

Bring in the Lawyers

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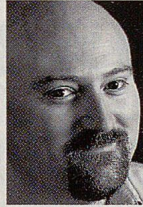
ABSTRACT

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FULL TEXT

Bring in the Lawyers

By Robert Templer/SINGAPORE



At last the billions of dollars spent by Richard Li have resulted in a Web site that's truly entertaining. Unfortunately for Li it's called *richardliar.com* and it's encouraging people to join a class-action law suit against him.

A group of Pacific Century CyberWorks investors have signed up with the Web site. They are claiming a violation of public-disclosure laws since it emerged that Li didn't graduate from Stanford, as was claimed on the PCCW Web site. "I would never invest in a college drop-out," sniffs one victim.

A class-action suit is filed when different people combine their lawsuits because the facts of the case are so similar. This is designed to save court time. It allows one judge to hear all the cases at the same time and make a ruling binding on all parties.

It's fitting that Li, the man who wanted to bring Silicon Valley to Asia, should also import the class-action suit, the tech world's least-favourite legal action.

The most-sued industry in the United States is no longer the tobacco or car-manufacturing sectors but the software industry. Suits in the U.S. against companies for accounting irregularities, securities fraud and mis-statements of poten-

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tial earnings have soared alongside the technology boom. Lurches in the value of technology companies have left large numbers of sour shareholders who can now make use of sites like *www.classaction.com* to get their revenge.

The Internet has a remarkable capacity to create communities out of widely separated people, and this is just what is happening with class-action suits as people share their grievances in chat rooms.

Class-action suits haven't yet had much of an impact in Asia, but firms with U.S. listings and subsidiaries are exposed to U.S. actions. Given weak consumer protection in most countries in Asia and failure to protect the interests of minority shareholders in large family-owned firms, the time may have

come in Asia for class-action suits as a tool for enforcing good corporate behaviour.

Some industries—notably car manufacturing—have been forced by lawsuits to put more emphasis on such issues as safety. But so far, they seem to have had little effect in improving the often abysmal levels of service and reliability in the technology sector.

Actual awards to plaintiffs tend to be little more than symbolic—less than 5% of losses suffered by shareholders. Unsurprisingly, lawyers do well out of the cases.

One spin-off benefit to class-action suits in the U.S. is the amusing warning labels now displayed on many products, such as the one for a hairdryer that reads "Do not use in the shower. Do not use when asleep."

Several recent cases have targeted the misleading special offers and miserable service provided by many technology companies. Iomega, manufacturer of Zip drives, recently settled a case over defective products.

Many of the company's drives developed what the plaintiffs called "the click of death," a noise the machines made before they finally expired. Up to 28 million purchasers of Zip drives may be eligible to claim \$40 and the company has agreed to donate \$1 million worth of its products to schools. It will also provide free technical support to anyone whose Zip drive starts a death rattle.

The fact that it requires legal action before problems are fixed speaks volumes about ideas of service in technology companies.

Arguments by companies that class-action suits end up raising costs for consumers don't stand up to much scrutiny. Consumer prices tend to be raised more by cartels and government restrictions rather than the costs of defending lawsuits.

Microsoft products have not become more expensive since the company started defending a series of lawsuits. The American Tort Reform Association claims that Americans pay a hidden tax of \$1,200 a year because of lawsuits, but this figure doesn't give the full picture.

Class-action suits don't just reward lawyers—they give people who otherwise would not have the resources to launch a lawsuit access to power. They give people the means to stop polluters, to remedy wrongs in the workplace and to end the production of unsafe products.

We may eventually thank Richard Li for bringing class-action suits greater attention in Asia. ■

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