

Fallout from Emulex fiasco hits home at Internet Wire

By Craig McGuire

LOS ANGELES: A bloody and battered Internet Wire is struggling to crawl out from under the recent Emulex debacle.

Before now-notorious ex-employee Mark Jakob manipulated Internet Wire into issuing the release read round the world, the vendor appeared to be on the IPO fast track. A group led by Sequoia Capital and Hummer Winblad Venture Partners – two VCs with strong track records bringing companies public – infused \$17.5 million in VC funding earlier this year.

"We don't believe the events of the last couple of weeks have affected our IPO viability," said a resolute IW CEO Michael Terpin. He conceded that Internet Wire would probably need to show a profit first to ensure a successful IPO, but that's par for the current market conditions.

The biggest thorn in Terpin's paw now looks to be a lawsuit filed last week by Ronald Hart, a Broward County retiree who claimed he lost

CHRISTOS NIKOPOULOS



Terpin... chairman and CEO

\$15,000 as a result of the hoax. The suit blasted IW and *Bloomberg* for "recklessly disseminating materially false and misleading information."

"We believe [the suit] to be utterly without merit and intend to fight it vigorously," said Terpin. "When you have high visibility, you get nuisance lawsuits. This firm is getting a lot of PR out of it."

James Daniels, a litigation partner specializing in securities law for Hall Dickler Kent Goldstein & Wood speculated

Internet Wire

Based: Los Angeles, CA

Chairman & CEO: Michael Terpin

No. of employees Jan., 1999: 4

No. of employees Sept., 2000: 135

Client roster: 2,500 corporate clients and 300 PR agencies

Number of journalists: 24,000, including 9,000 tech journalists

Most recent valuation: \$65 million

Estimated market for overall Internet news release distribution: \$10 to \$20 million

All information is based on unaudited data supplied by Internet Wire, a private company

IW won't settle the case.

"This suit could be painful, but it depends on how serious the lawyer is in pushing it," he said "It's hard to predict, but if you settle a case like this, you're just encouraging others to sue."

Meanwhile, lucky for Internet Wire, Terpin said when the Emulex story hit the wires August 25 the ink was barely dry on several partnership agreements.

While he would not name the partners, Terpin said three

deals would be announced later this month, with a few others to follow in October.

One wire industry veteran who has worked at both IW's major competitors – industry giants Business Wire and PR Newswire – said the Emulex issue should blow over soon.

"This happens at least once a year, usually not on this magnitude, but it's just part of the wire business," he said.

"Very similar incidents have happened at all the wires."

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Dow Jones escapes blame due to technical difficulties

By Craig McGuire

NEW YORK: A faulty line of transmission and a little bit of luck helped keep Dow Jones' neck off the chopping block during the recent Emulex crisis.

Dow Jones VP of corporate communications Dick Tofel said that the news wire service

received the Emulex release some time after *Bloomberg* due to a technical transmission problem at Internet Wire.

"This was just about the one and only time we were pleased to run 27 minutes behind *Bloomberg*," he said.

The result: *Bloomberg* shouldered a large part of the nega-

tive publicity alongside Internet Wire. *Bloomberg* was also named with IW in the lawsuit brought by a Florida retiree last week who claimed to lose some \$15,000 due to the hoax.

In the meantime, IW had just made it into Dow Jones' good graces when the Emulex release hit the wires on August

25. Dow Jones had elevated the vendor to the status, previously only reserved for Business Wire and PR Newswire, not requiring independent verification of news releases.

"Ironically, the Emulex story was the first release Dow Jones ran with Internet Wire's new status," said Tofel.