Fen-Phen Class-Action Crusader Disbarred

The Associated Press

LOUISVILLE, Ky. -- An Ohio attorney known as the godfather of the modern class-action lawsuit was disbarred Thursday by the Kentucky Supreme Court, which said Stanley Chesley acted unethically in a $200 million settlement involving the makers of the diet drug fen-phen.

The high court concluded that Chesley, who was based in Cincinnati, crossed the ethical line in settling a dispute over health effects stemming from use of the drug. The court concluded that Chesley also refused to acknowledge his conduct was wrong and had dishonest or selfish motives. The decision could result in Chesley being removed as a lead attorney from multiple cases across the country, including pending suits against Toyota.

"While the good reputation he has enjoyed and his generosity serves to exacerbate the tragedy of his fall, they cannot atone for the serious misconduct he has committed in connection with this matter," Chief Justice John D. Minton wrote for the court.

The justices opted not to order Chesley to pay $7.5 million in restitution to the former fen-phen clients, but docked him $88,579 for the cost of the investigation leading to the decision.

One of Chesley's attorneys, Sheryl Snyder, described his client as "a distinguished lawyer" and a philanthropic supporter of the community who is disappointed by the court's decision to "impose such a severe sanction." Snyder noted that Minton concluded "it is not shown that he had specific knowledge of the deception practiced on each client" by the other lawyers.

Chesley's disbarment affects only his ability to practice law in Kentucky, but it could lead to loss of his law license in Ohio too.

Chris Davey, a spokesman for the Supreme Court of Ohio, declined to speak specifically about Chesley's case. Davey said Ohio does recognize the discipline of other jurisdictions, but the court would have to take action to impose the same or similar discipline in Ohio.

Chesley rose to legal prominence more than 30 years ago when he won $50 million for victims of the Beverly Hills Supper Club fire, a May 1977 blaze that killed 165 and injured 116 in northern Kentucky. The lawsuit was one of the first large product liability cases to go to trial.

Since then, he's been involved in cases against the Roman Catholic Diocese of Covington, Ky. -- ending in an $85 million settlement -- over sexual abuse by priests; Toyota over allegations that cars unintentionally accelerated; and a class-

action lawsuit against BP on behalf of stockholders who lost money after an oil rig explosion and fire in 2010 that killed 11 workers and touched off the enormous spill.

The work earned Chesley the nickname of "Master of Disaster" the legal community.

The disbarment stems from Chesley's involvement with former Kentucky attorneys Melbourne Mills, William Gallion and Shirley Cunningham. Gallion and Cunningham were convicted in 2009 of scamming more than 400 clients out of millions they had won against American Home Products, which renamed itself Wyeth and is now a subsidiary of Pfizer.

Fen-phen was pulled from the market in 1997 after users had heart problems related to the drug. Prosecutors say Gallion and Cunningham illegally kept the bulk of the settlement, but made more money available to their clients after the federal government began a criminal investigation. Chesley wasn't called in the case, but has been implicated in civil court proceedings.

The lawyers sued American Home Products in 2001. The men created a charity, the Kentucky Fund for Healthy Living, with money from the settlement and named themselves and former state judge Joseph Bamberger as directors.

From the settlement, Cunningham received $21 million; Gallion nearly $31 million; Mills almost $24 million; and Chesley more than $20 million. The Kentucky Fund for Healthy Living received $20 million, and several other lawyers divided up $10.5 million. After two distributions, the clients received $73.5 million -- just less than 37 percent of the total settlement.

Minton found those attorneys' fees excessive and unacceptable.

After the settlement unraveled in Kentucky Bar Association complaints and litigation, Gallion, Cunningham, Mills, Bamberger and David Helmers, an associate of Gallion's, were disbarred.

Gallion is serving his sentence at a federal prison in Oakdale, La. He is scheduled for release in 2029. Cunningham is serving his sentence at the federal prison in Yazoo City, Miss. He is scheduled for release in 2025.

Gallion and Cunningham were the original owners of 2007 Horse of the Year Curlin, which earned $10.5 during his racing career. Curlin retired from racing in 2008.

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