

**FILED**

January 29, 2019

**OFFICE OF  
APPELLATE COURTS**

FILE NO. \_\_\_\_\_

STATE OF MINNESOTA

IN SUPREME COURT

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In Re Petition for Disciplinary Action  
against PAUL ROBERT HANSMEIER,  
a Minnesota Attorney,  
Registration No. 0387795.  
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**PETITION FOR  
DISCIPLINARY ACTION**

TO THE SUPREME COURT OF THE STATE OF MINNESOTA:

At the direction of a Lawyers Professional Responsibility Board Panel, the Director of the Office of Lawyers Professional Responsibility (Director) files this petition.

The above-named attorney (respondent) was admitted to practice law in Minnesota on October 26, 2007. As set forth more fully below, by order filed September 16, 2016, respondent was indefinitely suspended from the practice of law, effective 14 days from the date of that order, for a minimum of four years. *In re Hansmeier*, 884 N.W.2d 863 (Minn. 2016). Respondent has thereafter remained suspended.

Respondent has committed the following unprofessional conduct warranting public discipline:

DISCIPLINARY HISTORY

Respondent's history of prior discipline is the September 12, 2016, order of this Court suspending respondent from the practice of law, effective 14 days from the date of that order, for a minimum of four years. *In re Hansmeier*, 884 N.W.2d 863 (Minn. 2016). The Court summarized respondent's misconduct as follows:

[Respondent] committed misconduct in the first matter by bringing a lawsuit for the sole purpose of conducting discovery to find the identity of others against whom claims could be made, making misrepresentations to the tribunal, filing articles of termination for a corporation that contained false statements, failing to comply with discovery requests, failing to pay attorney fees assessed against him, and transferring funds out of his law firm in order to avoid paying sanctions. In a second matter, [respondent] committed misconduct by participating in the initiation of a lawsuit without a basis in law and fact, making false and misleading statements to the court, failing to pay attorney fees assessed against him by the court, and submitting to the court a financial statement that was false, misleading, and deceptive. In a third matter, [respondent] committed misconduct by bringing a frivolous action for an improper purpose. And in a fourth matter, [respondent] committed misconduct by testifying falsely during a deposition, bringing a frivolous claim, and perpetrating a fraud upon the court.

*Id.*

#### FIRST COUNT

##### *Knowing Misrepresentations and Omissions of Material Fact in a Personal Bankruptcy Proceeding.*

##### Introduction.

1. Before respondent was suspended, respondent, with other lawyers, purportedly on behalf of various entities that held the copyrights to various adult films, instituted hundreds of litigations in state and federal courts throughout the country alleging either copyright infringements via improper downloading of the films over the Internet or wrongful interception or hacking of usernames and passwords to gain access to the purported clients' websites.

2. Respondent was sanctioned in many of these matters.

a. *Lightspeed Media Corp. v. Smith Matter.*

i. An attorneys' fees award totaling \$261,025 was assessed against respondent and two other lawyers. Respondent failed to pay.

ii. On March 24, 2014, the court issued an order granting a motion to hold respondent in contempt for failure to pay, and imposed an additional sanction of 10 percent of the original sanction amount, \$26,102.58, and ordered respondent and the others to pay on or before March 31, 2014. Respondent failed to do so.

iii. On June 5, 2015, respondent and one other lawyer were sanctioned \$65,263 for making false statements regarding respondent's alleged inability to pay the sanctions. Respondent failed to pay this amount as well.

b. Ingenuity 13 LLC v. John Doe Matter. Respondent and others were sanctioned a total amount of \$81,319.72 for bringing an action without merit and for an improper purpose.

c. A.F. Holdings v. Navasca Matter. Respondent's client was sanctioned \$22,531.92 because the case was frivolous and objectively unreasonable (the sanction was paid before respondent was added as a judgment debtor).

d. Guava v. Merkel Matter.

i. By orders filed on August 7, 2013, and January 25, 2015, respondent and a law firm respondent had incorporated, and was the sole lawyer with an ownership interest, were found personally liable for an award of expenses in the amount of \$63,367.52. Respondent failed to pay the sanction.

ii. Respondent was sanctioned \$3,500 for failing to comply with discovery. Respondent did not pay that sanction.

iii. By order filed June 29, 2015, the court directed respondent to provide documents requested in collection discovery by July 7, 2015.

Respondent failed to do so. A contempt hearing was scheduled for July 14, 2015. The day before the hearing, respondent filed for bankruptcy.

Respondent Made False and Misleading Statements and Omissions in Respondent's Bankruptcy Matter.

3. In continuation of his efforts to avoid court ordered disclosure of financial information, hide assets and avoid payment of sanctions entered against him, respondent filed for bankruptcy and, in his bankruptcy filings and during the bankruptcy proceeding, knowingly made false and misleading statements and omissions of material fact.

4. On July 13, 2015, respondent (through counsel) filed a Chapter 13 voluntary petition for bankruptcy, Schedules A – J and a statement of financial affairs. The schedules and statement of financial affairs required respondent to make full disclosure of his assets, liabilities and financial dealings. Respondent signed the schedules and statement of financial affairs under penalty of perjury that the schedules and statement of financial affairs were true and correct.

5. On that date, respondent (through counsel) also filed a Chapter 13 plan.

6. Respondent made multiple misrepresentations by omission in his schedules and statement of financial affairs.

a. Respondent failed to disclose The Mill Trust on his statement of financial affairs. In 2010, respondent had created The Mill Trust. Respondent is the grantor, and respondent's spouse is the trustee, of The Mill Trust.

Respondent retained the right to veto any distribution of funds from The Mill Trust. The Mill Trust was funded by transfers made by respondent and entities in which respondent holds an interest. Respondent's spouse used funds from The Mill Trust as she chose to pay living expenses of respondent and his family.

b. Respondent failed to disclose on his statement of financial affairs multiple transfers of his funds totaling more than \$500,000. Around the time respondent created The Mill Trust, respondent also incorporated Monyet, LLC. The Mill Trust is the sole member of Monyet, and respondent is the manager of Monyet. Respondent opened a brokerage account for Monyet, and respondent was the sole signatory on the account. Between May 2013 and May 2014, respondent made 19 wire transfers from Monyet's brokerage account. The final transfer in May 2014 was of all available cash in the account at that time. Respondent did not disclose any of these transfers.

c. Respondent failed to honestly disclose his household expenses on Schedules I and J. On Schedule I respondent claimed that his spouse's net monthly income was less than \$5,000, and on Schedule J respondent claimed total household expenses of nearly \$10,000 per month. During respondent's bankruptcy proceeding, respondent testified under oath that his spouse pays all the household expenses. Because respondent's spouse paid all the expenses, respondent's expenses were none, and his statement that his expenses were nearly \$10,000 per month was false. If respondent had paid any of the expenses, then his testimony under oath that his spouse paid all the expenses would have been false.

7. During the progress of the bankruptcy proceeding, respondent made additional misrepresentations by omission.

a. During the bankruptcy, respondent failed to disclose his intent to sell his home. At no time did respondent inform the Chapter 13 trustee of his plans to sell his home or seek bankruptcy court approval to do so before respondent had a signed purchase agreement. When respondent filed for bankruptcy in July 2015, respondent claimed the value of the home was \$885,000

(Schedule A). Just four months later in November 2015, respondent had listed the home for sale for \$1.3 million, and sold the home for \$1.2 million.

b. During the bankruptcy, respondent failed to notify the bankruptcy trustee that respondent had moved and, as a result, his monthly expenses were reduced until after the trustee had filed a motion to convert respondent's bankruptcy from a Chapter 13 to a Chapter 7. Respondent also failed to correct the statement of household expenses in his Schedule J. Respondent failed to make this correction until after the bankruptcy trustee had filed a motion to convert respondent's bankruptcy from a Chapter 13 (reorganization) to a Chapter 7 (liquidation).

8. In November 2015, the United States trustee filed a motion to convert respondent's bankruptcy case from a Chapter 13 to a Chapter 7.

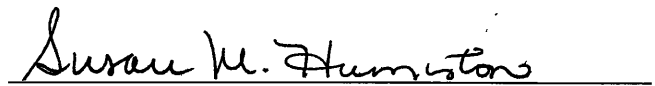
9. On December 22, 2015, the bankruptcy court granted the motion to convert. The court noted that respondent "has continued his pattern and practice of being untruthful with the courts in this bankruptcy case." The court specifically found that respondent failed to disclose The Mill Trust in his schedules and statement of financial affairs; failed to disclose the transfers from Monyet on his statement of financial affairs; failed to honestly disclose his household expenses on Schedules I and J; failed to notify the trustee and the court that he intended to sell his home; and failed to notify the trustee and the court that he had moved and failed to amend his schedules to reflect the substantial reduction in his monthly living expenses until after the trustee filed the motion to convert. The court further found that "it's reasonable to conclude that [respondent] might never have disclosed the sale, nor turned over any of the sale proceeds had the Trustee not discovered that the property was listed."

10. Respondent appealed. By opinion filed on September 29, 2016, the bankruptcy appellate panel for the Eighth Circuit Court of Appeals affirmed.

11. Respondent's dishonest conduct including making knowingly false statements and omissions in his personal bankruptcy matter violated Rule 8.4(c) and (d), Minnesota Rules of Professional Conduct (MRPC).

WHEREFORE, the Director respectfully prays for an order of this Court disbarring respondent or imposing otherwise appropriate discipline, awarding costs and disbursements pursuant to the Rules on Lawyers Professional Responsibility, and for such other, further or different relief as may be just and proper.

Dated: January 8, 2019.



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