



# It might not end up in bankruptcy court, but L.A. law feels the pinch from studios

**J**IM CARREY AND JULIA ROBERTS aren't the only stars lowering their quotes these days.

While studios haven't been shy about slashing actor fees, they're quietly putting the same squeeze on Hollywood's legal talent.

Blame the recession, of course, and a market correction after some partners at law firms that handle studio work saw their hourly rates soar to \$600 or more. For years, studio general counsels grudgingly shelled out millions of dollars to A-list litigation lawyers under the theory that if they lost a big case, at least they could tell their CFOs they had paid top dollar to hire a Bert Fields or Lou Meisinger.

That's still happening on some cases. The Weinstein Co. managed to hire Fields and uber-lawyer David Boies for its battle with Lionsgate over the Sundance film "Precious." And high-stakes profit-participation litigation still requires high-priced expertise. But legal bills, once seen as a relatively untouchable cost of doing business, are getting a closer look. Studio conglomerates increasingly are extracting major fee concessions from even the most prestigious law firms, and more are willing to hand over major cases to smaller firms with lower fees.

"We're trying to pay a fair price," Warner Bros. senior vp and

deputy general counsel Shelley Presser says. "But in the past five to 10 years there has been an incredible upward push (on fees) by large law firms as they have tried to make more money, compete with investment bankers and prove they are more profitable than the law firms they

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Presser has developed a reputation in legal circles for driving an especially hard bargain on legal fees, which easily can top \$1 million a month on major cases headed to trial. He keeps a top-secret binder filled with what Warners has paid law firms worldwide for 20 years, and he prides himself on negotiating lower fees than other studios — sometimes for the same lawyers. Since the economy tanked, he says he has been getting discounts of as much as 40% off full-freight fees from the 300-400 firms that handle everything from labor issues to anti-piracy work to defending major lawsuits. Some attorneys who once declined to work for less have changed their tune recently, he says, though others refuse to budge.

This week, Warners lawyers were in a Riverside, Calif., courtroom wrapping the latest phase of a battle with the heirs of "Superman" co-creator Jerry Siegel over rights to the character. It's a major case with billion-dollar implications for the studio, and it's being led by Weissmann Wolff, a relatively small 20-lawyer Beverly Hills firm. Sure, lead lawyer Michael Berg-

man has 40 years of experience and has handled dozens of matters for Warners, but his firm's fees are likely much lower than those for a firm like O'Melveny & Myers, which boasts a national reputation and a deep roster of support staff but was all but phased out of Warners' litigation work a few years back over fee issues.

Given the economy, Presser hardly is alone in demanding lower legal costs. Lawyers I've spoken with on and off the lots say the standard

10% fee discount for studios is becoming 20% or more. That's on top of additional trims typically made to bills after the work is done.

Entertainment has become an attractive and competitive specialty, and studios are brass-ringing clients because they generate con-

sistent, interesting and headline-generating legal work. Plus, most lawyers would rather tell their mothers they represent Disney, not ExxonMobil. And unlike talent, studios are sophisticated consumers of legal services that don't mind paying high bills if they feel they're getting their money's worth.

But what constitutes value? Big-ticket lawyers say studios can be pennywise and pound foolish by refusing to pay for top talent. It's no coincidence, they say, that Warners has suffered a few embarrassing court defeats lately. The studio was forced to write a fat check in the winter to Fox to settle the dispute over "Watchmen" distribution rights, and it was slapped with a \$3.2 million jury verdict in a profits case brought by producer Alan Ladd Jr. (that case is on appeal).

Presser says he never has failed to get the lawyer he wanted for a particular case, and the studio is willing to pony up when the case justifies the expense. Plus, on "Watchmen," Warners hired Patti Glaser and Irell & Manella's Steve Marenberg — both A-listers — and that didn't prevent the judge from ruling for Fox.

I'm sensing there are opportunities in the economic downturn for more top entertainment litigators to ditch big firms and pitch themselves as cost-effective alternatives.

Just ask Richard Kendall, who spent nearly 25 years at major firms and has repped Viacom siblings MTV and Paramount. Last week, he left Irell & Manella with a couple of partners to set up his own shop, and he says Viacom has indicated it plans to move its business with him.

"Studios have been pressuring their lawyers to lower fees," Kendall says. "We'll now have a lower cost structure. They can choose which is more attractive."

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