

Law Firm to Pay \$4.6 Million in Case Tied to Manafort and Ukraine

By **Kenneth P. Vogel** and **Matthew Goldstein**

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WASHINGTON — A global New York-based law firm has agreed to pay \$4.6 million to settle a Justice Department investigation into whether its work for a Russia-aligned Ukrainian government violated lobbying laws.

The investigation stems from work that the firm, Skadden, Arps, Slate, Meagher & Flom, did with Paul Manafort, President Trump's former campaign chairman. The case overlaps with the investigation of the special counsel, Robert S. Mueller III, into Russian interference in the 2016 election.

As part of the settlement, the law firm agreed to register retroactively as a foreign agent for Ukraine in addition to paying the government \$4.6 million, representing the money it earned from its work in Ukraine.

The settlement between the firm and the Justice Department, which was made public on Thursday, is the latest indication that Mr. Mueller's inquiry and related investigations are fundamentally challenging the lucrative but shadowy foreign-lobbying industry that has thrived in Washington.

For decades, lobbyists and lawyers have collected millions of dollars to burnish the images of sometimes unsavory foreign interests in Congress and the news media, often skirting requirements that they disclose the work under the Foreign Agents Registration Act.

The Justice Department, which is charged with enforcing the 80-year-old act, had largely turned a blind eye until Mr. Mueller began charging Mr. Trump's associates, including Mr. Manafort, who had built a lucrative business advising Russia-aligned politicians and wealthy business executives in Ukraine.

In this case, Mr. Manafort had arranged for a team of lawyers from Skadden Arps to conduct an analysis in 2012 that he intended to use to allay international concerns about the anti-democratic practices of the government of President Viktor F. Yanukovich of Ukraine.

Mr. Yanukovich, a major client of Mr. Manafort and an ally of the Kremlin, had been accused of political motives in the prosecuting and jailing of one of his leading political rivals, Yulia V. Tymoshenko, on charges of abusing her position as prime minister in negotiating a natural gas deal with Russia.

Skadden Arps was hired to conduct a purportedly independent analysis of her prosecution and trial, and to advise the Yanukovich government on a potential future prosecution. The firm was paid more than \$4.6 million, partly through the Ukrainian Ministry of Justice and partly through offshore accounts controlled by Mr. Manafort.

A Skadden Arps team led by Gregory B. Craig, a former White House counsel for President Barack Obama, produced a report concluding that, while the trial violated some of Ms. Tymoshenko's rights, her conviction was supported by the evidence presented at trial. And the report found no evidence that the prosecution was politically motivated.

Mr. Craig, who maintained deep connections to Washington's Democratic establishment and its press corps, worked to shape the public relations strategy for the release of the report, according to a Justice Department filing released with the settlement.

The filing, which identifies Mr. Craig as “Partner 1” but does not name him, indicates that he arranged for a journalist to receive a copy of the report, then discussed the report with that journalist. The journalist, who is not named in the filing, is David E. Sanger of The New York Times, which published an article in December 2012 about the report quoting Mr. Craig.

Mr. Craig and Skadden Arps should have disclosed that activity under the Foreign Agents Registration Act, known as FARA, which covers both lobbying and public relations on behalf of foreign political interests, the Justice Department said. But Mr. Craig misled both his colleagues at Skadden Arps and officials in the Justice Department’s FARA unit about his interactions with the news media, leading the Justice Department to conclude that the firm was not obligated to register under the act, the settlement filing said.

The settlement “puts law firms on notice that they can’t hide behind their identity as lawyers. If they are doing lobbying work on behalf of foreign countries, they need to register under FARA,” said Rebecca Roiphe, a professor at New York Law School who specializes in legal ethics. “It also shows that the government will not tolerate false statements by lawyers.”

Skadden Arps said in a statement that it had “learned much from this incident” and was “taking steps to prevent anything similar from happening again.”

Mr. Craig’s lawyer declined to comment.

The investigation that led to the settlement with Skadden Arps was handled by the Justice Department’s Counterintelligence and Export Control Section, which includes the FARA unit. But federal prosecutors in the Southern District of New York, to which Mr. Mueller’s team referred illegal lobbying cases, asked witnesses about Mr. Craig’s involvement in Mr. Manafort’s work as recently as last month, according to people familiar with the case.

Among the lobbying being investigated by the New York prosecutors is the involvement of two other firms that worked on the rollout of the Tymoshenko report. One is Mercury Public Affairs, whose lead partner on the account was Vin Weber, a former Republican member of Congress. The other is the Podesta Group, led by Tony Podesta, a prominent Democratic fund-raiser whose business collapsed in 2017 under the glare of Mr. Mueller's scrutiny and attacks from the right.

The firms initially did not register their work under FARA either, though they registered retroactively as investigators began examining their work.

Michael McKeon, a partner at Mercury, pointed out that his firm based its initial decision to forgo FARA filing on advice from Skadden Arps, and he said "we were surprised to learn about their separate communications with the FARA unit and the facts surrounding those discussions."

In the settlement agreement, the Justice Department specifies that it has not made any "promise or representation" about "any civil or criminal liability" related to the unregistered lobbying by Skadden Arps's "current or former partners, agents, employees, attorneys" or people who worked with them.

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Mr. Craig left Skadden Arps last year as the investigation of his work with Mr. Manafort escalated.

The 70-year-old firm has been roiled by the scrutiny from its dealings with Mr. Manafort, whose daughter went to work as an associate at Skadden Arps around the time the Tymoshenko report was released.

In 2017, as the Justice Department continued investigating the Ukraine work, Skadden Arps refunded \$567,000 to the Ukrainian government, suggesting in a statement that it returned the cash because the money had been placed "in escrow for future work" that never took place.

A lawyer who worked on the report for Skadden, Alex van der Zwaan, pleaded guilty last year to lying to the special counsel about his communications with one of Mr. Manafort's associates.

And renewed scrutiny on the report, which an Obama State Department official panned as "incomplete" the day after its release and was subsequently called a "whitewash" by experts, has led to criticism of the firm's willingness to rent its reputation to unsavory clients.

In an interview last month, Ms. Tymoshenko, who is a leading candidate for the Ukrainian presidency, accused Skadden Arps of carrying water for the Yanukovich government.

"It's a pity that such a well-known company like Skadden even considered to take this case to deliver," she said. "This is a dirty, dirty, dirty contract."

Kenneth P. Vogel reported from Washington, and Matthew Goldstein from New York.

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