

Law Firm Busted for Kickbacks as Partner Cooperates With Feds

A seven-year [investigation](#) of a leading securities law firm found that Milberg Weiss paid kickbacks to plaintiffs. The sordid details were aired in court when [David J. Bershad](#), a former partner with widespread knowledge of the firm's economics, pleaded guilty to conspiracy and agreed to cooperate.

Bershad's [guilty plea](#) was just the latest blow to a firm that once dominated in class-action securities lawsuits. The plea also created fear and contempt in corporate boardrooms. During the investigation, the firm struggled to keep its major clients as well as its attorneys. Multiple lawsuits were in the balance as the number of new cases declined.

The plea also pressured William S. Lerach and Melvyn I. Weiss, two attorneys who founded the New York City-based firm. Lerach left [Milberg Weiss](#) in 2004 to start a firm in San Diego. In June 2007, following the guilty plea, he announced his retirement.

In the fallout, [NYC criminal lawyer](#) oversaw a massive layoff which swallowed up as much as half of the 44 lawyer firm. The Google reserve of the firm's "People" page revealed, as of September 2015, that two-thirds of the staff had been delivered their walking papers. Those that remained faced huge salary cuts.

Bershad was handed a twenty-count indictment in 2006 which included conspiracy as it detailed a scam from the 1970s which continued until 2005. The scheme: attorneys inside Milberg Weiss paid over \$10 million in secret, illegal kickbacks to plaintiffs in over 150 class-action lawsuits. The lawsuits involved brought over \$215 million into the firm's coffers.

Following Bershad's plea, the firm changed its name from Milberg Weiss & Bershad to just Milberg Weiss and announced Bershad had been fired.

Bershad, 67, was hired in 1968. He was the first Milberg partner to plead guilty and was a critical prosecution witness because of his knowledge surrounding the firm's financials.

By keeping a stable of paid plaintiffs available, Milberg Weiss was able to file more class-action lawsuits — and do it quicker — than competitors. Bershad told the court Milberg Weiss' practices allowed the firm to obtain lead counsel status in cases more frequently and get a larger share of the

pie when it came to legal fees.

According to Bershad, in the conspiracy's formative years, before there was sufficient money in the bank, multiple partners in the firm would pool personal cash which was then handed out to plaintiffs. Later, the partners involved arranged to have the firm award "bonuses" to reimburse the money they had initially contributed to the fund, thus compensating themselves for the cash outlay during start-up.

UPDATE:

Bershad's plea agreement calls for him to forfeit almost \$8 million and pay a quarter-million dollar fine and continue to cooperate with the government's continuing investigation.