

Congress Overrides Securities Bill Veto

Clinton Loses Fight Over Effort to Curb 'Frivolous' Suits by Investors

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By Helen Dewar
Washington Post Staff Writer

The Senate joined the House yesterday in overriding President Clinton's veto of legislation aimed at protecting corporations from so-called frivolous lawsuits by investors. It was the first time that Congress has won a veto fight with Clinton.

Voting 68 to 30, the Senate easily mustered the required two-thirds majority needed to make the bill a law despite objections from the pres-

ident. The House voted to override Wednesday, 319 to 100.

The bill, which passed both houses by lopsided margins earlier this year, would make it harder for dissatisfied stockholders to file and win class action lawsuits when they believe they have been misled by company officials.

Most provisions of the law take effect immediately.

While proponents contended the

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bill would deter unwarranted litigation, opponents said it would erode investors' rights and "close the courthouse door on investors who have legitimate claims," as Clinton put it in a letter to Congress explaining his veto on Tuesday.

The bill limits attorneys' fees, gives judges power to punish attorneys who file frivolous claims, restricts the ability of plaintiffs to collect damages from accountants and others for "aiding and abetting" fraud and makes defendants pay

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damages according to their share of the guilt.

Nearly half the Senate's Democrats joined all but four Republicans in voting to override. Among them was Sen. Christopher J. Dodd (D-Conn.), general chairman of the Democratic National Committee, who had championed the legislation for four years and was clearly peeved by Clinton's last-minute decision to veto it.

While Democrats shrugged off the rebuff to Clinton as irrelevant to the larger budget battle that is dominating the windup of the 1995 congressional session, Republicans said it demonstrated presidential fumbling, equivocation and capitulation to special interests represented by trial lawyers, who give handsomely to the Democratic campaigns.

"Outside the Beltway, I don't think it means a thing," said Sen. Richard H. Bryan (D-Nev.), who helped lead the losing fight to sustain Clinton's veto. Bryan said it "might have helped" if Clinton had weighed in earlier in the debate. "Senators who committed themselves twice before on the issue were reluctant to change," he added.

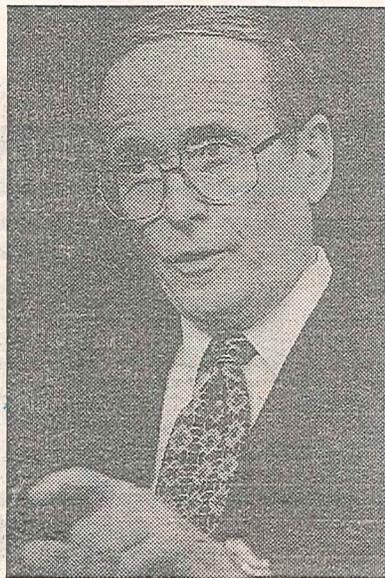
Sen. Orrin G. Hatch (R-Utah) was more critical of the president, saying Clinton "made a terrible political error" by "looking as though he was catering to one special interest group [trial lawyers] at the expense of the American people, while ignoring the advice of his own party chairman," meaning Dodd.

Dodd shrugged off the override, saying the dispute was "unnecessary" and attributing it to "poor staff work" at the White House.

Clinton has vetoed 10 bills, all of them since June, and has threatened vetoes of several more, including major welfare and defense policy legislation. Until the securities bill, neither house attempted to override any veto.

The securities bill forced Clinton to choose between two constituencies that supported him in 1992: trial lawyers, who oppose litigation curbs, and high-tech entrepreneurs, who complain that they are particularly vulnerable to meritless lawsuits. His veto satisfied one side, and "the other side went away happy because they got the bill," observed Sen. John B. Breaux (D-La.).

Once he decided to veto the bill, Clinton fought to the end with phone



SEN. RICHARD H. BRYAN

... Clinton may have waited too long

calls to several wavering Democratic senators, only to find that Dodd had gotten there first, nailing down commitments that left little room for presidential persuasion.

None of the 20 Democrats who voted for the original Senate version of the bill in June or the House-Senate conference agreement on it earlier this month switched to support Clinton.

Although securities litigation reform was part of the House Republicans' "Contract With America," senators seemed to be voting home-state interests more than ideological or partisan concerns.

Those supporting an override ranged from Democrats Edward M. Kennedy (Mass.), Carol Moseley-Braun (Ill.) and Tom Harkin (Iowa) to Republicans Jesse Helms (N.C.) and Strom Thurmond (S.C.). The only Washington area senator who voted to sustain the veto was Paul S. Sarbanes (D-Md.).

When Clinton vetoed the bill, administration officials said two provisions were particularly troubling to him. One gave corporate executives far more protection from lawsuits when they make predictions about future sales or profits that turn out to be wrong. Another raised the standards that investors must meet in filing suits, including proof that there was a clear intent to defraud.

"While it is true that innocent companies are hurt by frivolous lawsuits and that valuable information may be withheld from investors when companies fear the risk of such suits, it is also true that there are innocent investors who are defrauded and who are able to recover their losses only because they can go to court," Clinton said in explaining his veto.

White House spokesman Mary Ellen Glynn said after the vote that Clinton "hopes that the unintended effects of the legislation actually do not occur" and that, if they do, Congress will take steps to correct them.