SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2021-2022 Regular Session

AB 983 (Kalra)
Version: June 14, 2022
Hearing Date: June 28, 2022
Fiscal: Yes
Urgency: No
TSG

SUBJECT

Employee obligations: exclusivity options

DIGEST

This bill limits the damages that a recording company can recover from a music artist if the artist elects to terminate a recording contract with the company after seven years without rendering all of the services required under the contract.

EXECUTIVE SUMMARY

Many musicians dream of signing a contract to record music for a label. The terms of a recording contract can have long-lasting implications for the artist, however. California law allows recording artists to walk away from their contracts after seven years, but in order to do so, the artist has to be prepared to pay the recording company damages for that breach. If those damages are potentially quite high, as happens when the artist has proven to be a commercial success, they act as significant leverage tying the artist to the label and making it harder for the artist to renegotiate on more favorable terms. The proponents of this bill believe these dynamics to be unfair to musicians and they offer this bill as a reform. Under the bill, an artist who elects to walk away from a recording contract after the seven year mark would only be responsible to pay the recording company back for any amount advanced to the artist that was specifically related to a recording promised under the contract that the artist failed to deliver. Separately, the bill also prohibits recording contracts from including option periods that extend more than 12 months after the initial commercial release of the prior recording.

The bill is sponsored by the California Labor Federation, the Music Artists Coalition, and the Screen Writers Guild - American Federation of Television and Radio Artists. Support primarily derives from other organized labor. Opposition primarily comes from the recording companies who assert that the bill is unnecessary, would deter labels from investing in emerging talent, and would be damaging to the music business in California. The bill passed out of the Senate Labor, Public Employment and Retirement Committee by a vote of 3-1. If the bill passes out of this Committee, it will next be heard in the Senate Appropriations Committee.

PROPOSED CHANGES TO THE LAW

Existing law:

1) Sets forth the default rule that contracts to render personal services of a special, unique, unusual, extraordinary, or intellectual character, which gives it peculiar value and the loss of which cannot be reasonably or adequately compensated in damages in an action at law, may be enforced against the person contracting to render the service, for a term not to exceed seven years from the commencement of service under it. (Lab. Code § 2855(a).)

2) Makes an exception to (1), above, in the case of a contract to record music and states that a recording artist may not avoid enforcement of a personal services contract beyond seven years unless that artist first gives written notice to the employer, in a specified manner, notifying the employer that the artist will no longer render service under the contract after the date indicated by the artist. (Lab. Code § 2855(b)(1).)

3) Provides that any party to a contract to record music has the right to recover damages for a breach of the contract occurring during its term in an action commenced during or after its term, but within the applicable period prescribed by law. (Lab. Code § 2855(b)(2).)

4) Specifies that if a party to a contract to record music is, or could contractually be, required to render personal service in the production of a specified quantity of the recordings and fails to render all of the required service prior to the date that the artist ends the contract, the party damaged by the failure shall have the right to recover damages for each missing recording. (Lab. Code § 2855(b)(3).)

5) Provides that any action to recover damages for breach of a recording pursuant to (4), above, must be commenced within 45 days after the date specified in the notice given by the artist to terminate the contract. (Lab. Code § 2855(b)(3).)

This bill:

1) Defines "music product" as a phonorecord or sound recording, as specified.

2) Defines "music talent" as a person engaged in the creation of a music product.

3) Eliminates the following from the law:
   a) the requirement that employees engaged in a contract to render personal service in the production of phonorecords must first give written notice to the employer specifying the end of the contract date;
   b) the provision which allows any party to such contract the right to recover damages for a breach of the contract; and

c) the provisions granting the damaged party the right to recover damages for each phonorecord as to which the party has failed to render service.

4) Replaces the content of (3), above, with a provision allowing any music talent who is a party to a phonorecord contract to terminate the contract at any time after seven years by doing both of the following:
   a) giving written notice to the party to whom such personal services are rendered that the music talent will no longer render service under the contract by reason of the seven-year statute; and
   b) paying the third party an amount equal to the contractual advances actually paid by the third party to the music talent that are directly and solely related to phonorecords that have not been received by the third party, provided that the amount shall be credited to the music talent's existing royalty account.

4) Specifies that a contract for the exclusive personal services of a music talent shall not contain a term that includes option periods that extend more than 12 months after the initial commercial release of the applicable music product.

5) Specifies that if a music talent's option has not been formally exercised within the 12-month period, a music talent, at any time, may terminate their personal services agreement by sending notice to the contracting party.

6) Provides that none of these provisions may be waived in an individual contract negotiation, a collective bargaining agreement, or other agreement, and any provision in a contract that would deprive an employee of these protections shall be void.

COMMENTS

1. Background on the "Seven Year Statute" and the exception for music recording contracts

Labor Code Section 2855, also known as the Seven Year Statute, was enacted in 1937. It sets forth the blanket rule that under California law no one can be held to a contract to perform personal services for more than seven years.[1]

During its first 50 years in effect, Labor Code Section 2588 covered everyone. Then, in 1987, music recording companies came to the Legislature and asked for an exception to be made for their industry. The music recording industry is different from other industries, they argued. It requires significant up-front investment toward the delivery

[1] Though of little consequence to this bill, it appears that other versions of the Seven Year Statute predate 1937 in California Law. *See* Jonathan Blaufarb, The Seven-Year Itch: California Labor Code Section 2855 (1984) 6 Hastings Comm. & Ent. L.J. 653, at 656.

of creative products that do not necessarily arrive on a set schedule and do not always pay off. Absent some guarantee that record companies will be able to recover at least something on the investments that do pay off, the record companies asserted, the recording business cannot function well. And, these companies told the Legislature, the Seven Year Statute left them with no such guarantee, because successful artists could simply walk away from their contracts at the seven year mark, leaving the record company with no recourse for any additional recordings that the artist had promised, but had yet to deliver.

The Legislature responded to this appeal by enacting subdivision (b) of Labor Code Section 2855. (SB 1049 (Dills, Ch. 591, Stats. 1987.) Subdivision (b) creates a unique exception[2] to the Seven Year Statute customized to the music recording industry. Pursuant to subdivision (b), music recording artists can still elect to walk away from a contract to record music for a recording company at any point once seven years have passed from when the contract was executed. However, if the artist walks away, the recording company can still sue the artist for the value to the record company of any remaining albums on the contract that the artist has yet to record. Where the artist has become commercially successful, that value – and therefore the cost to the artist of walking away from the contract -- can easily be in the millions of dollars.

This bill essentially proposes to repeal the recording industry's exception to the Seven Year Statute. Under this bill, rather than having to pay full damages to their recording company for walking away from a contract after seven years with albums still left to record, artists would face a dramatically lower financial penalty. All the artist would have to do is repay any advances issued to them that were specifically related to an album they had promised under the contract, but never delivered. Less centrally, the bill would also require recording companies to decide within a year of the release of one album whether or not to exercise any right they have under the contract to demand another album from that artist.

For the reasons discussed in the remainder of this analysis, these changes – particularly the effective repeal of the recording industry's exception to the Seven Year Rule – would have a significant impact on the music business in California. The proponents argue that effectively repealing the exception to the Seven Year Statute would be liberating and financially beneficial to recording artists – particularly those who sign contracts as relative unknowns and later achieve significant commercial success. For

[2] The opposition to this bill disagrees with the characterization of subdivision (b) of Labor Code Section 2855 as being an "exception" to the Seven Year Statute. Yet an exception is clearly what it is. The opponents emphasize that subdivision (b) explicitly states that recording artists, like everyone else under the Seven Year Statute, are free to walk away from their personal service contracts after seven years. This is true, but unlike everyone else who walks away from a personal service contract after seven years, subdivision (b) makes recording artists liable to pay significant amounts of money in damages if they do. That is the exception. The policy question presented by this bill is whether that exception is, on the whole, beneficial in light of the particular dynamics of the music recording industry.

their part, the opponents contend that repealing the exception would cause major shifts in how the recording industry operates in California with problematic consequences.

2. How a typical contract to record music works

In order to understand the policy implications of this bill, it may be helpful to go over the basics of how a typical contract to record music works. Readers should bear in mind, however, that this is only a general description of the core components of many music recording contracts. In practice, each contract is complex, nuanced, and can be elaborately customized in response to the particular circumstances, needs, and desires of the parties.

In a typical scenario, the artist signs an agreement binding the artist to record at least one album of music for the recording company. The recording company usually gives two main things in return for this agreement: money and support for the artist's commercial success. The money comes in the form of a direct payment, an advance on future earnings, or some combination of both. The support for the artist's commercial success can take many different forms. The recording company will almost certainly plug the artist's music into its distribution network, making that music available to streaming services and radio stations worldwide, and the recording company will almost certainly also conduct marketing and promotional activities for the artist. There are other supports that the recording company may provide as well, including things like seed money for concerts and tours, or artistic supports such as voice coaching. Taken together, this broad bundle of human and financial supports can be thought of as the recording company's investment in the artist.

Together with the initial guaranteed album, typical music recording contracts include a number of additional "options" for the recording of future albums as well. Whether to exercise these options is usually entirely up to the record company. If the public response to the initial album is not what the record company hoped for, the record company will not exercise its option for more albums, which is sometimes referred to as dropping the artist. If the recording company drops the artist, the artist is done with the contract and can move on. By contrast, if the initial albums are a commercial success or the recording company otherwise remains convinced that the artist is still worth additional investment, the recording company will exercise its option for the next additional album. In that case, the contract continues and the artist is obliged to record that next album for the recording company.

This same pattern repeats with each additional album for which the recording company holds an option until one of three things happens: (1) the recording company decides to drop the artist without exercising the remainder of its options; (2) the artist completes all of the albums for which the recording company holds an option; or (3) the recording company and the artist renegotiate the terms of their contract.

3. The (minor) importance of independent legal counsel

As mentioned in Comment 2, each contract to record music can be quite nuanced, customized, and complex. For that reason, most large recording companies apparently insist that artists have an attorney with them during contract negotiations. Ideally, that attorney explains the implications of the contract to the artist, helps the artist to obtain the best deal possible, and can negotiate alternative terms to protect the artist's best interests when necessary. The recording companies' motives for wanting the artist to be represented by an attorney are not all altruistic: they know that if it comes to it, a judge is more likely to hold an artist to the terms of a contract if the judge is satisfied that the artist had the benefit of legal counsel during negotiations.

The bill in print does not address this point, but the proponents have occasionally mentioned that one of the reasons recording contract terms can be especially unfavorable to artists is that artists do not always have legal counsel with them during contract negotiations. The Committee may wish to inquire about whether requiring both sides of a recording contract negotiation to have their own, independent attorney present might help to curb some of the more egregious examples of scenarios in which recording companies take advantage of artists. At the same time, simply having legal counsel in the room would not change the fundamental bargaining dynamics in the same way that this bill would, and so is not fully responsive to the proponents' principal concerns.

4. About the deadline for exercising options

As explained in Comment 2, above, typical music recording contracts include options for additional albums. If the recording company exercises its option to make the artist record an additional album for the company, the contract continues. If the recording company drops the artist instead, the artist is no longer bound by the contract and can proceed to sign with other recording companies or attempt to move on independently.

While the artist awaits the record company's decision about whether or not it will exercise its option for an additional album, the artist is in limbo. The artist cannot move forward with recording for another label because of the possibility that the artist will have to deliver that recording to the company holding the option. The longer the recording company takes to make its decision, the longer this state of limbo lasts for the artist. Under current law, the terms of the contract determine how long the recording company has to make up its mind. This bill would, by statute, require recording companies to make that decision within 12 months of the commercial lease of the previous album.

It is easy to see why, from the artists' perspective, this deadline would be helpful. It enables them to make prompt decisions about how to move forward professionally. For their part, the recording companies dislike the idea of a one year deadline because they

may want additional time to evaluate the success of the prior album. Moreover, the companies say, a statutory deadline is not necessary, since an artist can always negotiate for a certain timeframe for the exercise of an option if a particular timeframe is important to the artist. However, the suggestion that the artist can easily bargain for specific terms like this may overlook the imbalance in the parties' respective negotiating power when these contracts are first signed, when the artist has not yet proven how commercially successful they will be.

5. How the exception to the Seven Year Statute currently influences music recording contract dynamics

Even though it only applies seven years after a contract is signed, the music recording industry's exception to the Seven Year Statute exerts an influence on bargaining between recording artists and recording companies from the very beginning of the relationship. From the point of view of the proponents of this bill, that influence is constraining and exploitative of artists. From the perspective of the opponents, that influence is beneficial for nearly everyone involved and critical for the way the music business operates in California.

a. The proponents' perspective

The proponents emphasize that, especially for artists first starting out, negotiating a recording deal is a deeply imbalanced affair. According to the Music Artist Coalition (MAC), one of the sponsors of the bill:

> The music market is dominated by three multi-national, multi-billion dollar foreign controlled corporations that sign artists to long-term exclusive agreements, where an artist has to commit to delivering multiple albums under onerous terms. These corporations are conservatively valued at more than $100B and control 68 percent of the global music market. On the other hand, many of the artists impacted by the 1987 amendment are young, and unable to bargain for a fair deal at the outset of their career. Many of these young artists come from underserved communities and sign longterm contracts without the benefit of an attorney. As a result, these contracts skew heavily in the favor of the record labels.

MAC calls out a number of lopsided contractual terms in particular:

> Unlike customary deals where the costs are recovered "off the top" from gross revenues, these contracts require that the artist actually pays back the vast majority of the monies from the artist's small share of royalties, leaving the artist with a negative balance while the label reaps all the profits. The contracts also mandate that the

> label gets to continuously unilaterally extend the term of the agreement and retains ownership of the copyright in the artist's music. Finally, the major labels also often insist on 360 deals wherein the artists must pay the labels a percentage of the artist's non-record income (touring, merchandise, music publishing, and brand endorsements).

Other proponents highlight contract terms giving the record companies the power to determine what does and does not constitute a satisfactory album, that require artists to wait a certain amount of time between recordings, and that gives recording companies lengthy periods in which to decide whether or not to exercise the next option on the contract, leaving the artist in state of professional limbo.

From the proponents' perspective, the exception to the Seven Year Statute is what assures that artists remain essentially trapped in these deals. If the artist is commercially successful, the recording company will want to continue to exercise their options for additional albums for as long as it can. The artist can ask to renegotiate terms, of course, but the recording company holds nearly all of the cards in any such renegotiation, because if no deal can be reached, the existing contract remains in place. Recording something – anything – in order to fulfill the album delivery obligations generally will not work to free the artist, because the contracts often give the record company the power to determine what does or does not qualify as a satisfactory album. Moreover, the contracts usually require the artist to wait a certain period of time between recordings, meaning that there is no shortcut to completing the albums quickly and moving on. Finally – and of critical significance to what this bill proposes – simply waiting until the seven year mark has passed will not meaningfully free the artist from onerous contract terms, because the recording industry's exception to the Seven Year Statute means that the financial hit that the artist will have to take to walk away stays the same. Even after the seven year mark, the artist will still be on the hook to pay the record company for the money the recording company reasonably expected to make from the remaining undelivered albums.

b. The opponents' view

From their perspective, the recording companies are in the business of picking talent and attempting to guide that talent to commercial success. In making these investments, the recording companies know they are gambling to some degree. They know that many of their picks will not pan out: the artist never takes off, few recordings are sold, and the recording company will be lucky if it can recover its investment. In these scenarios, the recording company drops the artist, and the two sides go their separate ways.

From time to time, however, things work out well: the artist's recordings are a hit, sales take off, and the recording company makes back its investment plus a whole lot more.

These successful picks are the companies' lifeblood. The revenue generated by them is what fills their coffers. The successful picks make it possible for the companies to make a profit, to be sure, but the companies emphasize that the successful picks also pay for everything else along the way, including the company infrastructure and staff salaries. In other words, the revenue from successful picks underwrites the company's business operations which, in turn, impacts the local economy.

From the opponents' point of view, the exception to the Seven Year Statute is what assures the record company that it will be able to capture most of the benefits from their successful picks. If all of the successful artists could effectively walk away from their contracts after seven years, much of the benefit that the recording company expected to make would go away with them.

6. How this bill would alter recording industry contract dynamics

As previously discussed, under current law, if a recording artist exercises the right to exit their contract after seven years pursuant to the Seven Year Statute, the artist is on the hook to pay the record company for any provable damages resulting from the breach. For example, if an artist walked away from their contract with still two albums left to record on the contract, the recording company could demand that the artist pay the recording company the amount of money that those albums would likely have generated for the company. Record companies can go to court seeking a judgment to back up their demands.

Under this bill, if an artist elects to walk away from their contract after the seven years are up, the artist would still have to pay the record company for doing so. However, instead of paying whatever amount the record company would likely have received if the artist had completed the remaining albums on the contract, the artist would only have to pay back any amounts that the record company had advanced to the artist in direct relation to the recordings that the artist failed to deliver.

A hypothetical example may be useful to help illustrate the difference. Supposing a promising young artist, Marwood Mahal, inks a deal with Hoopla Records to record five albums. To help defray Marwood's life and musical expenses while he is busy developing these albums, Hoopla agrees to advance Marwood $250,000 dollars before each album. Hoopla will also invest in distribution and promotion of Marwood's music. In the first five years after signing the contract, Marwood records three albums that the record company accepts. The albums are successful, each generating about $10 million for Hoopla. Hoopla pays Marwood his $250,000 advance toward the fourth album. Marwood acts in a movie and goes on tour. Time passes. He submits a recording to Hoopla, but Hoopla rejects it for failing to meet the terms of the contract. More time goes by. By the time seven years have passed since the contract was signed, Marwood has not yet delivered a fourth album to the satisfaction of Hoopla. Marwood talks with others in the business, considers his position, and decides he wants to terminate his

relationship with Hoopla. Under existing law, Marwood has this choice, but if he exercises it, he will be on the hook to pay Hoopla something in the neighborhood of $20 million,[3] since that is the total that Hoopla could have expected to make off of the two remaining albums. Under this bill, if Marwood exercises his option to drop the contract, he would only have to pay $250,000 to Hoopla,[4] because he received that amount as an advance for the fourth album, but never actually recorded it.

While the players and amounts in this hypothetical are invented, the general implications for real recording contracts should be clear. Under the bill, Marwood would have a lot more flexibility to explore other paths after the seventh year of a recording contract. And, because both Marwood and Hoopla know that Marwood will have these additional choices the moment the seventh year hits, Marwood is in a much stronger position to demand a favorable renegotiation of terms even well before the seventh year. On the flip side, Hoopla's leverage over the situation drops significantly under the bill. Hoopla knows that Marwood can walk away with relatively minor financial consequences at year seven. So, the moment one of Marwood's albums becomes a commercial success, Hoopla knows it will have to renegotiate its deal with Marwood on terms that are more favorable to Marwood, or Marwood will almost certainly walk away at the seven year mark. As a result, Marwood will probably be able to obtain better terms and a greater share of the financial reward from his success; Hoopla will get proportionately less.

In essence then, the bill strengthens the bargaining position of artists – particularly those that are already proven to be successful – and weakens the bargaining position of the recording companies.

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[3] The record companies can only recover *provable* damages from the artist. Sales of an as-yet-to-be recorded album are necessarily speculative. In this simplified example, earnings from the first three albums are consistent, so that they are probably a good indicator of likely earnings on the fourth. In practice, the calculation would usually be far more complex and, in the case of a dispute that reaches a court, would probably involve dueling expert witnesses. The key takeaway from this example is that, in most scenarios, the contract damages that an artist has to pay for walking away under existing law are significantly higher than what they would pay under this bill. The more commercially successful an artist has been, the bigger that difference would be.

[4] The bill in print states that when an artist repays an advance as part of the requirements for walking away from the contract after seven years, the amount of the repayment must be credited to the artist's royalty account. The royalty account is essentially a running ledger showing debits for each amount advanced to the artist and credits for all of the royalties that the artist has earned from sales of a particular recording. Since the artist is returning the payment of an advance, it should appropriately show as a credit to the royalty account. Otherwise, the recording company would be, in effect, double-dipping. Amendments taken by the author in the Senate Labor, Public Employment and Retirement Committee – but still remaining to be applied to this bill -- remove this reference to crediting the royalties account. The effect is to allow this double dipping. In other words, after the amendments are processed, the cost to the artist from walking away after the seven year mark will be two times the amount of any royalties advanced to the artist in anticipation of an album that the artist never recorded. In a typical scenario for a successful artist, this will still be a relatively small amount compared to the damages that an artist has to pay under existing law.

The proponents view this change in dynamics as salutary:

> Without recording artists, there are no labels, there is no music industry, and there is no music. Despite this reality, it is well-known and well-established that the major record companies will take any measures necessary to protect their profits, whether through predatory contracts or through legislation. Accordingly, AB 983 is a necessary legislative fix to reverse the legal exception that has held countless artists hostage over the years.

The opponents view this change in dynamics as potentially catastrophic. The California Music Coalition writes:

> The results would be predictable and dire: fewer California artists signed and lower advances on new deals---all to give new leverage to established stars and generate new paydays for millionaire lawyers, managers, and agents seeking to breach existing contracts without the consequences provided for in existing law. Additionally, it is important to note that this scheme to allow artists to breach their existing contracts with no real ramifications would ONLY be applicable in California and NO OTHER STATE. [Emphasis in the original.]

7. Prospective application

When the content of this bill first appeared in the Senate, it expressly applied to existing contracts. That is, artists already under contract to record albums for a label would have been able to get out of those contracts at the seven year mark without paying full damages for any albums that the artist had agreed to record for the label but had not actually delivered. Such impairment of existing contracts might have run into constitutional problems. In any event, recent amendments deleted the mentioned provision. Accordingly, the bill no longer appears to apply to existing contracts.

However, the opponents of the bill, who suspect that one of its key purposes is to enable new players in the music industry to poach talent more easily, remain concerned about the bill's final clause, which states that: "any provision in a contract that would deprive an employee or music talent of the protections of this section shall be void." In theory, this provision could still be used to argue that music artists have to be permitted to exit existing contracts after the seven year mark without having to pay full damages. In light of this concern, the author has indicated a willingness to incorporate additional language to clarify that the remaining provision only applies to contracts entered into or renewed after January 1, 2023. In other words, the amendment further confirms that the bill does not apply to existing contracts.

8. Should the Legislature intervene here?

At least one commentator has suggested that this bill is just a fight between various factions within the music industry vying for the cash generated by successful artists. The takeaway conclusion is that the Legislature should not let itself get involved in this "snakepit."[5]

Absent a compelling policy rationale, the Legislature arguably should not be in the business of influencing the relative bargaining position of parties to a private contract. The proponents argue that changing times in the music industry mean that the labels now hold all the power. Consolidation and the advent of streaming has removed a lot of the up-front investment that used to be required when music could only be distributed on LPs, tapes, or compact discs. The proponents view this change, among other things, as a compelling reason for the change they seek. The opponents respond that avenues for self-publication and promotion like Tik-Tok and YouTube have given artists more leverage than ever. Accordingly, the opponents deny that there is much, if any, power imbalance when artists and recording companies first sit down to negotiate a contract today.

It may also be worth observing that, in this particular case, the Legislature has long since involved itself in this bargaining relationship. It did so upon enacting the Seven Year Statute nearly a century ago, and it did so again in 1987, when it created the music industry's exception to the Seven Year Statute. So the question presented in this bill is less *whether* the Legislature should get involved in this area, but *how* it should be involved. Should it leave things as they stand or adjust things in a way that is more favorable to recording artists, especially those that, after signing, achieve significant commercial success?

9. Arguments in support of the bill

According to the author:

> The landscape of the music and entertainment industry has dramatically changed, yet companies still benefit from outdated laws that allow them to wield an overwhelming amount of control over artists through exclusivity contracts. No worker should ever be bound to an unreasonable and excessively lengthy contract that holds them back from making decisions about their own livelihood. AB 983 will level the playing field for music artists and empower them to freely practice their craft and seek out opportunities doing what they love.

[5] Walters. *Legislature Ventures into Entertainment Industry Snakepit* (Jun. 21, 2022) CalMatters https://calmatters.org/commentary/2022/06/legislature-ventures-into-entertainment-industry-snakepit/ (as of Jun. 21, 2022).

As sponsor of the bill, the Music Artists Coalition writes:

> Because of the 1987 amendment to the Seven Year Statute, artists remain trapped, oftentimes for the entirety of their career. Unlike the artist, the label has the unilateral contractual right to exit a record deal at any time during the term. AB 983 would help bring balance to the relationship between artists and the record labels who profit from the artists' music. This initiative boils down to a simple concept: the 1987 amendment improperly excludes recording artists. This change in the law has done nothing but harm artists and empower corporations to take advantage of Californians with little leverage.

In support, the Black Music Action Coalition writes:

> We support AB 983 because we believe that every person should have the same protection under California law. Under the current statute, artists aren't allowed to end contracts after seven years, without ridiculous consequences, while any other California citizen can, putting artists at a disadvantage. Artists don't want more, just the same protection. As an organization we firmly believe that record companies must begin to look at artists as partners and not products. This is a great opportunity for us as a society to get it right.

10. Arguments in opposition to the bill

In opposition to the bill, the California Music Coalition writes:

> AB 983 would gut the existing framework at the heart of every recording contract and upend the existing healthy ecosystem. The amendments represent a purported "solution" in search of a non-existent problem and risks doing severe harm just as our state's music community is starting to enjoy real momentum after years of decline. California is today an undisputed music capital of the world. The current system is producing the highest artist advances and royalties for artists in the history of the music business, with a record number of new artists choosing a diverse number of options with record labels. We urge the Committee to reject this harmful legislation that would undermine our state's creative economy, jeopardize thousands of California jobs, and harm diverse, new voices and working artists trying to get signed.

In further opposition to the bill, the Santa Monica Chamber of Commerce writes:

> Music is a cornerstone of California's economy, adding $40 billion to our GDP every year and supporting over 430,000 jobs in our state. The creative arts and entertainment are a vital part of our local economy as well. Universal Music Group, for example, is the fifth largest employer in Santa Monica, with 1,400 employees.
> But AB 983 would jeopardize these jobs by destabilizing recording agreements and driving down advances and royalties for diverse voices and emerging acts. It would hang a cloud of uncertainty over every recording agreement in the state, including both original contracts and extensions and renegotiations prized by artists—reducing their value and undercutting long-term label investment in the development and promotion of new acts in our state.

SUPPORT

California Labor Federation (sponsor)
Music Artists Coalition (sponsor)
Screen Writers Guild - American Federation of Television and Radio Artists (sponsor)
Black Music Action Coalition
LaPolt Law, P.C.
Songwriters of North America
2 individuals

OPPOSITION

10:22 PM
Astralwerks Records
Blue Note Records
Buena Vista Records
California Chamber of Commerce
Capitol Music Group
Columbia Records
Disa Records
Epic Records
Fonovisa Records
Harvest Records
Hollywood Records
Interscope Geffen A&M
Motown Records
RCA Records
Recording Industry Association of America
Rhino Records

Santa Monica Chamber of Commerce
Sony Music Entertainment
Universal Music Enterprises
Universal Music Group
Universal Music Latin Entertainment
Universal Music Latino
Virgin Label and Artist Services
Walt Disney Records
Warner Music Group
Warner Records

RELATED LEGISLATION

Pending Legislation: None known.

Prior Legislation:

AB 2926 (Kalra, 2022) would have, among other things, required music recording contract renewals to contain specified terms in order to restart the seven year clock and would have prohibited exclusivity clauses in personal services contracts. AB 2926 is currently pending consideration before the Assembly Committee on Arts, Entertainment, Sports, Tourism, and Internet Media.

AB 1385 (Gonzalez, 2021) was nearly identical to AB 2926. AB 1385 died without a vote in the Assembly Labor and Employment Committee.

SB 1049 (Dills, Ch. 591, Stats. 1987) created an exception to the Seven Year Statute for the music recording industry, thus making recording artists subject to liability to pay damages to a recording company for any albums they contracted to record for the recording company, but did not deliver, even after seven years have passed since the contract was executed.

PRIOR VOTES:

Senate Labor, Public Employment and Retirement (Ayes 3, Noes 1)

This bill was gutted and amended on May 2, 2022. All votes on this bill prior to that time are therefore irrelevant to the present content and, accordingly, are not listed here.

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