Hollywood, Silicon Valley and AT&T? It's a Deal
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Hollywood and Silicon Valley have something of a Mars/Venus problem: the two sides are talking but they don't speak each other's language. A new venture involving a phone company may just add Pluto into the mix.
On Monday, the William Morris Agency, the Hollywood talent shop, will announce that it is teaming up with the Silicon Valley venture capital firms Accel Partners and Venrock to invest in digital media start-up companies based in Southern California. What makes the combination unusual, though, is the addition of AT&T as a limited partner.

While there has been a spate of deals recently as entertainment and technology companies try to capitalize on their shared interest in new media, many people view wireless carriers as too controlling, particularly when it comes to offering new software and content on today's more sophisticated, Web-friendly cellphones.

This deal is an indication of how quickly online and mobile entertainment are transforming the wireless carriers and perhaps a recognition — on all sides — that a failure to act now could leave the partners vulnerable to interlopers who seek to upend their traditional businesses.

Susan Johnson, a senior vice president for business development at AT&T, who will be working with the alliance, said the convergence of media and technology was "as much an opportunity as a threat."

Hollywood and Silicon Valley executives have had an uneasy relationship since the Internet boom of the late 1990s, when the promise of a new-media revolution failed to materialize. Scores of actors and directors piled into private jets to make the 300-mile pilgrimage from Los Angeles to Palo Alto, but they were unsuccessful at creating properties for the Web.

"There is always a fear, I know, that the bubble is about to burst when a parade of actors and actresses comes through my door," said Jim Breyer, a board member of Marvel Entertainment and a partner at Accel, which invested early on in Facebook. "This time the discussions are much more rational."

David Siminoff, a general partner at Venrock who invests in media companies, said, "The ethos of this fund is about reducing the friction." Further, he added, "Hollywood people are not stupid. They are just not technology people."

AT&T is not looking exclusively for content; the likes of CBS, ESPN and NBC already provide much of that for cellphones. Instead, it is hoping to invest in technologies that will make it easier to run ads on cellphones, as well as to nurture social networks like Facebook and MySpace, online hits that have migrated to hand-held devices.

AT&T has spread money around Hollywood before — it invested in the film producer Media Rights Capital — but those investments were largely passive.

The fund was the idea of James A. Wiatt, chief executive at William Morris, and Paul Bricault, who runs the agency's consulting practice and has known Mr. Siminoff for years. The fund's initial financing will be in the tens of millions of dollars, which it will use to start and invest seed money in fledgling companies interested in creating online content and technology for social networking, mobile games and advertising.

The founders also want flexibility. While investments are likely to be as small as $250,000, the founders would also consider financing companies that need millions of dollars. Although the emphasis of the fund is on Southern California, investments may be made in other areas.

The founders' interests are varied. Ms. Johnson said AT&T was most interested in mobile applications, while Mr. Siminoff said he was looking for content or social networking companies with "emotional relevance" for consumers.

Richard Wolpert, a former president of Disney Online and the chief strategy officer at RealNetworks, a digital entertainment company, has been hired to oversee the fund. It will have an executive committee, with representatives from William Morris and its venture capital partners, and a larger investment committee to decide which companies get financing. “All of us are looking to bring ideas and contribute,” said Mr. Wiatt.

Talent agencies in the last year have taken different directions in their approach to new media. But if there is any question how important it is to the future, consider this: the Writers Guild of America effectively shut Hollywood for three months recently when it went on strike after demanding a greater share of new-media profits from producers.

Creative Artists Agency has been seeking venture capital partners ever since it paired with Sequoia Capital almost a year ago to help start the Will Farrell-backed Web site FunnyOrDie.com. Industry executives say Creative Artists has sought to raise as much as $150 million for a digital entertainment and technology fund. Other firms, like ICM and Endeavor, are interested in capitalizing on technology relationships, too.

By contrast, the advertising agency Spot Runner and the United Talent Agency helped start 60Frames, an online content creator and video producer. United Talent owns a stake in 60Frames, but the $3.5 million raised to finance projects came from private and institutional investors, said the chief executive of 60Frames, Brent Weinstein, and UTA has no hand in day-to-day operations.

“It was very important for 60Frames to be independent,” said Mr. Weinstein, who used to work at UTA.

Whatever the future prospects of the William Morris alliance, all involved hope a happy outcome will be something that cannot be valued on a spreadsheet: talk that leads to understanding. Ms. Johnson described herself as a technologist who knows little about Hollywood. “We’re not in it for the return on investment,” she said. “It is the dialogue.”

Or, as Mr. Bricault of William Morris put it: “Without our disparate skill sets, it is just another investment fund.”

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