

Coughlin Stoia's Backdating Bet Pays Big With UnitedHealth's \$895 Million Settlement

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In what is likely to be a windfall for a top California plaintiffs firm, UnitedHealth Group announced it would pay a whopping \$895 million to settle a securities class action over stock option backdating.

[Coughlin Stoia Geller Rudman & Robbins](#) represents the California Public Employees' Retirement System, which Minnesota federal judge James Rosenbaum appointed as lead plaintiff in April. The settlement amount dwarfs a recent \$160 million Brocade deal, which until Wednesday had been the previous backdating record holder.

Because the disclosure of stock option shenanigans usually did not trigger large stock drops, much of the private plaintiff action has come in the form of derivative lawsuits. Indeed, UnitedHealth announced in December that its former CEO, Dr. William McGuire, would repay in excess of \$600 million to settle the company's claims against him.

But according to Coughlin Stoia's Andrew Brown, the UnitedHealth case was different from other backdating class actions because of continuous misleading statements made by McGuire even after the backdating was first disclosed. The cumulative effect of those statements did have an effect on the stock price, Brown said.

"Unlike most firms that looked at the case and saw it as a derivative case, we looked at it and saw significant market reaction over time," Brown said.

McGuire is not included in this settlement, said his spokesman, Bob Chlopak. Nor is former General Counsel David Lubben.

According to Thomas Strickland, chief legal officer of UnitedHealth Group, "the settlement provides UnitedHealth Group with certainty and closure on this lawsuit, avoids potentially costly and protracted litigation, and allows us to continue to focus on providing Americans with high-quality, affordable health care solutions."

From the plaintiff's perspective, it didn't hurt that Rosenbaum telegraphed his disdain to the defendants. In denying their motion to dismiss last year, Rosenbaum curtly found that the plaintiffs met their pleading bar.

"Notwithstanding [defense] counsel's siren song, the court persists in its belief that two plus two equals four," Rosenbaum wrote at the time. UnitedHealth is represented by New York-based O'Melveny & Myers lawyers and Dorsey & Whitney in Minnesota.

Both the company and plaintiffs counsel say attorney fees are not part of the negotiated settlement, which is not yet public. Brown declined to discuss what figure Coughlin Stoia would propose.

In the 9th Circuit, the usual [benchmark for plaintiff attorney fees](#) is 25 percent. However, as the size of the settlement amount goes up, that percentage usually decreases, securities lawyers say. Yet even a 10 percent fee award for Coughlin Stoia would amount to nearly \$100 million.

Coughlin Stoia is the sole plaintiffs counsel in the securities class action. On the derivative side, Minneapolis law firm Chestnut & Cambronne chairs a litigation committee that consists of four other plaintiff shops.

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