

### Sheppard Mullin Guides Village Roadshow to Complete Legal Victory and Industry-Shaping Asset Sale in Chapter 11

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Sheppard Mullin served as lead Debtors' counsel to Village Roadshow Entertainment Group USA Inc. and its 33 affiliates in one of the year's most closely watched entertainment bankruptcies. Village Roadshow, the acclaimed film producer behind franchises including "The Matrix" and "Ocean's Eleven," commenced chapter 11 proceedings in March 2025 after a liquidity crisis triggered by a protracted arbitration with Warner Brothers, its long-time co-production partner, and ongoing underperformance in its independent studio business.

Upon entering bankruptcy, Village Roadshow secured a \$12.7 million debtor-in-possession facility from its pre-petition lenders. The firm structured a competitive sale process for the company's key assets anchored by a revised stalking horse bid of \$417.5 million for the film library, ensuring a strong floor for creditor recoveries. The sale process drew robust interest and resulted in a competitive auction, which culminated in Alcon Media Group ("Alcon") emerging as the successful bidder not only for the film library, but also for the company's studio business and derivative rights assets.

While the sale for the film library closed over the summer, Warner Brothers, which also bid for the derivative rights assets but was ultimately bested by Alcon at the auction, raised several objections to the sale and assignability of the derivative rights assets, which required an extensive discovery process and trial on the merits at the sale hearing. Specifically, Warner Brothers argued that the assets could not be sold absent their consent pursuant to Section 365 of the Bankruptcy Code because they were financial accommodations, personal services contracts and intellectual property licenses, and further argued that Alcon could not provide adequate assurance of future performance.

Ultimately, Sheppard Mullin delivered a complete victory for Village Roadshow in a highly contested sale hearing. The team overcame vigorous objections from Warner Brothers and Regency, successfully defending the proposed sale of the derivative rights assets and prevailing on complex and novel issues related to assignment of film rights under the Bankruptcy Code. The court approved the sale of the derivative rights assets to Alcon, finding Sheppard Mullin's arguments on business judgment, assignability and adequate assurance decisive. This result maximized value for the estate, reinforced the integrity and finality of the auction process and provided critical precedent on assignability of intellectual property rights and related agreements in bankruptcy.

This matter demonstrates Sheppard Mullin's leadership in large-scale entertainment restructurings and also highlights its capacity to orchestrate successful asset sales that preserve valuable intellectual property rights and enterprise value, even in the face of aggressive litigation from major industry players.

The bankruptcy team was led by partner Justin Bernbrock and includes partner Jennifer Nassiri, associate Alyssa Paddock, associate Matt Benz, partner Tom Panoff, special counsel Chris Comstock, associate Sydney

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## Practice Areas

Bankruptcy and Restructuring

Bankruptcy Litigation

Entertainment, Technology and Advertising

Litigation

## Industries

Entertainment, Technology and Advertising