SUMMARY

Attorneys are no strangers to high-profile, bet-your-business cases. But what happens when a law firm is itself the defendant, and the exposure is potentially nine-figures? This panel will examine high-profile cases against attorneys and law firms. Panelists will provide their insight on patterns and common themes that gives rise to such high stakes claims. Instances in which substantial claims against law firms have been asserted will be specifically analyzed, as panelists grapple with why there is greater exposure by attorneys and law firms to being sued today and lessons to be drawn. The panel, which also includes a media representative, will comment on what causes a case to draw inordinate publicity, and what can be done to either stimulate or limit such attention.

Speakers: Roy Reardon, Partner, Simpson Thacher & Bartlett LLP, New York, NY
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Moderator: Willard C. Shih, Shareholder, Wilentz Goldman & Spitzer, P.A., Woodbridge, NJ

The following summaries are collected from reports of cases that have made headlines.

A. Malpractice, Breach of Fiduciary Duty and/or Fraud

1. $223 million verdict reversed on appeal (Cal. 1998)¹

In 1986 Prudential recruited Michael Piscitelli to sell limited partnership interests that it misrepresented were as safe as long term certificates of deposit and would yield a return of 15 to 20 percent. After selling a significant number of the partnership interests to his clients, Piscitelli perceived problems with the investments. He turned his emphasis to arranging money management services.

Investors who had purchased the limited partnerships made numerous complaints against Piscitelli between 1992 and 1996. Prudential defended the claims and paid settlements, but the complaints became part of Piscitelli’s permanent broker record. Because of the complaints, Piscitelli could not find another brokerage job.

Piscitelli retained Robert Dreher to represent him in an NYSE arbitration against Prudential. Dreher received a copy of a class action complaint filed by investors against Prudential. When Dreher changed firms and could not take the case, Piscitelli retained new

The evidence showed that counsel received Dreher’s file containing the class action complaint. In addition, Piscitelli made counsel aware of the class action lawsuit and, on two occasions, told him about a deadline for opting out of a class settlement. Counsel told Piscitelli he would take care of the matter but did nothing.

When Prudential raised the class action settlement as a defense to Piscitelli’s claims, counsel moved for permission for Piscitelli to opt out after the deadline. The court found that Piscitelli had inquiry notice and denied relief.

In the subsequent legal malpractice lawsuit, the jury rendered a verdict in Piscitelli’s favor against his counsel. It found Piscitelli would have been awarded $2,435,160 in general and special damages. After the verdict, the jury determined that the arbitrators would have awarded $221,389,400 in punitive damages against Prudential.

The court granted counsel a new trial on damages unless Piscitelli consented to a remittitur of the punitive damages award. Piscitelli did not accept the remittitur and both parties appealed. The judgment was reversed on appeal, with the court deciding an attorney’s negligence does not make him liable for punitive damages that a client might have collected if counsel had not erred.

2. **Over $200 million settlement (2011)**

   **Patent Bill Viewed as Bailout for a Law Firm**

   The Medicines Company settled a dispute with an Am Law 100 law firm relating to the principal U.S. patent covering the product Angiomax, an anti-blood-clotting drug. The malpractice claim has its origins a decade ago, when the law firm was representing the company in its bid to extend the patent for Angiomax. The U.S. Patent and Trademark Office ruled that its lawyers filed the extension application at least a day after a key deadline – a decision that threatened to cost the drug company five years of exclusive drug sales.

   Under a settlement reached pre-complaint, The Medicines Company received approximately $18 million up front. An additional $214 million would be available for damages in the event a generic drug is sold in the United States before June 15, 2015.


   A former director of America Online and a former senior AOL executive sued a now defunct law firm, saying they sold them aggressive tax shelters in 1999 and 2000 that were intended to shield $200 million in income from taxes but that were ruled invalid by the Internal Revenue Service.

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The tax shelter involved in the suit was called Cobra, for Currency Options Bring Reward Alternatives. The complaint alleges the defendants told the plaintiffs that Cobra would allow them to legally avoid payment of $100 million in income taxes in 1999 and 2000 on their $200 million sale of stock options in AOL.

The lawsuit claims malpractice, among other things, and seeks to recoup actual losses of $155 million and asks for damages of at least three times that amount. The law firm is accused of writing and reviewing opinion letters that said the tax shelters were valid.

4. 100+ million verdict plus $9.8 million in attorney fees and costs remanded for a new trial on causation and damages (Miss. 2010)

$103 million verdict against [Law Firm]; Mississippi jury rules against Chicago-based firm… in drilling company case

An oil and gas investor Laron Evans, Jr. started his business in 1995. About four years later, businessman Reed Cagle introduced him to defendants, an attorney and his Am Law 100 law firm who also represented various businesses Cagle owned, and the two formed a joint company (Laredo Energy). Over the next several years, Evans and Cagle engaged in several business ventures together, including construction of drilling rigs. According to Evans, counsel secretly drafted documents establishing subsidiaries of Laredo in Evans’ name but controlled by Cagle.

Evans claimed that, unknown to him, Cagle was insolvent at the time of these ventures. He accused Cagle of using their subsidiaries to obtain loans for Laredo but then immediately taking the money for his own use. Evans said he did not learn of Cagle’s insolvency until an accountant reviewed the books in early 2007. According to Evans, when he tried to dissolve the business relationship, Cagle accused him of wrongdoing and, with counsel’s help, obtained a restraining order while he still represented both Cagle and Evans.

Evans sued the law firm and alleged conspiracy and tortious interference with a contract. Laredo Energy sued for legal malpractice and breach of fiduciary duty.

Counsel denied the allegations. They contended that their actions were consistent with their professional obligations and that Evans was repeatedly told in writing and orally that he was not Evans’ lawyer except as to limited, discrete matters unrelated to the claims in this suit.

The plaintiff developed proof that the value of its combined companies was $50,000,000 in 2007 – they are now some $ 30,000,000 in debt. The jury's verdict was for Evans and his related companies in the amount of $81,000,000 (the award was reduced, the jury additionally finding Evans himself 10% at fault). Its verdict for Laredo Energy was $ 22,400,000. The jury also elected to impose punitive damages, assessing $ 75,000 for each plaintiff.

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On appeal, the Mississippi Supreme Court reversed the verdict and remanded for a new trial on proximate cause and damages because of faulty jury instructions.

5. **$105 verdict (35 million trebled) (Tex. 1998)**

   The plaintiff brought this action against her former attorney, alleging that the defendant attorney had mishandled her divorce, resulting in her getting far less than she was entitled too based upon her former husband’s net worth at the time of the divorce. The plaintiff’s ex-husband was the chief executive of a successful media corporation which, some time prior to their divorce, merged with another media corporation, resulting in the plaintiff’s ex-husband receiving a significant sum of money. The plaintiff alleged that the fruits of this merger were not factored into her divorce settlement when a final figure was negotiated and agreed upon and that she received far less than she was entitled to receive under applicable standards. In addition to claims of legal malpractice, the plaintiff asserted violations of the Unfair and Deceptive Trade Practices Act, which allows for an award of treble damages.

   The parties settled post-verdict.

6. **$73 million verdict (Tex. 2009)**

   **[Law Firm]: A Culture of Intentional Deception?**

   A federal jury returned a $72.6 million verdict against an Am Law 100 law firm in a lawsuit accusing the firm of gross malpractice and negligence over botched patent applications connected to computerized warning systems for firemen and related infringement litigation. The sum represents the gross amount of money the plaintiffs would have received against infringing parties had Air Measurement Technologies prevailed in an infringement litigation.

   The Air Measurement Technologies principals developed a concept for a computerized safety alert system for firemen and other emergency workers in the 1980s and began the process of patenting their technology in 1989. The complaint alleges, subsequent to the initial patent being issued for the technology, several companies began to make identical equipment.

   As a result of the infringing activity, the plaintiffs commenced six patent infringement cases. Those cases were ultimately were settled for a total of approximately $9 million, far less than the value of the safety inventions. Sales of the infringing products were about $100 million per year since 1998.

   Defendants allegedly failed to timely prosecute the patent, which gave rise to the plaintiffs' losing significant royalties under that patent. The plaintiffs also charged the law firm with putting them in a position in which they failed to recover significant damages in the infringement actions.

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After the jury returned its verdict, the plaintiffs requested a final judgment of $83.3 million plus interest. The case was thereafter settled.

7. **$65 million verdict (Tex. 2005)**

Floyd and Kathleen Cailloux hired an Am Law 100 law firm to devise an estate plan for their multimillion dollar estate. Floyd died before counsel could finish all stages of their estate plan. The firm designed a revised estate plan for Kathleen immediately following her husband's death. Under the revised plan, Kathleen voluntarily disclaimed her right to her husband's share of the marital estate. As a result of Kathleen's disclaimer, $65.5 million vested immediately in various charitable organizations Floyd had designated in his will. Kathleen subsequently became incapacitated by Alzheimer's disease, and her son, Ken Cailloux, took over her affairs.

More than six years after Kathleen disclaimed her husband's estate, Ken (on behalf of Kathleen) sued the law firm as well as the executor of Floyd's estate for, among other things, breach of fiduciary duty relative to Kathleen's execution of the disclaimer. A jury found both counsel and the executor had breached their fiduciary duties to Kathleen. The jury further found that $65.5 million is the value Kathleen would have received in trust had she not disclaimed her right to Floyd's estate, but determined that Kathleen had zero “lost income” damages and zero “economic loss” damages as a result of executing the disclaimer. Based on the jury's findings, the trial court, relying on its equitable powers, created a $65.5 million “equitable trust” to benefit Kathleen. This “equitable trust” was to be funded by counsel and the executor and was similar to the trust that would have existed had Kathleen not executed the disclaimer.

An appellate court reversed, ruling there was insufficient evidence to support the jury's findings that defendants’ breaches of fiduciary duty proximately caused Kathleen damage.

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8. $39 million verdict (Cal. 2005)\textsuperscript{8}

Court Karate Chops [Law Firm] Over Billy Blanks Malpractice Suit

In 1998, plaintiff Billy Blanks, an actor and the inventor of the Tae Bo exercise program, hired Jeffrey Greenfield to be his agent. While represented by Greenfield, Blanks signed a contract with an infomercial company that wanted to market his videos. The deal generated significant sales and Greenfield claimed that, under their agreement, he was entitled to one-third of Blanks' earnings. Blanks paid him about $10.6 million.

A year later, Blanks discovered Greenfield was not licensed to serve as a talent agent as the California Labor Code required. Accordingly, he sought to recover the fees he had paid to Greenfield and retained an Am Law 100 law firm as his counsel.

On behalf of Blanks, counsel filed a lawsuit in Los Angeles County Superior Court. It did not, however, file a petition with the California Labor Commissioner at that time – a prerequisite for recovery under the superior court's exhaustion-of-administrative remedies requirement. Nine months later, the firm filed the petition.

Shortly thereafter, the plaintiffs hired new counsel. Ultimately, the labor commissioner found that Greenfield violated the Labor Code and excused Blanks from any future payments to Greenfield, but determined that the petition was filed too late to recover any fees they had already paid to him. Blanks eventually settled with Greenfield for $250,000.

Blanks sued the Am Law 100 law firm for legal malpractice, breach of fiduciary duty and fraudulent concealment. He claimed that the entire $10.6 million would have been recoverable if the petition had been timely filed. Blanks claimed his counsel waited to file the petition so he could bill them for discovery, as otherwise, the superior court action would have been stayed by the Labor Commissioner proceedings, for which virtually no discovery is permitted.

Blanks claimed that he was unable to recover the alleged $10.6 million sought from Greenfield because of his counsel’s negligence. He further claimed he paid about $400,000 in legal fees. He also sought punitive damages, asserting the law firm committed fraud for about 13 days during which, based on the firm’s annual income, amounted to $15 million.

After a 32-day trial and 9 days of deliberation, the jury returned a plaintiff’s verdict. It awarded approximately $39 million. The court lowered the compensatory damages award and entered judgment for approximately $29 million, based on compensatory damages of $10.5 million, punitive damages of $15 million and interest of approximately $3.5 million.

On appeal, the court reversed and remanded, determining the trial court failed to instruct the jury to determine what portion of the funds paid to Greenfield were for illegal work as an agent as distinguished from his other services.

9. $35 million verdict (Cal. 2012)\textsuperscript{9}


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In 2002, plaintiffs Rahim Sabadia and Nafees El Batool, who are married, and plaintiff Ishitaq Khan, El Batool's brother, began investing in multiple commercial real estate transactions through Shi Shailendra, a real estate developer. Khan had been investing with Shailendra since 1995, and had recommended that Sabadia and El Batool invest with Shailendra. They alleged that Shailendra retained an Am Law 100 law firm to represent them on the transactions.

Sabadia, El Batool and Khan claimed that between 2004 and 2008, Shailendra had defrauded them on multiple commercial real estate transactions by depositing their money into his accounts. They claimed they incurred millions of dollars in losses from their net cash investment, as well as loan guarantees.

Plaintiffs sued the law firm for legal malpractice, breach of fiduciary duty, constructive fraud, fraud and fraudulent concealment. The plaintiffs contended that counsel misrepresented himself as their attorney on the real estate transactions. They claimed counsel had an obligation to tell them he was not their lawyer, as they were led to believe the firm in fact represented them. The plaintiffs further contended that the real estate transactions that Shailendra brought to them were not favorable, and that the law firm should have advised them to restructure the deals or to not get involved in them at all. Thus, the plaintiffs claimed that the law firm provided a false sense of security on the transactions, which resulted in millions of dollars in damages.

Sabadia, El Batool and Khan sought recovery of $15 million in damages for their net cash investment on the real estate transactions. They also sought recovery of $19 million in damages for loan guarantee liabilities as a result of the multiple foreclosures involving the commercial properties.

After an eight week trial, the jury ruled in favor of the plaintiffs and awarded $34,496,779.92 in total damages. After the jury's finding of fraud committed by and/or ratified by the law firm, the parties reached a confidential resolution as to the punitive damages phase.

10. Defense verdict on $30 million claim

A power tool accessories company contended a Chicago patent attorney and his law firm committed legal malpractice with respect to obtaining patent and trade dress rights for a display rack system used for point-of-purchase sales of its hardware items. Plaintiff claimed that the patent rights obtained were too narrow and thus did not protect the display rack system from competition. Plaintiff also alleged its attorney failed to obtain trade dress rights on the product, and with secreting information from the U.S. Patent Office during the prosecution of the patents, which constituted inequitable conduct and thereby invalidated any patents on the invention. Plaintiff sought damages for lost profits on sales of its hardware items through the display rack system in excess of $30 million. The defense contended that the patents were properly prosecuted in that design and utility patents were obtained and a continuation utility patent was filed in an effort to obtain broader patent rights. Defense also contended that the patents obtained were as broad as would be allowed by the U.S Patent Office and there was full

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92012 Jury Verdicts LEXIS 18124; 2012 Jury Verdicts LEXIS 4971.
disclosure of information to the Patent Office during the prosecution of these patents. The jury returned a verdict for the defense after an eight-week jury trial.

11. $30 million settlement (Tex. 2006)\textsuperscript{11}

In 2001, Enron Corp. filed for bankruptcy. In the landslide of litigation that followed Enron's collapse, Enron has shifted its attention toward allegations of legal malpractice and fraud, among others, against a Houston-based international law firm that acted as its outside counsel.

According to news reports, counsel failed to respond to red flags concerning Enron's accounting practices. One example involves an Enron executive’s complaints about accounting and hedging vehicles. Counsel conducted a probe in response to the complaints and found nothing. Other news outlets reported that counsel failed to oblige its duty to provide legal opinions in good faith by signing off on fraudulent or shaky deals.

Counsel settled the dispute pre-complaint.

12. $21 million verdict (Tex. 2008)\textsuperscript{12}

Defendant law firm represented Plaintiff in wrongful termination and racial discrimination case. It failed to file within statutory period.

13. $18 million verdict (Ind. 2006)\textsuperscript{13}

The Indiana Department of Insurance filed suit for legal malpractice against an Indianapolis law firm which represented the defunct Indiana Construction Industry Trust (ICIT), a health plan that was set up by a dozen construction companies to cover non-union employees.

In 2002, the trust became insolvent and was placed into liquidation by the Department of Insurance. This lawsuit was brought by the department to recover on unpaid medical claims on behalf of the plan's 8,200 former members. Plaintiff contended that the law firm was negligent for failing to notify ICIT's trustees that the plan was continuing to absorb financial losses.

The defense contended that the plan's failure was the result of gross mismanagement by the executives, two of which are in jail for embezzlement.

Plaintiff asserted that prior to ICIT's insolvency, the law firm was in possession of a fraudulent balance sheet drafted by the plan's executives to conceal growing losses from trustees. It argued that the plan's 8,200 former members would not have incurred thousands of dollars in unpaid medical bills if not for the deception that the law firm helped perpetrate.

The Department of Insurance sought $17,991,043, an evaluation of unpaid claims incurred by ICIT's 8,200 former clients as a result of the company's insolvency. Plaintiff presented testimony from former beneficiaries of the trust whose lives were negatively impacted.

\textsuperscript{11} 2006 Jury Verdicts LEXIS 46454.
\textsuperscript{12} 2008 Jury Verdicts LEXIS 25486.
\textsuperscript{13} 2006 Jury Verdicts LEXIS 44126.
by the plan's failure. Witnesses included a new father whose first child was born with birth defects. He and his father endured lofty out-of-pocket medical costs from a series of surgeries the child needed. Another witness was a wife whose family was in financial hardship after her husband suffered a serious injury playing softball, requiring surgery.

The jury found the firm was liable for legal malpractice, and awarded $17,991,043 in economic damages.

14. $14 million verdict (Utah 2013)

The Utah office of a large national law firm mishandled a client's subdivision application for an 8,600-acre ranch near Park City, Utah, causing the client to lose 40% of its valuable density rights. The jury awarded all of the $21 million that plaintiff requested at trial, but assessed 40% comparative fault, thus reducing the award to $12.8 million. The trial court awarded an additional $1.46 million for prejudgment interest.

15. $13.5 million settlement (Minn. 2012)

Petters Company, Inc. (PCI) was a Minnesota corporation owned and controlled by Thomas J. Petters. PCI owned and was affiliated with numerous finance, funding and property companies. PCI obtained capital for the Petters enterprises by telling investors their funds were being used to purchase consumer electronic goods from wholesalers to be resold to big box retailers. The purchase and sale business did not exist, and documents were forged to suggest otherwise. Investors were then repaid with funds obtained from other investors, not from earnings.

The federal government executed search warrants on PCI, Petters, and affiliated businesses and employees. The government contended PCI's business was a Ponzi scheme used to defraud and obtain a minimum of $40 billion in money and property through false and fabricated pretenses, representations and promises.

On Oct. 11, 2008, PCI filed for voluntary Chapter 11 Bankruptcy. A Minnesota law firm represented Petters and Petters entities for approximately fifteen years as outside legal counsel. The firm provided business transactional work, and received approximately $8,000,000.00 from Petters. PCI’s receiver threatened to assert claims against the firm for breach of fiduciary duty, breach of contract, aiding and abetting breach of fiduciary duty and fraud, civil conspiracy, unjust enrichment, and legal malpractice. The parties reached a settlement prior to the filing of an adversarial action, with the law firm agreeing to pay $13.5 million.

16. Refco claims lead to undisclosed settlement

Mayer Brown was sued in 2008 in the Southern District of New York by the Joint Official Liquidators of the SPhinX Funds for aiding and abetting fraud and aiding and abetting

15  2012 Jury Verdicts LEXIS 6966.
breach of fiduciary duty.

SPhinX was a family of hedge funds created to track the S&P Hedge Fund Index. Refco acted as SPbehind’s distributor, future commissions merchant, prime broker and custodial agent. On October 10, 2005, it was discovered that Refco had engaged in a massive fraud to conceal a $430 million receivable owed to Refco by an entity owned and controlled by Refco’s CEO. One week later, Refco filed for Chapter 11. Five days prior to Refco’s Chapter 11 filing, SPbehind discovered that more than $312 million of its money had been wrongfully transferred to an unprotected and unsegregated offshore Refco account. Although SPbehind successfully pulled its money out days before the Refco bankruptcy filing, the Refco creditors’ committee sued SPbehind for a preferential transfer and ultimately was able to claw back $293 million from SPbehind for the benefit of the Refco Chapter 11 estate. Thereafter, SPbehind went into liquidation under Cayman Islands law and sought to recover its losses from multiple third-party professionals, including an Am Law 100 law firm, primary counsel for Refco until its collapse. Specifically, in SPbehind’s October 2008 complaint, the law firm was, among other things, alleged to have facilitated and documented certain “round trip loans” that Refco used to move the large receivable off its balance sheet at the end of reporting periods so that auditors and investors would not discover it. Such transactions were then unwound after the auditors completed their work and signed off on Refco’s financial statements. The law firm’s engagement partner on the Refco matters, was ultimately found guilty of seven securities fraud and conspiracy counts for his participation in the alleged scheme. On July 15, 2013, the partner was sentenced to a year and a day in federal prison and two years of post-confinement supervised release.

After summary judgment was denied, the case was settled mid-2013 on the eve of trial for an undisclosed amount.

B. Malpractice and/or Conflict of Interest

1. $50+ million verdict, including $500,000 in punitive damages (Cal. 2012)17

Sabotage! David Bergstein Sues Former Lawyer for $50 Million

Beginning in 2009, plaintiff David Bergstein, an independent film financier and business entrepreneur, had involuntary bankruptcy proceedings and three federal lawsuits brought against him and several of his companies. He claimed that his former in-house attorney, who represented him and his affiliated entities for over ten years, began working with his adversary, entertainment hedge fund Aramid Entertainment Fund, to help initiate the involuntary bankruptcy proceedings and federal lawsuits. Bergstein contended that since the attorney was still the counsel of record for him and certain other affiliated entities, she breached her fiduciary duties.

Specifically, Bergstein contended that Aramid forced five of Bergstein's companies into bankruptcy, and caused Bergstein and his affiliated entities $269 million in damages. Bergstein argued that a series of e-mails dated between 2009 and 2010 illustrated that his former counsel

provided confidential information to Aramid and Molner, and “switched sides” to work directly against her current and former clients.

    Bergstein sought recovery of damages for his and his affiliated entities' loss of numerous business opportunities that resulted from the involuntary bankruptcy cases and the barrage of bad press that followed thereon, which he claimed was orchestrated by Aramid and his attorney. Specifically, he alleged that one lost business opportunity included the loss of his role as the head of the group that ultimately purchased Miramax from The Walt Disney Company. Thus, Bergstein also claimed that his ability to obtain financing and close deals in and out of the entertainment industry was damaged. He also sought recovery of damages for the millions of dollars in legal fees incurred in defending against the various bankruptcy cases and litigation orchestrated by counsel.

    The jury unanimously found counsel breached her fiduciary duties and committed professional malpractice by collaborating with Aramid and its lawyers, and providing them with confidential and privileged information. Thus, the jury awarded the plaintiffs $50,073,000 in total damages.

2. **$40 million negligence verdict barred by statute of limitations (Tex. 2014)**

    [Law Firm] Dodges $41M Verdict In IP Malpractice Trial

    A Texas jury found an Am Law 100 law firm liable for $40.5 million in losses. Its former client, Axcess International Inc. (“Axcess”), alleged the firm helped its chief rival secure patents. The firm, however, will not have to pay because the jury found the company waited too long to sue after learning about the conflict of interest.

    After a three-week trial, the jury returned a 5 to 1 verdict finding the firm committed negligence when it failed to inform Axcess that it was prosecuting patents for Axcess's chief rival, Savi Technology Inc., in related technology in overlapping years. The jury sided with Axcess' arguments that if it had conflict-free counsel, it would have been able to lock down broader patents for its radio-frequency identification technology and reach a licensing deal with Savi, giving it royalties on Savi's successful line of RFID tracking devices.

    But the jury also found Axcess knew or should have known in May 2007 that the law firm also represented Savi, making its litigation against the firm untimely under a two-year statute of limitations for negligence claims.


    Plaintiff school district retained defendant law firm to assist it in raising money to purchase real estate to construct a bus garage. Defendant proposed issuing a bond and drafted a ballot which failed to specifically refer to the acquisition of new property as required by statute. Without plaintiff's knowledge, defendant had previously agreed to serve as counsel for the

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underwriter of the bond. The voters approved the $54.4 million bond but they did not approve it to buy real estate.

Plaintiff alleged that the law firm failed to disclose a conflict of interest; it was negligent in misinterpreting the statute; and it misdrafted ballot language.

The jury returned a verdict for the Plaintiff in the amount of $40 million. A finding of 20% comparative negligence yielded a net verdict of $32 million.

4. **$25 million settlement (Fla. 2012)**


   Hedge fund manager Arthur G. Nadel and his investment companies allegedly ran a Ponzi scheme. He allegedly issued false and misleading account statements overstating the historical investment returns and the investment value of funds he managed.

   The funds, acting through their court-appointed receiver, sued an Am Law 100 law firm that had represented Nadel’s funds and prepared private placement memoranda until the Ponzi scheme was discovered. They alleged the law firm committed legal malpractice, breached its fiduciary duty, and aided and abetted Nadel's illegal activities. They originally sought more than $160 million in damages.

   The receiver alleged the law firm failed to conduct due diligence on the funds and failed to disclose Nadel had been disbarred for stealing money from a client's escrow fund. The firm also allegedly had a conflict of interest by representing Nadel and the funds simultaneously.

   The law firm denied any of its conduct was inappropriate and asserted any liability should be apportioned among numerous other parties, among other defenses. The parties reached a settlement for any claims against counsel relating to the scheme.

5. **Defense verdict**

   D.C. Divorce Lawyer, Nobel Laureate Feud

   Nobel Prize-winning economist Joseph Stiglitz sued his former divorce attorney, a well-known Washington D.C. matrimonial lawyer, claiming the attorney botched his divorce, resulting in an unfavorable settlement. Stiglitz also claimed his attorney failed to promptly tell him about merger discussions she was having at the time with his ex-wife’s attorney.

   The case lasted almost six years, with the parties fighting over everything from whether Stiglitz could testify as his own damages expert to whether the trial date could be adjourned so that Stiglitz could participate in a scheduled trip to China and be sworn in as president of an

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international economics group and attend meetings with high-level finance ministers regarding the global economic crisis.

After about a day of deliberations, the jury returned a verdict for the attorney. On her behalf, counsel placed the outcome of the divorce proceedings on Stiglitz, saying that he dragged his feet in the hopes of getting what he wanted from the settlement.