

**eToys** is heating up ... read our **new** coming page **about how Judge** [Mary Walrath](people/judge-mary-walrath.html) is unraveling over the **whistleblower** who won't quit. But for now, watch this incredible portrayal of the bawdy office party going on at the Delaware Bankruptcy Court.

**eToys** was one of the "internet bubble" companies of the Dot.Com craze and eventually landed in bankruptcy. There were undisclosed [conflict of interest](index.php/issues/conflict-of-interest.html) relationships among certain lawyers officially employed in the eToys bankruptcy proceedings. ♦

Failing to disclose a conflict of interest by a lawyer in a bankruptcy case is not merely a violation of the federal rules, *it is also a crime*, such as when a lawyer swears a false declaration. In fact, the Court in the eToys case ordered that the certain involved [attorneys](http://www.deb.uscourts.gov/Opinions/2005/EtoysMNATfees.pdf) could not keep and had to disgorge the fees [that they received](index.php/people/paul-traub.html).  [Read about the smoking gun which shows the brazen lies regarding the hidden conflict of interest with Paul Traub and Barry Gold in the eToys bankruptcy scandal](images/stories/Dreier-Paul_Traub-Marc_Dreier-eToys.jpg)   
 According to **Mr. Laser Haas**, a court appointed professional involved with the liquidation of eToys, the [conflict of interest issues are more serious and involve much more money](http://fraud-corruption-mnat.townhall.com/Default.aspx) **than the \$1 Million dollars or so in fees** that were forfeited.   
 Mr. Haas has argued that certain liquidation sales of eToys assets were not done to maximize the benefit for the bankruptcy case, but instead resulted in the benefit of conflicted clients of the eToys lawyers.   
 Such would unquestionably be the equivalent of fraud - and of the most *dishonorable* and *treacherous* nature as the misconduct was committed by officers of the court who had been empowered by court order with the control of the administration of the estate's assets. These special powers and rights of a debtor under protection of the Federal Bankruptcy Code are an extraordinary grant of rights over and above the ordinary constitutional rights of creditors, with corresponding extraordinary responsibilities of truthfulness, good faith, and fair dealings over and above the well settled expectations for every utterance by an officer of the court.   
 Mr. Laser Haas made several attempts to get the undisclosed conflict of interest by the lawyers brought to the attention of the court and to have the matter referred for criminal prosecution.   
 Unfortunately, an apparent case of [ACPOC Syndrome](files/eToys%20ACPOC%20counsel%20to%20liquidator.pdf) caused the law firms Mr. Haas hired to abandon him [rather than bring the conduct of their brethren lawyers before the court and the risk of punishment](#). Later, Mr. Haas was threatened that he would not receive his own fees if he did not back off. Even so, Mr. Haas and other parties in interest were eventually able to bring the issue in front of the U.S. Trustee and the Court. *Would anyone care to guess whether Mr. Haas received his fees?*   
 **U.S. Trustee cuts a deal with the eToys Lawyers**   
 For reasons still unknown, the U.S. Trustee's office entered a settlement letting the eToys lawyers give up *only some* of their fees, keeping the rest of the money. But even more shocking is that the U.S. Trustee agreed to abandon further investigation of the actions, including giving up their right *(most citizens would call it a duty)* to ask the

eToys lawyers any more questions about their conflicted relationships and false sworn declarations. Apparently, there was no criminal referral by the U.S. Trustee. But the law clearly requires (18 U.S.C. § 3057) every trustee and judge to refer every instance of a suspected crime related to a bankruptcy case to an appropriate attorney general. **The U.S. Trustee, also a U.S. Attorney, can not "stipulate away" a crime.**  
**Absence Of Criminal Investigation And Referral**  
The absence of a criminal investigation harms the public not merely by protecting the eToys lawyers from the consequences of their false sworn affidavits. It sends the wrong message to every other bankruptcy professional, local bar association, and bankruptcy court, who are all competing for the billions of dollars in fees paid by large case debtors and their hedge fund creditors.  
**Non-Partisan Cathartic Purge of Bankruptcy Misconduct & Fraud**  
The Legislature should be as outraged that the DOJ abandons its stated purpose to protect "the integrity of the bankruptcy system by overseeing case administration and litigating to enforce the bankruptcy laws" as they are known to get when a media scandal falls clearly against a political party. The time for elected officials to engage in a non-partisan cathartic purge of bankruptcy misconduct is now.  
**Follow The Money - Fees Drive Crime**  
Millions of dollars of fees, sometimes hundreds of millions for a single lawfirm hired as a debtor's counsel, blinds lawyers to reporting criminals because these lawyers desire to participate in such fees the next time another big case rolls around. Lawyers know that if they allow negative consequences to corporate executives involved in crime that is related to a case under their control, their firm's chances of being selected as counsel in another big case having issues of executive misconduct are reduced to nil. This is because the criminal corporate executives hold the power to select the bankruptcy counsel. Conversely, when a lawfirm resolves a case and no executive (who caused fees to flow to the law firm) gets hurt, such lawfirm becomes well known by the "aggressive" corporate executives.  
**Federal Bankruptcy Courts - The Birthplace of Today's Extreme Corporate Malfeasance**  
The decades of non-existent enforcement by the DOJ against bankruptcy professionals (*a/k/a law firm protectionism*), particularly in the large corporate frauds landing in our bankruptcy courts, is *the reason* we have suffered the ultra large corporate malfeasance scandals of **Enron, Worldcom, Global Crossing**, and the like. The DOJ policies of non-enforcement allowed debtor's counsel to routinely protect the corporate executives from the consequences of their civil and criminal misconduct. The customary global releases and concurrent failures to refer criminal conduct for the benefit of criminal corporate executives were the "[quid pro quo](index.php/issues/quid-pro-quo.html)" paid by these powerful lawfirms to the criminal executives in exchange for such executives causing the public companies under their control to hire the law firms.  
Corporate executives may have ethical deficiencies, but they are extremely bright and aware of how the game of aggressive business is played. Thus, a few years of ever more egregious conduct escaping any serious consequence once a firm lands in bankruptcy court, such as in the Leslie Fay case, caused the profitable "non-crime" of corporate fraud to grow ever larger as the rational & risk aware corporate executives made ever greater gambles to gain extraordinary wealth in the face of little or no consequence. But the direct consequence for the American stockholders and creditors has been this modern era of extraordinary corporate malfeasance, born on the playing fields of the U.S. Bankruptcy Courts. If the U.S. Trustee's office, the DOJ and bankruptcy professionals had been doing their jobs, we would not

have had the Enron's and Worldcoms.   
   
 **What is an eToys shareholder to do?**   
   
 Most significantly for the eToys creditors and shareholders, the possibility that illegitimate liquidation transactions involving hundreds of millions of dollars in assets could be identified and undone was thrown away by the office of the U.S. Trustee when they entered a "*settlement*" ending enforcement and eliminating a lawfirms continuing obligation to fully correct false sworn statements made by counsel before a U.S. Court.   
   
 If I was a shareholder who lost more than a few dollars on the eToys bankruptcy, I would devote myself towards urging a congressional investigation. Regular faxes and letters to the Legislature and their opposing political candidates - including committees in charge of the Department of Justice, the Judiciary, and the SEC. On the bright side, any court ruling which had been made in the face of a fraud upon the court (i.e. a false declaration by an attorney) is not protected by any statute of limitations and thus can forever be undone. But first, the "*checks and balances*" of our national government must be brought to bear on the issue.   
   
 **Why Haven't The eToys Lawyers Been Prosecuted?**   
   
 According to Mr. Haas, the failure to prosecute the attorneys is intertwined in dramatic "resignations" at the Department Of Justice reminiscent of [http://en.wikipedia.org/wiki/Dismissal\\_of\\_U.S.\\_attorneys\\_controversy](http://en.wikipedia.org/wiki/Dismissal_of_U.S._attorneys_controversy) **former Attorney General Alberto Gonzales's** reputed firing of 8 Attorney Generals. Perhaps most shocking is the claim of Mr. Haas that certain U.S. Trustee attorneys, who were involved in the non-prosecution controversy of the eToys attorneys, have subsequently been promoted into supervisory positions now having authority over new complaints related to their own past conduct.   
   
 **Racism & Sexism in Discretionary Enforcement by the Department Of Justice**   
   
   

- Was **Martha Stewart** given the opportunity to merely forgo some fees, or pay a fine for her false statement under oath, *or was she placed in jail*? Martha Stewart's false statement was related to a comparatively minute \$40,000 stock trade, and she was not operating under a position of trust as an attorney.   
   
- Did **Kimberly Denise Jones**, better known by her stage name ,[http://en.wikipedia.org/wiki/Lil%27\\_Kim](http://en.wikipedia.org/wiki/Lil%27_Kim) **Lil' Kim** [http://en.wikipedia.org/wiki/Lil%27\\_Kim](http://en.wikipedia.org/wiki/Lil%27_Kim) get favored treatment like the lawyers in eToys have been treated? **No!** She went to jail.   
   
- Why does [http://en.wikipedia.org/wiki/Barry\\_bonds](http://en.wikipedia.org/wiki/Barry_bonds) **Barry Bonds** [http://en.wikipedia.org/wiki/Barry\\_bonds](http://en.wikipedia.org/wiki/Barry_bonds) get indicted on perjury and obstruction of justice charges on November 15, 2007? **For the "crime" of practicing perjury while not being a licensed attorney.**   
   
 If you are not a lawyer, or even worse, you happen to be black or a woman, you receive an indictment and you go to jail. Sadly, a common thread in our federal bankruptcy courts is that if you lie under oath while being a white male, particularly if you are an attorney, the matter is handled as if it were an ordinary business transaction and if reported it is ignored. But as illustrated above when applied to non attorneys, our laws against perjury and obstruction of justice are supremely powerful. These laws have brought down some of the richest and most powerful members of our society under the noble belief that truth and justice must prevail in our courts. As far as justice is concerned, the cover-up is worse than the crime. Martha could have paid a fine, Barry Bonds could have had a wrist slap, Lil Kim could have provided some names of people who were in her entourage that day; instead these people told lies and they suffered the consequences.   
   
 **Why is the primacy of honesty, the sacramental compulsion for sworn truth, casually disregarded in our federal bankruptcy courts when applied**

towards false statements by bankruptcy attorneys and related estate professionals? </strong>  
Do the vast sums of money have anything to do with it?<br /> <br />

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However, the glaring discrepancy in how numerous citizens are incarcerated for perjury while judges and prosecutors turn a blind eye and a deaf ear to the same and worse conduct by attorneys is perfectly illustrated by these race and gender bias examples.<br /> <br /> Mr. Alber and / or Mr. Haas have one or more appeals still pending according to various web sites. We don't know when or if any criminal investigation will be conducted into alleged false affidavits and other conduct such as the whistleblower retaliation against Mr. Haas, but it seems clear that neither an investigation or a prosecution has taken place.<br /> <br /> Let us all try to remember that this is the United States of America. We should not seek to establish or protect a collection of corrupt government bureaucrats as one might expect to find operating in a third world country. And remember, if you are a single mother filing bankruptcy or having trouble with your adjustable rate mortgage, don't expect the U.S. Trustee to cut you a special deal.{rokintensedebate} </ul>