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## Heller, Covington Strike \$5M Deal Over Atty Transfers

By Kaitlin Ugoik

Law360, New York (July 21, 2011) -- Heller Ehrman LLP on Tuesday reached a nearly \$5 million settlement in California with Covington & Burling LLP and a group of former Heller intellectual property lawyers accused of breaching their employment contracts when they transferred to Covington after Heller filed for bankruptcy.

Under the settlement, Covington will pay \$4 million, or about 10 percent of the \$40 million in attorneys' fees it estimated it had received as a result of taking over Heller's business through 2010. The IP lawyers, who were shareholders at Heller, will pay \$996,213.

"We have resolved our differences with the Heller estate on amicable terms," Covington spokeswoman Rebecca Carr said Thursday.

"Our partners who came to Covington from Heller have settled the estate's preference claims against them on the same terms that applied to virtually all other former Heller partners, and Covington has settled the estate's claims with no admission of liability," she said.

It is the second settlement between the parties regarding the IP shareholder dispute, and Heller said it hopes to use the money to help pay creditors and claims from other adversary litigation. As a result of the two settlements, Heller estimated that in slightly more than one year it will have recovered nearly \$30 million and eliminated more than \$70 million in claims from the outcomes of adversary litigation.

Covington scooped up 52 of Heller's intellectual property lawyers in October 2008, shortly after the firm's dissolution. The bankrupt firm claimed that the IP shareholders had created a plan to pressure management to award them unprecedented bonuses and raises before they transferred to Covington "despite their key roles in [Heller's] governance and strategic decisions," breaching their employment agreements.

Part of the scheme allegedly involved convincing Ronald A. Katz Technology Licensing LP, whose intellectual property case Heller was litigating, to drop the firm and seek representation from Covington.

On Monday, Katz agreed to pay \$4 million and drop a \$50 million claim that Heller breached an agreement to represent it in numerous patent suits. Katz had filed the claim in response to the firm's allegations that the patent-holding company owed it \$10 million in contingency fees.

In addition to the breach of contract claims, the plaintiff sued Covington and the IP shareholders to recover profits they derived from business the attorneys brought with them from Heller. The firm also sought to reclaim bonuses, capital transfers and other compensation paid to the attorneys between 2007 and 2008.

Counsel for the plaintiff did not immediately respond to a request for comment Thursday.

Heller is represented by Christopher D. Sullivan and Matthew R. Schultz of Trepel Greenfield Sullivan & Draa LLP, Gregory C. Nuty, Kevin W. Coleman and Natalie Bush-Lents of Schnader Harrison Segal & Lewis LLP, and Jeffrey T. Makoff, Ellen R. Fenichel and Heather A. Landis of Valle Makoff LLP.

Covington is represented by Mark Helm and Brad Schneider of Munger Tolles & Olson LLP, Alan Ruby of Skadden Arps Slate Meagher & Flom LLP, and Randy Michelson of the Michelson Law Group.

The case is In re: Heller Ehrman LLP, case number 08-32514, in the U.S. Bankruptcy Court for the Northern District of California.

--Editing by Elizabeth Bowen.

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