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Howrey Trustee Settles Claim Against Paul Hastings

By **Drew Singer**

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Law360, New York (September 13, 2013, 6:27 PM ET) -- The Chapter 11 trustee in Howrey LLP's bankruptcy on Thursday asked a California bankruptcy judge to approve a \$10,000 settlement with Paul Hastings LLP in a suit alleging that it, among other firms, never delivered on payments made by Howrey.

Howrey's liquidation trustee **asked the bankruptcy judge in May** to let him pursue a \$21,000 claim against Paul Hastings for "unfinished business." The trustee, Allan B. Diamond of Diamond McCarthy LLP, also brought actions against Dewey & LeBoeuf LLP, Cooley LLP, Morrison & Foerster LLP, Bunsow De Mory Smith & Allison LLP and Dickinson Wright PLLC.

Howrey launched a series of suits in California bankruptcy court against four other law firms, including Jones Day and Hogan Lovells, claiming they owed it profits from competing client matters that originated at Howrey. The suits were the latest blitz of unfinished business and clawback claims filed by Diamond.

The creditor's committee likes its chances in court, the proposed settlement agreement says, but the costs of litigation would exceed the difference between the \$10,000 settlement figure and the \$21,000 the committee could win at trial.

In May, Diamond filed 34 adversary suits in a California bankruptcy court, asking the judge to avoid transfer payments and disallow and expunge proofs of claims for companies including Verizon, Wyndham Group Inc., John Hopkins Medicine, Salter and Co. PLLC and others.

Diamond alleged that, during the 90-day period before the company's April 11, 2011, petition date, each defendant received between \$20,000 and \$300,000 in payments from Howrey that, after an investigation, Diamond determined may have been made without Howrey receiving adequate consideration.

"Through this action, the trustee seeks to recover payments made from the debtor's assets to [defendants] that were preferential and/or fraudulent transfers under the Bankruptcy Code," the complaints say.

Diamond also reached settlements in April with Holland & Knight LLP and Fenwick & West LLP, resolving unfinished business claims, though the individual attorneys who left Howrey for those two firms are not off the hook with respect to clawback claims.

Howrey began struggling with its finances years before it eventually dissolved. Beginning in 2008, the firm took on more debt that it couldn't pay back. In 2009, the firm's profits began a significant decline, causing attorneys to jump ship. The firm collapsed in 2011, with creditors later forcing an involuntary Chapter 7 bankruptcy, which was converted to a Chapter 11 proceeding.

Diamond is represented by Eric A. Nyberg and Chris D. Kuhner of Kornfield Nyberg Bendes & Kuhner PC.

Documents

Motion

Related

Sections

 Bankruptcy California

Legal Industry

Case Information

Case Title

TRACK Howrey LLP

Court

California Northern

Nature of Suit

Case Number

3:11-bk-31376

Date Filed

April 11, 2011

Law Firms

TRACK Bunsow De Mory**TRACK** Cooley LLP**TRACK** Dewey & LeBoeuf**TRACK** Diamond McCarthy**TRACK** Dickinson Wright**TRACK** Fenwick & West**TRACK** Hogan Lovells**TRACK** Holland & Knight**TRACK** Jones Day**TRACK** Morrison & Foerster**TRACK** Paul Hastings**TRACK** Whiteford Taylor

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The unsecured creditors are represented by Bradford Englander of Whiteford Taylor & Preston LLP.

The settled case is in re Howrey LLP, Official Committee of Unsecured Creditors of Howrey LLP v. Paul Hastings LLP, case number 3:11-bk-31376 in the U.S. Bankruptcy Court in the Northern District of California.

--Additional reporting by David McAfee. Editing by Jeremy Barker.

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