

Court Grants Final Approval of Landmark Settlement in In re Pfizer Inc. Shareholder Derivative Litigation

April 29, 2011

In 2009, Pfizer paid \$2.3 billion to settle criminal and civil charges alleging that for a period of at least 6 years, Pfizer, Inc. illegally marketed at least 13 of its most important drugs. On behalf of its institutional investor clients - Court-appointed Lead Plaintiffs Louisiana Sheriffs' Pension and Relief Fund and Skandia Life Insurance Company, Ltd. (and fellow Pfizer shareholders) - BLB&G filed a derivative action against the Pfizer Board, alleging that Pfizer's senior management and Board breached their fiduciary duties by, among other things, allowing the unlawful promotion of drugs to continue after receiving numerous "red flags" that Pfizer's improper drug marketing was systemic and widespread.

On April 29, 2011, the Federal District Court of the Southern District of New York granted final approval of the historic settlement of this action. Under the terms of the settlement, Defendants agreed to create a new Regulatory and Compliance Committee of the Pfizer Board that will be supported by a dedicated \$75 million fund provided by the Company. The new committee will have a broad mandate to oversee and monitor Pfizer's compliance and drug marketing practices. In its coverage of the litigation, *The New York Times* quoted BLB&G Partner Mark Lebovitch as stating that this is "one of the largest derivative settlements ever and a good outcome for shareholders."

Multiple corporate governance experts, including a noted Columbia Law School professor and two former SEC Chairmen, have said that Pfizer's new Regulatory Committee could set the industry standard for similar highly regulated public companies. The settlement also provides for the establishment of an Ombudsman Program as an alternative channel to address employee concerns about legal or regulatory issues, and requires extensive analysis of Pfizer's compensation structure to ensure there are no incentives to engage in unlawful behavior.

In his written order granting final approval of the settlement, Judge Rakoff acknowledges BLB&G as "able and experienced counsel, who engaged in vigorous motion practice and very full discovery that included production of over 12 million documents, dozens of fact and expert depositions, and the exchange of detailed expert reports from highly-qualified experts." Recognizing that the "arduous settlement negotiations were hard fought" and "took full account of the needs of the settlement class," the Court concluded that "the settlement is likely to provide considerable corporate benefits to Pfizer and its shareholders, in the form of a significantly improved institutional structure for detecting and rectifying the types of wrongdoing that have, in recent years, caused extensive harm to the company."