

# Jay Penske's Legal War With Variety's Former Owner Heats Up

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**As Penske prepares to bring a fraud claim over the 2012 sale, Reed Elsevier claims that the trade publication hasn't paid all its debts**



The book on Jay Penske's purchase of *Variety* in 2012 isn't quite finished yet. In the ongoing legal war between Penske's outfit Variety Media, LLC, and Reed Elsevier, former owner of the entertainment trade publication, both sides are bringing new claims. Reed now asserts that nearly \$1.8 million is owed by Penske, who in turn is adding a new fraud charge over the sale of the publication and some of the confusion that soon thereafter emanated.

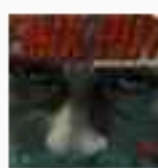
The dispute didn't start out as a direct battle between former and current owner of *Variety*, but it has evolved that way.

In April 2013, the Beverly Hills Media Group sued Variety

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Media for allegedly repudiating an agreement for a festival focused on film, TV, new media and finance. BHMGM claimed that it had sold a \$500,000 sponsorship deal — "the largest sponsorship deal ever in *Variety's* 107 year history" — and had introduced and developed tens of millions of dollars in other potential sponsorship deals. The original agreement for the festival event came under Reed's ownership, though, so when Penske purchased *Variety*, he allegedly shrugged off the obligations by terminating the deal and pursuing such money without BHMGM's involvement. What's more, BHMGM said it was defamed and humiliated by Penske's *Variety* during the ordeal.

Penske fired back with hard-hitting counterclaims, charging that BHMGM had conspired with a former officer at *Variety* to arrive at a fraudulent deal that dripped with self-dealing concerns. Kickbacks were allegedly involved in the disputed arrangement that's said to have given BHMGM broad rights to *Variety's* revenue stream. Penske also accused BHMGM of violating trademarks by using *Variety's* marks in its endeavors.

Two weeks ago, that lawsuit quietly ended. Both sides dismissed their respective claims.

BHMGM worked out a settlement. However, the resolution didn't involve Penske. Instead, Reed Elsevier, after being threatened by BHMGM's lawyers of being dragged into the litigation, paid \$300,000 to make the dispute go away. At least in California.

Over in New York, Penske's *Variety* had filed a separate \$10 million lawsuit in May 2013 against Reed for allegedly not disclosing the operating agreement of the BHMGM deal, which in Penske's view, meant he didn't have to assume responsibility for it. Nevertheless, after the Beverly Hills festival was abandoned, Penske's lawyers said that *Variety* was forced to accommodate the \$500,000 sponsor. Penske also took issue with amendments to *Variety's* contract with a printing company that he says were not provided to him during the due diligence on the publication's sale.

In response, Reed denied the claims and hit back over \$1.3 million allegedly owed from Penske's 2012 purchase of *Variety*. The publication and its associated assets were sold to Penske for an estimated \$25 million, and the money allegedly outstanding relates to an adjustment for the media company's working capital at the time of sale.

The New York lawsuit was paused while the California litigation happened, but now that Reed has paid off BHMGM, the action shifts to the East Coast with Reed amending its counterclaims on Tuesday.

Now, Reed demands reimbursement of the \$300,000 paid to BHMGM, plus says that Penske's *Variety* never paid \$175,000 in rent for the company's Los Angeles office space and other expenses during that last month when the office was being subleased by Reed. So the tab runs to nearly \$1.8 million, which doesn't include interest and demanded legal fees. Reed is being represented by **Dennis Orr** at Morrison & Foerster.

But Penske isn't done either because according to his side, he'll be soon amending the lawsuit to include a fraud claim based on an allegation that Reed never disclosed the LLC operating agreement, which BHMGM previously asserted entitled it to first refusal rights on 50 percent of sponsorship income that *Variety* earned in the entertainment space. BHMGM appears to have decided that \$300,000 is enough to walk away. Now, Penske will argue that, based on Reed's own projections, the interference with Penske's entertainment event space does not entitle Reed to any money, but rather entitles Penske's *Variety* to compensation.

"Variety Media was dismissed from the case without paying even a single dollar or providing any compensation to any party," says **Bryan Freedman**, Penske's attorney in the litigation. "In fact, the only money paid to Beverly Hills Media Group in this case came from Reed Elsevier. I think that speaks volumes. Reed Elsevier's claims against Variety Media for monies owed are legally untenable, and are completely offset by Reed Elsevier's highly questionable conduct."

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