

Case Study: TEAM Entertainment v. Ashanti

Topics: Production Contracts & Minority

Introduction: This case provides a good illustration of the relationship between aspiring artists and [record producer](#) or production companies that invest their time (and sometimes money) to develop and help secure the artist a record deal. Often, aspiring artists work with a record producer who produces a [demonstration recording](#) (“demo”). The demo is used to try to interest record companies in signing the artist to a recording contract. Grammy award winning singer [Ashanti](#) (and her mother) went through 3 production companies, apparently ditching each of them when they believed things weren’t happening quickly enough. The case also provides an example of how long it can take for a new artist’s career to develop. Ashanti signed her first production contract in 1996 at age 16. She was eventually signed to a record deal with [Sony](#), which ultimately decided not to release an album. Ashanti finally released her first album in 2002 on [Murder Inc. Records](#), seven years after signing the original production contract at the ripe, old age of 23 and became an “overnight success.” Ashanti’s first big hit was Foolish - you can watch the video [here](#).

Timeline: When analyzing legal disputes, it is often helpful to put the important events in some type of order to better understand the situation. The following is a chronological timeline of the Ashanti/TEAM dispute.

- 6/96 Ashanti & her mother approached TEAM about helping secure major label recording contract; TEAM worked w/Ashanti w/o written contract until 2/18/97.
- 2/18/97 1st Production Agreement signed - acknowledged TEAM produced 3 masters.
- 6/18/97 2nd Production Agreement signed - Ashanti to provide personal services exclusively to TEAM. for initial term of 6 months w/options; TEAM to try to secure record distribution agreement w/major record label.
- 7/97 TEAM secured recording contract offer from Volcano Records, but no agreement executed.
- 9/97 Ashanti told TEAM she wanted release from 2nd Production Agreement to pursue deal w/another production company, Noontime.
- 10/21/97 Release Agreement signed - suspended 2nd Production Agreement for 30 days or until Ashanti signed recording agreement with Noontime; TEAM to be paid advance & royalties on 1st 3 albums under Release Agreement.
- 10/24/97 Ashanti signed Noontime Agreement

2/24/98	TEAM contacted Noontime requesting \$25,000 payment under Release Agreement; \$25,000 was never paid.
Unknown	Noontime entered distribution agreement with Sony; Noontime & Ashanti rec'd \$175,000 advance.
7/99	Ashanti terminated Noontime Agreement since Sony decided not to release her album.
8/3/00	Ashanti entered agreement with AJM (production company)
4/02	AJM entered distribution agreement with Murder, Inc.; Over next 2 years, Ashanti & AJM rec'd millions of dollars in advances & recorded 2 albums. Both sold over a million copies.
8/8/03	TEAM notified Ashanti Release Agreement null & void due to failure to comply w/payment & other terms & Ashanti in breach of 1 st & 2nd Production Agreements.
2/23/04	TEAM filed lawsuit

CASE DECISION

T.E.A.M. Entertainment, Inc. V. Ashanti Douglas
 U.S. District Court for the Southern District of New York
 361 F. Supp. 2d 362 (2005)

Plaintiff T.E.A.M. Entertainment ("T.E.A.M."), a company specializing in the production of [hip-hop](#) and rhythm-and-blues music recordings, has sued singer Ashanti Douglas ("[Ashanti](#)") and her manager mother, Tina Douglas, alleging two counts of [breach of contract](#).

Around June 1996, when Ashanti was sixteen years old, defendants approached Genard Parker, T.E.A.M.'s owner, seeking T.E.A.M.'s services as part of defendants' attempts to secure a [recording contract](#) with a major [record label](#). Plaintiff agreed to work with defendants and did so, without a written contract, through February 18, 1997.

On February 18, 1997, plaintiff and defendants signed an interim production agreement ("First Production Agreement"). This two-page agreement acknowledged that plaintiff had produced three songs (the "masters") that Ashanti intended to use in her efforts to secure a recording contract and provided for a general scheme of compensation to plaintiff related to any such contract defendants might sign.

Between February 1997 and June 1997, Ashanti recorded additional [demonstration recordings](#) ("Demos") at plaintiff's studio. Defendants also met with representatives of different record labels during this time but did not sign a recording contract with any of them.

On June 18, 1997, plaintiff and defendants signed another agreement ("Second

Production Agreement") that superseded the First Production Agreement. In relevant part, this twelve-page contract provided that Ashanti would provide her personal services exclusively to T.E.A.M. for the duration of the contract, which had an initial term of six months with various opportunities for extensions. For its part, T.E.A.M. would "endeavor to secure a record distribution agreement" ("Recording Agreement") with a major record label. Ashanti retained the right to approve any record label except Volcano Records, which the contract pre-approved. Tina Douglas warranted that Ashanti would perform all of her obligations under the Second Production Agreement and assumed personal liability for this performance.

In June or July of 1997, plaintiff secured an offer of a recording contract for Ashanti from Volcano Records, but no written agreement was ever executed. In September of 1997, defendants told plaintiff that they wanted to be released from the Second Production Agreement so that they could pursue a relationship with a company called Noontime Music, Inc. ("Noontime"), a competitor of plaintiff. In a seven-page written [release](#) agreement ("Release Agreement") signed on October 21, 1997, the parties "agreed to amend" the First and Second Production Agreements in a series of ways. Specifically, the parties agreed to suspend the term of the Second Production Agreement for the sooner of thirty days or until Ashanti signed an exclusive recording agreement with Noontime (the "Noontime Agreement"). If no Noontime Agreement were signed within thirty days from the date of the Release Agreement, then the term of the Second Production Agreement would continue, with a thirty-day extension. If Ashanti entered into the Noontime Agreement, then the First and Second Production Agreements would "terminate and expire" as of the date of execution of the Noontime Agreement, the parties would release each other from obligations under those earlier agreements, and the rest of the Release Agreement would govern the rights and obligations between plaintiff and defendants.

To compensate plaintiff for giving the release, the Release Agreement further provided that, if a Noontime Agreement were entered into, plaintiff would be entitled to share to an extent in the proceeds of Ashanti's first three albums recorded pursuant to the Noontime Agreement. For the first album, plaintiff would be paid "an all-in recording fund" of \$25,000 for each of two master recordings, half of which would be payable at the beginning of recording and the other half of which would be payable upon the delivery of the recordings to Noontime and Noontime's subsequent acceptance of the them. If plaintiff were asked and agreed to produce additional master recordings for the first album, plaintiff would receive an additional but pro-rated all-in recording fund. "Subject to [T.E.A.M.'s] full and timely performance of [its] production obligations hereunder, and provided [T.E.A.M. were] not in breach of any of [its] material obligation to [defendants] or Noontime," defendants would instruct Noontime and its distributor to pay [royalties](#) to plaintiff according to a certain percentage scheme for all recordings sold through United States Normal Retail Channels. As for any second and third albums that might be recorded pursuant to the Noontime Agreement, defendants would use their best efforts to cause Noontime and its distributor to allow plaintiff to produce up to three recordings on each album according to a schedule of fees and royalties that the Release Agreement specified. Once more, Tina Douglas assumed personal liability for Ashanti's performance of her obligations under the Release Agreement.

On October 24, 1997, defendants signed an agreement with Noontime as contemplated by the Release Agreement, and Ashanti began recording songs with Noontime. By letter dated

February 17, 1998, T.E.A.M. was notified of this agreement. The letter said that, pursuant to the Release Agreement, the Production Agreements between T.E.A.M. and defendants were deemed terminated as of October 24, 1997, and it directed Parker to contact Noontime to "discuss the creative details regarding the masters which you have agreed to produce" for Ashanti's album recorded under the Noontime Agreement. By letter dated February 24, 1998, Parker, through his representative Laurence H. Rudolph, reported having so contacted Noontime and requested the \$25,000 due him under paragraph 2(A)(a) of the Release Agreement. According to Parker, however, although he continued to receive telephonic assurances from Tina Douglas that T.E.A.M. would be paid according to the contract terms or otherwise compensated, the \$25,000 was never in fact paid.

In the meantime, Noontime entered into an agreement with [Sony Music Entertainment](#) ("Sony"), under which Sony would distribute Ashanti's albums and would pay Noontime and Ashanti an advance of \$175,000. But in or around July 1999, defendants terminated the Noontime Agreement because Sony had decided to "shelve" Ashanti's project. Ashanti never released an album pursuant to the Noontime Agreement.

Instead, on or about August 3, 2000, defendants entered into an agreement with a production company called AJM Records ("AJM"), another of plaintiff's competitors. Further still, in or around April 2002, AJM entered into an agreement with [Murder Inc. Records](#) ("M.I."), a subsidiary of [Universal Music Group](#) ("Universal"), under which M.I./Universal would distribute Ashanti's albums. Over the next two years, Ashanti and AJM received millions of dollars in advances from Universal and recorded songs for two albums. Universal released Ashanti's first album in April 2002 and her second album in July 2003. Both albums have sold over a million copies. Ashanti remains under contract with MI/Universal, though she is no longer under contract with AJM.

By letter dated August 8, 2003, plaintiff provided notice to defendants that the Release Agreement "is hereby deemed null and void due to your failure to make any payment, provide the opportunity to produce tracks or tender any consideration whatsoever to Mr. Parker in blatant violation of the terms and conditions of the Release Agreement." As a result, the letter continued, the Second Production Agreement was reinstated, and defendants were also allegedly in breach of this agreement. Thereafter, on February 23, 2004, plaintiff filed the instant lawsuit, claiming breach of the Second Production Agreement and breach of the Release Agreement.

Since plaintiff's claim that defendants breached the Second Production Agreement is premised on their claim that defendants breached the Release Agreement, the Court turns to the latter claim first. The defendants argue that it is plaintiff, not defendants, who breached the Release Agreement by failing to "execute such additional agreements or documents as may be appropriate or requested to effectuate the purposes of this (Release) Agreement," specifically certain documents or agreements between Noontime and plaintiff necessary to effectuate the Noontime Agreement between Noontime and defendants. Plaintiff responds, however, that this was because Noontime attempted to negotiate different terms between plaintiff and Noontime than those specified in the Release Agreement, so the fault was Noontime's, not plaintiff's.

Defendants' final argument for [summary judgment](#) on plaintiff's claim for breach of the Release Agreement is their contention that they, in fact, fully performed their obligations under the Release Agreement. But one of the obligations set forth in that agreement was to pay

plaintiff \$25,000 upon signing of the Noontime Agreement, and it was never paid. Although defendants argue that the payment should have been made by Noontime rather than by them, this is, at best, a jury question. Accordingly, defendants' motion for summary judgment on plaintiff's breach of contract claim under the Release Agreement must be denied.

Turning then to plaintiff's claim for breach of the Second Production Agreement, defendants argue that, even if a jury could find that they breached the Release Agreement, they would still be entitled to summary judgment because such a claim is prohibited by the Release Agreement, which contains a mutual release of all claims and obligations arising under both the First and Second Production Agreements. Plaintiff responds, however, that defendants' breach of the Release Agreement gave plaintiff the option of rescinding that agreement and thereby nullifying the release, and that plaintiff properly invoked this option in the letter of August 8, 2003.

Under New York law, "[rescission](#) is an extraordinary remedy, appropriate only where the breach is found to be material and willful, or, if not willful, so substantial and fundamental as to strongly tend to defeat the object of the parties in making the contract." *Krumme v. Westpoint Stevens Inc.*, 238 F.3d 133, 143 (2d Cir. 2000) (quoting *Canfield v. Reynolds*, 631 F.2d 169, 178 (2d Cir. 1980)). Here, however, there is evidence from which a reasonable juror could conclude that defendants breached the Release Agreement to this extent, in which case rescission of that agreement was appropriate.

As for defendants' argument that plaintiff's notice of rescission of the Release Agreement was inadequate, defendants premise this argument on the provision of the Second Production Agreement that "all notices required hereunder or which either party desires to serve upon the other shall be in writing," sent to counsel for the parties, and served in one of three specific ways. Because plaintiff's notice of rescission gives no indication of having been served as required or sent to defendants' counsel, defendants argue that the notice of rescission was ineffective. Yet the Release Agreement contained no requirements for service on the parties, and it was the Release Agreement, not the Second Production Agreement, that was in effect until after the notice of rescission was given. Defendants cannot argue both that the Second Production Agreement was superseded and that its terms should still govern. Additionally, defendants' then-counsel has testified that plaintiff's counsel contemporaneously faxed him a copy of the notice of rescission and that he discussed at some length the contents of the notice with plaintiff's counsel. Any inadequacy in service of the notice was therefore either nonexistent or waived. Accordingly, summary judgment on plaintiff's claim for breach of the Second Production Agreement must be denied.

Accordingly, defendant's motion for summary judgment is denied in all respects. Counsel are directed to jointly telephone Chambers by no later than 5 p.m. on April 15, 2005 to schedule the trial of this case.

Note: In 2005, a jury found that Ashanti breached the production agreements and awarded TEAM \$630,000 in damages based on the \$25,000 advance he was to receive plus royalties on Ashanti's first two albums which had sold about 6 million copies. Ashanti appealed this decision and the appellate court modified the decision, finding that there was not sufficient evidence proving the amount of damages. Reportedly, each side then dropped lawsuits against the other

which indicates that some out-of-court settlement may have been reached.

Discussion Questions

1. Why do you think Ashanti and TEAM signed the Second Production Agreement? In what main ways was it different from the First Production Agreement?
2. Under the Second Production Agreement and the Release Agreement, Tina Douglas “warranted that Ashanti would perform all of her obligations . . . and assumed personal liability for this performance.” Why is this important?
3. In 1997, when Ashanti told TEAM she wanted to be released from the Second Production Agreement, TEAM agreed. Since the Second Production Agreement had not expired at that time, why do you think TEAM agreed to release Ashanti from the agreement? Was it because TEAM had failed to satisfy any of its obligations under the Second Production Agreement?
4. What is the purpose of a “release agreement” such as the one entered into by Ashanti and TEAM?
5. According to TEAM, how did Ashanti breach the Release Agreement?
6. Why didn’t TEAM sue Noontime for not paying the \$25,000 rather than Ashanti?