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ConnectU's 'Secret' \$65 Million Settlement With Facebook

By BRAD STONE

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One of the sideshows in the quest to peg a valuation on the rapidly growing social network Facebook has been its continuing legal battle with the founders of a rival Harvard site, ConnectU.

I've chronicled the continuing skirmish, most recently here and here. The case was settled last year, but then the ConnectU founders, who include the Olympian brothers Cameron and Tyler Winklevoss, contested that settlement, claiming that part of it was in Facebook stock, whose value had been misrepresented to them. They also sued one of the law firms that brokered the deal on their behalf, Quinn Emanuel Urquhart Oliver & Hedges, claiming the firm had failed to do proper due diligence on Facebook's internal stock price.

Curiously, the value of Facebook's contested legal settlement with ConnectU was guarded almost religiously by all parties -- until now. The Recorder, a legal newspaper in San Francisco, reported Tuesday that Quinn Emanuel had published the amount -- \$65 million -- in some of the firm's own promotional literature.

"WON \$65 million settlement against Facebook" appears in the firm's most recent newsletter, along with dozens of other settlements reached by Quinn during 2008, according to The Recorder.

The Recorder also said that John Quinn, the firm's chairman, asked the paper not to print the amount and declined to comment further.

It's unclear why the firm would trumpet a "settlement" that represents less a triumph than a continuing legal morass, a disputed valuation and a furious client. The \$65 million number is somewhat misleading anyway, since part of that amount is based on Facebook stock that was once valued at \$15 billion, by the famous Microsoft investment, but has since fallen drastically.

What is certain is that this latest twist is not likely to help Quinn Emanuel assuage the anger of its former clients, whose dispute with the firm is currently in arbitration.

Facebook and ConnectU declined to comment.

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