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August 5, 1999 8:10 a.m. EDT

How Will Mr. Hollywood Fare With Web Partners Half His Age?

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August 5, 1999 8:10 a.m.

Michael Ovitz long ago mastered the art of making deals over dinner at Spago. But how will he fare with partners who think a power lunch is a bowl of cereal?

That's the question posed by Mr. Ovitz's recent acquisition, with grocery-store billionaire Ron Burkle, of a majority stake in a fledgling Web company, Scour.Net Inc.

Scour.Net (www.scour.net) is an Internet search engine specializing in navigating the Web's growing array of multimedia offerings. It is a hot grass-roots application for college students and teenagers eager to seek out and download MP3 music files or video clips. Rather than simply linking users to music and video Web sites, Scour.Net sends users directly to the song or clip they're looking for. It often features a short preview of the clip for users to sample before they download.

Scour.Net's founders aren't the Hollywood glitterati that Mr. Ovitz has dealt with during a 25-year career as a Hollywood agent, manager and executive. They are college students -- or were, until recently, when most of them put their educations on hold -- at the University of California at Los Angeles.

Ovitz, Yucaipa Buy Majority Stake in Entertainment Search Engine (June 10)


Tuesday, the last underage member of Scour.Net's core team turned 21. The company's first headquarters was a cramped two-bedroom apartment near campus shared by

Dan Rodrigues and Mike Todd, two of the Scour.Net founders. Mail delivered to the college crash pad often came addressed to "Suite 433."

Mr. Ovitz's embrace of Scour.Net will be a closely watched episode in the drive to marry Internet technology and entertainment. Scour.Net, which already has partnerships with multimedia Web companies like MP3.com Inc. and Launch Media Inc.'s Launch.com, says Mr. Ovitz's contacts at entertainment companies will be important in gaining access to the music and video content they own.

Formalizing relationships with movie studios and record labels could be critical. At present, some of Scour.Net's links are to unauthorized clips, the company concedes. That puts Mr. Ovitz in an awkward position, given that his latest Hollywood venture, Artists Management Group, represents artists whose work may be on the Internet in unauthorized form.

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Mr. Ovitz says he hasn't considered whether that poses a problem. Even before he entered the picture, Scour.Net had a policy of removing unauthorized material if an artist or entertainment company requested it. (Very few have, the company says.)

Mr. Ovitz, 52 years old, says he intends to defer to his young partners' technical prowess while hooking Scour.Net up to his Hollywood connections. "You've got some really wildly creative young guys here," Mr. Ovitz says. "We're trying to provide marketing and financing expertise."

The Scour.Net team has already lived through one brush with Mr. Ovitz's famously tough deal-making techniques. One month after Messrs. Ovitz and Burkle reached a tentative agreement to buy the stake in Scour.Net, they filed suit against the company, accusing the young founders of breach of contract and seeking to prevent them from making a deal with anyone else. The parties settled the suit in June, paving the way for the acquisition.

There have been moments of goofy incongruity: The parties made their initial agreement over large quantities of Cap'n Crunch cereal. Mr. Ovitz didn't attend that meeting. Instead, he sent two aides, 29-year-old Peter Levin, who has worked with Mr. Ovitz for a decade, and 36-year-old Richard Wolpert, the former president of Disney Online, who now manages various Internet interests for Messrs. Ovitz and Burkle.

Not everyone is sold on Scour.Net. Mark Hardie, an analyst at Forrester Research Inc. of Cambridge, Mass., says a big reason for its success so far is that more-established search engines haven't been aggressive about multimedia content. He says Scour.Net needs to expand its offerings to prepare for an inevitable increase in competition.

This week, the company unveiled its next strategic move -- into Internet radio. A new feature on the Scour.Net site lets users tune in to hundreds of Web radio stations, including both Internet-only operations and those that simulcast over the air and on the Web.

Scour.Net began in November 1997, with five members of a UCLA computer club: Mr. Rodrigues and Kevin Smilak, both now 23, and Mr. Todd, Jason Droege and Vince Busam, now 21. They conceived their multimedia search engine as a club project and developed it over a holiday break that year, camped out in the Northern California guest house of Mr. Smilak's parents.

The first version of the Web site appeared in January 1998 and quickly morphed into a business. The students raised \$120,000 from their friends and family, including Mr. Smilak's stepfather and a friend of Mr. Rodrigues's family. They stuffed so many computers into the apartment that the circuit breaker blew if someone used the microwave.

Within six months, the Scour.Net site was ringing up 700,000 daily page views. Soon Silicon Valley venture capitalists came calling. When classes began in the fall of 1998, Mr. Rodrigues says, "I went for three weeks and it kind of wasn't happening." Most of the rest of the team -- which by then included Travis Kalanick, 22, and Ilya Haykinson, 21 -- soon put college on hold as well. Mr. Ovitz and company entered the picture early this year after seeing a story about Scour.Net in a UCLA campus paper.

His approach was very different from those of technology suitors. Meetings with Silicon Valley investors had included detailed discussions of Scour.Net's search technology and usually took place with the investors themselves.

Mr. Ovitz was more enigmatic. Instead of meeting with the entrepreneurs himself, he sent Mr. Levin, who created an air of mystery. "He was very unclear about what was going on," Mr. Kalanick recalls. "He said, 'There's some interest here. I'm not going to tell you what's going on. But it could be huge. We can take you all the way.' "

Later, the Ovitz camp inundated Scour.Net's fax machine with press releases detailing everything from Mr. Ovitz's bid for a National Football League franchise to developments at his new talent-management firm, Artists Management Group. "It was like a news feed," says Mr. Todd. He was one of the last Scour.Net executives still in school by early 1999 and would sometimes field cell-phone calls from Mr. Levin during classes.

"I don't think Michael and I could go in there and talk algorithms," Mr. Levin explains. But they had something to offer that most Silicon Valley suitors lacked -- access to the creators of much of the content that Scour.Net's search engine finds.

The parties reached the initial agreement on the sale of the majority of the company in early March. Messrs. Ovitz and Burkle would acquire 51% of Scour.Net for \$4 million. The agreement gave the investors an exclusive negotiating period in which to complete the transaction.

But the Scour.Net team dragged its feet in completing the transaction, and that's when things turned nasty. Messrs. Ovitz and Burkle filed the breach-of-contract lawsuit in Los Angeles County Superior Court in April, alleging that someone in the Scour.Net organization was negotiating with another buyer, violating their earlier agreement.

When a process server knocked on the apartment door, Mr. Rodrigues said, they thought it was a Federal Express delivery. "This was the first time any of us had been served," says Mr. Kalanick. The legal tussle with Mr. Ovitz, he adds, helped the young entrepreneurs learn that "at some point, business is business."

Now that the deal is done, a move is afoot to put Scour.Net's dorm-room atmosphere behind it. The company has moved into an upscale office building in Beverly Hills. It has hired a human-resources executive who used to work at Ticketmaster Corp. Scour.Net is even hiring interns.

"Their operation will start to get very professional very quickly," Mr. Ovitz says. "We're going to bring a certain amount of business discipline to complement their creative stuff."

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