

SHILL BIDDING EXPOSED IN ONLINE AUCTIONS

Phony Bids Inflate Selling Price of Auctioned Artwork, Sports Memorabilia and Other Merchandise

State Attorney General Eliot Spitzer today announced the resolution of three cases arising from an investigation of phony bids in on-line auctions.

In the first case, three individuals pleaded guilty to criminal charges stemming from actions they took to inflate the prices of artwork and other merchandise that was sold in E-Bay auctions. In two other cases, defendants entered into civil settlements with the Attorney General's office for illegally bidding up sports memorabilia and automobiles sold in on-line auctions.

"The use of shill bids in on-line auctions illegally drives up prices and defrauds consumers," Spitzer said. "These cases and continuing efforts to monitor transactions should help maintain the integrity of on-line auctions."

Spitzer commended E-Bay for the valuable assistance it provided to his office, as it investigated the matter.

In the criminal case, Jerrold Schuster, the former owner of the New Windsor Auction Gallery, pleaded guilty in the County Court of Orange County in Goshen, to Combination in Restraint of Trade, a violation of the New York antitrust law, a felony punishable by a maximum of four years in prison. Schuster's former employees, Darek Szydowski and Francis Komsisky, Jr., pleaded guilty to Attempted Combination in Restraint of Trade, a misdemeanor antitrust violation, which is punishable by up to one year in prison. As part of the disposition, Schuster is expected to pay \$50,000 in restitution and fines.

According to the criminal charges, Schuster, Szydowski and Komsisky cast bids in over 1,100 of each others' eBay auctions for the sole purpose of driving up the price of the merchandise that they offered for sale over a five-year period. The defendants were known by various e-Bay User IDs including "sambuca914," "guttek914," "zugnicht," and "fourlizards."

In a separate civil case, Robert Baranovich and his son, Steven Baranovich, of West Babylon, agreed to pay \$10,000 in penalties and restitution to consumers harmed by their shill bidding. In a complaint filed with the Consent Order settling the case, the Attorney General alleged that the Baranoviches placed 170 phony bids in 165 of their own E-Bay auctions of sports memorabilia.

In another civil case, Richard Eggleston, Darryl Lien, and David Printy, together with a related corporation, Daryl Lien, Inc., agreed to pay more than \$28,000 in penalties and restitution for their shill bidding practices. In a complaint filed with the Consent Order, the Attorney General alleged that they placed 610 bids in 106 of their own auto auctions under the user ID "Mother's Custom Automotive NY Dealer."

The Attorney General's office has identified more than 120 consumers who paid more for items as a result of shill bidding activities in the three cases. Settlements will provide compensation to these individuals. The damages are as high as several thousand dollars for some consumers.

For example, in one auction, Schuster's New Windsor Gallery "shilled up" by more than \$7,300

an oil painting attributed to Hudson River School artist Ralph Blakelock (1847-1919). The high bidder paid \$7,500 for the painting. Another purported Blakelock fetched \$3,000 — shilled up by more than \$2,800. The Gallery shilled up its auction of an antique cloisonne vase by more than \$2,500 — ultimately selling for \$3,250. Yet another bidder was overcharged \$2,372, for art work he purchased in over thirty separate auctions.

In one of Daryl Lien Inc.'s online auctions, the high bidder for a 1999 Jeep Grand Cherokee overpaid by more than \$3,000. In one of the Baranoviches' auctions, the purchaser of a bat signed by the 2000 New York Yankees paid \$999 — a sum shilled up \$175 from its previous high bid of \$824.

The cases were handled by Stephen Kline of the Attorney General's Internet Bureau, Michelle Maerov of the Criminal Prosecutions Bureau, Howard Wettan of the Antitrust Bureau, and Kenneth Dreifach, who is Chief of the Internet Bureau. Hampton Finer, Chief Economist for the Antitrust Bureau, Vanessa Ip, Investigator for the Internet Bureau, and Brian Ford of the Investigations Bureau also assisted in these investigations.