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Paul Hastings billboard settlement OK'd

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A federal judge has approved a settlement—apparently totaling \$4.25 million—of a lawsuit against Paul, Hastings, Janofsky & Walker.

The suit had alleged that some of the firm's Los Angeles lawyers helped Mobile Billboards of America and its affiliates sell investments in roving billboards that they should have realized were a scam. The plaintiff was a court-appointed receiver for Mobile Billboards, but U.S. District Judge Charles A. Pannell Jr.'s March 7 order approving the settlement makes clear settlement monies will go to those who purchased billboards.

The Securities and Exchange Commission has contended Mobile Billboards was a “Ponzi scheme.” The receiver's suit against the firm alleged that billboard purchasers relied on misrepresentations in the circulars reviewed by the Paul Hastings lawyers.

In court filings, Paul Hastings maintained that its lawyers didn't know at the time Mobile Billboards' promotional materials may have contained false information and had warned the company that it risked SEC problems. Pannell's order declares that the settlement agreement is not an admission of liability by Paul Hastings.

Prior to the March 7 hearing on the settlement, one investor had written a letter to the judge saying the settlement was inadequate. But Pannell's order of the same date shows that no one appeared at the hearing to argue any objection. It also prohibits all purchasers from suing Paul Hastings over Mobile Billboards.

The settlement agreement remains under seal, but Pannell's order says Paul Hastings “would have little incentive to pay \$4.25 million” absent assurances the firm would not be subject to “further liability” to purchasers.

The receiver was represented by lawyers at Troutman Sanders, which will receive a one-third contingency fee under Pannell's order. Sutherland Asbill & Brennan represented Paul Hastings.



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