PRESS CUTTING

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FrontPoint, Galleon, JPMorgan, Wells Fargo, BGC in Court News

By Elizabeth Amon - Apr 14, 2011 5:01 AM GMT+0100

FrontPoint Partners LLC portfolio manager Chip Skowron was charged with conspiracy and securities fraud as part of a U.S. crackdown on so-called expert networkers.

Skowron, 41, of Greenwich, Connecticut, surrendered yesterday to agents at the Federal Bureau of Investigation's New York office, said James Margolin, an FBI spokesman. Information Skowron obtained from an insider about hepatitis C drug trials enabled his fund to avoid more than $30 million in losses, prosecutors said.

Skowron is linked to the case brought in November by U.S. Attorney Preet Bharara in Manhattan and the U.S. Securities and Exchange Commission against Dr. Yves Benhamou, an expert in hepatitis drugs and a former adviser for Human Genome Sciences Inc., prosecutors said.

Benhamou acted as a paid consultant to hedge funds while working as an adviser to HGSI and serving on its steering committee for Albuferon trials, the U.S. said.

The U.S. alleged that Benhamou shared inside information with an unidentified co-conspirator at a hedge fund. The U.S. yesterday identified Skowron and FrontPoint as the recipients of Benhamou's tips, court papers said. Skowron provided benefits to Benhamou, including paying him more than $14,600 in cash as well as other gratuities such as hotel rooms and expenses, the U.S. said.

The SEC today separately accused Skowron of insider trading. Six hedge funds previously named as defendants in the case agreed to settle and pay more than $33 million in disgorgement and interest, without admitting or denying wrongdoing, the SEC said.

Benhamou, of Neuilly-sur-Seine, France, pleaded guilty April 11 before U.S. District Judge George Daniels in New York, said Ellen Davis, a spokeswoman for Bharara's office. He has agreed to cooperate with prosecutors, according to a plea agreement unsealed yesterday. He was originally arrested and charged by Bharara's office with insider trading on Nov. 2.

A lawyer for Skowron couldn't be immediately identified.

The case is U.S. v. Skowron, 11-MAG-997, U.S. District Court, Southern District of New York (Manhattan).

For more, click here.

Ex-Och-Ziff's Fancy Sues Lawyers Over Failed Singapore Deal

Zain Fancy, the former head of Och-Ziff Capital Management Group LLC's Asian real estate unit, sued the lawyer who acted for him in several Singapore deals after the collapse of a home purchase in the city state.

Fancy, who has sued hedge fund manager Och-Ziff for unfair dismissal, asked Singapore's High Court to assess the damages he's owed by law firm Tan Peng Chin LLC and its head of real estate Gwendoline Ong after his agreement to buy a bungalow for S$18.5 million ($14.7 million) in June was terminated in August. A closed hearing is scheduled for April 15.

The Singapore law firm has countersued to cap its liability to the forfeited deposit of S$184,600, "reasonable" legal costs and any difference to the property's value in August. Ong has also asked the court to remove her as a defendant in the lawsuit, which was intended to embarrass her personally, according to court papers. Fancy has indicated he's seeking damages including a S$10 million difference with the house's current valuation, according to Ong's filing.

Tan Peng Chin, managing director of the law firm, declined to comment, as did Alvin Yeo, who's representing Fancy.

The cases are Tan Peng Chin LLC v Zain Asif Fancy OS68/2011 and Zain Asif Fancy v Tan Peng Chin LLC S117/2011 in the Singapore High Court.

For more, click here.

American Sues Travelport, Orbitz as Ticket Dispute Expands

American Airlines sued Travelport Ltd. to stop what it called anticompetitive behavior and retaliation against the carrier for a push to use its own technology to distribute fares and schedules to travel agents.

The legal action expands a dispute between AMR Corp. (AMR)'s American and global distribution systems that historically have compiled fare and schedule data from various airlines and distributed them to travel agents. American wants to bypass those companies, including units of Travelport and Sabre Holdings Corp., and substitute its proprietary technology.

"Travelport, Orbitz and other industry participants have undertaken attacks against American that have been swift and punitive," said the lawsuit, which was filed April 12 in federal court in Fort Worth, Texas.

The lawsuit against Travelport and its Orbitz Worldwide Inc. (OWW) affiliate seeks triple the airline's actual damages as well as punitive damages to be determined at trial. More than $2.7 billion in sales were booked through Travelport's global distribution systems in the past year, the lawsuit said. American had $16.8 billion in passenger revenue in 2010.

American said on April 4 it reached a tentative agreement with Expedia Inc. that would allow the online travel agency and its Hotwire unit to immediately resume selling the airline's tickets, resolving a dispute that started in December. American remains in talks with Sabre after the two earlier agreed to freeze a lawsuit over the matter.

The case is American Airlines Inc. vs Travelport Ltd, Travelport LP and Orbitz Worldwide LLC, 4-11-cv-00244-Y, Northern District of Texas (Fort Worth).

For more, click here.

LaBarge Sued by Shareholder Over $340 Million Ducommun Bid

LaBarge Inc. (LB), the electronics-manufacturing services company being bought by aerospace component maker Ducommun Inc. (DCO), was sued by a shareholder who contends the $340 million offer is too low.

LaBarge is worth more than the $19.25-a-share bid partly because of the value of future contracts, Barry Borodkin said in a Delaware Chancery Court complaint filed in Wilmington. Borodkin said he owns 25,000 LaBarge shares.

The price "fails to reflect the substantial value" of anticipated work on United Technology Corp.'s Sikorsky Black Hawk helicopter, Raytheon Co. (RTN)'s Tomahawk cruise missile and Boeing Co. (BA)'s aerial-refueling tanker, Borodkin claimed.

Ducommun, based in Carson, California, said in a statement April 4 it would acquire St. Louis-based LaBarge to add new customers and markets. Ducommun reported sales of $408.4 million last year, compared with LaBarge's fiscal 2010 revenue of $289.3 million.

"It is LaBarge's practice not to comment on pending litigation," said Colleen Clements, a company spokeswoman, in an e-mailed message.

The case is Borodkin v. LaBarge, CA6368, Delaware Chancery Court (Wilmington).

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Trials/Appeals

Galleon's Schutte Won't Say Whether Funds Are Competitive

Richard "Rick" Schutte, the former president of hedge- fund company Galleon Group LLC, sparred with a prosecutor over the nature of competition, pressure and investor expectations at the insider-trading trial of Raj Rajaratnam.

After testifying for two days in Manhattan federal court on behalf of Rajaratnam, his ex-boss, Schutte, once Galleon's head of research, began fielding questions yesterday from Assistant U.S. Attorney Reed Brodsky, who asked him whether the hedge-fund industry is competitive.

"I'm not going to say whether it's highly or lowly" competitive, Schutte answered. He was also noncommittal when Brodsky asked about the pressure to perform well at Galleon.

"I don't know what you mean by pressure," Schutte said.

Asked if Galleon investors would be content with an annual profit of 20 percent, a combative Schutte said, "I can't speak to what investors would be happy with."

Rajaratnam, 53, is the central figure in the largest crackdown on hedge-fund insider trading in U.S. history. The Sri Lankan-born money manager is accused of gaining $63.8 million from tips leaked by corporate insiders and hedge fund traders. He denies wrongdoing, saying he based his trades on research.

The cross-examination followed two days of questioning by defense lawyer Michael Starr, who had Schutte review analyst reports, news accounts, internal firm e-mails and other documents designed to show that Rajaratnam's trades were based on Galleon research, not inside information.

During about 10 hours of direct testimony, Schutte sought to support the defense case that Rajaratnam's trades were lawful. Prosecutors had claimed, for example, that Rajaratnam possessed inside information that Cisco Systems Inc. (CSCO) would acquire Starent Networks Corp.

The case is U.S. v. Rajaratnam, 1:09-cr-01184, U.S. District Court, Southern District of New York (Manhattan).

For more, click here.

Tobacco Industry Owes Millions for Care, Hospitals Say

Tobacco companies cost Missouri hospitals millions of dollars to care for patients with smoking-related illnesses who can't pay their medical bills, a lawyer said in closing arguments of a lawsuit.

The city of St. Louis, along with more than 40 area hospitals, sued Altria Group Inc. (MO), R.J. Reynolds Tobacco Co., Lorillard Tobacco Co. and other cigarette makers, claiming they manipulated the nicotine content in cigarettes and misrepresented the health effects of smoking.

The tobacco companies "sell their defective products here and they take their money back to North Carolina, Virginia or wherever," Kenneth Brostron, a lawyer for the hospitals, said yesterday in St. Louis. "They are responsible for what they did and it's about time they take responsibility."

The industry's actions boosted the amount spent on "unreimbursed and uncompensated tobacco-related health care," the hospitals said in court papers. The tobacco companies deny any responsibility for patient care costs at the hospitals or any financial losses by the hospitals. The suit, which doesn't include patients as plaintiffs, went to trial in January.

The case is the third such health-care cost-recovery claim to reach trial, according to regulatory filings by Altria. The industry won the first, in Ohio, in 1999. The second initially resulted in a $17.8 million award for a health insurer by a New York jury in 2001. That was reversed on appeal in 2004.

The case is City of St. Louis v. American Tobacco Co., CV 982-09652-01, Circuit Court, City of St. Louis, Missouri.

For more, click here.

For the latest trial and appeals news, click here.

Verdicts/Settlement

Banks Must Pay Victims of Botched Foreclosures, Regulators Say

The 14 largest U.S. mortgage servicers must pay back homeowners for losses from foreclosures or loans that were mishandled in the wake of the housing collapse, according to a consent decree released yesterday.

The agreement between the servicers and U.S. regulators imposes more substantial penalties than early reports of the deal indicated. It could also help the U.S. Justice Department determine the size and scope of any future fines for the flawed practices, regulators said.

The banks, including JPMorgan Chase & Co. and Wells Fargo & Co. (WFC), agreed in the settlement to conduct a review of all loans that went into foreclosure in 2009 and 2010. They also agreed to improve their foreclosure, loan modification and refinancing procedures by hiring staff, upgrading document-tracking systems, assigning a single point of contact for each borrower and policing lawyers and vendors.

The Office of the Comptroller of the Currency, the Federal Reserve, Office of Thrift Supervision and the Federal Deposit Insurance Corp. released the consent decrees in Washington.

Regulators took action against the companies for “unsafe and unsound” practices, said acting Comptroller of the Currency John Walsh, who called the settlement “comprehensive.”

“Our enforcement actions are intended to fix what is broken, identify and compensate borrowers who suffered financial harm, and ensure a fair and orderly mortgage servicing process going forward,” Walsh said in a written statement.

The sanctions are the first to arise from state and federal investigations into mortgage servicers’ lapses in foreclosure procedures. Unprepared for the record number of loan delinquencies brought by subprime loans and the collapse of housing prices, servicers relied on inexperienced workers who failed to track paperwork or improperly signed legal documents.

The banks didn't admit or deny regulators' findings, according to the orders.

Under the consent decree, banks must hire outside consultants to identify borrowers who improperly lost their homes, failed to get loans rewritten or were forced into court in 2009 and 2010 because of mistakes made by mortgage servicers or their vendors.

Banks must determine the financial injury to borrowers and, within the next six months, submit a plan for reimbursing them, according to the decrees.

In addition to JPMorgan and Wells Fargo, Bank of America Corp. (BAC), Citigroup Inc. (C), the GMAC unit of Ally Financial Inc., Aurora Bank FSB, EverBank Financial Corp., HSBC Holdings Plc, OneWest, MetLife Inc. (MET), PNC Financial Services Group Inc. (PNC), Sovereign Bank, SunTrust Banks Inc. (STI), and US Bancorp also signed consent agreements with regulators.

For more, click here.

BGC, Tullett Settle U.K. Broker-Poaching Damages Lawsuit

BGC Partners Inc. (BGCP) settled the damages portion of a lawsuit filed by inter-dealer brokerage competitor Tullett Prebon Plc (TLPR) over BGC's poaching of traders.

The firms settled at a hearing in London yesterday, one month into a trial. Tullett lawyer Daniel Oudkerk told the judge the agreement was confidential and terms wouldn't be disclosed. BGC lawyer Andrew Hochhauser said he had nothing to add.

Tullett, based in London, sued BGC in 2009 claiming Anthony Verrier, BGC's executive managing director, spent tens of millions of pounds to convince the heads of various Tullett trading desks to breach their contracts by getting colleagues to defect. A year ago Justice Raymond Jack ruled against New York- based BGC and ordered a second trial on damages.

"This could have been a very, very unpleasant action," Jack said at yesterday's hearing.

Ronnie Fox, and employment lawyer at Fox Lawyers in London, said that while it was good the parties reached a settlement, he's disappointed not to know the figure.

"A great many lawyers and people in the financial services sector have been watching this case," said Fox, who isn't involved in the case. "The initial judgment against BGC was extremely damning, so I'm sure a substantial figure is involved."

Tullett sought to recoup lost profits, legal fees, "wasted management time," the cost of steps "to safeguard its interests" and the gardening-leave pay to 10 brokers who were prevented from working while the lawsuit was going on, Oudkerk said at a hearing last month.

BGC spokesman Richard Oldworth said he couldn't immediately comment. Tullett spokesman Nigel Szembel didn't immediately respond to a message seeking comment.

The case is: Tullett Prebon Plc v. BGC Brokers LP, HQ09X01241, High Court (London).

JPMorgan Wins Dismissal of Ex-Deutsche Bank Executive's Suit

JPMorgan Chase & Co. (JPM) didn't violate law or breach a contract when it fired the Australian head of its corporate derivatives marketing in 2008, after he objected to changes in the job, a judge ruled.

Colin Keays sued JPMorgan, claiming the bank lured him from Deutsche Bank AG (DBK) in 2005 and then deceived him and breached his contract by limiting him to dealing only with JPMorgan clients. He had sought more than A$6 million ($6.3 million) for his expected pay to January 2018, when he would be 60 years of age.

JPMorgan, the second biggest U.S. bank by assets, had the right, under its contract with Keays, to fire him by giving him three months notice or pay in lieu of the notice, Australia Federal Court Judge Robert Buchanan wrote in a 34-page ruling released yesterday. The bank abided by the terms of the contract, the judge said.

"Mr. Keays was under no obligation to accept the position at JPM," Buchanan wrote. "When he did so it was on the terms which he had negotiated" and that included "dealing with the possibility that his employment might come to an end," the judge said.

Keays declined to comment after yesterday's verdict.

The case is Colin Keays v. J.P.Morgan Administrative Services Australia Ltd. (P)NSD1375/2008. Federal Court of Australia (Sydney).