



# PRESS RELEASE

## Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

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Contact: \*CI-HQ-COMMUNICATIONSEDCATION@ci.irs.gov  
IRS – Criminal Investigation

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### **Attorney Pleads Guilty for Role in Multi-Million Dollar Scheme to Fraudulently Obtain Copyright Infringement Settlements from Victims Who Downloaded Pornographic Movies**

An Illinois attorney pleaded guilty today for his role in a multi-million dollar scheme to fraudulently obtain payments to settle sham copyright infringement lawsuits by lying to state and federal courts throughout the country.

Acting Assistant Attorney General Kenneth A. Blanco of the Department of Justice's Criminal Division, U.S. Attorney Andrew M. Luger of the District of Minnesota, Chief Richard Weber of the Internal Revenue Service-Criminal Investigation (IRS-CI) and Special Agent in Charge Richard T. Thornton of the FBI's Minneapolis Division made the announcement.

John L. Steele, 45, currently residing in Pennsylvania, pleaded guilty to conspiracy to commit mail fraud and wire fraud and conspiracy to commit money laundering before U.S. District Judge Joan N. Ericksen of the District of Minnesota. Sentencing has not yet been scheduled.

According to Steele's admissions in the plea, between 2011 and 2014, Steele and co-defendant Paul Hansmeier, both practicing lawyers, executed a scheme to fraudulently obtain more than \$6 million by threatening copyright lawsuits against individuals who supposedly downloaded pornographic movies from file-sharing websites. Steele admitted that he and Hansmeier created a series of sham entities to obtain copyrights to pornographic movies – some of which they filmed themselves – and then uploaded those movies to file-sharing websites like "The Pirate Bay" in order to lure people to download the movies. Steele and Hansmeier then filed bogus copyright infringement lawsuits that concealed their role in distributing the movies, as well as their personal stake in the outcome of the litigation. After fraudulently inducing courts into giving him and co-defendants the power to subpoena Internet service providers and thereby identify the subscriber who controlled the IP address used to download the movie, Steele and Hansmeier used extortionate tactics such as letters and phone calls to threaten victims with enormous financial penalties and public embarrassment unless they agreed to pay a \$3,000 settlement fee.

To distance themselves from the specious lawsuits and any potential fallout, Steele admitted that he and co-defendants created and used Prenda Law, among other firms, to pursue their claims.

According to the plea, after various courts began to restrict the defendant's ability to sue multiple individuals in the same copyright lawsuit, the defendant changed his tactics and began filing lawsuits falsely alleging that computer systems belonging to their sham clients had been hacked. To facilitate their phony "hacking" lawsuits, Steele and Hansmeier recruited "ruse defendants," who had been caught downloading pornography from a file-sharing website, to be sued in exchange for Steele and Hansmeier waiving their settlement fees while pursuing claims against their supposed "co-conspirators."

According to the plea agreement, as courts began to uncover the defendant's unscrupulous litigation tactics, judges began denying the defendant's requests to subpoena ISPs, dismissing lawsuits, accusing Steele and co-defendants of deceptive and fraudulent behavior and imposing sanctions against the Steele and his associates. For example, on May 6, 2013, the U.S. District Court for the Central District of California issued an order imposing sanctions against the defendant. In total, the Steele and co-defendants obtained approximately \$6 million from the fraudulent copyright lawsuits.

Paul R. Hansmeier, of St. Paul, Minnesota, was charged as a co-defendant in an indictment filed on Dec. 16, 2016. The charges contained in the indictment against him are merely accusations, and he is presumed innocent unless and until proven guilty.

FBI and IRS-CI are investigating the case. Senior Trial Counsel Brian Levine of the Criminal Division's Computer Crime and Intellectual Property Section and Assistant U.S. Attorney Benjamin Langner of the District of Minnesota are prosecuting the case.

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