

Did the California Labor Commissioner Just Shake Up the Music Industry?

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A new ruling holds that deals between producers and artists aren't exempted by the Talent Agencies Act



Courtesy of Big Hassle Media

Every so often, California's requirement that talent agents be licensed mucks up relationships in the entertainment industry. On Monday, the California Labor Commissioner promulgated a decision that has the potential to be a huge disrupter in the music business, changing how artists, producers and record labels co-exist with each other.

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The dispute involves a record producer named **Steve Lindsay**, who has done work for the band Guster and the trumpeter **Chris Botti**, and allegedly owed money to his former personal management firm, the Marie Management Group (MMG).

After the firm sought to collect money from Lindsay, the California Labor Commissioner held a hearing about whether agreements set up for Lindsay violated the Talent Agencies Act, a statute adopted by the California legislature in 1978, which says only licensed talent agents can procure employment for clients.

There's a great exception to this rule, however.

Up until now, the TAA hasn't had as much an impact in the music business as other sectors in entertainment thanks to **an exemption** set up in 1982 for the procurement of recording contracts.

But what happens if a manager sets up a deal between a recording artist and producer? The exemption applies, right? No, says the Labor Commissioner in its newest ruling.

When Lindsay was being represented by MMG, he was being handled by **Bennett Kaufman**, who lined up opportunities for Lindsay to produce albums. Notably, when Lindsay did work for Guster, the producer and band formed a direct contractual relationship with each other. The record company, Sire Records, was not a party to this contract. The same was true on the contract that governed Lindsay's work for Botti. Sony Music wasn't a part of that deal either.

So what?

MMG argued that the contracts were connected to the production of recordings, and so, the exemption applied. To hold otherwise, MMG argued, would "send shockwaves through the industry and disturb long-held, highly developed rules and territory between managers and agents, not to mention a flurry of new claims by artists or non-artists involved in a recording contract."

The Labor Commissioner isn't buying that argument. From the decision (**which can be read here**):

"Because based on limited legislative history it appears the intent of the recording contract exemption was to exempt the act of negotiating recording contracts between artists and the recording companies. Here the Guster and Botti agreements are agreements made directly between a producer and the artist. In short, the record company is not a party to these contracts. These contracts are essentially contracts between two artists for services. And consequently, we choose not to expand the purview of the Act's exemption to encompass contracts for personal services between artists and producer/artists."

This violation of the TAA was determined to be so significant that the Labor Commissioner decided to void the entire personal management agreement between Lindsay and MMG. This is significant because MMG likely wanted most of all to collect a percentage of the sale of Lindsay's jointly-operated publishing company. That was part of the overall dispute, but the Labor Commissioner finds that MMG's securing of a publishing agreement for Lindsay was akin to getting him involved in a co-venture or partnership -- outside of the scope of the TAA. In other words, if it wasn't for the Guster and Botti deals, MMG would be owed money, but the Labor Commissioner rules against severing those engagements.

Here are the ramifications in English: Record producers and artists can't simply contract with each other. At least, not if managers want to securely collect their commissions. There's going to have to be changes to the dynamic. Perhaps record labels become a party to the deals. Or maybe producers work for the labels instead of providing services directly to the artist. Time will tell. **Bryan Freedman**, who along with **Steve Stiglitz** at Freedman & Taitelman represented Lindsay, calls the ruling a "game-changer for the music industry."

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