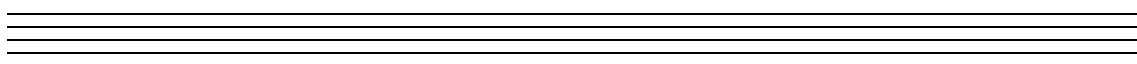
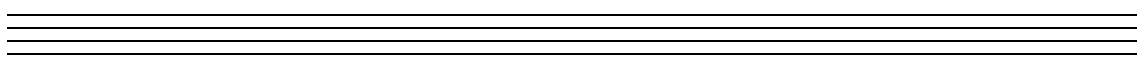
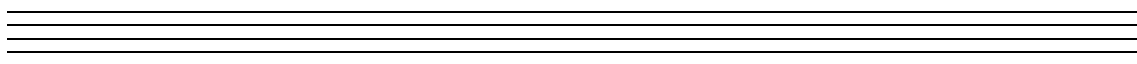
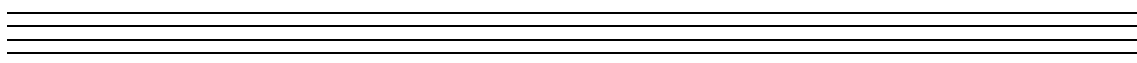
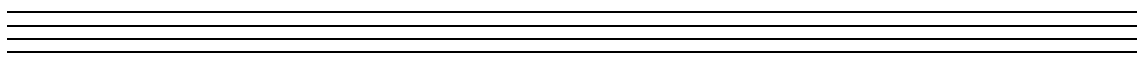
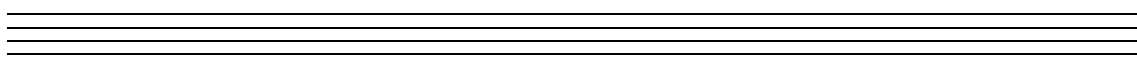
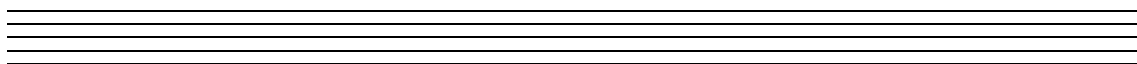
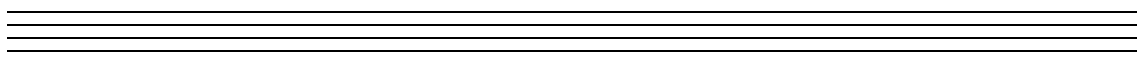
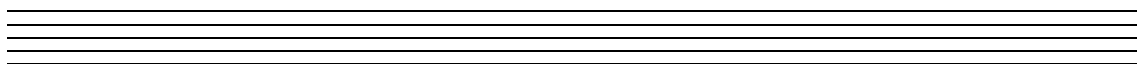
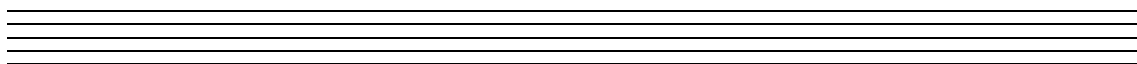
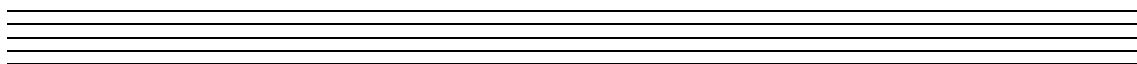
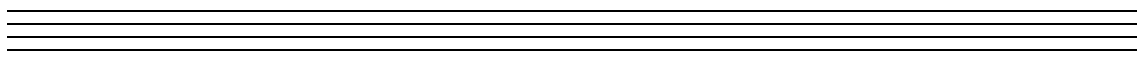
Moreover, the legal department of Ukrainian Agency of Copyright and Related Rights regularly consults authors on intellectual property and copyright issues. In 2013, 72 consultations on legal issues were carried out upon the request of the member-authors of UACRR.

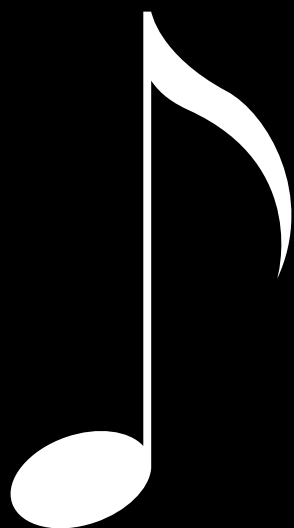
Furthermore, along with the ongoing work with the rights holders, during 2013 the legal department rendered the necessary support in the course of the reorganization of the agency, when the State Enterprise «Ukrainian Agency of Copyright and Related Rights» ceased its activities and the State Organization «Ukrainian Agency Copyright and Related Rights» was created on its basis as a successor.

## 6. *Strategies and perspectives*

Summarizing the results of the two reporting years, we have set several priorities planned to be accomplished in the nearest future. We believe the following tasks to be important:

- To finalize CoSIS software implementation which will allow us to distribute royalties to the right holders more effectively. The next step in this direction we consider to be the contribution of the works of member authors of the agency to WID database (Works International Database) assuring easier identification of works of Ukrainian authors by foreign collective management organizations and increase royalty revenues from abroad.
- Provided that Vericast software for automatic monitoring of television and radio stations proves its efficiency we plan to simplify the user reporting on actual use of music.
- The agency realizes that the lack of a reliable and well-functioning mechanism for collecting royalties for the use of music in the Internet environment is our area of growth. In 2014, we intend to work hard in this direction. Cooperation with the State Intellectual Property Service holds out a hope for gradual harmonization of Ukrainian legislative framework regulating the respective issues with the requirements of the current state of the development of the digital environment enabling us to eventually improve the operation of collecting royalties for the use of digital music.
- Our primary duty for the first half of 2014 we believe to be the payment of royalties owed to all creditors and establishment of a clear schedule of payments for their systematization.





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