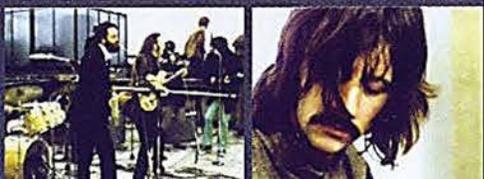




Chris Patton



The Long & Winding Road Litigating the Beatles' Partnership Dissolution



LYNN PINKER HURST & SCHWEGMANN



Andrés Correa









6. THIS Agreement is subject to any prior Contract or Agreement entered into by the Artists with any other person firm or corporation, and where the terms of this Agreement and any other such prior Contract or Agreement shall conflict, then the terms of that other such prior Contract or Agreement shall prevail _____

IN WITNESS whereof the parties hereto have hereunto set their hands the day and year first before written _____

SIGNED by the said _____

BRIAN EPSTEIN in the _____

presence of :-

J. A. Taylor.

FLAT C. 'MEREMNDS'
THE SERPENTINE SOUTH
RHUNDLELANDS
LIVERPOOL 23.

SIGNED by the said _____

JOHN WINSTON LEMON

in the presence of :-

J. A. Taylor.

J. A. Taylor.



SIGNED by the said _____

GEORGE HARRISON

in the presence of :-

J. A. Taylor.

George Harrison



SIGNED by the said _____

JAMES PAUL McCARTNEY

in the presence of :-

J. A. Taylor.

James Paul McCartney



SIGNED by the said _____

PETER RANDOLPH BEST

in the presence of :-

J. A. Taylor.

P. R. Best



NEWS EXTRA

Beatles sign new contract

THE Beatles have renewed their recording contract with EMI. Manager Brian Epstein signed a new contract for nine years at EMI's London headquarters this week. The group's first record "Love Me Do" was released on the Parlophone label in October, 1962, and sold 100,000 copies. World wide sales of Beatles records have now reached a total of 180 million.





Q: "Why are you here today?"

JOHN: "To do THIS."

(laughter)

Q: "What is this?"

JOHN: "What's it look like?"

(laughter)

Q: "Looks like a circus."

JOHN: "Well, you know, what are YOU doing here?"

(laughter)

Q: "What is Apple, John?"

JOHN: "It's a business concerning records, films, and electronics. And as a sideline, whatever it's called... manufacturing, or whatever. But we want to set up a system whereby people who just want to make a film about (pause) anything, don't have to go on their knees in somebody's office. Probably yours."

PAUL: "We really want to help people, but without doing it like a charity or seeming like ordinary patrons of the arts. We're in the happy position of not really needing any more money. So for the first time, the bosses aren't in it for profit. If you come and see me and say 'I've had such and such a dream,' I'll say 'Here's so much money. Go away and do it.' We've already bought all our dreams. So now we want to share that possibility with others."

JOHN: "The aim of this company isn't really a stack of gold teeth in the bank. We've

DONE that bit. It's more of a trick to see if we can actually get artistic freedom within a business structure."



Apple Corps Ltd.

Sale! Magic Alex Inventions

Perfect gifts for the home, for the hostess, for the busy executive, for the one you love!

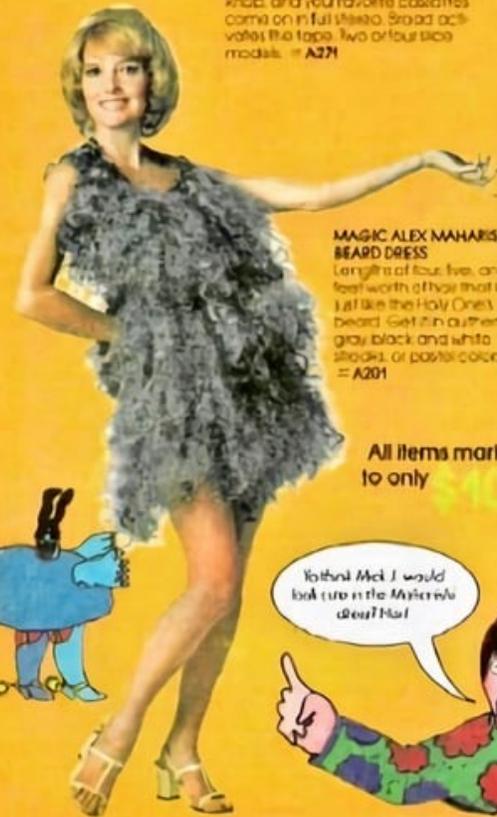
Magic Alex, Apple's very own genius inventor and madcap personality, is selling his fabulous creations at half price for this limited time only!



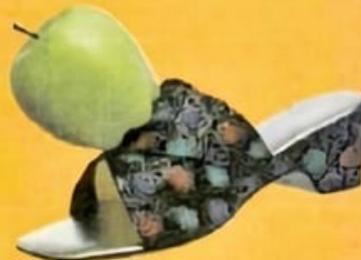
MAGIC ALEX STEREO TOASTER
Full slices of bread in it, feel down the knob, and your favorite cassettes come on in full stereo. Bread activates the tape. Two or four slice models. = A271



MAGIC ALEX ELECTRONIC PENIS ENLARGER
No rings, no weights, no stretch marks. Fully automatic, works electronically. Just put your penis in the opening, press the magic button, and the unique magnetic rays bombard your little buddy with its molecular shape actually changes and enlarges. Peniles. Ah you feel is a pleasant buzz. = A82



MAGIC ALEX MAHARISHI BEARD DRESS
Lengths of four, five, and six feet worth of hair that looks just like the Holy One's beard. Get it in authentic gray, black and white shades, or pastel colors. = A201



MAGIC ALEX APPLE SHOES
Wobble or stroll in your delicious little apple shoes. One size fits all. = A239

All items marked down to only \$100 each.



Yo! Yo! Mel J. would look cute in the Maharishi beard! That!



APPLE, INC.
HANDSOME TOWNHOUSE
SAVILLE ROW, LONDON

Dear Sirs: I love everything in your catalog. I'd like check, coin, money order, and stamps. Send everything.

Name _____

Address _____

City _____ State _____ Zip _____

“If it carries on like this,
all of us will be broke in
the next six months.”





APPLE

8th May, 1969

ABKCO INDUSTRIES INC.,
1700 BROADWAY,
NEW YORK,
NEW YORK 10019.

GENTLEMEN:

WE HEREBY APPOINT YOU AS OUR EXCLUSIVE BUSINESS MANAGER UNDER THE FOLLOWING TERMS AND CONDITIONS:

I. PERIOD: THREE YEARS

a) CANCELLABLE AT THE END OF EACH YEAR BY EITHER PARTY GIVING THREE MONTHS WRITTEN NOTICE: AND

b) CANCELLABLE BY APPLE IF ALLEN KLEIN FOR ANY REASON IS NO LONGER PERSONALLY INVOLVED WITH THE DAY TO DAY DETAILS OF RUNNING ABKCO.

II. TERMS

a) 20% OF THE GROSS INCOME RECEIVED FROM ANY DURING THE CURRENCY OF THE AGREEMENT AND 20% OF ALL WHENEVER RECEIVED AS A RESULT OF ALL AGREEMENTS SIGNED DURING THE CURRENCY OF THIS AGREEMENT EXCEPT AS FOLLOWS:

i) AMOUNT OF ANY BEATLE RECORD ROYALTIES ARISING FROM ALL EXISTING RECORDING AGREEMENTS, COMMISSION BEING ON AMOUNT OF ANY INCREASED ROYALTY.

ii) APPLE RECORDS - 10% COMMISSION ON GROSS REVENUE

iii) MERCHANDISING - 25% NETT.

iv) PUBLISHING BY OR ON BEHALF OF GEORGE HARRISON AND RICHARD STARKEY - 10% ONLY.

b) APPLE RECORDS INC. TO PAY FOR ALL FUTURE REASONABLE TRAVEL EXPENSES AND PROVIDE LIVING QUARTERS FOR ALL ABKCO PERSONNEL WHILE IN LONDON, WHEN TRAVELLING AT OUR REQUEST.

c) APPLE RECORDS INC. TO PAY FOR ALL REASONABLE TRAVEL AND LIVING EXPENSES INCURRED BY ABKCO TO DATE.

d) APPLE TO DEDUCT TO DAVID PLATZ COMMISSION ON PUBLISHING FROM ABKCO COMMISSION.

~~THE ABOVE SEES OUT OUR GENERAL UNDERSTANDING AND IS SUBJECT TO FORMAL AGREEMENTS BEING DREW UP BY OUR SOLICITORS.~~

Sol. IF THESE TERMS ARE AGREED TO PLEASE SIGN BELOW AND OUR SOLICITORS WILL DRAW UP MORE FORMAL AGREEMENTS.

Solomon
.....
AGREED AND ACCEPTED

[Signature]
.....

A. KLEIN (PRESIDENT)
FOR ABKCO INDUSTRIES INC.

a) 20% OF THE GROSS INCOME RECEIVED FROM ANY SOURCE DURING THE CURRENCY OF THE AGREEMENT AND 20% OF ALL INCOME WHENEVER RECEIVED AS A RESULT OF ALL AGREEMENTS SIGNED DURING THE CURRENCY OF THIS AGREEMENT EXCEPT AS FOLLOWS:

VERY TRULY YOURS,
APPLE CORPS LTD. on
behalf of THE BEATLES
and THE BEATLES GROUP
OF COMPANIES

Solomon





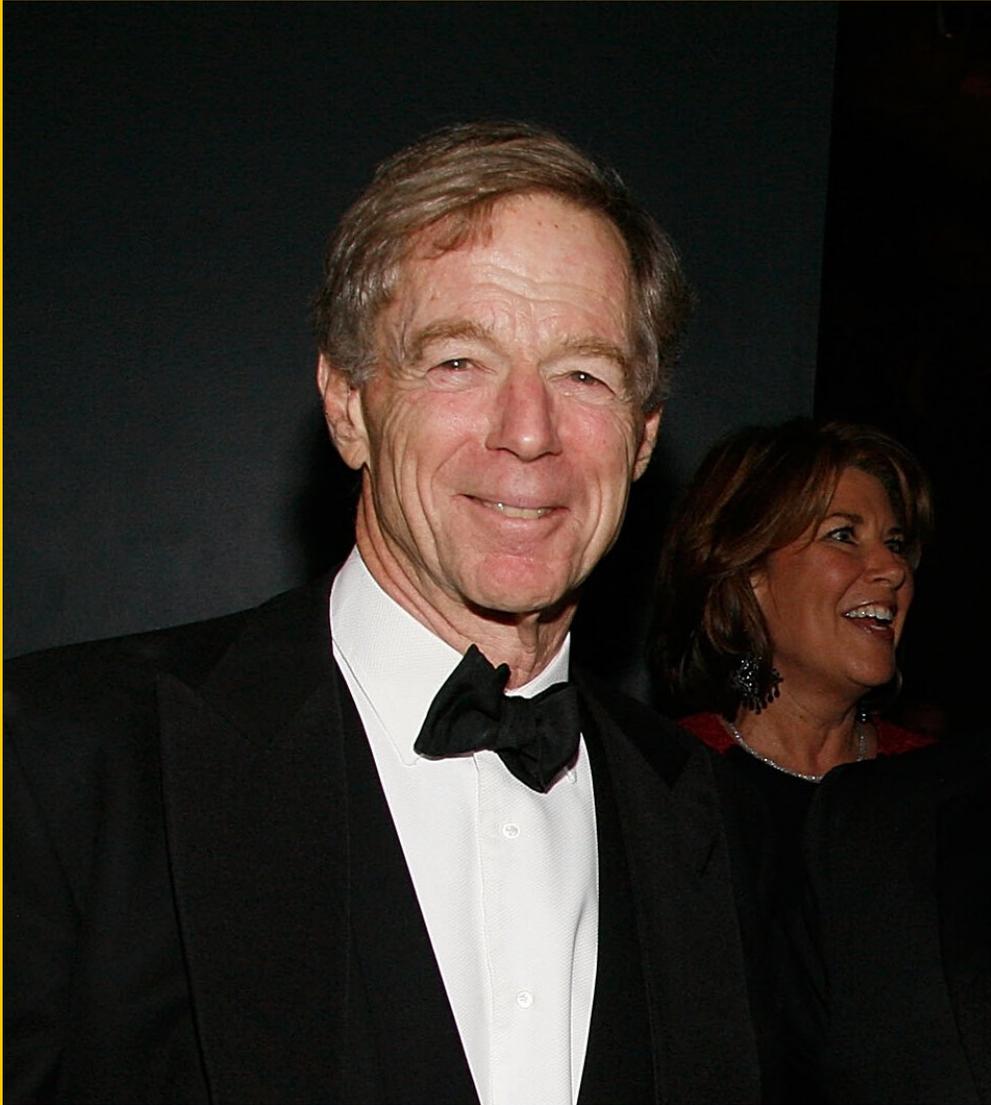


- “A spokesman for Apple Corps Ltd. said that any individual Beatle cannot offer his services, appear alone, or with any person in any branch of the entertainment industry without the consent of Apple Corps. Ltd., and the other Beatles,” reported the April 25, 1970, *Billboard*

Paul decides to sue

- It was “one of the most difficult things in my life. All summer long in Scotland I was fighting with myself as to whether I should do anything like that. It was murderous. I had a knot in my stomach all summer.”
- "I was thought to be the guy who broke The Beatles up and the b--- --- who sued his mates. And, believe me, I bought into that," McCartney, 78, said in a wide-ranging interview with [British GQ published Tuesday](#). "It was so prevalent that for years I almost blamed myself."
- “They loved this guy Klein. And I was saying, 'He’s a f----- idiot.'”

John L. Eastman



• “[t]his is going to be a dirty battle and you’re probably going to lose.”

The New York Times

- LONDON, Dec. 31 -- The Beatles, collective folk heroes of the 1960s, finally broke apart today.
- Paul McCartney brought suit in the High Court here to end the partnership. He named as defendants the other members of the pop group: John Lennon, George Harrison and Ringo Starr.
- The writ claimed that their relationship as "The Beatles and Company" should "be dissolved." It asked for an accounting of assets and income, still thought to be running to \$17 million a year.



David Hirst's Summation

- (1) Allen Klein billed more money for his commissions than he was entitled to take pursuant to the agreement
- (2) the Defendants had entered into contracts which affected the property of the partnership without McCartney's knowledge or consent;
- (3) the abysmal state of the bookkeeping and accounting;
- (4) the financial situation of the partnership;
- (5) the tax situation of the partners; and
- (6) the partner's excess drawing upon partnership assets.
- (7) General allegation that Allen Klein had engaged in misconduct as the manager for the Beatles, and based on his character, the court could assume it likely that the wrongdoing believed to have occurred to that point would continue if he were allowed to continue in his capacity as Beatles manager.

- “Klein has demonstrated towards the United States Federal authorities a willful failure to account comparable to that demonstrated towards the partners in the Beatles.”



Klein Testimony (Affidavit)

2. The Plaintiff, in the evidence filed in support of his application, attacks my commercial integrity in general . . . For these purposes I am advised, and I accept, that it is necessary for me to set out, in this Affidavit, a summary of my commercial history and of my dealings with and for The Beatles . . .

4. I turn now to deal with the general attacks made on my commercial integrity. I will first mention Cameo-Parkway Records Inc. ("Cameo-Parkway").

Klein Affidavit

9. Among other matters mentioned in Mr. Lampard's press cuttings is the bringing of charges against me in connection with U.S. tax offences. . . . On 30th January 1971 the jury found me guilty of the ten charges but the Judge has given leave for formal motions, with supporting papers, to be made and pending these motions being dealt with, no sentence has been imposed.

10. Then how he first reached out to Beatles

And how he evaluated a potential acquisition...

17. At this stage John Eastman launched an attack on my personal integrity, producing a copy of the Cameo-Parkway Proxy Statement mentioned above and clippings from newspapers. He alleged that I had a bad reputation in general...

Klein Affidavit

Page 9:

26. During the period leading up to the production of this document and also after it was produced I had many meetings with The Beatles, and I made it clear to them that their financial position was perilous. I took the view that my first task was to help them to generate enough income to alleviate this situation. The largest potential source of income was recording royalties and I wanted to negotiate a new recording arrangement with EMI

Justice Stamp Appoints a Receiver

- Klein “had made grossly excessive claims for commissions and has received commission grossly in excess of that specified.”
- Klein’s testimony “read to me like the irresponsible patter of a second-rate salesman.”

- “[e]ach of the Beatles had made and is making recordings otherwise than as a group of four referred to in the partnership deed.”
- “it is in the common interest to proceed to explore as a matter of urgency a means whereby [McCartney] may disengage himself from the partnership by agreement.”



Suing against all odds



Best defense is a good offense



Can't change the facts, but you can discover them



Suing against all odds



Relevant Texas Rules

- **Texas Disciplinary Rule of Professional Conduct 3.01**
- **Texas Civil Practice & Remedies Code § 9**
- **Texas Rule of Civil Procedure 13**

Texas Disciplinary Rules of Professional Conduct

Rule 3.01. Meritorious Claims and Contentions

A lawyer shall not bring or defend a proceeding, or assert or controvert an issue therein, unless the lawyer reasonably believes that there is a basis for doing so that is not frivolous.

Texas Civil Practice & Remedies Code

- § 9.001(3) defines “groundless” actions to mean: “(A) no basis in fact; or (B) not warranted by existing law or a good faith argument for the extension, modification, or reversal of existing law.”
- § 9.011 requires that a signature on a pleading “constitutes a certificate by the signatory that to the signatory’s best knowledge, information, and belief, formed after reasonable inquiry, the pleading is not: **(1)** groundless and brought in bad faith;**(2)** groundless and brought for the purpose of harassment; or**(3)** groundless and interposed for any improper purpose, such as to cause unnecessary delay or needless increase in the cost of litigation.”

Texas Civil Practice & Remedies Code

§ 10.001 of the Texas Civil Practice & Remedies Code provides:

The signing of a pleading or motion as required by the Texas Rules of Civil Procedure constitutes a certificate by the signatory that to the signatory's best knowledge, information, and belief, formed after reasonable inquiry:

- (1) the pleading or motion is not being presented for any improper purpose, including to harass or to cause unnecessary delay or needless increase in the cost of litigation;
- (2) each claim, defense, or other legal contention in the pleading or motion is warranted by existing law or by a non-frivolous argument for the extension, modification, or reversal of existing law or the establishment of new law;
- (3) each allegation or other factual contention in the pleading or motion has evidentiary support or, for a specifically identified allegation or factual contention, is likely to have evidentiary support after a reasonable opportunity for further investigation or discovery; and
- (4) each denial in the pleading or motion of a factual contention is warranted on the evidence or, for a specifically identified denial, is reasonably based on a lack of information or belief.

Texas Rule of Civil Procedure 13

- “Courts shall presume that pleadings, motions, and other papers are filed in good faith.”

Thottumkal v. McDougal, 251 S.W.3d 715 (Tex. App.—Houston [14th Dist.] 2008, pet. denied)

- Thottumkals sue lawyer, after lawyer successfully sued first to recover unpaid bills.
- “Jose Thottumkal admitted that he filed the instant lawsuit based on his personal feelings about the inequities of the 2000 lawsuit, rather than the validity of the claims and any potential bars.”
- “McDougal also sent a letter to the Thottumkals after being served with the lawsuit detailing legal bars to their claims. However, the Thottumkals waited until after McDougal filed an answer, motion for summary judgment, and motion for sanctions before they dismissed the suit.”

2. Best Defense is a Good Offense – What Klein Could have Done

1. **McCartney agreed to the contract terms.**
2. **Klein saved Apple Corps from bankruptcy.**
3. **Klein renegotiated the EMI contract, successfully extracting a 25% wholesale royalty rate in September 1969 (the highest royalty rate ever granted any artist).**



2. Best Defense is a Good Offense – What Klein Could have Done

During a conversation between a reporter and Brian Epstein, here's what the reporter remembered after Epstein asked "Which of the Beatles do you think is the hardest to manage"



"In fact, Brian's answer was McCartney," Short recalled. "Paul wanted to project himself as the nice guy, but in terms of arranging Beatles business, he was the problem." Paul frequently pestered Brian with questions and concerns about the Beatles' business affairs, and he wasn't shy about reminding Brian that it was his job to keep the Beatles happy. Usually McCartney got whatever he wanted by relying on his wooing and soft-selling skills, but sometimes he could be domineering and pushy – a bit of a control freak, even – and Brian would be intimidated. "John may have been the loudest Beatle, but Paul was the shrewdest," claimed the group's PR man, Tony Barrow.



Can't Change Facts, but Can Inoculate Them

Rice/Leggett Study

- 2 groups see the same opening: highlighting, in a suit by a car crash victim, the plaintiff's drinking before the crash.
- Opening 1: avoided any mention of drinking before crash.
- Opening 2: mentioned drinking, but noted plaintiff did not have reputation as a drinker and blood-alcohol below legal limit.
- **Result:**
 - Jurors in Opening 2 found defense arguments less persuasive, AND viewed plaintiff's attorney as more honest, organized, persuasive, posed and effective.

2. Best Defense is a Good Offense – What Klein Could have Done (cont'd)

Yes, but... Klein also negotiated on behalf of Sam Cooke, forever altering the relationship between labels and artists by securing for Cooke a giant advance and complete ownership of his work.

**“We're more popular than
Jesus now.”**

John Lennon.

**“Settle matters quickly
with your adversary who
is taking you to court.”**

Jesus.

ALL
YOU
NEED
IS
LOVE

