

Proskauer Refutes Client's Claimed \$636M Loss, Denies Cut-and-Paste Error as the Cause



Proskauer Rose, a prominent law firm, is vigorously contesting allegations that a drafting mistake led to a client's purported losses of approximately \$636 million. The firm asserts that the losses are actually attributable to a business partner who breached contractual provisions by transferring a crucial asset to himself. The case was brought before a Massachusetts superior court, and Law360 provided coverage of the recent hearing.

The former client, Robert Adelman, had contended that Proskauer Rose erroneously included a provision in the contract that permitted the asset transfer. Adelman's opposition to summary judgment in the case claimed that this provision resulted from a "botched cut-and-paste" from another contract. In support of his argument, Adelman presented a document discovered during the legal process, which featured markings and an expletive comment written by someone from Proskauer Rose in the margin.

Adelman engaged Proskauer Rose's services to draft agreements for the division of his company, venBio, with a business partner. Initially, venBio operated both a venture capital fund and a hedge fund. The plan was to spin off the hedge fund as a separate entity, with Behzad Aghazadeh assuming majority ownership and managerial responsibilities.

Under the arrangement, Adelman would continue to receive a share of the hedge fund's profits as a minority owner. However, Aghazadeh transferred a crucial asset, known as the "Service Company," to a shell company in which he held substantial ownership. This Service Company generated fees for managing the hedge funds.

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Adelman's opposition to summary judgment argued that the flawed provision in question allowed Aghazadeh to redeem any partner's interest in connection with "strategic transactions." According to Adelman's claims, limited partners lacked the right to withhold approval or seek an appraisal.

Proskauer Rose spokespersons have not yet responded to requests for comments from the ABA Journal. However, the law firm's motion for summary judgment asserts that Proskauer Rose did not cause any harm to Adelman.

Proskauer Rose contended that the language of the agreements explicitly prohibited Aghazadeh from engaging in the contested transaction. The law firm further outlined five contractual provisions violated by Aghazadeh: a prohibition on selling the Service Company, a requirement for disclosing benefits in strategic transactions, a prerequisite for consent prior to conflicted transactions, fiduciary duty obligations, and a stipulation to share 27.5% of the transaction's consideration.

Proskauer Rose argued that each breach committed by Aghazadeh severed the causal link between Proskauer's alleged conduct and Adelman's resulting injury. By highlighting Aghazadeh's violations, the firm seeks to establish its lack of responsibility for the client's claimed losses.

As the legal battle between Proskauer Rose and its former client unfolds, the Massachusetts court will ultimately determine the validity of the claims and counterclaims. Both parties present their arguments and evidence, emphasizing different perspectives on the events and contractual obligations.