

Subject: [EXTERNAL] FLORIDA ATTORNEY SENTENCED TO 60 MONTHS IN PRISON FOR MULTI-MILLION DOLLAR PORNOGRAPHY FILM COPYRIGHT FRAUD SCHEME

Date: Tuesday, July 9, 2019 at 12:36:34 PM Pacific Daylight Time

From: USDOJ-Office of Public Affairs

To: Farivar, Cyrus (NBCUniversal)

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The United States Department of Justice

FOR IMMEDIATE RELEASE

TUESDAY, JULY 9, 2019

FLORIDA ATTORNEY SENTENCED TO 60 MONTHS IN PRISON FOR MULTI-MILLION DOLLAR PORNOGRAPHY FILM COPYRIGHT FRAUD SCHEME

WASHINGTON – A Florida attorney was sentenced to 60 months in prison followed by two years of supervised release for his role in a multi-million dollar fraud scheme to obtain payments from extortion victims to settle sham copyright infringement lawsuits by lying to state and federal courts throughout the country, announced Assistant Attorney General Brian A. Benczkowski of the Justice Department’s Criminal Division and U.S. Attorney Erica H. MacDonald of the District of Minnesota.

John L. Steele, 48, who pleaded guilty on March 6, 2017, was sentenced today before U.S. District Judge Joan N. Erickson of the District of Minnesota who also ordered Steele to pay restitution in the amount of \$1,541,527.37.

According to his guilty plea and documents filed in court, between 2011 and 2014, Steele and his co-defendant Paul R. Hansmeier, both practicing lawyers, executed a scheme to obtain millions of dollars by threatening copyright lawsuits against individuals who allegedly downloaded pornographic movies from file-sharing websites. Steele admitted in court during his plea that he and Hansmeier created a series of sham entities, which they surreptitiously controlled, 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 both their role in distributing the movies, and their personal stake in the outcome of the litigation. After filing the lawsuits, the defendants gained authority from the courts to subpoena internet service providers for identification information of the subscriber who controlled the IP address used to download the movie. With that information, the defendants 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.

According to the indictment, the plea agreement and other court documents, in November 2011, in order to distance themselves from the specious lawsuits and any potential fallout,

Steele and Hansmeier created and used Prenda Law, among other law firms, to pursue their fraudulent lawsuits. Steele acknowledged at his plea hearing that he and Hansmeier exerted de facto control over Prenda Law throughout the scheme, but recruited a now-deceased Illinois attorney to pretend to own and control the law firm.

In October 2012, the defendants changed their tactics and began filing lawsuits falsely alleging that computer systems belonging to their sham clients had been hacked. To facilitate their phony “hacking” lawsuits, the defendants recruited individuals who had been caught downloading pornography from a file-sharing website, to act as ruse “defendants.” These ruse defendants agreed to be sued and permit Steele and Hansmeier to conduct early discovery against their supposed “co-conspirators” in exchange for Steele and Hansmeier waiving their settlement fees. During his plea hearing, Steele admitted that the allegations of “hacking” in these complaints were made up.

In total, Steele and Hansmeier obtained approximately \$3 million from the fraudulent copyright lawsuits.

This case was the result of an investigation conducted by the FBI and IRS-Criminal Investigations.

Senior Counsel Brian Levine of the Criminal Division’s Computer Crime and Intellectual Property Section and Assistant U.S. Attorneys Benjamin F. Langner and David J. MacLaughlin of the District of Minnesota prosecuted the case.

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