

## **Case 10**

You are an attorney representing a rock group. Recently the group has told you that it wants to get out of its present recording contract in order to take advantage of a much better offer. The group's contract is a "new kid" agreement common in the recording industry. The group complains, and you agree, that the terms of the contract heavily favor the recording company. For example, although the contract calls for the group to make eight records, the company can drop the group at any time. In contrast, however, under the contract, your client (the rock group) cannot terminate the agreement at will (i.e. whenever it wants to), but instead must stay with the recording company and make all eight recordings. These could take twelve years to produce, however.

The rock group entered into the contract, before you represented them, at a time when the members were all just out high school. In your opinion, however, had you been there to represent them, you probably could not have secured a much better deal because the above kinds of contractual terms are standard throughout the recording industry. In this regard, record companies say they have to rely upon "new kid" contracts to balance the financial risks of signing and producing many new artists, most of whom do not pan out.

A lawsuit requesting a court to release the group from its contract could go on for years. You know about another legal strategy, however, that could generate the same result much sooner -- declaring bankruptcy. Under federal bankruptcy law, the courts may free debtors from contracts the court views as burdensome. The purpose of the bankruptcy law is to enable debtors to make a fresh start, and not simply to make it possible for individuals to get out of contracts they dislike. Nonetheless, you realize, although you have not yet shared this with the rock group, that it might be able to get out of the contract if the group members all rapidly accumulated large debts that might convince a judge they are financially bankrupt.