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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR LOS ANGELES COUNTY

SONY PICTURES TELEVISION INC., JEOPARDY PRODUCTIONS, INC., and CALIFON PRODUCTIONS, INC., Plaintiffs, vs. CBS STUDIOS INC., and DOES 1 through 10, inclusive, Defendants.	Case No. **COMPLAINT FOR BREACH OF CONTRACT** **<u>JURY TRIAL DEMANDED</u>**

Plaintiffs Sony Pictures Television Inc.; Jeopardy Productions, Inc.; and Califon Productions, Inc. (collectively, “Plaintiffs” or “Sony Pictures”) bring this action against Defendant CBS Studios Inc. (“CBS” or “Defendant”) and Does 1 through 10.

NATURE OF THE ACTION

1. Five days a week for more than four decades, no matter what changed in the world—be it the end of the Cold War, the turn of the millennium, or a global pandemic—millions of Americans have played along with *Jeopardy!* and *Wheel of Fortune*[1] from the comfort of their homes. These Merv Griffin creations are widely considered two of the greatest and most popular game shows in American history.

2. For more than 35 years, Sony Pictures has been responsible for producing and financing the Shows, delivering over 400 high-quality and top-rated episodes per year. Sony Pictures entrusted CBS, by contract, with the obligation and duty to distribute these prized shows. CBS expressly undertook the duty to use its "best efforts" to license the Shows to local television stations and to sell national advertising in a manner that would maximize the receipts that could be obtained from distributing these very valuable properties. In return, CBS gets a 35% to 40% share of the receipts. Unfortunately, it is now clear that CBS has fallen woefully short of holding up its end of the bargain. The reality is that CBS has been egregiously undercutting the value and profitability of these shows in favor of its own self-interest and in violation of its contractual obligations.

3. Rather than live up to its obligations under the terms of the parties' agreements, CBS recently admitted that it entered unauthorized licensing deals, in plain violation of a negotiated, two-year limit for such licenses under the agreements, and then paid itself a commission on those deals. These unauthorized deals are just the tip of the iceberg. In fact, CBS has licensed the Shows at below-market rates; has failed to maximize advertising revenue; has undercut *Jeopardy!* and *Wheel of Fortune* through self-preferencing; and has rendered itself incapable of administering its obligations under the agreements, including by its far-reaching layoffs that have decimated teams responsible for the Shows' distribution, marketing, and advertising sales and its decision to abandon its partnership with ratings provider Nielsen, whose ratings are critical for CBS to maximize advertising sales and syndication licenses. CBS's failures and pattern of financially self-interested behavior—which at bottom come

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[1] Collectively referred to as "the Shows," "the Series," or "the Property" in this Complaint.

down to putting its own business interests over its contractual obligations to Sony Pictures—are straightforward breaches of the agreements' express best-efforts clauses and the implied covenant of good faith and fair dealing.

4. The agreements at issue were executed in 1982 and 1983 between Plaintiffs' and CBS's predecessors. Under the original agreements and amendments ("the Agreements"), CBS was granted the exclusive right to distribute the Shows in domestic television syndication and certain foreign distribution rights. CBS is obligated to put forth its "best efforts" to "secure the maximum receipts" from the distribution of the Shows. That distribution obligation (hereinafter, "Distribution" or "Distributing") encompasses, but is not limited to, licensing the Shows to local television stations and station groups; selling national advertising and maximizing advertising sales revenue; promoting and marketing the Shows locally and nationwide; specified merchandising; distributing the shows to linear broadcasters internationally; and licensing the format in international markets. In return, CBS receives a percentage of the receipts from Distribution. And CBS has profited massively—to the tune of more than a billion dollars—under the Agreements, due principally to Sony Pictures' ongoing investment in and consistent dedication to producing the Shows.

5. In March of 2023, CBS belatedly notified Sony Pictures that it entered into "a few international deals" to license the Shows in Australia and New Zealand for a period that plainly violated a negotiated, two-year limit for such licenses under the Agreements. CBS also admitted that it pocketed distribution fees from these unauthorized deals. When Sony Pictures demanded that CBS remit its ill-gotten gains, CBS refused. After over a year of trying and failing to get CBS to cure its material breach, Sony Pictures has been forced to file this Complaint.

6. But CBS's misconduct goes far beyond the unauthorized Australia and New Zealand deals. Plaintiff's investigation has revealed that CBS has failed to put forth its "best efforts" in Distributing the Shows to "secure the maximum receipts therefrom," thereby abdicating its core contractual duty under the Agreements. Most notably, CBS has failed to license the Shows at the premium prices they deserve to obtain both domestically and abroad; has neglected to maximize gross receipts from advertising sales; has self-preferenced and prioritized CBS's far-less-popular assets at

the expense of the Shows, including by giving its wholly-owned shows privileged premium placements at the Shows' expense and bundling the Shows in a way that reduces the gross receipts attributable to the Shows from licensing and advertising sales; has failed to maximize prices for foreign-format licensing; has conducted massive layoffs; and has failed to renew its Nielsen ratings contract that have rendered CBS incapable of fulfilling its obligations under the Agreements.

7. CBS's wrongdoing is all the more egregious given Sony Pictures' extraordinary efforts to uphold *its* end of the bargain in producing two of America's greatest game shows. Sony Pictures and its staff have for decades worked to bring each episode to life. Sony Pictures' talented writers, researchers, and producers come up with the clues and puzzles that keep contestants and audiences guessing. Sony Pictures' executives and producers identify and hire the Shows' iconic hosts, who have become synonymous with the shows themselves, including Pat Sajak, Vanna White, the late Alex Trebek, Ken Jennings, and Ryan Seacrest. To this day, Sony Pictures' dedicated crew tapes every episode before a live studio audience at the historic Sony Pictures lot in Culver City. Just this season, Sony Pictures invested millions of dollars in state-of-the-art camera, lighting, and editing equipment, and upgraded the sets and technology that support production of the Shows. It is this longstanding and continuous dedication that has built *Jeopardy!* and *Wheel of Fortune* into national and international treasures that have, collectively, won more than 50 Emmy Awards and secured another 212 Emmy nominations.

8. Sony Pictures brings this action in response to CBS's widespread breaches of the Agreements and to protect the value of two of America's favorite and longest-running game shows.

THE PARTIES

9. Sony Pictures Television Inc. is a corporation organized and existing under the laws of Delaware, with its principal place of business located at 10202 W. Washington Boulevard, Culver City, California. It is a third-party beneficiary under the Agreements and is affiliated with Jeopardy Productions, Inc. and Califon Productions, Inc.

10. Jeopardy Productions, Inc. is a corporation organized and existing under the laws of Delaware, with its principal place of business located at 10202 W. Washington Boulevard, Culver City, California.

11. Califon Productions, Inc. is a corporation organized and existing under the laws of California, with its principal place of business located at 10202 W. Washington Boulevard, Culver City, California.

12. Plaintiffs own, and at all times relevant to this Complaint have owned, all contractual rights possessed by the "Owner(s)" under the Agreements.

13. Upon information and belief, CBS Studios Inc. is a corporation organized and existing under the laws of Delaware with its principal place of business located at 7800 Beverly Boulevard, Los Angeles, California. Upon information and belief, CBS Studios Inc. owns, and at all times relevant to this Complaint has owned, all contractual rights possessed by the "Distributor(s)" under the Agreements. Upon information and belief, CBS Studios Inc. operates under the Agreements through CBS Media Ventures, a division of CBS Studios Inc.

14. The true names and capacities, whether individual, corporate, association, or otherwise, of the Defendants Does 1 through 10 are unknown to Plaintiffs, who therefore sue said Defendants by fictitious names. Plaintiffs are informed and believe, and thereupon allege, that each of the Doe Defendants designated herein is responsible in the same manner for the events and happenings herein referred to, and in some manner caused the injuries and damages to Plaintiffs alleged herein, and include Defendant's agents, predecessors-in-interest, successors-in-interest, and assigns. Plaintiffs will ask leave of the court to amend this Complaint to insert the true names and capacities of said Defendants when the same have been ascertained by Plaintiffs, together with the appropriate charging allegations, and to join such Defendants in this action.

JURISDICTION AND VENUE

15. The Court has subject matter jurisdiction over Plaintiffs' claim for breach of contract.

16. This Court has personal jurisdiction over Defendant because Defendant maintains its principal place of business in Los Angeles, California, and regularly communicates and engages in business with Plaintiffs, who are located in California, under the Agreements.

17. Further, Defendant operates under the Agreements through its CBS Media Ventures division, which, upon information and belief, has its principal place of business in Los Angeles, California.

18. Venue is proper in this Court pursuant to California Code of Civil Procedure Section 395 because Defendant resides in Los Angeles County, California.

FACTUAL ALLEGATIONS

A. The Distribution Agreements

19. At all relevant times, Sony Pictures and related entities have owned all rights in *Jeopardy!* and *Wheel of Fortune*, including all copyrights and trademarks.

20. Califon Productions, Inc. and CBS Studio Inc.'s predecessor, King World Productions, Inc., entered into a Distribution agreement for the *Wheel of Fortune* television series on December 15, 1982 ("*WOF* Agreement").

21. Califon Productions, Inc. entered into a similar Distribution agreement with King World Productions, Inc. for the *Jeopardy!* television series on November 1, 1983 ("*Jeopardy!* Agreement").

22. Through the *WOF* Agreement and the *Jeopardy!* Agreement, Plaintiffs granted CBS the "sole and exclusive right . . . to distribute" the Series "by syndication . . . by means of free television broadcasting" for "so long as" Plaintiffs "produce[] episodes for first-run syndication …."

23. The initial agreements executed by the parties provide for Distribution in the United States only, in the first-run syndication market, and only on a season-by-season basis.

24. By subsequent amendments, the Distribution territory under the initial agreements was expanded to international territories, with the express limitation that each such license could be "for a period not to exceed two (2) years." Consistent with the Agreements, it is the longstanding practice and understanding of both parties that only Sony Pictures controls the right to license and distribute to international territories beyond two years.

25. The Agreements entitle CBS to deduct its "[d]istribution [f]ees" and certain expenses from the gross receipts paid to and received by CBS from Distribution of the Series. Sony Pictures is entitled to the remainder. CBS's distribution fees range from 35% to 40% under the Agreements.

26. Under the Agreements, in exchange for granted rights and a share of the receipts from Distribution, CBS has promised to "use its best efforts . . . to distribute the Property so as to secure the maximum receipts therefrom." CBS's duties and responsibilities for which its best efforts are required under the Agreements include, but are not limited to, licensing programming domestically and (within certain limitations) internationally and selling advertising.

27. The Agreements are governed by New York law.

28. In accordance with the Agreements, it has been the explicit understanding of Sony Pictures and CBS that any and all Distribution rights not expressly granted to CBS are retained by Sony Pictures and related entities.

29. The scope of CBS's limited Distribution rights under the Agreements is a material term of the Agreements because, among other reasons, it also defines the distribution rights for the Series that Sony Pictures retains and has retained for more than 35 years.

30. At all relevant times, CBS has made any payments under the Agreements to Sony Pictures Television Inc., with the understanding that Jeopardy Productions, Inc. and Califon Productions, Inc. have assigned their share of receipts under the Agreements to Sony Pictures Television Inc. consistent with the Agreements' terms.

B. CBS Admits It Breached The Distribution Agreements In March 2023.

31. On March 13, 2023, a CBS Media Ventures executive vice president contacted Sony Pictures to advise that CBS had entered into a number of foreign licensing agreements in Australia and New Zealand that exceeded the scope of certain Distribution rights granted under the Agreements. Because CBS did not disclose the terms of its third-party license agreements, Sony Pictures had previously been unaware of CBS's breach.

32. In entering those foreign licensing agreements ("Unauthorized Deals"), CBS violated its limited Distribution rights under the Agreements: The Unauthorized Deals lasted for more than two years.

33. The two-year limit for such licenses is a material term of the Agreements because it delineates between foreign distribution rights granted to CBS and rights retained by Sony Pictures.

34. After learning of the breach, Sony Pictures sought additional information concerning the scope of the Unauthorized Deals, as well as the amount of gross receipts and distribution fees that CBS had collected and retained from the Unauthorized Deals.

35. In June 2023, CBS confirmed that the number of Unauthorized Deals far exceeded those it had originally identified in March 2023.

36. Though CBS had no contractual right to any proceeds from the Unauthorized Deals in the first place, it nevertheless insisted on keeping its distribution fees or commission from unlawfully exploiting Sony Pictures' intellectual property.

37. Eventually, Sony Pictures deduced that CBS had kept millions of dollars in connection with the Unauthorized Deals—more than $3.6 million. At no point, despite requests to CBS as early as August 2023, has CBS remitted the ill-gotten distribution fees.

38. In June 2024, Sony Pictures renewed its demand for CBS to return the impermissible distribution fees.

39. On July 1, 2024, the President and CEO of CBS Media Ventures contended that Sony Pictures had received its "share" of all revenue it was entitled to receive under the Unauthorized Deals, even though CBS had unlawfully kept a portion of the receipts from the monies collected under these Unauthorized Deals. The correspondence made CBS's position clear: CBS would not cure its material breach of the Agreements by remitting the improperly obtained and retained distribution fees.

40. On August 19, 2024, Sony Pictures sent CBS a letter terminating the Agreements due to CBS's failure to cure within 30 days its material breaches of the Agreements ("Termination Letter").

41. On August 23, 2024, CBS responded in writing to the Termination Letter by contending, among other things, that the Termination Letter had no effect, that the Agreements remained in place, and that CBS would continue Distributing the Series.

42. In light of CBS's August 23 letter and CBS's refusal to remit to Sony Pictures the improperly obtained and retained fees, Sony Pictures has been forced, reluctantly, to resort to litigation.

C. <u>CBS's Admitted Material Breach Is The Tip Of The Iceberg.</u>

43. As it turns out, CBS's material breach arising out of the Unauthorized Deals—and subsequent refusal to remit what it impermissibly collected in distribution fees—is just one of many examples of CBS's manifest failure to comply with its obligations under the Agreements.

44. Under the Agreements, CBS expressly promised to use its "best efforts" to "secure the maximum receipts" from Distribution of the Shows. Distribution encompasses licensing the Shows, selling advertising, marketing, and promotions, as well as pursuing steps to support those overarching functions, including maintaining appropriate staff, managing affiliate relations, and tracking relevant ratings and other data to inform decision-making.

45. The Agreements also contain an implied covenant of good faith and fair dealing, which requires CBS to Distribute the Series in good faith and at the same time prohibits CBS from taking action to undercut the success of the Series for its own benefit or undertaking activities in derogation of its Distribution obligations.

46. As set forth below, CBS has violated both the express requirement that it use its "best efforts" to "secure the maximum receipts" from Distribution of the Shows and the implied covenant of good faith and fair dealing.

47. While Plaintiffs presently assert claims arising out of CBS's material breach in profiting from the Unauthorized Deals, as set forth in Section B above, Sony Pictures provided notice in writing to CBS on October 31, 2024, of additional material breaches, examples of which are set forth below. Sony Pictures has done so without waiving its right to contend that notice was not required under the applicable law due to, among other things, the incurable nature of CBS's breaches. Regardless, if CBS fails to remedy those breaches and the injury they have caused by November 30, 2024, Plaintiffs will

amend this Complaint to expressly assert claims arising out of CBS's breaches of the Agreements' best-efforts clauses and the implied covenant of good faith and fair dealing.

1. <u>CBS's Dismal Performance</u>

48. Because *Wheel of Fortune* and *Jeopardy!* are the two most popular syndicated television series nationwide, they can be licensed to local affiliate television stations nationwide at premium prices. But in practice, CBS failed to obtain the premiums for the Shows that it could have and should have obtained had it exercised its best commercial efforts in domestic Distribution.

49. For years, CBS had told Sony Pictures that it projected minimal (i.e., 1-2%) or no growth in year-over-year licensing revenues from domestic Distribution of the Shows. CBS's exact words to Sony Pictures executives were: "Flat is the new up."

50. Skeptical of and concerned about those projections, Sony Pictures had to step in and protect the value of its properties. Sony Pictures began to actively participate in the ABC station group negotiations in 2018, later taking complete control of negotiations with the ABC station group in the top eight major metropolitan markets, which account for over 40% of the total revenue derived from domestic station affiliate licensing fees. In doing so, Sony Pictures diverted its own staff and resources to perform *CBS's* obligations to negotiate licenses for domestic syndication under the Agreements. Sony Pictures did so in order to protect its assets and to confirm whether CBS's projections and performance were a product of good-faith and best efforts, or whether they were not.

51. The results were stark. When Sony Pictures first became involved in the ABC station group negotiations in 2018, license fees for the next renewal term shot up by 17%. Sony Pictures-led negotiations between 2021 and 2022 culminated in an even more significant increase in licensing fees for the following renewal term with bids from all major station groups. Before Sony Pictures stepped in—i.e., before Sony Pictures started doing the work that CBS was obligated to perform under the Agreements—CBS's licensing revenues from these eight markets had completely stagnated, with minimal or nonexistent growth. CBS profited handsomely from Sony Pictures' negotiating efforts, as it collected a distribution fee on the increased receipts from these top eight markets, thanks to Sony Pictures' intervention.

52. During the same period that Sony Pictures was doing CBS's work for them with the ABC station group, CBS continued to license the Shows to other station groups and network affiliates nationwide. CBS's performance during this period (or lack thereof) was consistent with CBS's stated mantra that "flat is the new up." CBS was getting much lower growth—in the range of 1% per year—in licensing fees from the markets in which it continued to negotiate licenses.

53. Sony Pictures' success in achieving growth in those markets was not due to any unusual strategy, nor was it a product of anything peculiar to those particular affiliates. The growth was principally due to the commodities being sold. *Jeopardy!* and *Wheel of Fortune* are popular, premium television shows, for which any distributor exhibiting commercially reasonable and good-faith efforts could obtain premium licensing fees and significant, consistent growth in those fees over time. What was unusual and peculiar was CBS's manifest failure to achieve any significant growth when dealt such prime products to distribute.

54. CBS's failures extend to foreign distribution and foreign-format licensing, where CBS has distributed *Jeopardy!* and *Wheel of Fortune* at dramatically below-market prices. For example, in March 2024, CBS sold the *Wheel of Fortune* format for $384 per episode to the Johannesburg-based Primedia for distribution in South Africa. Under that deal, Primedia agreed to purchase a minimum of 100 and maximum of 260 episodes. Around that same time, Sony Pictures secured a deal with Primedia for a game show's format it distributes itself called *Raid the Cage*, which, while successful, is a far lesser-known brand than *Wheel of Fortune*. Sony Pictures sold 260 episodes of *Raid the Cage* for $1,500 per episode. In other words, Sony Pictures sold *more* episodes of a *less* popular show at nearly *4x* the price per episode. As with domestic licensing, Sony Pictures did not get a better price due to any unique tricks of the trade; Sony Pictures' efforts to license *Raid the Cage* were in line with the customary practice in the television industry. Had CBS itself exercised its "best efforts" with respect to the more popular and storied *Wheel of Fortune*, it should have secured a higher price-per-episode for that show. Yet CBS's lackluster effort led to a pennies-on-the-dollar foreign-format deal for *Wheel of Fortune*.

55. CBS's failures in both domestic licensing and foreign-format licensing can only be explained by a failure on its part to put forth good-faith and best efforts to maximize receipts from the distribution of *Jeopardy!* and *Wheel of Fortune*, in breach of the Agreements. Among the litany of reasons why CBS's efforts fell far below the threshold of "best efforts" and good faith and fair dealing, two stand out: (1) CBS actively reduces the gross receipts from the Shows by favoring and benefitting its own wholly-owned shows over *Jeopardy!* and *Wheel of Fortune*; and (2) CBS's massive staffing cuts and restructuring have kneecapped its ability to meet its contractual obligations.

2. <u>CBS's Self-Preferencing At The Expense Of *Jeopardy!* And *Wheel of Fortune*</u>

56. CBS has directly acted against the interests of Sony Pictures by misusing rights given to them under the Agreements to advance its own self-interest in promoting and selling its own much less popular programming. A central term of the Agreements is CBS's commitment to "use its best efforts," consistent with "customary practice in the television industry," with the goal of "secur[ing] the maximum receipts" from Distribution of the Shows. CBS has repeatedly and systematically breached this material contractual term—as well as the implied covenant of good faith and fair dealing—by self-preferencing in at least two ways.

57. *First,* CBS has bundled its own assets with the Shows in procuring licenses to secure value to CBS for its own less popular assets in a way that reduces the gross receipts attributable to *Jeopardy!* and *Wheel of Fortune*.

58. For example, when CBS negotiates licensing deals for the distribution of *Jeopardy!* and *Wheel of Fortune* with local affiliates and station groups, CBS will offer the Shows as part of a larger bundle with other far-less-popular and much-less-marketable shows that CBS wholly owns, like *The Hot Bench* and *The Drew Barrymore Show*, diluting and diverting the pool of gross receipts attributable to the Shows from licensing.

59. Improper bundling also extends to advertising sales. Knowing that the Shows command a higher price to reach viewers (also known as cost-per-mille or "CPM"), CBS bundles advertising sales for the Shows with CBS's less popular shows. The net result is inflated gross receipts for the

CBS-owned content in the bundle, but deflated advertising prices for the Shows. The benefit to CBS is apparent: CBS could not otherwise reach audience number targets for its own shows without riding the coattails of *Jeopardy!* and *Wheel of Fortune*. And, if the agency or brand purchases the bundle, CBS takes 100% of the gross receipts on its much-less-popular shows, gross receipts that accurately should be attributed to *Jeopardy!* and *Wheel of Fortune*.

60. CBS's use of bundling is a material breach of the Agreements in several independent ways. For one, the popularity of *Jeopardy!* and *Wheel of Fortune* typically drive the marketability of the bundles, given the limited popularity and audience for CBS's own television shows. But even though it is *Jeopardy!* and *Wheel of Fortune* that drive the bundled licensing and advertising sales, upon information and belief, CBS allocates a portion of the gross receipts from such bundled license and advertising-sales agreements to CBS-owned shows that, in reality, do not have significant market value and that, absent being bundled with *Jeopardy!* and *Wheel of Fortune*, would be difficult to license and sell advertisements for. Upon information and belief, CBS also allocates a disproportionate amount of gross receipts to its own less-popular assets.

61. What is more, CBS's bundling of *Jeopardy!* and *Wheel of Fortune* with comparatively unpopular CBS-owned shows lowers the gross receipts that CBS would otherwise secure for the Shows had they been sold independently. Indeed, upon information and belief, CBS would often simultaneously offer the Shows to network affiliates outside of the bundle at a premium price *and* as part of a bundle at a discounted price, reflecting the extent to which CBS's less popular shows dragged down the value attributable to *Jeopardy!* and *Wheel of Fortune.* CBS's bundling practices are thus in direct and material contravention of its obligations under the Agreements: Instead of using "best efforts" to "secure maximum receipts" from Distribution of *Jeopardy!* and *Wheel of Fortune*, CBS has used bundling to sell its own shows and reduce the Distribution receipts.

62. *Second*, CBS has given its wholly-owned shows—on which it owes none of the gross receipts to Sony Pictures—privileged premium placements with local network affiliates, displacing such premium placements for *Jeopardy!* and *Wheel of Fortune*. For example, in the Atlanta market, CBS has placed its own show, *Entertainment Tonight*, at WSB-TV 2.1, the #1 ranked station as

measured by widely-accepted ratings and impressions statistics published by Nielsen. By contrast, CBS placed *Jeopardy!* and *Wheel of Fortune* with the #3 ranked station in the market, WXIA-TV 11.1. Similarly, in the Denver market, CBS has secured a premium slot for *Entertainment Tonight* at the #1 ranked network affiliate, KUSA 9.1, while placing *Wheel of Fortune* and *Jeopardy!* at the #2 ranked station, KDVR+.

63. Placement with a higher-ranked, more popular local television station translates to higher revenues for a show. The most popular network affiliates generate more in advertising dollars, and typically also pay higher licensing fees. Placements at the highest-rated network affiliates also contribute to maximizing revenues for a show in the long term, by ensuring that the series is exposed to the largest market audience, and in turn higher advertising rates in the local market. Ultimately, this leads to a larger market nationally, which translates to a higher ratings number and even higher advertising prices.

64. CBS's motive for securing the top spots for its wholly-owned shows—and in the process preventing *Jeopardy!* and *Wheel of Fortune* from occupying those spots—is easy to see. CBS owed none of the gross receipts it received from the distribution of *Entertainment Tonight* to Sony Pictures. Had CBS secured the top spots for *Jeopardy!* and *Wheel of Fortune*, CBS would have owed up to 65% of its gross receipts from those licensing deals to Sony Pictures. But CBS's decision to protect its own bottom line breached its obligations under the Agreements, namely, its obligations to use its "best efforts" to "secure the maximum receipts" from the Distribution of *Jeopardy!* and *Wheel of Fortune*. CBS instead secured maximum receipts for its wholly-owned show *Entertainment Tonight*, relegating *Jeopardy!* and *Wheel of Fortune* to the second or third tier.

3. CBS's Understaffing Has Undercut Its Distribution Efforts.

65. Before 2022, CBS had a dedicated marketing team with expertise in syndicated television that handled the marketing, promotions, and affiliate relations for *Jeopardy!* and *Wheel of Fortune*, along with dedicated researchers for the syndication market. In the years after CBS merged with Viacom in 2019, that changed as Paramount began sweeping layoffs. CBS handed *Jeopardy!* and *Wheel of Fortune* over to a marketing team on its network staff. That team was already responsible for

a full slate of scripted CBS network shows, and lacked the required experience to market syndicated shows airing five days a week, 52 weeks a year. Nevertheless, CBS dropped *Jeopardy!* and *Wheel of Fortune*—along with *eight* other syndicated shows—into the lap of this group. There were no longer the producers who attended the Shows daily to create promotional materials tailored to the episode to send to the affiliates on a regular basis. And the research team dedicated to ratings and syndicated television support was also gutted. In other words, CBS put *Jeopardy!* and *Wheel of Fortune* low on the priority list, and as a result failed to make reasonable efforts (let alone "best efforts") to effectively market and promote the premium Sony Pictures-owned content that CBS was charged with Distributing.

66. Over the last 12 months, CBS has further stripped what limited (and itself inadequate) personnel infrastructure it had assigned to administer its Distribution obligations under the Agreements. In February of 2024, CBS's parent company, Paramount Global, announced that it was laying off 800 employees, or roughly 3% of Paramount's workforce. Those cuts included CBS personnel who, previously, were responsible for administering CBS's contractual obligations to Sony Pictures under the Agreements, including members of the team handling advertising sales. Then, in August 2024, shortly after Skydance Media announced its planned takeover of the company, Paramount Global announced another round of cuts—this time affecting 2,000 employees and roughly 15% of its U.S. workforce. That second, much larger round of cuts has further depleted the ranks of CBS and Paramount personnel responsible for managing, even if poorly, CBS's obligations under the Agreements. Given the extent of cuts, it is unsurprising that CBS has informed Sony Pictures that it is planning to outsource advertising sales in their entirety to a third party.

67. Over the last year, CBS has also laid off a number of key personnel responsible for administering its foreign distribution obligations under the Agreements. Those cuts included the executives principally responsible for the foreign distribution of *Jeopardy!* and *Wheel of Fortune*, including the Senior Vice President and the Vice President of International Formats and various consultants. At present, oversight of foreign-format licensing for the Series has been left to a few newer

employees with little experience with the foreign-format licensing for the Shows, despite CBS's obligation to use its "best efforts" to pursue foreign-format licensing under the Agreements.

68. Paramount Global has signaled that further cuts are forthcoming, purportedly to achieve $500 million in cost-savings and boost its profitability. Those cuts will further erode CBS's capacity to execute its material obligations to Sony Pictures under the Agreements. With its latest rounds of layoffs and restructurings, which themselves came after two prior years of cuts, CBS no longer has the capacity to comply with its contractual Distribution obligations. To make up for CBS's decisions to shortchange and abdicate its obligations, Sony Pictures has been forced to hire additional staff—at its own expense—to preserve the value of these two prized assets.

4. <u>CBS's Failure To Renew Its Critical Nielsen Ratings Contract</u>

69. For decades, CBS has relied upon Nielsen's audience measurement systems for data on viewership composition, audience size, and audience engagement in order to carry out its Distribution obligations. Such information is instrumental: It is used to determine advertising rates and in turn achieve advertising sales; to allocate unsold advertising inventory; to maximize syndication licenses; and to steer marketing efforts in local markets. For those reasons, it is also critical to CBS's Distribution obligations under the Agreements, including maximizing advertising sales and syndication licenses. Yet, Paramount Global and CBS have been left without access to Nielsen ratings since October 1, 2024. The lapsed coverage is the direct result of Paramount Global's decision to walk away from negotiations to renew its longstanding agreement with the ratings provider. The failure to renegotiate the Nielsen contract is yet another example of CBS breaching the "best efforts" provision of the Agreements.

* * *

70. CBS's breach of its contractual obligation to use its "best efforts" to "secure the maximum receipts" from the Shows' Distribution, and its breach of the implied covenant of good faith and fair dealing, are material and ongoing breaches of its longstanding Agreements with Sony Pictures for the Distribution of *Jeopardy!* and *Wheel of Fortune*. These breaches go to the heart of the Agreements, justify termination of the Agreements, and entitle Sony Pictures to damages. Sony

Pictures provided notice of these breaches to CBS in a letter dated October 31, 2024. Sony Pictures has done so without waiving its right to contend that notice was not required under the applicable law due to, among other things, the incurable nature of the breaches. Regardless, if those breaches and the injury they have caused are not remedied by November 30, 2024, Sony Pictures will take appropriate action to amend this Complaint to assert claims for breach of contract and breach of the implied covenant of good faith and fair dealing arising out of CBS's breaches of its obligations under the Agreements. Sony Pictures reserves all rights.

CAUSE OF ACTION
Breach of Contract
(Against All Defendants)

71. Sony Pictures repeats and realleges the allegations contained in the paragraphs above as if fully set forth herein.

72. The Agreements constitute valid and enforceable contracts between Sony Pictures and CBS.

73. Sony Pictures Television Inc. is an intended third-party beneficiary under the Agreements.

74. Sony Pictures has complied with and performed its obligations under the Agreements.

75. Pursuant to the Agreements, CBS may not enter into foreign licensing agreements that last longer than two years, or otherwise violate the scope of the distribution rights provided under the Agreements. These terms are material to Sony Pictures.

76. CBS materially breached the Agreements by (1) entering into the Unauthorized Deals and (2) wrongfully retaining distribution fees from the Unauthorized Deals.

77. CBS's material breaches have damaged Sony Pictures in an amount to be determined at trial.

PRAYER FOR RELIEF

WHEREFORE, Sony Pictures requests the following relief:

1) An Order awarding Sony Pictures damages in an amount to be proven at trial and any such other monetary relief as the Court deems proper.

2) An Order awarding Sony Pictures reasonable attorneys' fees and costs.

3) An Order awarding pre- and post-judgment interest on the above amounts as allowed by law.

4) An Order for any and all other relief the Court deems just and proper.

Dated: October 31, 2024

SUSMAN GODFREY L.L.P.

By: Marc Seltzer

Marc M. Seltzer
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DEMAND FOR JURY TRIAL

Sony Pictures hereby demands a jury trial.

Dated: October 31, 2024

SUSMAN GODFREY L.L.P.

By: Marc Seltzer

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