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Supreme Court to hear law firm appeals in Allen Stanford case



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Terry Baynes and Jonathan Stempel
Reuters

4:11 p.m. CST, January 18, 2013

(Reuters) - The Supreme Court on Friday accepted appeals by law firms that once represented convicted swindler Allen Stanford and were trying to avoid lawsuits by victims seeking to recoup losses from his \$7 billion Ponzi scheme.

Former Stanford clients had sued the New York-based firms Chadbourne & Parke and Proskauer Rose, as well as Thomas Sjoblom, a lawyer who worked at both.

These lawsuits, brought under state laws, accused Sjoblom of obstructing a U.S. Securities and Exchange Commission probe into Stanford, and sought to hold Chadbourne and Proskauer responsible as well.

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The insurance brokerage Willis Group Holdings Plc was also sued over its alleged role in Stanford's fraud.

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The defendants countered that the federal Securities Litigation Uniform Standards Act, or SLUSA, precluded state-law class actions involving alleged misrepresentations made "in connection with" the purchase or sale of covered securities.

Stanford's fraud had been centered on the sale of certificates of deposit by his Antigua-based Stanford International Bank, and much of the litigation centered on whether these qualified as securities under the applicable laws.

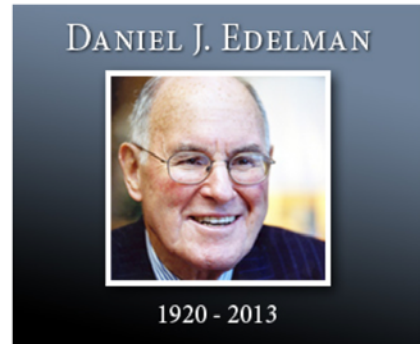
In October 2011, Dallas federal judge David Godbey ruled that SLUSA preempted the state law class-action litigation, noting that many investors sold securities to invest in the CDs, but the 5th U.S. Circuit Court of Appeals revived the cases.

Chadbourne, Proskauer and Willis appealed that decision to the Supreme Court, saying that lower courts are split on the issue, and that similar lawsuits over Bernard Madoff's Ponzi scheme have also been barred by SLUSA.

Stanford is serving a 110-year prison sentence following his sentencing last June. On January 11, a court-appointed receiver proposed that 18,000 of his defrauded investors would receive an initial \$55 million payment on their claims, an average of roughly \$3,000 per person.

The court could hear the appeal in April, and if it does would likely issue a decision by the end of June.

The cases are Chadbourne & Parke LLP v. Troice et al, U.S. Supreme Court, No. 12-79; Willis of Colorado Inc et al v. Troice et al, U.S. Supreme Court, No. 12-86; and Proskauer Rose LLP v. Troice et al, U.S. Supreme Court, No. 12-88.



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(Reporting by Terry Baynes and Jonathan Stempel in New York. Editing by Kevin Drawbaugh and Cynthia Osterman)

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