

KEY TERMS THAT SHAPE ARTIST AND RECORD LABEL CONTRACTS

A photograph of a person's hand holding a silver pen, poised to sign a document. The document has handwritten signatures and some musical notation. In the background, there is a keyboard and a pair of headphones, all under a blue and purple neon light.

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Overview

For many Artists, signing a record deal marks a career milestone, a moment where hard work meets opportunity. However, the initial excitement is often followed by challenges arising from the contractual relationship between the artist and the label. Understanding the critical clauses in record label agreements is essential to navigating the music business successfully.



Essential Clauses in Record Label Contracts

1. Copyright Ownership

Under the Copyright Act, the creator of a musical work owns the copyright by default. However, record labels typically require artists to assign these rights to them under the contract. This allows labels to exploit the works commercially, marketing, distributing, and monetizing the music.

Artists could negotiate a re-assignment clause, allowing the copyright to revert to them after a period. This provides long-term protection of creative ownership.

2. Exclusivity Clause

This clause restricts the artist from signing or working with other labels during the contract's term. While exclusivity secures the label's investment, it can limit artistic freedom.

Artists may negotiate:

- i. A fixed and reasonable duration for exclusivity.
- ii. A termination right if the label fails to promote them adequately.
- iii. A “Sideman Clause” allowing limited collaborations or side gigs.



3. Term

The contract term typically includes an Initial Period and one or more Option Periods, during which the label may exercise, depending on the artist's performance or profitability. Artists should ensure the total term isn't excessively long, allowing flexibility to explore new opportunities or renegotiate terms.

4. Advances and Recoupment

Advances are upfront payments made by labels to support the artist's career, often covering living expenses, production costs, cars, wardrobes, etc. These sums are recoupable, meaning they're recovered from future royalties before the artist receives further payments.

Artists should seek clarity on:

- i. What counts as a recoupable expense?
- ii. The order of recoupment (i.e., whether some income sources are exempt).

This ensures better visibility into their earnings and debt obligations.



5. Royalties

Royalties are the artist's earnings from their music's commercial use (e.g., streaming, performances, merchandise, sync licensing, etc.). These are typically calculated after the label has deducted expenses and recouped advances.

Since royalty structures vary, artists are advised to:

- i• Retain a lawyer or advisor during negotiations.
- ii• Negotiate clear, fair percentages and request accounting reports to track earnings accurately.

6. Termination Clause

This clause outlines the process and grounds for ending the agreement early, such as breach, insolvency, or failure to meet obligations. It should also address:

- i• Notice periods
- ii• Financial implications or penalties
- iii• Rights reversion (e.g., who retains ownership of unreleased materials)

This clause is vital for artists to exit the deal if it no longer aligns with their goals.



Conclusion

While signing with a record label presents valuable opportunities, artists must approach such agreements with caution and clarity. Given the typically uneven bargaining power, artists need to seek professional legal counsel before signing. Doing so not only ensures fairer terms but also empowers the artist to make informed decisions that support long-term career growth.

