THE FACTS ABOUT CALIFORNIA RECORDING CONTRACTS AND AB 983

AB 983 – a proposal the California Legislature has rejected many times in various forms over the last two years – would severely harm California's creative economy while benefiting established superstars and their agents at the expense of working artists and new acts trying to get signed. As the Legislature evaluates this proposal again, inaccurate claims continue to be made by its sponsors. Below we set the record straight.

Claim: Record deals are exempt from California's Seven Year Rule.

Fact: Under current California law, **artist obligations under record deals – like all personal services contracts – are covered by the 7 year rule and no artist can be forced to stay with a label beyond that time.** Record labels are not exempt. What the Labor Code does say is that, if an artist ends a recording contract after seven years without delivering records they promised and were paid for during the deal, the record company can seek to recover its losses, ensuring both sides receive what they bargained for. Disrupting this statutory balance would encourage breaches of contract and devalue record deals.

Claim: A change is needed to level the playing field between artists and labels.

Fact: Under current law, artist royalties are increasing faster than label revenues and new acts have more opportunities and pathways to success than ever. Contracts are routinely renegotiated when an artist has success and major labels today only enter into agreements with artists who are represented by counsel. The New York Times reported on May 7, 2021, "**contracts at the major record companies have been evolving steadily in recent years in ways that benefit performers.** . . . And the all-important royalty rate is going up, too." Billboard reported on May 11, 2022, that "terms have improved in artists' favor. Since every deal point is open to negotiation, artists can get better royalty rates, longer commitments and faster reversion rights that provide them with ownership of their master recordings" and "contracts are getting more artist-friendly [because] Artists simply don't need labels as much as they used to."

Claim: Changing contract rules, as proposed in AB 983, would benefit working artists.

Fact: By abandoning the existing strong, well-working framework and freezing deal terms in inflexible statutory text, **AB 983 would hinder opportunities and resources for new and emerging artists**. As noted by Forbes on August 24, 2021, "California has some of the most artist-friendly laws in the land" and **the only artists who could potentially benefit from the legislation like AB 983 are established superstars** who would have even more leverage if they could collect big advances and then threaten to walk away without delivering the records they promised and were paid for – shielded by the bill's statutory limits on recourse for their label.

Claim: AB 983 is needed to protect artists from long option periods that limit their freedom to work.

Fact: AB 983 would require option decisions to be made on an arbitrary twelve-month clock – potentially turning the state's 7-year rule into a one-year sprint for option albums. That would distort the creative process, limit tours and other non-studio opportunities, and compel labels to drop many more artists rather than exercise costly options on incomplete information. **That doesn't protect artists – it cuts short their careers and limits their development, especially for diverse artists and those working in less commercial genres who may need more time to develop their sound and build an audience.**