

ROYAL RUMBLE

From left: Sumner Redstone, Brad Grey, Philippe Dauman, Shari Redstone, Jeffrey Katzenberg, Steven Spielberg, and David Geffen.



SHOWDOWN AT FORT SUMNER

Two years after Paramount purchased DreamWorks, Hollywood is transfixed by one of the nastiest breakups ever. As Sumner Redstone and David Geffen went to war (over Steven Spielberg?), the author got it from both sides

BY BRYAN BURROUGH

There was a time, not long after Sumner Redstone came to Southern California four years ago, when the world must have seemed rosy and new and full of hope. At 82, an age when peers were dead or lying in retirement homes, Redstone had everything a mogul could want: between his two main companies, Viacom and CBS, he owned a television network, cable channels by the score, and not one Hollywood movie studio but two—Paramount, with its sprawling lot, seized in a takeover fight 10 years before, and his newest acquisition, DreamWorks SKG, home to Steven Spielberg, Jeffrey Katzenberg, and David Geffen. On top of all that, Redstone had a sparkling young wife and a

new home in a gated community above Beverly Hills, where he spent his days tending tropical fish, taking phone calls, and shaving nude in his hot tub. Sylvester Stallone lived next door. He ate out every night. Life was good.

Not anymore. By late summer Redstone had begun squabbling again with his daughter, Shari, 53, who runs National Amusements, the family's movie-theater chain, and reportedly fighting with his wife, Paula. At the same time, relations between Redstone and the influential Geffen-Spielberg-Katzenberg troika—incensed by a stream of perceived slights—had deteriorated into a nasty cold war, to the point where it is widely believed Spielberg and Geffen will resign the moment Spielberg's employment contract expires, next fall. Down at the Ivy

and the Palm, the gossip about Redstone is withering: among the agents and producers in Hollywood's chattering class, he is increasingly viewed as an isolated, mean-spirited old man who cares nothing for the film community's traditions. All summer the ill will bubbled up into a series of unflattering media portrayals—much of which Redstone now blames on the man he has come to believe is behind not only the bad press but almost all of his "image problems" in the broader Hollywood community: David Geffen.

In a series of talks with *Vanity Fair* beginning in August, Redstone's men have blamed Geffen, the mischievous music turned film magnate, for practically every bad press notice they have received, even the reports of trouble

in Redstone's marriage. "This is all Geffen," an executive close to Redstone told me. "We know what's going on. He's doing all of this. He's relentless. He and Sumner, when they're in a fight like this, it's war. It's war."

When I first relayed these sentiments to Geffen, he exploded. "Whoever said these things, they must be out of their minds," he said, his voice rising with each syllable. "I am not responsible for the public discourse about Mr. Redstone at all. He is. To imply I have anything to do with his image problems is just shameful. The lawsuits with his children and the statements he has made on the record speak for themselves."

But Geffen, who to his credit had no problem speaking on the record, was only warming up. "I don't care for Sumner's behavior," he went on, "and I have that in common with a great many people in the entertainment business. I don't like the way he treats people. Most of all, nobody is going to treat me or my partner [Spielberg] in that manner and stay in business with us. Nobody."

It was this level of behind-the-scenes vitriol that spawned the first serious broadside in the developing Redstone-DreamWorks fight, in mid-September, when Viacom's C.E.O., Philippe Dauman, told an audience of New York investors and analysts that Paramount could survive the departure of Spielberg and Geffen. In one of the more memorable smackdowns in recent Hollywood history, Dauman characterized the potential loss of Spielberg as "completely immaterial."

Katzenberg immediately fired back, defending Spielberg in remarks that ran beneath one of *Variety's* traditionally clever headlines: KATZ SHOWS CLAWS. Still, Redstone's team was happy with the exchange, feeling they had put the DreamWorks trio, especially Geffen, in their places. "They don't scare us," a Redstone executive told me not long after. "What are we supposed to do? Bend over some more? Uh-uh. No more. This is it."

Tough, tough talk for a tough, tough town. But how much of it was real? How much of it was simply Hollywood-style posturing? Did the Redstone-Geffen fight involve genuine bad blood or was this all just silliness and drama in an industry that makes its money selling silliness and drama?

II

You could see this coming for months. All the ingredients were in the pot; it just took time for things to come to a boil. Redstone, the imperious East Coast elder, unaccustomed and thus unwilling to kowtow to Hollywood royalty. His studio

chief, Paramount's Brad Grey, a veteran talent manager and producer but a newcomer as studio executive, still unsure of his footing, yet eager to assert his leadership over the proud DreamWorks team. Spielberg, the legend, comfortable in his routines, suspicious of change, ever respectful of Hollywood tradition. And Geffen, hyper-protective of Spielberg, easy to offend, only fully engaged, it seems, when consumed by some epic life-or-death struggle.

Whether or not you believe Geffen was behind the spate of anti-Redstone articles this past summer, there's no denying his unhappiness triggered all this. In fact, the sheer vehemence of Geffen's anti-Redstone fervor reminds more than one observer—including this

ENDLESS SUMMER

Brad Grey and Sumner Redstone. Redstone reportedly regaled dinner-party guests with Grey's stories about Geffen's unpopularity.



"I WILL NOT BE BULLIED. I AM ABSOLUTELY UNAFRAID OF SUMNER REDSTONE," SAYS GEFFEN.

one—of the decade-long campaign he waged against Michael Ovitz, the onetime Hollywood superagent who, in a 2002 *Vanity Fair* profile, memorably blamed his downfall on Geffen and a cabal of allies he termed "the Gay Mafia." While Geffen always denied leading an anti-Ovitz jihad, there was no doubt that he regularly launched into anti-Ovitz tirades for the benefit of reporters, and was an important source of anti-Ovitz gossip. To my surprise, even a DreamWorks adviser acknowledges the parallels.

"Yeah, it took a while, but he did take down Michael Ovitz," this person says. "This is like David's version of a board game."

Yet there is a vast difference between

Ovitz—who after leaving his all-powerful position atop the Creative Artists Agency found himself vulnerable to press attacks—and Redstone, a multi-billionaire who doesn't cut deals with studios. He *owns* studios. "You're right, you can't take down Sumner Redstone," the adviser admits. "But in a Sumner Redstone situation, you can expose him. He's already damaged."

Why on earth did Geffen launch a crusade against Redstone? For a time, the conventional wisdom was that he was trying to drive Redstone to the bargaining table to get something he wanted: a better deal for Spielberg at Paramount, or the sale of DreamWorks Animation—now an independent company run by Katzenberg—to Viacom. Inside the Redstone camp, the feeling was that Geffen had his eye on an exit strategy for when Spielberg's contract with Paramount expires, next fall. Either this was a ploy to coax more money out of Redstone or—and this was the guess you heard most often—it was Geffen's strange way of placing a FOR SALE sign on DreamWorks.

On the record, Redstone's men refused to parry with Geffen for this article. "We will not engage in tit for tat," says a Viacom spokesman. "Steven is a great talent whom we all treasure. We are taking the high road." Speaking for background, however, they are more than willing to talk trash. "We know why he's doing it—it's obvious," says the Redstone adviser. "Because next year Paramount will have the hot hand. DreamWorks won't. Look at the slate [of planned movies]. Everything good is coming from Paramount. The DreamWorks films don't look anywhere near as good. So if you're Geffen and you want to negotiate, you want to do it now. He's looking for any leverage he can find on Sumner."

Geffen hotly denies this. "Absolutely not true," he says. "I want nothing from these people. Nothing. This is not about money. It is my job to look out for Steven Spielberg and Jeffrey Katzenberg and our employees and the people we are in business with. We have a responsibility here. I chose to sell this company to Paramount. It has turned out to be a poor choice. To me, it's about protecting these people. That is my goal and my *raison d'être*. Redstone, he is accustomed to bullying people. And I will not be bullied. There is no fight I will run from. I am absolutely unafraid of Sumner Redstone."

What's really driving Geffen, most observers believe, is a deep-seated desire to placate

the most important partner he has had in a long and illustrious career. “This is all about Steven Spielberg,” the DreamWorks adviser says. “David is doing this to keep Steven happy.”

In an odd way, the Redstone adviser agrees. The Redstone camp believes Geffen is suffering from “seller’s remorse,” that is, selling DreamWorks to Paramount for too little money. That, they charge, and not any slights felt by Spielberg, is behind Geffen’s anger. “Can you imagine how [Geffen] feels?” the Redstone adviser asks. “He told Spielberg he would take care of everything. He’s supposed to take care of the business side, right? And he got taken. Well, tough!” What Geffen fears, the Redstone man alleges, is losing Spielberg as a partner. The DreamWorks adviser chuckles at the idea. “That’s not going to happen,” this person says. “Let’s be clear: Steven needs David. David is richer than Steven. That will not change.”

Understanding all this—the charges, the countercharges, the public motivations and the hidden ones, the spin on the spin—isn’t as difficult as it might at first appear. Like almost every marriage gone bad, you just have to start at the wedding.

III

By the summer of 2005, it was clear to everyone at the top levels of DreamWorks SKG that their dream of running an independent studio was no longer possible. DreamWorks had been the product of another bitter feud, the early-1990s struggle between Katzenberg, then Disney’s studio head, and his boss, Michael Eisner. When Katzenberg was fired, Geffen and Spielberg formed DreamWorks for him to run. In the intervening years, the trio made a slew of hit movies—from the animated *Shrek* series to *Saving Private Ryan* and *Gladiator* and *American Beauty*—but never attained the scale needed to safely weather the occasional flop. The poor showing in 2003 of the animated *Sinbad: Legend of the Seven Seas*, which lost \$125 million, almost bankrupted the studio. By early 2005, Spielberg was making noises about their churning out fewer movies each year—6 to 8, as opposed to 12 to 14—and everyone involved realized it wouldn’t be enough to keep DreamWorks financially viable.

The answer was obvious: a merger with Universal Studios, now owned by General Electric. Spielberg has maintained offices on the Universal lot for three decades, and all the DreamWorks principals felt comfortable working with its president, the soft-edged Ron Meyer, and his studio chief,

Stacey Snider. In mid-2005, Geffen entered into talks with Meyer and NBC Universal C.E.O. Bob Wright about purchasing DreamWorks. He had just brokered a tentative deal when an especially expensive DreamWorks production, *The Island*, a science-fiction thriller with Ewan McGregor and Scarlett Johansson, flopped at the box office. G.E. reacted by trimming about \$100 million from the price it was willing to pay.

It was then that Geffen turned to Brad Grey, who had just taken the reins at Paramount. The two had a good relationship; Geffen had been among those to urge Viacom’s then C.E.O., Tom Freston, to

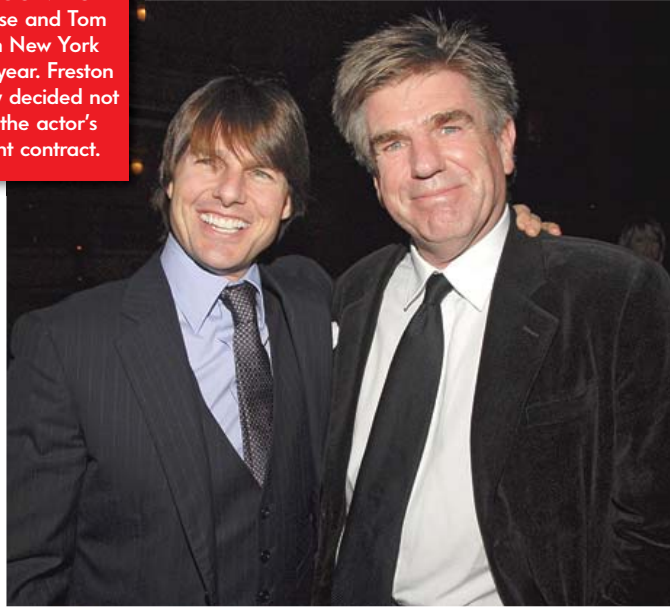
Works’ employees moved into new offices on the Paramount lot, Spielberg stayed put in the old, southwestern-style complex at Universal. “I remember talking to Steven right after the sale, and he was already [having second thoughts],” says a longtime friend. “He had such an emotional reaction. He was leaving his home of 20 years. He refused to move to Paramount. That pretty much says it all.”

It was a difficult marriage from the start, although not nearly as rocky as some accounts portrayed it. In the post-deal trimming of duplicate jobs, there was a perception that DreamWorks executives won most

top positions, leading to the inevitable morale problems among Paramount veterans. Some DreamWorks executives, many of whom clearly viewed themselves as too cool for this new school, struggled to hide their sense of superiority, and no wonder—in every sense that mattered, the accomplishments of Geffen, Spielberg, and even Katzenberg towered above anything on the Paramount executives’ résumés.

“It took about a minute to realize these people didn’t know what they were doing,” says the DreamWorks adviser. “Tom Freston was a cable-television guy. He hires Brad Grey, who’s

CRUISE CONTROL
Tom Cruise and Tom Freston in New York City last year. Freston and Grey decided not to renew the actor’s Paramount contract.



“Geffen’s supposed to take care of the business side. . . . And he got taken. Well, tough!”

hire Grey in the first place. Paramount was the sick man of Hollywood and had been for years. Grey saw the purchase of DreamWorks—*Shrek* and Spielberg and a dozen strong movies in the pipeline—as an elixir that would cure all Paramount’s problems. The talks were far from smooth—Redstone initially rejected Geffen’s demand for \$1.6 billion as far too high—but once Viacom struck a deal to sell DreamWorks’ film library to a group of New York investors led by George Soros, it reduced its investment to a more manageable \$600 million. The deal was finalized in December 2005.

Everyone seemed happy—everyone, that is, except Spielberg. By one account—denied by everyone at DreamWorks—he was so unhappy at the collapse of the Universal deal he didn’t speak to Geffen for weeks. At the very least, he was deeply ambivalent about working for Paramount. While most of Dream-

never run a studio. And Brad turns around and hires another television person, Gail Berman, who knows nothing! You had three people who had never run a studio!”

And yet, it was Paramount’s very weakness, many believed, that made it so attractive to Geffen as a merger partner. More DreamWorks workers would keep their jobs, and, it was widely thought, Geffen expected to dominate the inexperienced Paramount team. His post-merger decision to hire Universal’s Stacey Snider to run DreamWorks beneath the Paramount banner was viewed as a way of positioning an ally to take over for Grey if and when he stumbled.

Still, despite a difficult transition period, relations between the DreamWorks and Paramount camps remained generally peaceful in those early months. Insiders give much of the credit to the calming influence of Freston, who was friendly with all the principals,

especially Geffen. “Things were actually going O.K. internally,” says a Paramount partisan. “The DreamWorks guys weren’t in the strongest position, remember. Their first three movies, *The Last Kiss*, *Flags of Our Fathers*, and *Flushed Away*—none of them did anything. They actually took a \$100 million write-down on *Flushed*. But then, toward the fall, things began to change.”

The first tremor came eight months after the merger, in August 2006, when Redstone suddenly “fired” Tom Cruise from a Paramount production deal; though it had been Grey and Freston who decided to let Cruise’s deal lapse, it was Redstone who, in a series of interviews, blamed Cruise’s erratic behavior—jumping on Oprah’s couch, etc.—for disappointing ticket sales for Paramount’s *Mission: Impossible III*. Redstone clearly enjoyed his moment in the sun, but his criticism of Cruise broke one of Hollywood’s long-standing

other suggestion from Geffen that Viacom purchase DreamWorks Animation. Geffen and Redstone didn’t speak for a year.

Had Freston remained in place, it’s entirely possible he could have calmed the waters. With his departure, however, Brad Grey was left to fend for himself, and Grey and his team swiftly proved unable to keep DreamWorks happy. Less than two months after Freston’s firing, Paramount’s distribution chief, Rob Moore, was quoted in *The New York Times* blaming director Clint Eastwood for the disappointing performance of *Flags of Our Fathers*. “The biggest draw of the movie is its director, who’s not in the movie,” he claimed. Like Redstone’s castigation of Cruise, it was a moment when a “suit” publicly took “talent” to task, and across Hollywood the talent didn’t like it one bit.

“I remember that morning, the whole town was like, ‘Did he really say this?’” recalls the DreamWorks adviser. “This is Hollywood—you just don’t do that! You

said it was important that he say something, because there would be members of the Viacom board in the audience. Geffen was beside himself. The night of the premiere, Press took Grey aside and pleaded with him to stay seated, and director Bill Condon was even sent over to second the request. But Grey went ahead anyway, giving the impression that *Dreamgirls* was a Paramount film. He made a similar speech at the movie’s Los Angeles premiere.

Geffen’s anger only intensified when Redstone was quoted in Nikki Finke’s gossip blog, telling a dinner party that Grey had explained to him that *Dreamgirls*’ failure to win an Academy Award nomination for best picture occurred because “everyone hates David” Geffen. “That was big,” says the DreamWorks adviser. “That was a big mark in the road.”

“THESE PEOPLE ARE A NIGHTMARE,” SAYS GEFFEN. “I’VE NEVER SEEN BEHAVIOR LIKE THIS.”

commandments: Suits Do Not Publicly Criticize Talent. In the DreamWorks camp, no one is more respectful of Hollywood tradition than Spielberg, who was irked by Redstone’s comments. Ironically, the incident came at a time when relations between Spielberg and Cruise were poor. Spielberg felt the actor’s antics had hurt his own movie, 2005’s *War of the Worlds*. Far worse, though, had been an episode when Spielberg told Cruise the name of a doctor who had prescribed medication to a relative and the doctor’s office was subsequently picketed by Scientologists.

The Cruise dismissal, however, was nothing compared to the sudden firing of Freston as Viacom’s C.E.O., two weeks later. Now it was Geffen’s turn to burn. Geffen, for whom much of business is personal, had felt he was selling DreamWorks to Freston; he barely knew Redstone and didn’t much like what he saw. Worse, he felt the abrupt dismissal showed a lack of respect for Freston’s 26 years of service. “There was a loyalty issue for David,” says the DreamWorks adviser. “David was deeply loyal to Tom Freston, and he couldn’t fathom how Tom could just be fired like that. It was insanity to him.” The DreamWorks adviser confirms a widely reported phone call Geffen made to Redstone in the wake of Freston’s firing, in which Geffen reportedly suggested that Katzenberg be hired to replace Freston. (Geffen vehemently denies this.) Redstone has said he dismissed an-

simply say, ‘It was a great movie,’ and let it go. Well, all you need to know is Clint Eastwood is Steven Spielberg’s idol.” Spielberg felt Eastwood had been publicly humiliated and, according to several sources, demanded and received a meeting with Moore, who tried his best to mollify him.

IV

But Spielberg’s irritation at the Cruise and Eastwood incidents paled before the behind-the-scenes drama over *Dreamgirls*. The big-budget musical had been Geffen’s baby for almost 25 years, since it had debuted on Broadway. He had been involved in every detail of its production, and as the movie’s New York premiere approached, last December, he had strong feelings about how he wanted the evening handled. Most of all, he wanted a “cold opening” (that is, for the movie to begin in darkness, without the usual endless introductions from the studio head and director and pre-curtain calls for the actors), the better for the audience to appreciate its rousing, spectacular first scene.

The request was initially routed to Paramount’s public-relations representative, Janet Hill, who rejected it. She said Grey had remarks he planned to deliver before the movie began. DreamWorks’ marketing chief, Terry Press, appealed to Hill to change her boss’s mind. He wouldn’t. Stacey Snider appealed. That too had no effect. Finally, Geffen himself telephoned Hill. She said it was Grey’s call. Geffen phoned Grey, who

By early 2007, every week seemed to bring a new disagreement between DreamWorks and Paramount operating executives. A January *Los Angeles Times* article reported that Stacey Snider had heatedly objected to a press release Grey’s office issued that lumped her in with others reporting to Grey; it was true, but Snider, who as DreamWorks C.E.O. had the ability to green-light films on her own, took offense at the tone, leading to a sharp telephone exchange with Grey. Spielberg, meanwhile, was growing irked at Grey’s tendency to refer to DreamWorks movies as Paramount movies. “I take exception when the press is contacted by our friends and partners at Paramount, who refer to every DreamWorks picture as a Paramount picture,” Spielberg told *The New York Times* in February. “It is not the case.” (Through a spokesman, Spielberg declined to comment for this article.)

As tensions rose, the most common flash point took the form of nasty exchanges between the longtime DreamWorks press handler, Terry Press, and Paramount’s P.R. woman, Janet Hill. Hill blamed Press for unflattering references to Grey in the *New York Post*’s “Page Six” and other gossip columns. Press criticized Hill for allowing Grey’s name to be drawn into media coverage of the Anthony Pellicano wiretapping investigation; nor could she understand Grey’s willingness to announce a separation from his wife, Jill, in Liz Smith’s gossip column. The situation had erupted spectacularly at the 2006 Cannes Film Festival, when Hill angrily blamed Press for talking to a gossip columnist. When Geffen got wind of this, he stalked into the *Vanity Fair* dinner at the Hôtel du Cap, barking, “Point out Janet Hill,” and then proceeded to rip into Rob Moore, accompanied by his wife, as terrified onlookers ran for cover. Hill resigned this past June. Geffen was widely blamed. (Hill could not be reached for comment.)

“All this, all this noise, really started to per-

colate after they finally had a successful film, *Dreamgirls*,” notes a Paramount partisan. “After *Dreamgirls*, there started to be a lot of noise about credit, that Paramount was getting too much credit for the success of *Dreamgirls*. Then DreamWorks had a string of huge successes. *Norbit*, \$95 million. *Blades of Glory*, \$120 million. *Disturbia*, \$80 million. And then *Transformers*, the biggest [live-action] hit in DreamWorks history, \$315 million. So it’s all during that run, where DreamWorks has been doing better and better, where DreamWorks has gotten more and more unhappy. It was in the spring, I remember, where everyone [at Paramount] began reaching out to DreamWorks, saying, ‘What do you need? We want you to be happy.’” (Paramount, meanwhile, had been floundering with *Shooter*, \$47 million, and *Zodiac*, \$33 million.)

A series of meetings between Geffen and Grey ensued. Anxious to placate Geffen, Grey gave him practically everything he asked for. Paramount would stop referring to DreamWorks movies as its own. Snider’s green-light authority was increased from \$85 million to \$100 million—\$150 million for a movie Spielberg directed. And DreamWorks was given authority to hire its own corporate public-relations person. By June, as the talks wrapped up, tensions appeared to be diminishing.

And there things lay for a month or so. For a time, peace seemed attainable. All through the spring Grey appeared to re-double his efforts to soothe Geffen and especially Spielberg, reportedly visiting the director on the Connecticut set of his fourth Indiana Jones film, which Spielberg was filming for Paramount. Grey also visited Spielberg at his compound in the Hamptons to hand him a \$1 million check for the Shoah Foundation, an archive of oral histories about the Holocaust started by Spielberg. He even attempted to co-opt Terry Press, soliciting and accepting her advice on how best to live peacefully with the DreamWorks trio. When Press and others urged him not to be photographed alone with the stars of DreamWorks’ *Shrek the Third* at the movie’s premiere—the better to keep the focus on DreamWorks—he agreed, posing alongside Stacey Snider. He did the same at the premiere of *Transformers*.

But then, in mid-July, just as Paramount executives began to bask in the glow of a Pax Geffenica, came a bombshell: a pointed article by *BusinessWeek*’s Los Angeles—bureau

chief, Ronald Grover, claiming that Spielberg and Geffen remained unhappy and were prepared to bolt once Spielberg’s contract expired, in October 2008. The article’s sourcing was anonymous, but Geffen’s fingerprints were all over it; Geffen admits, in fact, that he was one of Grover’s main sources. The piece blindsided Grey’s team. “We gave

them everything!” says one Paramount executive. “And then, what?—six weeks later, it was: Well, not really. People are scratching their heads saying, ‘We don’t understand.’”

THE DREAMERS

David Geffen, Jeffrey Katzenberg, and Steven Spielberg at the New York Stock Exchange, the day after the I.P.O. of DreamWorks Animation SKG Inc., October 28, 2004.



“WHAT ARE WE SUPPOSED TO DO? BEND OVER SOME MORE?” SAYS A REDSTONE EXECUTIVE.

It was at that point that we realized, O.K., there’s something else going on here. There’s another agenda. And it was over our heads.”

Grover’s article triggered a series of follow-up pieces in *Slate* and *Daily Variety*, among other places, as more beat reporters tried to make sense of the situation. Most painted Geffen and Spielberg in sympathetic terms; none were especially kind toward Redstone. A *Los Angeles Times* report lamented Redstone’s “overblown ego and tin ear with talent” and termed him “an elderly grandfather” similar to bygone studio chiefs such as Darryl Zanuck, “hanging onto the trappings of power long after they’d lost the cunning and creative zest that had made them titans of the industry.” Then, barely a week later, came a small item on Nikki Finke’s Hollywood-gossip blog; it reported that Redstone’s marriage was on the rocks. He and his wife, Paula, had engaged in two public arguments, one in front of people at the premiere of the movie *Stardust*. (“These are untrue and malicious rumors,” says a Viacom spokesman. “Sumner continues to say that Paula is the best merger he ever made.”)

In August, in the wake of these stories, I called the Redstone adviser, who blamed all the bad publicity—including the Finke item—on Geffen, who, he said, was launching a covert press campaign in an effort to bring Redstone to the bargaining table. What Geffen wanted, he couldn’t say. At first the adviser’s tone was more winsome than combative. “We’re not going to win this one,” he said. “There’s nothing we can do. We don’t have the leverage Geffen has in this town. Sumner doesn’t even want to play the game. Geffen, I mean, he’ll do anything. He’ll say anything. We keep telling Sumner, ‘Keep your head

down till this blows over,’ but it probably won’t. If we fight back, well, then they’ll come after Sumner with everything they have.”

Articles about Redstone in *Fortune* and elsewhere, spurred in part by critical remarks Redstone himself had made about his daughter, Shari, continued through August, and by Labor Day Redstone’s men had come to believe they had no choice but to respond. The next time I spoke with the Redstone adviser, in early Septem-

ber, he all but jumped through the phone in a full-throated excoriation of Geffen. I was in a taxi, and struggled to scribble down remarks that flew as fast as bullets. Of Geffen, the adviser said, “He’s all over town, saying this and that. You know what this is? Seller’s remorse. I tell you, they’re testing our patience. . . . I’m telling you, we’re about fed up with this stuff. All their movies, *Indiana Jones*, everything in their library and everything in their pipeline, you know what? It’s all ours! Tough! They want to leave? They want to go start over? Fine. Leave! We have done everything we can to make them feel special. Everything! And nothing is enough!”

V

By September the escalating tension between Geffen and Redstone was making things difficult for Katzenberg, whose role in all this is sharply different from those of his partners, Spielberg and Geffen. He remains C.E.O. of DreamWorks Animation, whose movies are marketed and distributed by Paramount; unlike Geffen, who has few day-to-day management responsibilities

PETER MORGAN

at Paramount, Katzenberg depends on getting along with Brad Grey's team—a team, it should be said, that Katzenberg has the highest compliments for. Katzenberg wanted peace. So on Monday night, September 17, he sat down with DreamWorks attorney Skip Brittenham and discussed how to obtain it.

"I think everyone agrees that the purchase of DreamWorks was both a great coup and a giant financial success," says Katzenberg. "But when you have profited so greatly, it's imperative to find other ways to reward people, especially people like Steven Spielberg and David Geffen, who are more interested in how they are treated than in money. Everyone wants to be appreciated.

"Separate from money, there are ways you can reward talent . . . make them feel appreciated, valued, respected. That is the crux of the issue. . . . DreamWorks has not

tried in the event somebody shows up to help them start a studio from scratch."

For Dauman, whose public remarks are almost always diplomatic and reserved, it was tantamount to telling Spielberg and Geffen to go to hell. Much of Hollywood—and all of DreamWorks—erupted. "Completely immaterial? Can you believe this?" a DreamWorks adviser blurted the next morning. "How could they call Steven Spielberg insignificant? They must be out of their minds!"

"As a filmmaker, storyteller, artist and conscience, Steven Spielberg is nothing short of a national treasure," Katzenberg said the next day. "To suggest that not having Steven Spielberg is completely immaterial seems ill-advised. I think calmer heads need to prevail here."

Geffen's adjectives were more colorful, not to mention unprintable. "These people

betrayed him, is still reluctant to criticize him publicly, in large part, as a DreamWorks adviser points out, because he was instrumental in Grey's hiring.

By October, while the public sniping was receding, the break between the Geffen and Redstone forces appeared permanent. Privately, DreamWorks executives say they see little chance of salvaging the relationship. Geffen has already told people he has been approached by G.E. about Universal and by other prospective new homes—and indeed he has said that he is considering buying NBC Universal if G.E. were to sell it. If a move is made, it would allow Geffen to "reboot" everything and still call it DreamWorks. (Rights to the DreamWorks name are owned by Katzenberg.)

"Oh, I think they're gone," says a onetime Hollywood C.E.O. who has worked closely with everyone involved. "I think they get a big offer and go back to Universal. Maybe they take an equity interest. Ronnie [Meyer] takes some piece of it." He chuckles, then mentions Kirk Kerkorian, who has seemingly bought and sold a single studio, MGM, a dozen times over the last 30 years. "They're going to be like Kirk Kerkorian, where they keep selling the same thing over and over again. I always wondered how Kirk did that. I guess now we'll find out."

And the Geffen-Redstone feud? Was it real or some kind of corporate Kabuki? As this article was going to press, a sudden telephone call from Geffen suggested it might all have been a lot of sound and fury, signifying nothing.

"I just want to say thank you," Geffen said. "Your reporting on this story, somehow you've so provoked Redstone he has come over to see me and we've cleared up a lot of these issues. This article, you, you did this. A lot of this was bullshit. This was about our personal relationship. And we've cleared up a lot of this. And a lot of this I feel like I owe to you. All of this stuff we've allegedly said, I've allegedly said, we don't have a problem anymore. Our personal problem, we've resolved. We've cleared the air. And it was all because of you. Most of it was misinformation. And when you're not talking to each other, you can't resolve anything. So Sumner called up, he apologized to me for anything he said that may have upset me. I apologized for things that may have upset him. And we cleared the air. And we don't have a problem with each other. We may still have problems between Paramount and DreamWorks. But not with each other."

The Viacom spokesman confirmed the cease-fire, but declined to comment further.

It's certainly possible *Vanity Fair* possesses miraculous diplomatic clout. But the actual reason for this latest twist can likely be found only in the strange and wonderful mind of David Geffen. □

"WHEN IT COMES TO TALENT RELATIONS, [THE PARAMOUNT PEOPLE] SIMPLY MISSED," SAYS KATZENBERG.

been given the proper respect, or credit. Talent relations is the fuel of this industry. Every day for 25 years, [former MCA/Universal studio chief] Sid Sheinberg made Steven Spielberg feel like the most important person in the world to him. In ways large and small, he made it clear to Steven how much he mattered. The people at Paramount and Viacom haven't done this. Maybe it's out of intimidation or fear or a lack of understanding of what's at stake, but when it comes to talent relations, they've simply missed."

On Tuesday morning, September 18, Katzenberg telephoned Geffen and urged him to dial things down a notch. Geffen said he would keep an open mind. Then, barely an hour later, came the news that Redstone had finally "engaged." Viacom's C.E.O., Philippe Dauman, the man who had replaced Tom Freston, was speaking at an investors' conference in New York. A Viacom adviser had already told a handful of reporters what to expect. But Dauman's words still rocked Hollywood.

Asked about the possibility of losing Spielberg, Dauman said, "We're doing everything possible to make him happy. . . . Now, Steven and his team have the right to leave if they choose at the end of next year. At that point, if there is someone who steps in with \$1 billion, \$2 billion, whatever, stepping into the [Microsoft co-founder] Paul Allen role a decade ago to start a new studio from scratch, that is a possibility. And we're planning for that." Dauman then praised Paramount's upcoming films, before concluding, "So, the financial impact to Paramount first and especially to Viacom overall would be completely immate-

are a nightmare," he told me. "Don't you understand? To refer to Steven Spielberg as immaterial is not only disrespectful but it does not entitle them in any way to be in business with him. I've never seen behavior like this in my entire life. Steven Spielberg is anything but immaterial to me and all the people at DreamWorks. We love him!"

"Clever of David to make it all about Spielberg," says a person who knows Geffen well.

Redstone's men, meanwhile, were elated. They felt Dauman had struck just the right tone and had succeeded in placing Geffen on the defensive. "What we did was take the bogeyman out of the closet," Redstone's adviser told me. "You don't scare us. You can't rattle [the prospect of leaving] at us anymore. We understood this would be a big deal in Hollywood. Because nobody ever says that kind of stuff. Out there, Geffen and those guys yell 'Jump' and you're supposed to yell, 'How high?' Well, they got slapped on the wrists a little for trying to turn this into an attack on Saint Steven. We're fine with that." He sighs. "What are we supposed to do? I mean, Brad doesn't know what to do at this point. He doesn't know what to do to make them happy. Do we have to have lunch with them every day? It's hard to have lunch with David Geffen when you know what he's saying about you all over town."

Indeed, DreamWorks partisans can be withering when discussing Grey, whom they portray as an imperial overlord in love with his perks, grabbing seats reserved for actors on private jets. Geffen, who has been heard around town saying that Grey has