

Gibson Dunn partner named in KPMG malpractice lawsuit

By [The Lawyer](#) 25 July 2005 00:24

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Los Angeles-based partner Cheryl Justice has been named in an application for sanctions relating to the lawsuit Targus Group International v KPMG. The lawsuit, which was originally filed on 30 January 2003, alleges professional malpractice by KPMG.

However, following Orange County Superior Court Judge Geoffrey Glass's decision to sanction KPMG earlier this month for hiding critical documents from Targus, the company will now be allowed to amend its complaint to also allege recklessness by KPMG when performing audits and to subsequently seek punitive damages.

The computer accessories supplier had also sought sanctions against Justice, who was KPMG's legal counsel; however, this was not upheld by the court.

Targus had alleged that KPMG and its legal counsel intentionally hid and failed to produce "smoking gun" documents relating to its audit and business policies and training programmes in effect between 1996 and 2001.

The matter relates to the financial harm suffered by Targus following its former chief financial officer's embezzlement of \$40m (£23.1m) between 1997 and 2001.

Targus claims that, had KPMG audited the company's financial statements competently prior to 2001, the company would have been alerted to the embezzlement years before it was discovered in August 2001, thus reducing the financial harm.

The trial is set for 19 September.

Targus has instructed Californian law firm Greene Broillet & Wheeler, which is led by Bruce Broillet and Michael Avenatti, along with co-counsel Newport Beach law firm Call Jensen & Ferrell and San Francisco sole practitioner Michael Eagan. KPMG is represented by Gibson Dunn.