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Ex-Howrey Partners To Pay \$4.2M To Settle Clawback Claims

By **Maria Chutchian**

Law360, New York (May 06, 2014, 4:48 PM ET) -- A group of former Howrey LLP equity partners will pay the firm's Chapter 11 trustee \$4.2 million to resolve pending clawback claims, a deal that the trustee says could lead to additional settlements with other partners.

Trustee Allan B. Diamond says the aggregate amount of the settlement represents 16 percent of the amounts he sought from the former partners in clawback litigation. He also believes that the deal will encourage other former Howrey partners to come to terms on disputes over compensation as well. The settlement was reached in conjunction with the official committee of unsecured creditors.

Klee Tuchin Bogdanoff & Stern LLP stepped in to represent 61 of the firm's former equity partners in December 2012. Retired U.S. Bankruptcy Judge Arthur Gonzalez presided over mediation for a few days in December 2013, and though that did not lead directly to a resolution, by January the parties had reached a broad agreement.

Diamond offered the deal on the condition that Klee Tuchin could guarantee that partners representing at least 70 percent of the total amount sought by the estate would sign on. With 60 of the 61 on board, the trustee obtained consent from partners representing 99.1 percent of the total amount, according to court papers.

"Based on prior participation in similarly structured global settlements obtained in the Coudert and Dewey & LeBoeuf bankruptcies, the trustee hopes to quickly resolve the vast majority of the clawback claims against these remaining Level II former equity Howrey partners," the trustee's attorneys said in a court filing.

The clawback claims arise from compensation the former partners received while the firm was still operating but, according to the trustee, either insolvent or not making any profit.

Howrey collapsed in March 2011, and a California bankruptcy judge tapped Diamond as Chapter 11 trustee in October of that year. Since March 2013, Diamond has fired off clawback suits at former Howrey attorneys and their new firms in a campaign to recover funds for the bankruptcy estate and its creditors. He **recently targeted** Perkins Coie LLP, demanding proceeds from unfinished client business the firm took on after Howrey went under.

Howrey once was one of the nation's top antitrust and intellectual property law firms, employing more than 750 attorneys in 17 offices across the U.S., Europe and Asia. Its downfall began in 2009, as declining profits caused much of the firm's top talent to jump ship.

After a third of its partners had left, the firm opted for an out-of-court wind-down of its global operations. The remaining partners voted in March 2011 to dissolve the firm.

Diamond is represented by Andrew B. Ryan of Diamond McCarthy LLP and Eric A. Nyberg and Chris D. Kuhner of Kornfield Nyberg Bendes & Kuhner PC.

The committee is represented by Bradford F. Englander of Whiteford Taylor Preston LLP.

The former partners are represented by Klee Tuchin Bogdanoff & Stern LLP.

The bankruptcy case is In re: Howrey LLP, case number 3:11-bk-31376, in the U.S. Bankruptcy Court for the Northern District of California.

--Editing by Stephen Berg.

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