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Disney Hit With $269M Verdict In 'Millionaire' Case

By **Brendan Pierson**

Law360, New York (July 07, 2010) -- A federal jury has found that Walt Disney Co. must pay Celador International Ltd. $269.4 million because it failed to honor a licensing agreement to share half the profits from the hit TV show "Who Wants to Be a Millionaire."

The jury in the U.S. District Court for the Central District of California found Wednesday that Disney, along with its subsidiaries ABC and Buena Vista Television, breached the agreement by creating a series of agreements among the subsidiaries that resulted in Celador receiving no profits from the show.

"We believe this verdict is fundamentally wrong and will aggressively seek to have it reversed," Disney said.

Celador sued Disney and its subsidiaries in 2004, citing an agreement under which the plaintiff licensed the rights to "Who Wants to Be a Millionaire" jointly to ABC and BVT in exchange for half the profits.

After entering into the agreement, ABC assigned all the broadcast rights to the show to BVT, which in turn licensed those rights back to ABC in exchange for a licensing fee that covered only the cost of producing the show, according to Celador.

This meant that BVT never made any profits from the show, the plaintiff said.

Disney then decided to pay Celador half the profits made by BVT alone, meaning that it paid the plaintiff nothing under the agreement, according to court documents.

"Defendants entered into a complex web of self-dealing transactions which purported to extinguish their obligations under the agreement to account and pay to Celador 50 percent of the profits derived by ABC/BVT from the exploitation of the series and, at the same time, would shelter the advertising revenue — the source of ABC's profits — from the reach of Celador under the agreement," the plaintiff said.

"Disney executed its corporate strategy of depriving Celador of any share of the profits from the series as soon as it realized that the series could be (and ultimately was) a tremendous success," it said.

The jury found in favor of Celador on breach of contract and breach of covenant of good faith and fair dealing claims, awarding the plaintiff $260.2 million for television revenues and $9.2 million for merchandising revenues.

Attorneys for the parties could not immediately be reached for comment Wednesday.

Celador is represented by Robins Kaplan Miller & Ciresi LLP.

The defendants are represented by Sheppard Mullin Richter & Hampton LLP.

The case is Celador International Ltd. et al. v. Walt Disney Co. et al., case number 2:04-cv-03541, in the U.S. District Court for the Central District of California.