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Merrill To Urge Dismissal Of 'Tainted Research' Lawsuits

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OF DOW JONES NEWSWIRES

NEW YORK -- Lawyers for Merrill Lynch & Co. (MER) are expected to head to court Monday to urge a federal judge to dismiss dozens of investor lawsuits that claim the firm issued tainted research during the Internet bubble.

The eventual ruling, to be handed down by U.S. District Judge Milton Pollack in Manhattan, could shape the outcome of a slew of lawsuits in which investors blame Wall Street firms for their losses and seek damages of potentially hundreds of millions of dollars.

In an interview, Judge Pollack says he expects the Merrill case to have a "wide significance" on investor litigation, much of it filed in the wake of New York State Attorney General Eliot Spitzer's investigation into analyst conflicts.

"This will have an important effect on all the other types of claims because many of the same legal principles are raised in the other cases," he said.

Merrill agreed in May 2002 to pay \$100 million to settle Spitzer's allegations that it issued overly bullish recommendations in order to win investment banking business. The payment became part of a wider \$1.4 billion pact that Merrill and nine other top Wall Street firms reached with regulators in April.

Merrill's legal team is expected to argue Monday that the investor suits should be thrown out for failure to state a claim.

"Our motion says there is no basis for relief," said Merrill spokesman Mark Herr. "The allegations are baseless. We continue to be comfortable in our position."

Investors in Internet stocks, many of whom claim to have followed the rosy research calls of former Merrill analyst Henry Blodget, hope to reap the benefits of the regulatory probe as they pursue litigation.

Their suits contain some of the findings of Spitzer's investigation, including internal e-mails in which Blodget and other Merrill analysts privately called stocks "junk" and "crap" while publicly recommending them. Blodget has been fined and barred from the industry.

Judge Pollack isn't expected to rule immediately on Merrill's request to dismiss the case. Arguments began at 10:30 a.m. EDT Monday.

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