

## Unit 12

### On the Business Legal Front

#### 商业法律前沿动态

#### Comprehension questions

1. What were the reasons that the spouse of the worker lashed out against EA?
2. When was this complaint formally filed and what did they want to achieve?
3. What are the legal proceedings to start a class action lawsuit?
4. What was EA's position to react to the upcoming lawsuit?

#### Part A Exercises

1) **Directions:** *Listen to the first news item carefully and decide whether the following statements are "T" (True) or "F" (False).*

- (1) (    ) Electronic Arts said on Wednesday that it will pay \$156 million to settle a lawsuit.
- (2) (    ) The employees charged that EA violated environmental laws.
- (3) (    ) Under the settlement 200 entry-level artists will become hourly workers eligible for overtime pay.
- (4) (    ) Those employees will also get bonuses and stock option grants.
- (5) (    ) Workers at Silicon Valley companies traditionally prefer long work hours with overtime pay.

2) **Directions:** *Listen to the second news item carefully and complete the following passage by filling in the words you hear from the recording.*

PayPal frequently locks customers' accounts if it suspects that \_\_\_\_\_ played a part in a transaction, even if the amount \_\_\_\_\_ is a fraction of the total amount in an account, said Gail Koff, an attorney and founding partner of Jacoby & Meyers, which filed the lawsuit. The result is that customers can't \_\_\_\_\_ any more payments via PayPal, pay anyone through the service, or \_\_\_\_\_ any of their money until PayPal clears the transaction. That can often take days or even weeks, customers \_\_\_\_\_.

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#### Part B Exercises

1) **Directions:** *Listen to the interview and fill in the blanks in the following passage.*

Barton says as \_\_\_\_\_ as a year ago it wasn't unusual for companies to set and review budgets \_\_\_\_\_. Today the software systems that have been put in \_\_\_\_\_ for Sarbanes-Oxley compliance are enabling these same companies to review budgets once a \_\_\_\_\_. The \_\_\_\_\_ of this increased frequency, says Barto, is that managers can more quickly compare \_\_\_\_\_ performance with \_\_\_\_\_ performance. And if, for instance, they see that after a month sales are taking \_\_\_\_\_ faster in one region than in another, it allows them to \_\_\_\_\_ marketing dollars or productive \_\_\_\_\_ and investment much more quickly.

**2) Directions:** *Listen to the interview again and answer the following questions.*

- (1) What is the disadvantage of Sabanes-Oxley Act compliance in the view of most companies?
- (2) What is the benefit of Sabanes-Oxley compliance to companies?
- (3) In what ways will most companies allocate their Sabanes-Oxley spending according AMR research?
- (4) How does Marios Damianides understand transparency of a company?

**Part C Exercises**

**1) Directions:** *Based on what you have heard, write "T"(true) or "F"(false) for each of the following statements.*

- (1) (       ) It is important for lawyers to be involved in hostile takeovers.
- (2) (       ) The biggest bid in the past few weeks is 15 billion US dollars.
- (3) (       ) Lawyers have always been important in M&A and their role has not changed .
- (4) (       ) Mr. Simpson says the increasingly cross-border nature of Europe's hostile bids is resulting in what he calls "regulatory arbitrage".
- (5) (       ) Legal advisers don't like hostile takeovers.

**2) Directions:** *Listen to the news story and answer the following questions according to what you hear from the recording.*

- (1) Why lawyers are so important in hostile takeovers?

- (2) What's the precondition of more legal input in deals?
- (3) What's "regulatory arbitrage"?
- (4) In what ways has the role of a lawyer in a hostile takeover been changed in Europe in recent years?
- (5) Why are hostile and contested takeovers are welcomed by advisers?

### 🔪 🔪 Acting out

1. Research work: Students should search for some class action suits (集体诉讼案), which involved litigation and damage ruling from the court and report them to the class.
2. Ask students to discuss the differences between Chinese companies' lawsuits and western companies' lawsuits.

### Key to Exercises

#### Part A

- 1)  
1-T          2-F          3-T          4-F          5-F

- 2)  
(1) fraud  
(2) in doubt  
(3) accept  
(4) withdraw  
(5) charge

#### Part B

Recently, annually, place, month, beauty, expected, actual, off, shift, capacity

- (1) What is the disadvantage of Sabanes-Oxley Act compliance in the view of most companies?

Companies are spending more money than they ever imagined to put the new compliance measures into place.

- (2) What is the benefit of Sabanes-Oxley compliance to companies?

88% of companies surveyed said they expected to maintain or increase their Sarbanes-Oxley spending this year. Nearly 40% of that increase will go for more personnel, 30% for outsourced services, and another 30% for technology.

(3) In what ways will most companies allocate their Sabanes-Oxley spending according AMR research?

Barton says as recently as a year ago it wasn't unusual for companies to set and review budgets annually. Today the software systems that have been put in place for Sarbanes-Oxley compliance are enabling these same companies to review budgets once a month. The beauty of this increased frequency, says Barto, is that managers can more quickly compare expected performance with actual performance.

(4) How does Marios Damianides understand transparency of a company?

It's this very issue of transparency that will likely drive the changes that are inevitable in corporate compliance. Since the advent of Sarbanes-Oxley, transparency in business systems and accounting and auditing procedures has mainly been about reassuring investors that a company's books were being handled properly. A better, more proactive definition of transparency means that companies have the ability to get a better look inward. "The concept of transparency is moving from spotting bad deeds when they happen to being part of the very fabric of an organization," says Damianides.

## **Part C**

1. T      2. F      3. F      4. T      5. F

(1) Why lawyers are so important in hostile takeovers?

Firstly, most deals today are cross-border. Secondly, target companies need to defend themselves. Thirdly, bidders need to succeed, too.

(2) What's the precondition of more legal input in deals?

The environment is far more regulated, in particular in terms of securities market regulation, antitrust and pensions.

(3) What's "regulatory arbitrage"?

In today's environment, it is more than likely a bid or counter bid will be coming from outside the target's jurisdiction, or that the target or bidder may have a secondary listing of its shares on another exchange. So the cross-border influence has become vital, and that is potentially something the target can take advantage of and the bidder must be fully prepared to deal with. For example, if the bidder has a listing in the US, the target might pursue litigation against it in the American courts. While that may not

defeat the bid, it can certainly buy valuable time.

(4) In what ways has the role of a lawyer in a hostile takeover been changed in Europe in recent years?

One of the most significant ways in which the role of an adviser in a hostile takeover has changed in Europe in recent years is that the adviser must now think beyond a single jurisdiction.

(5) Do most lawyers believe that it will remain unusual for disputes to get to such proportions that action against advisers becomes commonplace?

No.