



Second, plaintiffs contend that Ovitz held a security interest in Newco that contradicts his disclosure that he had no direct or indirect ownership interest in Newco.<sup>200</sup> The form used to perfect the security interest is clear on its face that it relates to a debt instrument, hence Oldco is referred to as the “Secured Party” and Newco is referred to as the “Debtor.”<sup>201</sup> As plaintiffs’ counsel no doubt understands, a security interest based upon a debt instrument is *not* an ownership interest. Upon considering the documentary evidence and testimony, I find that Ovitz’s disclosures were neither false nor misleading.<sup>202</sup>

#### 6. Gifts and Expenses

In moving from the talent agency he founded to a public company, Ovitz was faced with an array of new policies and rules relating to gifts and expenses. Eisner had asked Russell to speak to Ovitz about his expenses,<sup>203</sup> and on January 17, 1996, Russell and Ovitz met for breakfast to discuss the

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Eventually, Newco and Oldco reached a settlement in full accord and satisfaction of their respective obligations. PTE 209.

<sup>200</sup> See PTE 203 (creation of interest); PTE 254 (perfection of interest).

<sup>201</sup> PTE 254.

<sup>202</sup> Plaintiffs’ allegations that Ovitz *again* lied in relation to the Statement of Policy Regarding Conflicts of Interest and Business Ethics and Questionnaire Regarding Compliance when he left the Company, *see* PTE 70, must also fail in light of my findings below that Ovitz was in compliance with the Company’s policies regarding gifts.

<sup>203</sup> See PTE 378; Tr. 3046:6-3049:17; 4393:1-4394:4.

topic.<sup>204</sup> To follow up on their meeting, Ovitz sent a memo to Russell in January 1996 asking for help in handling his expenses.<sup>205</sup> According to Ovitz, Russell was “fantastic” in helping Ovitz’s assistant meet and confer with a knowledgeable Disney employee so that Ovitz’s expenses could be properly handled.<sup>206</sup>

The only evidence in the record that is admissible to prove that Ovitz did not comply with Disney’s policies regarding expenses is (1) the statements by Eisner that Ovitz may not have been in compliance with those policies, and (2) the undisputed fact that Disney withheld \$1 million from the cash payment of Ovitz’s NFT, but ultimately returned all but roughly \$140,000 of that amount.<sup>207</sup>

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<sup>204</sup> Tr. 2560:3-2563:18.

<sup>205</sup> PTE 318; Tr. 1315:8-1318:12.

<sup>206</sup> Tr. 1317:11-1318:12.

<sup>207</sup> At trial and in the post-trial briefing, plaintiffs have relied extensively on PTE 147, a draft report by Price Waterhouse which purportedly uncovers numerous examples of Ovitz’ expense reimbursement requests not complying with Company policy. I have previously ruled that the report is hearsay, and therefore inadmissible when offered to prove the truth of the matters asserted in the report. *See In re The Walt Disney Co. Derivative Litig.*, 2005 WL 407220, at \*1 (Del. Ch. Feb. 4, 2005). Plaintiffs also cite to DTE 59, a collection of expense reports submitted by Ovitz in an effort to show that Ovitz requested reimbursement for non-Disney expenses. The documents in DTE 59 on their face do not demonstrate that the expenses were not related to Disney, and there is no testimony in the record to lead me to believe otherwise. In fact, each and every expense report in DTE 59 has been countersigned in the box for “Audit Approval,” with the overwhelming majority (but not all) of the forms also having been countersigned in the box for “Management Approval.” In the absence of further evidence, this can lead me to no other conclusion than that all of the expenses detailed

The record contains several examples of statements by Eisner where he believed that Ovitz's compliance with Company expense policies was questionable.<sup>208</sup> The trial testimony of Eisner, Russell, and especially Litvack (whom Eisner had assigned to oversee Ovitz's expenses), however, was credible and coherent in stating that Ovitz was in compliance with the Company's expense policies.<sup>209</sup>

With respect to the eventual holdback of \$139,184 from Ovitz's severance,<sup>210</sup> only \$70,212 was attributed to potential expense policy violations.<sup>211</sup> The remaining \$68,972 related to the unamortized cost of capital improvements to Ovitz's home,<sup>212</sup> and Litvack clearly testified at trial that the Company had no contractual right to recoup those costs from Ovitz.<sup>213</sup>

The record provides no support for, and indeed often contradicts, two key assertions made by plaintiffs regarding the holdback. First, plaintiffs' assertions that the holdback itself is evidence that the defendants were on

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in DTE 59 were properly reimbursable under appropriate Company guidelines, including those incurred in late December 1996. DTE 59 at WD04935, WD05159.

<sup>208</sup> See PTE 24 at DD002451; PTE 378; Tr. 3049:18-3051:20.

<sup>209</sup> See Tr. 2632:21-2633:23; 2892:4-14; 4578:9-4580:20; 6145:20-6146:6; 6171:8-6178:11; 6362:5-23; 6533:4-20; 6604:5-16; 6692:12-6693:12; *cf.* Tr. 2883:24-2885:21; 3041:2-22.

<sup>210</sup> See PTE 385; PTE 403.

<sup>211</sup> DTE 178.

<sup>212</sup> *Id.*

<sup>213</sup> Tr. 6174:17-6176:16.

notice at the time of Ovitz's termination that grounds to terminate him for cause may have existed cannot stand in light of the testimony that many executives at the Company were at least six months behind in billing their expenses.<sup>214</sup> The holdback, then, was simply a way to avoid having to collect that money back from Ovitz after termination if there was insufficient justification for the billings.<sup>215</sup> Second, the \$70,212 ultimately withheld from Ovitz is not *prima facie* evidence that Ovitz "stole" from Disney. As to both of these points, Litvack testified that insufficient justification and documentation was the reason for the final holdback—not a determination that Ovitz had "stolen" from or otherwise intentionally defrauded the Company.<sup>216</sup>

Plaintiffs have repeatedly criticized Ovitz's gift giving as self-serving and not in accordance with Company policies. Furthermore, they argue that he failed to properly report gifts that he received while serving as President of Disney.<sup>217</sup> Once more, the record fails to support these assertions. As

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<sup>214</sup> Tr. 4579:4-4580:20; 4400:21-4402:4; 5044:16-5045:19; 6423:19-6424:19.

<sup>215</sup> Tr. 4579:4-4580:20; 4400:21-4402:4; 5044:16-5045:19; 6423:19-6424:19.

<sup>216</sup> Tr. 6174:8-6175:23; 6178:7-11; 6604:5-6605:23; *see also* Tr. 6273:9-6275:9; 6533:4-20; 6691:16-6692:24.

<sup>217</sup> *See* PTE 24 at DD002451-52; PTE 148; PTE 374. Plaintiffs attempt to use DTE 61 to impugn Ovitz's handling of gifts. The document on its face, however, supports the conclusion that Ovitz was complying with Company policies by demonstrating that three of those four gifts were retained by Ovitz in exchange for a charitable contribution, and that the fourth was used as a prize at a Company event. In my mind, the simple

with Ovitz's expenses, Eisner asked Russell to assist Ovitz in complying with Disney's policies with respect to gifts.<sup>218</sup> Litvack was also told of Eisner's concerns, and following an investigation, he found that Ovitz was in compliance with Disney's gift policies.<sup>219</sup> At trial, plaintiffs' counsel asked Litvack whether he was aware of several questionable gifts, but Litvack unambiguously testified that either he had approved those gifts, or that, had he been asked, he would have approved those gifts because they related to the business of the Company.<sup>220</sup> In sum, finding Litvack's and Eisner's trial testimony credible as cited above, I find that Ovitz was not in violation of The Walt Disney Company's policies relating to expenses or giving and receiving gifts.

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fact that two of the gifts were not received by Disney until January 7, 1997 is unremarkable and not probative in any way detrimental to Ovitz, especially in light of the holiday season during which Ovitz was terminated and that the gifts were submitted to Disney shortly after the new year began.

<sup>218</sup> See PTE 17; PTE 378; DTE 151.

<sup>219</sup> Tr. 6139:10-6141:8; 6146:7-9; see PTE 406 (all gifts reported by Ovitz were turned over to the appropriate department within the Company); DTE 61.

<sup>220</sup> Tr. 6437:21-6445:22; 6518:11-6530:4; 6533:1-20; see Tr. 5023:4-5029:18; 5034:5-5038:13; 5039:9-5042:22; see also Tr. 2201:15-2210:21 (Ovitz) (describing the reasons for some of his gifts); cf. Tr. 3049:18-3066:16 (Russell unable to give useful testimony expounding upon PTE 378 and PTE 17 due to lack of recall).

### C. *Ovitz's Termination*

#### 1. The Beginning of the End

Ovitz's relationship with Eisner, and with other Disney executives and directors, continued to deteriorate through September 1996. In mid-September, Litvack, with Eisner's approval, spoke with, or more accurately cornered Ovitz. Litvack told Ovitz that he thought it was clear that Ovitz was not working out at Disney and that he should start looking for both a graceful way out of Disney and a new job.<sup>221</sup> After Litvack reported this conversation to Eisner, Eisner, hoping to make Ovitz realize that there was no future for him at Disney, sent Litvack back to Ovitz and asked Litvack to make it clear that Eisner no longer wanted Ovitz at Disney and that Ovitz should seriously consider other employment opportunities, including the opportunity at Sony.<sup>222</sup> It seems that Ovitz brought up the possibility of moving to Sony with Eisner during a flight in June 1996 to New Orleans.<sup>223</sup> Eisner believed that Ovitz meant it as a threat, but Eisner welcomed the idea of Ovitz leaving the Company. Litvack conveyed Eisner's sentiments, and Ovitz responded by telling Litvack that he was "going to have to pull me out

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<sup>221</sup> Tr. 6101:2-6102:18; 6562:7-13.

<sup>222</sup> Tr. 4354:19-4355:6; 4731:13-4732:16; 6102:21-6103:14.

<sup>223</sup> Tr. 4319:10-23. Eisner testified that when Ovitz first brought the Sony option up that Eisner believed that it would provide him a graceful way out of the Ovitz problem. *See id.*

of here . . . I'm not leaving," and that if Eisner wanted him to leave Disney, Eisner could tell him so to his face.<sup>224</sup> At trial, Ovitz testified that he felt that "as far as [he] was concerned, [he] was chained to that desk and that company. [That he] wasn't going to leave there a loser," that the guy that hired him or the full board would have to fire him, and that he hoped he could still make it work and make all these problems just disappear.<sup>225</sup>

Following up on the discussions between Litvack and Ovitz, Eisner and Ovitz had several meetings on or around September 21, 1996, during which they discussed Ovitz's future (or lack thereof) at Disney, and the possibility that Ovitz would seek employment at Sony.<sup>226</sup> Eisner believed that Sony would be both willing and excited to take Ovitz in "trade" from Disney because Ovitz had a very positive longstanding relationship with many of Sony's top executives. Eisner favored the Sony "trade" because, not only would it remove Ovitz and his personality from the halls of Disney, but it would also relieve Disney of having to pay Ovitz under the OEA and

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<sup>224</sup> Ovitz 537:24-25; Tr. 1350:5-13552:9; 6103:15-6103:24.

<sup>225</sup> Tr. 1352:14-1353:20.

<sup>226</sup> PTE 18.

would hopefully bring a valuable return to Disney in the form of licensing rights for *The Young and the Restless*.<sup>227</sup>

The Sony discussions continued on October 8 when Ovitz wrote Eisner a note asking for formal permission to begin negotiations with Sony.<sup>228</sup> After stating that he was still shocked that Eisner wanted him out, Ovitz wrote that he had resolved to look at other employment possibilities, and he wanted to make sure that he did not leave himself or Sony open to a lawsuit because his departure from Disney would leave Ovitz in breach of the OEA.<sup>229</sup> On October 9 Eisner responded by letter, telling Ovitz that neither he nor anyone else at Disney had any objections to Ovitz working out a deal and eventually going to work for Sony. In fact, Eisner thought it was best that Ovitz and Disney work together to ensure a smooth departure.<sup>230</sup> Additionally, Eisner wrote a letter to Mr. Idei, Sony's Chairman, trumpeting Ovitz and notifying Mr. Idei that Disney had given permission for Ovitz to enter into negotiations for a possible move to

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<sup>227</sup> Tr. 4351:23-4354:2. Eisner was hoping to obtain the licensing rights to *The Young and the Restless*, which would help Disney with its new Soap Opera Channel. Eisner also believed that if he did not ask for something in return for Ovitz, that Sony would think that Disney did not want Ovitz and then Sony may not have wanted him either.

<sup>228</sup> PTE 18.

<sup>229</sup> *Id.*

<sup>230</sup> PTE 19 at WD00399-401.

Sony.<sup>231</sup> Apparently, however, only a limited number of directors knew that Ovitz was given permission to negotiate with Sony, including Litvack,<sup>232</sup> Watson,<sup>233</sup> Russell,<sup>234</sup> Gold,<sup>235</sup> and Roy Disney,<sup>236</sup> and that the board as a whole was never approached about the possible Sony “trade.” Of these directors, only Litvack and Russell were ever asked for their opinions on the matter.

On November 1, Ovitz wrote a letter to Eisner notifying Eisner that things had failed to work out with Sony and that Ovitz had instead decided to recommit himself to Disney with “an even greater commitment of [his] own energies” than he had before and an “increased appreciation” of the Disney organization.<sup>237</sup> There are varying accounts of why Ovitz did not end up employed at Sony, but the important fact is that Ovitz remained at Disney.<sup>238</sup>

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<sup>231</sup> *Id.* at WD00402. Eisner also forwarded this letter to Ovitz.

<sup>232</sup> Tr. 6104:8-6107:6.

<sup>233</sup> Tr. 7858:21-7859:22.

<sup>234</sup> Tr. 2571:23-2572:14.

<sup>235</sup> Tr. 3766:2-3767:6.

<sup>236</sup> Tr. 4022:10-4023:8.

<sup>237</sup> PTE 19 at WD00404.

<sup>238</sup> *See* Tr. 1363:17-1365:2 (Ovitz) (stating that he did not continue negotiations with Sony because there were, in his view, severe conflicts within Sony’s upper management); 4362:1-9 (Eisner) (stating that he was told that Ovitz did not get an offer at Sony because Ovitz was being unreasonable in his demands and that he was asking for “the sun and the moon” from Sony).

## 2. The September 30, 1996 Board Meeting

During the course of the Sony discussions the Disney board convened a meeting on September 30, 1996, while attending a Disney anniversary at the Walt Disney World Resort in Orlando, Florida. Ovitz was in attendance at the board meeting, and it is undisputed that neither Ovitz's future with Disney nor his conversations to date with Eisner and Litvack were discussed at the general board meeting.<sup>239</sup> Eisner, however, testified that he spoke with various directors either during an executive session held that same day at which Ovitz was not present, or in small groups during the weekend, to notify them that there were continuing problems with Ovitz's performance.<sup>240</sup> Additionally, other directors testified that Eisner apprised them of the developing situation with Ovitz either during or prior to September 1996.<sup>241</sup> Although Eisner never sat down at a full board meeting to discuss the persistent and growing Ovitz problem, it is clear that he made an effort to notify and talk with a large majority, if not all of the directors.

On the night of September 30, Eisner and Ovitz made their now-famous appearance on *The Larry King Live Show* in which Eisner refuted

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<sup>239</sup> Tr. 6677:2-11; 7592:8-10.

<sup>240</sup> Tr. 4349:13-4350:5; 4728:17-4729:12.

<sup>241</sup> Tr. 3087:7-3088:16 (Russell); 3818:9-21 (Gold); 4021:7-4022:9 (Roy Disney); 5593:2-5594:12, 5725:6-5726:2 (Mitchell); 5810:8-12 (Nunis); 6836:5-6837:19 (Wilson).

the then current Hollywood gossip that there was a growing rift between himself and Ovitz and emphatically stated that if given the chance, he would hire Ovitz again.<sup>242</sup> It is clear now that this entire interview was a shameless public relations move during which both Eisner and Ovitz did not candidly answer Larry King's questions with the goal of deflating the negative rumors surrounding their failed partnership.

On October 1, the day after the Larry King interview, Eisner sent a letter that he had been working on since the summer, to Russell and Watson detailing Eisner's mounting difficulties with Ovitz, including Ovitz's failure to adapt to Disney's corporate culture in even the slightest fashion, Eisner's lack of trust for Ovitz, and Ovitz's complete failure to alleviate Eisner's workload.<sup>243</sup> Apparently, an incident at Eisner's mother's funeral, which involved Ovitz getting into an argument on a New York City street over a parking space, spurred Eisner to finally send this letter. The letter stated that:

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<sup>242</sup> PTE 323, PTE 505.

<sup>243</sup> PTE 79; *see also supra* text "Veracity and 'Agenting'" at 49. Although I have found that Ovitz was not a liar, Eisner's persistently-vocalized reservations about Ovitz's veracity are not inconsistent with that finding. I conclude that while Ovitz gave this Court no reason to believe that he lied, that it is entirely possible that his actions while at Disney and his general character led Eisner to believe that Ovitz was not completely honest. Eisner, however, was unable to point to specific instances where Ovitz was untruthful.

If I should be hit by a truck, the company simply cannot make [Ovitz] CEO or leave him as president with a figurehead CEO. It would be catastrophic. I hate saying it, but his strength of personality together with his erratic behavior and pathological problems, and I hate saying that, is a mixture leading to disaster for this company.<sup>244</sup>

Eisner stated that his goal in writing the letter was to keep Ovitz from succeeding him at Disney should the opportunity arise. Because of that purpose, the letter contained a good deal of hyperbole to help Eisner better “unsell” Ovitz as his successor.<sup>245</sup> Neither Russell nor Watson divulged at any time the contents of the letter with other members of the board.<sup>246</sup>

Eisner was informed on November 1 that Ovitz’s negotiations with Sony had failed to result in Ovitz leaving Disney. Once Eisner discovered that the Sony negotiations had failed to produce the desired result, Eisner decided that Ovitz must be gone by the end of the year.<sup>247</sup> To facilitate Ovitz’s departure, Eisner asked Wilson to take a Thanksgiving trip on the yacht that Ovitz and Wilson jointly owned, the *Illusion*.<sup>248</sup> It was Eisner’s hope that Wilson, a confidant of Ovitz’s, could help Ovitz finally understand

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<sup>244</sup> *Id.* at DD002623.

<sup>245</sup> Tr. 4436:14-4439:6.

<sup>246</sup> Tr. 3078:17-3079:15; 7881:10-7887:3.

<sup>247</sup> Tr. 4368:9-4369:3.

<sup>248</sup> Tr. 4369:4-4370:2; 6838:18-6839:11.

not only that Ovitz had to leave Disney, but that everyone, including Ovitz, would be better off if he left.

Still struggling to make Ovitz understand that he had to leave Disney, Eisner wrote a letter to Ovitz on November 11 (which was never sent), in which he again tried to put Ovitz on notice that he was no longer welcome at Disney.<sup>249</sup> Eisner characterized this letter as:

[A] shot at trying to conjure up every argument, every issue exaggerated to the point of extreme nature so that [Ovitz] could see how deadly serious [Eisner] was. . . . However, [Eisner] realized it was . . . not accurate, way exaggerated, silly, hyperbole, insensitive, and it read like . . . a Vanity Fair article.<sup>250</sup>

Eisner also stated that:

One of the reasons Litvack didn't want me to send the memo is there were so many things in the memo . . . which just weren't true, but I was trying to create a case that [Ovitz] could not argue with.<sup>251</sup>

In this letter, Eisner told Ovitz that:

I think we should part ways professionally. I believe you should resign (this is not a legal suggestion but a cosmetic one), and we should put the best possible face on it. When we talked last Friday, I told you again that my biggest problem was that you played the angles too much. I told you 98% of the problem was that I did not know when you were telling the truth, about big things, about small things. . . . We are beyond the curing

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<sup>249</sup> PTE 24.

<sup>250</sup> Tr. 4372:5-19.

<sup>251</sup> Tr. 5028:13-19.

stage. We are now in salvation. I would like to remain friends, to end this so it looks like you decided it, and to be positive and supportive . . . I hope we can work together now to accomplish what has to be done. I am ready to work as hard as necessary and as long.<sup>252</sup>

Eisner sent this document to Bass and Russell for their review.<sup>253</sup> Eisner also believed that he may have shown the letter to Litvack, but Litvack did not recall having seen this letter before trial.<sup>254</sup> For my purposes, Russell was the only director to receive this document and he did not share it or the matters it concerned with anyone else on the board.<sup>255</sup> Instead of sending this letter to Ovitz, Eisner met with Ovitz personally on November 13 and they discussed much of what was contained in the letter, especially Ovitz's alleged management and ethics problems.<sup>256</sup> Notes taken by Eisner following this meeting stated that the meeting was "2 hours and 15 minutes of [Eisner] telling [Ovitz] that it was not going to work."<sup>257</sup> Eisner believed that Ovitz just would not listen to what he was trying to tell him and instead,

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<sup>252</sup> PTE 24 at DD002454-002455.

<sup>253</sup> Eisner 606:4-7.

<sup>254</sup> Tr. 6143:3-20.

<sup>255</sup> Tr. 3090:9-3091:8; 3095:20-3096:3.

<sup>256</sup> Eisner 606:8-607:14; *see also* Tr. 5199:14-19; 2017:17-2018:15.

<sup>257</sup> PTE 325 at DD002549.

Ovitz insisted that he would stay at Disney, going so far as to state that he would chain himself to his desk.<sup>258</sup>

### 3. Options for Ovitz's Termination

Since the Sony option was discussed in early September, Eisner and Litvack had also been discussing whether Ovitz could be terminated, and more importantly, whether he could be terminated for cause.<sup>259</sup> Eisner hoped to obtain a termination for cause because he believed that although Ovitz “had not done the job that would warrant [the NFT] payment” Disney was obliged to honor the OEA.<sup>260</sup> Honoring the OEA meant that if Ovitz was terminated without cause, he would receive the NFT payment that the OEA called for, which consisted of the balance of Ovitz's salary, an imputed amount of bonuses, a \$10 million termination fee and the immediate vesting of his three million stock options at the time. Litvack advised Eisner from the very beginning that he did not believe that there was cause to terminate Ovitz under the OEA.

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<sup>258</sup> Tr. 4370:3-19. The threat of chaining himself to his desk, although obviously metaphorical, demonstrates exactly how unwilling Ovitz was to even consider leaving Disney at that point.

<sup>259</sup> Tr. 4379:23-4380:19; 6110:12-6111:3.

<sup>260</sup> Tr. 4380:22-4381:15.

As the end of November approached, Eisner again asked Litvack if Disney had cause to fire Ovitz and avoid the costly NFT payment.<sup>261</sup> Litvack proceeded to examine more carefully the issue of whether cause existed under the OEA. Litvack reviewed the OEA, refreshed himself on the meaning of gross negligence and malfeasance and reviewed all of the facts concerning Ovitz's performance of which he was aware.<sup>262</sup> Litvack freely admits that he did not do any legal research in answering the cause question;<sup>263</sup> nor did he order an outside investigation to be undertaken or an outside opinion to be authored.<sup>264</sup> Litvack did state that in December he consulted with Morton Pierce, a senior partner at Dewey Ballantine, and that

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<sup>261</sup> Tr. 6110:15-6111:3.

<sup>262</sup> Tr. 6113:21-6114:19.

<sup>263</sup> Tr. 6114:20-10 (Litvack) (stating that he did not do any case research because he "didn't believe that there were going to be any cases that were going to answer the question for [him]. [He] had been dealing with contracts and litigation all [his] life. . . . [He] felt he knew the facts as to what the man had done and not done.").

<sup>264</sup> Tr. 6115:22-6116:14 (Litvack) (stating that he did not order an outside investigation because he believed he knew the facts and an outsider would have gone to him to get the facts, and also because he believed that the firing of Ovitz was a sensitive matter and he wanted to involve as few people as possible); 6130:5-24 (Litvack) (explaining that he did not order an outside written opinion because it would have been expensive, and he believed it was a "CYA tactic done by general counsels to cover themselves" and he didn't believe he needed that). Litvack consulted Val Cohen, co-head of the Disney litigation group, and possibly Santaniello, and to the extent he met with them, he stated that they both agreed with his conclusion that there was no cause, although there is no record of their having met or discussed the existence of cause. *See* Tr. 6119:22-6121:8. Litvack admits, however, that all the information Val Cohen knew about Ovitz, she would have learned from Litvack. *See* Tr. 6401:2-6405:4.

Pierce agreed that there was no cause.<sup>265</sup> Pierce, however, was not admitted to the California Bar (California law governed the OEA), was not an expert in employment law,<sup>266</sup> and could not recall speaking with Litvack regarding Ovitz.<sup>267</sup> Furthermore, Pierce's bills to Disney do not clearly reflect that any such conversation took place regarding whether Ovitz could be terminated for cause.<sup>268</sup> After taking these steps, Litvack, for the second time, concluded that there was no cause to terminate Ovitz. In fact, despite Ovitz's poor performance and concerns about his honesty, Litvack believed that the question of whether Ovitz could be terminated for cause was not a close question and, in fact, Litvack described it as "a no-brainer."<sup>269</sup> Litvack, however, produced no written work product or notes to show to the board that would explain or defend his conclusion, and because he did not ask for an outside opinion to be authored, there was no written work product at all. When Litvack notified Eisner that he did not believe cause existed,

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<sup>265</sup> Tr. 6121:9-6126:8.

<sup>266</sup> Tr. 6222:22-6225:13.

<sup>267</sup> Tr. 6398:3-11.

<sup>268</sup> PTE 391; PTE 392 (bill contains charge of \$25,500 for consultation in the Ovitz matter which included advice regarding proxy disclosure and tax considerations relating to Ovitz's termination).

<sup>269</sup> Tr. 6114:24-10. In light of the hostile relationship between Litvack and Ovitz, I believe if Litvack thought it were possible to avoid paying Ovitz the NFT payment, that out of pure ill-will, Litvack would have tried almost anything to avoid the payment. See Tr. 6115:9-21 ("[I]f there was a way not to pay him, I would have loved not to pay him. . . . I didn't like him, and he didn't like me. I didn't feel he had done the job.").

Eisner testified that he “checked with almost anybody that [he] could find that had a legal degree, and there was just no light in that possibility. It was a total dead end from day one.”<sup>270</sup>

In a perfect, more responsible world, both Litvack and Eisner would have had sufficient documentation not only to back up their conclusion that Ovitz could not be terminated for cause, but they would have also had sufficient evidence of the research and legwork they did to arrive at that conclusion. Despite the paucity of evidence, it is clear to the Court that both Eisner and Litvack wanted to fire Ovitz for cause to avoid the costly NFT payment, and perhaps out of personal motivations. The Court is convinced, based upon these two factors, that Eisner and Litvack did in fact make a concerted effort to determine if Ovitz could be terminated for cause, and that despite these efforts, they were unable to manufacture the desired result.

In addition to determining that there was no cause to fire Ovitz as defined in the OEA, Litvack also testified that it would be inappropriate and unethical for Disney to try to bluff Ovitz into accepting an amount less than agreed to in the OEA in case of an NFT.<sup>271</sup> Litvack believed that it would be a bad idea to attempt to coerce Ovitz (by threatening a for-cause

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<sup>270</sup> Tr. 4380:10-21.

<sup>271</sup> Tr. 6128:6-11.

termination) into negotiating for a smaller NFT package than was provided for in the OEA because Disney, when pressed by Ovitz's attorneys, would have to admit that there in fact was no cause and possibly subject Disney to a wrongful termination suit.<sup>272</sup> Litvack also believed that a failed attempt to bluff Ovitz out of the NFT could be quite harmful to Disney's reputation because it would appear as if Disney was trying to get out of contractual obligations (which it would have been), and that would make it difficult for Disney to do business and be viewed as an honest business partner.<sup>273</sup>

#### 4. The November 25, 1996 Board Meeting

The Disney board held its next meeting on November 25, and Ovitz was present. The minutes of this meeting contain no record that the board engaged in any discussion concerning Ovitz's termination, or that they were informed of the actions that Eisner and Litvack had taken to this point concerning Ovitz.<sup>274</sup> The only action recorded in the minutes concerning Ovitz is his unanimous renomination to a new three-year term to the board.<sup>275</sup> Gold testified, however, that by this time the board knew that

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<sup>272</sup> Tr. 6118:16-6119:13; 6129:2-6130:3.

<sup>273</sup> *Id.* Litvack also believed that attempting to relocate Ovitz within Disney would not improve the situation as Ovitz just was not a good match for Disney, although he conceded that that was up to Eisner. *See* Tr. 6128:12-6129:1.

<sup>274</sup> PTE 91.

<sup>275</sup> *Id.* at WD01561A.

Ovitz would be fired, but because Ovitz was present at the meeting it would have been akin to a “public hanging” to fail to re-nominate him.<sup>276</sup>

Although there was no mention of Ovitz’s impending termination at the board meeting, it is apparent, despite the lack of a written record, that directly following the board meeting, there was some discussion concerning Ovitz at the executive session which was held at Disney Imagineering in a glass-walled room (according to those in attendance who remember this event).<sup>277</sup> One of the more striking images of this trial is that apparently Ovitz was directly outside the glass walls—looking in at this meeting—while his fate at Disney was being discussed. There are no minutes to show who attended the executive session, but I am reasonably certain that at least

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<sup>276</sup> Tr. 3771:21-3772:16 (Because the proxy was not due for some time, Gold stated that the board chose to renominate Ovitz and then change the slate after he was fired instead of embarrassing Ovitz at the meeting.)

<sup>277</sup> I recognize that certain portions of the deposition testimony concerning this executive session, whether it occurred, and what was said at it, are to some degree in conflict with the trial testimony. See Gold 357:20-361:24 (stating that he does not independently recall when the executive session occurred, but that there was an executive session during which Ovitz’s termination was discussed); Litvack 573:7-574:9 (stating that he was unaware of an executive session, however if there was such a meeting, he would have been excluded); Russell 731:18-732:7 (stating that he does not recall an executive session after the November 1996 board meeting); Stern 163:14-164:2 (stating that he has no recollection of an executive session of the board after the November 1996 meeting). Although he later testified that after reviewing Gold’s trial testimony that he vividly recalled the meeting, see Tr. 8155:13-8158:4, Eisner himself testified that this was not an *official* executive session, but instead he gathered the non-management directors in a room to discuss Ovitz. See Tr. 4425:7-4426:10. Despite these conflicts, I am convinced that such a meeting took place. What was discussed at that meeting, however, is an entirely separate question that I will deal with shortly.