WSJ.com THE WALL STREET JOURNAL. ONLINE

FORMAT FOR PRINTING sponsored by TOSHIBA Leading Innovation >>>

August 31, 2007 6:00 p.m. EDT

Court: Putnam Whistleblower Not Entitled To Part Of Settlement

DOW JONES NEWSWIRES
August 31, 2007 6:00 p.m.

DOW JONES REPRINTS

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit: www.djreprints.com.

• See a sample reprint in PDF format.
• Order a reprint of this article now.

BOSTON (AP)--A few days after Peter Scannell confronted his supervisor at Putnam Investments about trading abuses, he was dragged from his car and beaten with a brick by a man who ordered him to keep his mouth shut, according to his testimony before Congress.

Scannell believed he should receive a portion of the $193.5 million state and federal regulators later recovered in settlements with Putnam.

But on Friday, the Appeals Court of Massachusetts ruled that Scannell is not entitled to any money because he did not file a lawsuit against Putnam, as required under the state whistleblower law.

Scannell, who worked as a call center service representative and later as a broker for Putnam, testified before Congress during an investigation into improper trading by Putnam and other mutual fund companies.

Scannell turned incriminating information over to Secretary of State William Galvin after the Securities and Exchange Commission failed to act on his complaint that Putnam was allowing some customers to engage in market-timing transactions despite a company policy prohibiting it.

Market timing, or quick in-and-out trading to exploit price movements, is not illegal, but the practice can be detrimental to long-term investors.

Based on Scannell's information, Galvin investigated and filed an administrative complaint against Putnam. The SEC also filed a complaint in federal court.

Scannell later sued the state, claiming he is entitled under the Massachusetts False Claims Act to a percentage of the total amount recovered from Putnam.

In his lawsuit, Scannell claimed that as a result of his actions as a whistleblower, he suffered serious head injuries, endured emotional trauma and stress, and had a significant loss of income because he could no longer work in the securities industry.

But the Appeals Court, upholding a lower court decision dismissing Scannell's lawsuit, said he is not entitled to a "bounty" because he failed to file a lawsuit against Putnam.

The Appeals Court said the intent of whistleblower laws is to encourage people to bring lawsuits for the common good while discouraging opportunistic lawsuits.

"These goals are promoted by the requirement that individuals seeking to recover a bounty must first file suit and be

prepared to prosecute the action to conclusion," the court said in its ruling.

Scannell's attorney, Robert Autieri, said he is considering appealing the ruling to the state Supreme Judicial Court. Autieri said Scannell's former attorneys never told him he had to file a lawsuit against Putnam in order to be entitled to a portion of any settlement.

"When you have somebody who comes forward and does all the right things for all the right reasons, but just didn't file a piece of paper, it makes you wonder," Autieri said.

Galvin declined to comment. Nancy Fisher, a spokeswoman for Putnam, also declined to comment.

Matthew Nestor, the former director of the Massachusetts Securities Division, declined comment, citing ethical restrictions in his current job as a district court judge.

But Nestor previously credited Scannell for his role in exposing trading abuses.

"This would not have started without him," Nestor told USA Today in November 2003. "We owe him a debt of gratitude."

URL for this article:
http://online.wsj.com/article/BT_CO_20070831_713234.html

Copyright 2007 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our **Subscriber Agreement** and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit **www.djreprints.com**.

RELATED ARTICLES AND BLOGS

Related Articles from the Online Journal
- Toy Lawsuits May Push "Medical-Monitoring" Debate
- Calfornia Soccer News Not Involving David Beckham
- Law Blog Judicial Controversy of the Day
- Show Me the Judges

Blog Posts About This Topic
- Court Overturns Dismissal of "State Secrets" Case lawprofessors.typepad.com
- Archives » U.S. May Invoke 'State Secrets' to Squelch Sui... cryptogon.com

More related content *Powered by Sphere*