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Morrison & Foerster Wins Rare "Walk-Away" in Options Backdating Case

Shareholder of Novellus Systems agrees to give up derivative suit brought by Lerach Coughlin; Novellus case one of some 50 options matters handled by Morrison & Foerster

PALO ALTO, CA (May 7, 2007) – There goes one case you can strike from the stock option backdating scorecard.

In one of the few outright wins by a company accused of backdating its options grants, **Novellus Systems, Inc.** (NASDAQ: NVLS), a San Jose-based chip manufacturer, gained a rare “walk-away” from an investor who filed a federal derivative lawsuit against it, along with a number of its officers and directors.

The suit, brought by class action plaintiffs firm **Lerach Coughlin** on behalf of a Novellus shareholder, alleged that Novellus had systematically backdated stock option grants over the course of ten years and failed to disclose the practice in its financial statements.

On March 23, Judge Ronald Whyte granted Novellus' motion to dismiss the derivative action, but allowed the investor leave to amend his complaint. The plaintiff, however, chose instead to "walk away" from the case rather than amend his complaint. Lerach Coughlin filed a voluntary dismissal last Thursday.

"It's not often you get a plaintiff to give up and walk away," said **Darryl Rains**, a partner in the Palo Alto office of **Morrison & Foerster** who represented Novellus and its officers and directors. "I'm pleased that Lerach Coughlin was willing to take a hard look at the facts and see the case had no merit."

Morrison & Foerster is no stranger to options cases. In the past year, the firm has been engaged in more than 50 separate options-related matters for public companies, perhaps more than any other law firm. The options work includes internal investigations, shareholder suits and derivative actions, on behalf of individual executives, as well as audit committees, boards of directors and the companies themselves.

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