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In Email, Scammers Take Aim At Lawyers

By JENNIFER SMITH

Law firms are becoming top prey for email scammers who exploit lawyers' eagerness to take on new clients through the Internet.

Crafting elaborate stories that often involve real companies or properties, con artists say they live abroad and need help collecting money from a debtor or a legal settlement. They ask the lawyers to wire the funds to bank accounts overseas, after taking a cut in fees for their services.



Scott Lewis for The Wall Street Journal

'The check looked very legitimate,' says Gene Goldenziel, a lawyer who prosecutors say was targeted by an alleged email collections scam.

The settlement checks mailed to lawyers' offices and accompanying documents, such as insurance paperwork, appear to be authentic. Phone numbers and other contact information on the documents lead back to scammers who pose as employees and vouch for their legitimacy, authorities say.

Even after doing due diligence, some lawyers fail to discover the scam. They deposit the check into the firm's trust account—a special account for client funds—subtract their fee, and then wire the balance to an overseas bank account, before the law firm's bank realizes the check is a fake or can stop the wire transfer.

"The way [lawyers] are contacted, the way they received the checks—that's normal for how many law firms operate," said U.S. Postal Inspector Louis Di Rienzo, head of a cross-border mail-fraud team in Harrisburg, Pa. Swindlers know that, he said. "The guys that are doing this, they are the top of the game," he said.

Mr. Di Rienzo estimates that law firms have been bilked out of at least \$70 million that way since 2009, when he first began investigating such frauds.

Federal prosecutors allege that nearly half those losses were racked up by one particular scam that will be the focus of a criminal trial expected in the fall in Pennsylvania.

Prosecutors say Emmanuel Ekhaton, a Nigerian national, masterminded a scheme that defrauded more than 80 lawyers from small and midsize law firms in the U.S. and Canada of at least \$32 million. Mr. Ekhaton, whom prosecutors say was living in Canada at the time of the alleged frauds, has pleaded not guilty. His attorney declined to comment.

"What makes this so unusual is that the scheme was so sophisticated that well-respected, established law firms were taken in by the fraudsters," said Christy H. Fawcett, an assistant U.S. Attorney in Harrisburg who is prosecuting the case. The case was investigated by Mr. Di Rienzo's U.S. Postal Inspection Service

team, the U.S. Secret Service, the Federal Bureau of Investigation and Canadian and Nigerian authorities.

While many online scams target gullible consumers or individuals, in recent years attorneys have become attractive prey. That is in part because they increasingly rely on Internet referrals to draw clients and conduct much of their business via email, lawyers and law-enforcement officials say. And despite repeated warnings from law-enforcement agencies and bar associations about collections scams, some lawyers continue to fall for them.

"People contact me all the time on the website," said Gene Goldenziel, a personal-injury attorney in Scranton whom prosecutors say was targeted by Mr. Ekhator's alleged ring but didn't send it any money. "In hindsight it sounds like you're stupid if you got trapped, but while you're in it, it's very sophisticated."

His encounter, he said, began with an email in January 2010 from a person who claimed to have been injured while working for a Pennsylvania trucking company, according to Mr. Goldenziel and court documents.

Posing as a Vietnamese woman who lived in South Korea, the would-be client asked for help collecting a \$400,000 insurance settlement. Mr. Goldenziel could take whatever he wanted off the top and then wire her the rest. Soon a \$400,000 cashier's check arrived at his law office. "The check looked very legitimate," Mr. Goldenziel said. "The insurance policy looked very legitimate."

He called the insurance company to verify, using a number the client supplied, then spoke with a person at the bank who was supposedly handling the matter. Prosecutors said the bank call was routed to one of the scammers who posed as a bank employee vouching for the check's validity.

Mr. Goldenziel, who remained suspicious, said he told the client to collect the check at her embassy but the response was an angry note asking for the check back. Soon after, a U.S. postal inspector contacted him to say he had been the target of an Internet scam.

Such schemes can take weeks to pull off. Some scammers set up foreign bank accounts and obtain high-grade counterfeits of cashier's checks from large national banks, while others blast out solicitations tailored for certain practice areas and locations.

"I got one last week—a guy from England saying he had a judgment for some money from a company in Rhode Island and that he would be sending over a check," said William J. Delaney, a Rhode Island lawyer and former president of the state bar association, which sends out email warnings to lawyers each time a new variation sweeps the state.

The attorney collection scams first came to light in 2007 and hit a peak in 2010, according to the Internet Crime Complaint Center. Lawyers have filed nearly 750 fraud complaints, 167 of them since 2011, according to the center, which is a partnership between the FBI and the National White Collar Crime Center, a nonprofit federally funded group.

Law firms that have been duped are sometimes reluctant to admit the fact and may opt to quietly replace the missing money instead of reporting it to the authorities, Mr. Di Rienzo said. "Let's face it," he said. "You don't want your clients hearing that."

Most of the firms named in the complaint against Mr. Ekhator either declined to discuss the matter or didn't respond to requests for comment.

Some lawyers who have been bilked in the past blame the banks for telling them bogus checks from the

scammers had "cleared" when they later turned out to be counterfeit.

Milavetz, Gallop & Milavetz, P.A., a personal-injury law firm with offices in Minnesota and Wisconsin that said it was snared by Mr. Ekhtor's alleged ring, sued Wells Fargo Bank N.A. in April over its handling of a counterfeit check. The lawsuit said the bank failed to halt a \$396,500 wire transfer of client funds to Kowloon, Hong Kong, in 2009—a transfer the firm said was contingent on the check passing muster with the bank.

"Obviously, any attorney would see some red flags—we contacted Wells Fargo to verify the validity of the check," said Robert Milavetz, the law firm's founder. "We're a longtime customer; we relied on them."

Attorneys for Wells Fargo didn't reply to a request for comment.

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