

The Gossip Machine, Churning Out Cash

By [JIM RUTENBERG](#) MAY 21, 2011

LOS ANGELES — In late July 2010, the Southampton, N.Y., police charged Michael Lohan, the father of the actress [Lindsay Lohan](#), with physically harassing his fiancée. When the news hit on the gossip Web site [TMZ](#), Mr. Lohan was at the Sunset Tower in Los Angeles, where he had been on the interview circuit discussing his daughter's imprisonment stemming from drunken-driving charges.

Mr. Lohan was hardly morose about his own legal troubles. His hotel room and the hallway outside it buzzed with giddy deal-making as he and his entourage, which included two beefy, bejeweled bodyguards, conducted business with the door open. It could all be overheard by passers-by — or, by coincidence, a New York Times reporter staying in a room across the way.

An associate of Mr. Lohan's ran through the plan: ignite a bidding war between TMZ and its rival Web site Radar for Mr. Lohan's side of the story and for embarrassing recordings he claimed to have of his fiancée, Kate Major. "What you have to do is monetize this," the associate said, adding, "What you want is to make them pay for that exclusivity."

Sure enough, Radar went on to post four "exclusives" quoting Mr. Lohan denying the charges and threatening to release tapes of Ms. Major.

This is how it works in the new world of round-the-clock gossip, where even a B-list celebrity's tangle with the law can be spun into easy money, feeding the public's seemingly bottomless appetite for dirt about the famous.

A growing constellation of Web sites, magazines and television programs serve it up minute by minute, creating a river of cash for secrets of the stars, or near-stars. An analysis of advertising estimates from those outlets shows that the revenue stream now tops more than \$3 billion annually, driving the gossip industry to ferret out salacious tidbits on a scale not seen since the California courts effectively shut down the scandal sheets of the 1950s.

It all kicked in with a vengeance last week when news broke that former Gov. Arnold Schwarzenegger of California had fathered a child with his family's housekeeper.

Radar was the first to reveal the mother's identity, in a joint report with Star magazine. TMZ quickly flooded its site with her pictures. Several gossip outlets were prepared to bid big dollars for any new video or photographs of the mistress.

On Friday, TMZ posted the most confidential document of the entire affair: the bank form that Mr. Schwarzenegger signed last year giving her a down payment for her house.

"I don't know who got a hold of it and how they got a hold of it," said the mortgage broker involved in the sale, David Rodriguez.

This new secrets exchange has its own set of bankable stars and one-hit wonders, high-rolling power brokers and low-level scammers, many of whom follow a fluid set of rules that do not always comport with those of state and federal law, let alone those of family or friendship.

Now there is a growing effort to stop the flow of private information. In the past few years, a federal Department of Justice team in Los Angeles has conducted a wide-ranging investigation into illegal leaks of celebrity health records and other confidential files, according to officials involved. Working in secret, they have plumbed cases involving Tiger Woods, Britney Spears and Farrah Fawcett, among others.

That inquiry is just one of at least six here into whether workers at hospitals, the coroner's office or the Police Department have accepted money for private information, according to officials, most of whom spoke on the condition of anonymity.

But payment often comes in cash, making it hard to track, officials say, and new laws meant to plug the geyser, many of them promoted by Mr. Schwarzenegger, have hardly worked. "Sometimes I think we're losing," one investigator said.

Increasingly, celebrities are not just victims. With only so many big-time personalities in rehab, facing indictment or — à la Charlie Sheen — in public crack-up mode, a raft of reality stars, former reality stars and would-be reality stars have filled the breach with attention-grabbing antics of their own.

Some have broken the law — like the Colorado couple who falsely reported that their young son was floating away in a helium balloon — or, the authorities sometimes suspect, have pretended to break the law to create marketable storylines by staging physical altercations or domestic disputes.

In at least one case, a criminal investigation became part of a show. After prosecutors in Utah opened a bigamy investigation into the Brown family of the TLC program "Sister Wives" — one man, four women and 16 children — the clan moved across the border to Nevada. The move played out in real time on TMZ and in an episode scheduled to be shown Sunday night.

Some law enforcement officials who handled the Southampton criminal complaint against Mr. Lohan questioned whether they might have played bit parts in an endless script the Lohans were writing about themselves. After all, one official noted in an interview, the alleged harassment took place in the home where Mr. Lohan and his fiancée, Ms. Major, were filming a proposed reality show called "Celebrity House NY."

Ms. Major's incident report, which was not publicly available, found its way onto TMZ, and the Web site's photographers just happened to encounter her as she left her lawyer's Manhattan offices.

"It does lead you to wonder," the official said, after Ms. Major dropped the complaint.

TMZ and Radar have unearthed so many confidential criminal and health documents about the Lohans that Judge Keith L. Schwartz of Los Angeles Superior Court marveled in frustration, "They ought to maybe hook up with the C.I.A."

'Enticing to Steal'

The computer screen flashed as David Perel, the managing editor of Radar Online, worked from his darkened home office in Delray Beach, Fla. Reporters were filing a torrent of items — one about the amputation of the actress Zsa Zsa Gabor's right leg; another about Charlie Sheen cavorting with escorts; and an interview with the former baseball star Lenny Dykstra in which he defended himself against a sex-film star's accusations that he paid for her "companionship" with a bad check.

"This is a slow day," Mr. Perel observed.

Mr. Perel has played a big role in the gossip industry's evolution. He started as a reporter at The National Enquirer in 1985, rising to editor in chief before joining Radar, which is owned by the same company.

When Mr. Perel began at The Enquirer, he said, "We were never, ever outbid on a story — there was no such thing."

Today, competitors willing to pay for photographs or information come from all corners. Gossip magazines have proliferated over the past several years, with additions like the United States edition of the British gossip magazine OK! and In Touch Weekly.

Network news divisions sometimes pay interview subjects "licensing fees," ostensibly for photographs or video. ABC News, whose rules allow payment for material used on air but not for interviews, acknowledged paying the family of Casey Anthony, a murder suspect, \$200,000 for home video and pictures. A lawyer for Ms. Anthony said in court that the money went toward her defense against charges that she had killed her 2-year-old daughter.

Online sites like TMZ and Radar are credited with giving the industry a turbo engine. Neither would divulge how much they pay, and they both have played down the frequency with which they do it. People who have worked with them said fees ranged from a few hundred dollars to several thousand — and much more for bigger scores.

Posting more than 30 exclusive items a day is common. "We're trying to build what they call addicts online," Mr. Perel said.

TMZ, owned by Time Warner, created the model in 2005, upending the entertainment news business by proving that a huge audience exists for continuous gossip updates. Its founding followed the emergence of savvy "celebutantes" like Paris Hilton, who were happy to invite selected paparazzi to track their every move — whether it led to a shopping spree or an arrest for drunken driving.

"It was based on reality TV," said Stephen Lenehan, a veteran of the photo agency business. "You could live with the celebrities minute by minute."

TMZ upped the ante when it began posting documents from the confidential police and court files of celebrities. TMZ has said it draws the line at paying police and other official sources, crediting old-fashioned reporting.

Yet one of its first blockbusters was the leaked report on Mel Gibson's arrest on drunken-driving charges in 2006 that recounted his anti-Semitic, misogynistic rant. Authorities investigated a sheriff's deputy who they suspected had been paid for the report, but they did not press charges. Both the deputy and TMZ have denied any transaction occurred. TMZ declined to comment for this article.

Coincidentally, Radar Online had an early successes with another case involving Mr. Gibson, revealing tapes of an argument between him and a former girlfriend, copies of which had been under court seal. Perhaps it is only fitting that the 2007 California law making it a crime for law enforcement personnel to sell confidential information is known as Mel's Law.

A self-described “celebrity privacy rights” advocacy group, Stoparazzi, wants more assertive laws. In interviews with ABC’s “Nightline” and others, the group’s president, Terry Ahern, has denounced public employees who leak private information.

During an interview with The Times, Mr. Ahern criticized Web sites that offer money for story tips. “Every one of these Web sites says ‘Cash for information,’ ” he said. “You’re enticing people to steal.”

Yet a phone number listed on Stoparazzi’s Web site was the same number listed on Hollywoodtip.com, which declares: “We pay CA\$H for Valid, Accurate, Usable Tips on Celebrities.” California state records show that the company that owns Hollywoodtip, P.S.S. Inc., is owned by Mr. Ahern.

Several people familiar with Mr. Ahern’s operation, who spoke on the condition of anonymity, said he sold photos and information about celebrities to major distribution agencies under several names. They said they believed he created Stoparazzi to gain the confidence of marketable stars. One of those people shared financial records detailing tens of thousands of dollars paid to P.S.S. for tips on celebrities.

Mr. Ahern denied selling celebrity information and said the tips Web site was started by a partner he would not name. “The site is up, but it is never used,” he said in an interview. “I forgot we even had it.” (The site went dead after the interview.)

He said he did have a photography business, Gorgeous Shots, which works with celebrities to ensure “every shot is gorgeous.” Those raising questions about him, he said, were rankled by Stoparazzi’s mission because “they don’t like people trying to fight for celebrities’ rights to privacy.”

Feeding the Machine

In this overheated gossip marketplace, where the need for fresh fodder routinely turns bad behavior into “news,” the Lohans are prototypes of new Hollywood characters — celebrities famous for being infamous.

Lindsay Lohan, who first impressed critics in 1998 by playing 11-year-old twins in “The Parent Trap,” had a bright acting future but began struggling with drugs, alcohol and the law, often in public view. Now she is on the gossip sites daily, alternately as a comeback-in-waiting and a onetime prodigy gone wrong. She has had several legal cases going on at once, the latest being her arrest in February on jewelry theft charges, to which she recently pleaded no contest. During her arraignment, the Los Angeles courthouse was surrounded by 12 satellite trucks, 150 reporters and 4 helicopters hovering overhead.

Ms. Lohan’s lawyer, Shawn Chapman Holley, who served on O. J. Simpson’s defense team, said the media circus surrounding Mr. Simpson’s murder trial was quaint in comparison. “There’s this unbelievable hunger for a constant flow of information about these people,” Ms. Holley said. “So everybody has to feed this machine all the time.”

Often, that ends up being Ms. Lohan’s father. A former commodities trader who was jailed in the 1990s in a securities fraud scandal, he has made a second career hawking morsels about his family, himself and others in the celebrity sphere in which he travels.

When asked in an interview about his attempt to “monetize” his harassment charge last summer, Mr. Lohan answered, “You have to.”

“It’s a business,” he said, adding, “If they want to write stories about me, why shouldn’t I get paid to tell the truth?”

He said the incident with Ms. Major “had nothing to do with the show” they were filming. As for law enforcement suspicions that the couple exploited the case for maximum exposure, Mr. Lohan said he would “not confirm or deny what was part of the media and what wasn’t.”

Ms. Major, who has made a similar assault complaint against Mr. Lohan that is pending in California, declined to comment, saying only: “I’m going to keep my personal life private, but it was never about money.”

Mr. Lohan has managed to attain enough B-list fame to land a slot in the coming season of “Celebrity Rehab” on VH1, for anger-management treatment. He was paid six figures, he said, for roughly three weeks of filming.

On any given day, Mr. Lohan can be seen on Radar or TMZ promoting his rock song, “A Father’s Love,” about his daughter; writing to Mr. Sheen on his need for rehabilitation; or appearing in a video with Ms. Major getting his-and-her [Botox](#) injections.

In late 2009, he gave Radar a recording of a conversation with his daughter about her depression and isolation that he said he released to pressure her to get help. At the time, Mr. Lohan told The New York Post that he was not being paid for the tapes but suggested that he might have been for an accompanying interview.

In an interview with The Times in February, to which he was accompanied by a former Penthouse model, Mr. Lohan would not discuss specific transactions but said the fees were “chump change” compared with his earnings from other endeavors. “I trade a hedge fund,” he said. “I went to jail for insider trading.”

He has extended his role beyond his own family, joining the ranks of “story brokers” who negotiate gossip-for-pay deals.

Records in a lawsuit between TLC and one of its former top reality stars, Jon Gosselin of the show “Jon and Kate Plus Eight,” provide a peek at the flow of cash that finances “exclusive” content.

Mr. Gosselin, an information technology specialist before he and his wife at the time became reality stars with their large brood, met Mr. Lohan in 2009 and lamented that he was struggling to land lucrative interviews, according to depositions shared with The Times on the condition that their source not be disclosed.

Mr. Lohan said in a deposition that he set up Mr. Gosselin with a talent broker who has “helped my daughter out tremendously.” The broker, Mr. Lohan said, arranged paid interviews and appearances for Mr. Gosselin in exchange for a 20 percent commission. Mr. Lohan was also paid. The broker, Michael Heller, did not dispute the account.

Mr. Gosselin generated interview offers worth at least \$365,000 that year, according to the depositions. That did not include fees for appearances and other events that, Mr. Lohan testified, “are paid in cash, not checks, so there won’t be a record of some of them.”

According to the legal papers, Mr. Gosselin was offered \$100,000 by E! Television and received roughly \$40,000 from In Touch, at least \$120,000 from “Entertainment Tonight” and about \$100,000 from ABC News. That was in addition to the \$25,000 he and his wife made per episode.

The Hidden Money Trail

If Mr. Lohan is something less than an A-lister and Mr. Gosselin is a notch or two below, it is hard to know how to categorize Jenelle Evans. To the police in Oak Island, N.C., she was another person suspected of breaking the law for the gossip business.

Ms. Evans was an anonymous high school student until her pregnancy won her roles on MTV’s “16 and Pregnant” and “Teen Mom 2.” This March, she was involved in a fight in which she wrestled a young woman to the ground and pounded her face. Ms. Evans and a friend accused each other of selling the SplashNews photo agency a tape of the fight, which then showed up on TMZ.

Greg Jordan, assistant chief of the Oak Island Police Department, which arrested Ms. Evans for public fighting, said they had begun investigating whether the fight was instigated to profit from Ms. Evans’s minor celebrity and whether the outlets that handled the tape could have been culpable.

“There are laws against paying other people for doing criminal acts,” he said, adding that the fighting case had been taken over by county prosecutors, who have not indicated they are looking into any media involvement. A lawyer for Ms. Evans, Dustin Sullivan, said that his client did not sell the tape but that he believed others did. He called on the authorities to continue investigating the role of media outlets.

The team of federal prosecutors and F.B.I. agents in Los Angeles are asking similar questions when they suspect that confidential health records are sold for gossip fodder. Anthony R. Montero, a special assistant United States attorney with the health care fraud unit based in Los Angeles, said the number of leaks was “significant, but we actively investigate all the matters.”

Last year, prosecutors won a guilty plea from a former U.C.L.A. Medical Center researcher, Huping Zhou, who was found to have illegally gained access to private medical files, many of celebrities, more than 300 times. But investigators could find no evidence to support their suspicion that he was doing it for pay from gossip outlets. Mr. Zhou is appealing his case.

Similarly, the Los Angeles police have yet to solve a high-profile, embarrassing leak: an official photograph obtained by TMZ showing the singer Rihanna’s bruised face after she was beaten in February 2009 by her boyfriend at the time, the singer Chris Brown. In September 2009, the department put two officers it suspected in the leak on administrative leave, but they have not been charged and continue to collect full pay, their lawyers said.

The Los Angeles Coroner’s Department has investigated two major leaks — the actress Brittany Murphy’s preliminary autopsy report in December 2009 and Michael Jackson’s preliminary death certificate.

“Here’s what we’re facing: the offer for pictures of Michael Jackson in our building was worth \$2 million the day after he died,” said Ed Winter, the deputy coroner. “We had to shut down public access to our building. We had people literally climb the back fence trying to break in and get what they could.”

The federal law enforcement team established the clearest link between private records and a gossip outlet two years ago by following the trail of Farrah Fawcett's medical file.

After The National Enquirer report that Ms. Fawcett's cancer had returned, investigators tracked the leak to a low-level employee at the U.C.L.A. Medical Center, Lawanda Jackson, who disclosed her involvement with the paper as part of a plea agreement.

According to an official involved in the investigation, Ms. Jackson described a courtship in which an Enquirer reporter established a level of trust before offering money for information. The official said The Enquirer initially asked Ms. Jackson to find out whether celebrities were in the hospital and then moved on to requests requiring more intrusive forays into medical files, paying each time.

The Enquirer paid Ms. Jackson \$4,600 for information about Ms. Fawcett's cancer, court records show. That and other payments — investigators say they believe that Ms. Jackson reaped many thousands of dollars over the years — were deposited into an account that the authorities said they would not have found without her help.

The official said agents were investigating The National Enquirer's conduct, although no charges had been filed when Ms. Jackson and Ms. Fawcett died, effectively ending the case. Ms. Jackson's husband, Victor, said that while he had advised his wife against it, she had a simple reason for working with The Enquirer: "Easy money."

A \$10,000 Payday

Dawn Holland, a \$22,000-a-year worker at the Betty Ford Center, has a similar explanation.

The drug and alcohol addiction treatment center, tucked away in Rancho Mirage, Calif., some 120 miles east of Los Angeles, takes its patients' privacy seriously. Visitors must sign a statement acknowledging that it is illegal to publicly share anything witnessed there. In its nearly 30-year history, the center had never lost control of a patient file — until it brushed up against the Lindsay Lohan story.

Ms. Lohan was there last fall as part of her sentence for violating probation in a drunken-driving case. One night when Ms. Holland tried to administer a breathalyzer test, Ms. Lohan refused and threw a phone at her, Ms. Holland alleged in an internal report, resulting in a criminal battery investigation that did not lead to charges. That report, part of Ms. Lohan's confidential file, wound up on TMZ.

Ms. Holland quickly told Radar that TMZ had paid her at least \$10,000 for an interview and the report, which drew the interest of the federal investigators.

Ms. Holland said in an interview that TMZ paid through a bank account of her lawyer at the time, Keith Davidson, who has other clients who have appeared on TMZ. Ms. Holland said Mr. Davidson told her that he learned about her case from people at the site.

She said that TMZ had called her incessantly after the incident, and that she finally agreed to talk after the treatment center suspended her. "My back was up against the wall," said Ms. Holland, who was later fired.

"If I could turn back the hands of time, I would not have done it," she said, adding that she did not realize that leaking the report might violate federal law. (No charges have been filed.)

Ms. Holland hired a new lawyer, Owen L. McIntosh, after questioning the strategy she said Mr. Davidson had persuaded her to pursue. It included ceasing cooperation with authorities against Ms. Lohan and a deal to meet with Ms. Lohan to make peace, and then sell pictures of the moment for up to \$25,000. Mr. Davidson said that he could not talk about the case, but that he advised all clients with criminal exposure not to cooperate with the authorities.

In any case, the arrangement was being pushed by none other than Mr. Lohan.

“I was talking to Lindsay, I said, ‘Honey, someone’s got to get in touch with her — your lawyer or somebody — to help her get an interview,’” he said of Ms. Holland. “I said, ‘If I have to set it up, I’ll do it for her.’ ”

The plan never went forward, and it is unclear just how open Ms. Lohan was to her father’s advice at the time. A few weeks later she apparently cut off contact with him. This was reported by her mother, Dina — in a Radar “exclusive.”

<http://www.nytimes.com/2011/05/22/us/22gossip.html?rref=collection%2Ftimestopic%2FGossip>