California company that sells protesters is accused of extortion and hit-jobs

BY JAMES RUFUS KOREN
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Paid protesters are real.

Crowds on Demand, a Beverly Hills company that's an outspoken player in the business of hiring protesters, boasts on its website that it provides its clients with "protests, rallies, flash-mobs, paparazzi events and other inventive PR stunts. ... We provide everything including the people, the materials and even the ideas."

But according to a lawsuit filed by a Czech investor, Crowds on Demand also takes on more sordid assignments. Zdenek Bakala claims the company has been used to run an extortion campaign against him.

Bakala has accused Prague investment manager Pavol Krupa of hiring Crowds on Demand to pay protesters to march near his home in Hilton Head, S.C., and to call and send emails to the Aspen Institute and Dartmouth College, where Bakala is on advisory boards, urging them to cut ties to him. Bakala alleges that Krupa has

threatened to continue and expand the campaign unless Bakala pays him $23 million.

Crowds on Demand founder Adam Swart and Krupa neither confirmed nor denied that they are working together. They declined to answer specific questions about Bakala's allegations, though Swart, in an emailed statement, called the claims meritless.

"Not only will I vigorously defend myself against the allegations in the complaint but I am also evaluating whether to bring my own claims against Mr. Bakala," Swart said.

Interest is growing in the business of paid protesting and other forms of "astroturfing," the practice of manufacturing the appearance of grass-roots support.

President Donald Trump, whose campaign reportedly hired actors to cheer at a 2015 rally, has repeatedly claimed that protesters – most recently those fighting the Senate confirmation of Supreme Court Justice Brett M. Kavanaugh – are being paid by liberal billionaire George Soros and other moneyed interests.

Crowds on Demand isn't the only outfit that hires paid protesters, though it is perhaps the most open about what it does, said Edward Walker, a UCLA sociology professor who wrote a book on astroturfing, "Grassroots for Hire: Public Affairs Consultants in American Democracy."

"There are hundreds of lobbying firms and public affairs firms that do this work, though not all in the same way," he said. "Some only do

a little bit of this grass-roots-for-hire, but things adjacent to this are not uncommon today."

For example, the ABC News program "Nightline" reported in 2014 that a beverage-industry-backed group was hiring people to protest a soda tax measure, and posted an ad on Craigslist offering to pay $13 an hour.

Longtime California political consultant Garry South, who was a campaign strategist for California Gov. Gray Davis, said it's long been common for campaigns and political parties to pay people a few bucks or perhaps provide a meal in exchange for attending a rally. He recalled a 2002 rally in San Francisco where he said that tactic was used.

"It turns out, the San Francisco Democratic Party, to bolster the crowd, had basically gone down to skid row and paid people $5 or something to tromp up to Union Square," South said.

But he sees a big difference between that kind of activity and the paid protests allegedly organized by Crowds on Demand.

"What's different is the commercialization of the process," he said. "It just contributes to the air of unreality that exists in this day and age with essentially not being able to believe your own eyes or ears. I don't think it's particularly healthy. But it probably inevitably was going to come to this."

Even if the tactic is increasingly common, Walker said Crowds on Demand seems to stand out for how open it is about its line of work.

On the company's website, it boasts that it staged a rally supporting an unidentified foreign leader visiting the United Nations. "The concern was ensuring that the leader was well received by a U.S. audience and confident for his work at the U.N. We created demonstrations of support with diverse crowds."

Another "case study" on Crowds on Demand's website says the company was hired to "cripple the operations" of a manufacturing business owned by a convicted child molester. In that case, Crowds on Demand says it was hired by a competing manufacturing business – one that ultimately bought the molester-owned rival "for 5 percent of its previous value."

"A lot of times, companies don't want to be known for using this kind of strategy," Walker said. "Crowds on Demand, they're more out about it. … It is strikingly brazen."

In the Bakala case, Crowds on Demand is accused of spreading misinformation through a website, putting on protests and organizing a phone and email campaign targeting several U.S. institutions with ties to Bakala, who got an MBA from Dartmouth's Tuck School of Business and had an estimated net worth topping $1 billion earlier this decade, according to Forbes.

It's all part of a years-long dispute, one that's been the subject of inquiries by the Czech government and the European Commission, involving a formerly state-owned coal mining company called OKD that Bakala took over in 2004.

The website StopBakala.org, which Bakala alleges was set up by Krupa, Swart and Crowds on Demand, accuses Bakala of bribing officials to buy the government's stake in the mining company for a low price, breaking a promise to sell company-owned apartments to employees and then taking excessive profits out of the company, which filed for bankruptcy in 2016. A Krupa investment fund is a shareholder in the company.

Bakala, who holds U.S. and Czech citizenship, says in his lawsuit that all of those allegations are false and are part of Krupa's extortion campaign. He alleges that Krupa offered to cease his campaign if Bakala paid $23 million for OKD shares owned by Krupa's investment fund.

"Defendants are pursuing a campaign of harassment, defamation, and interference in the business affairs of Zdenek Bakala, which they have expressly vowed to expand unless he pays them millions of dollars," Bakala's attorneys wrote in the suit, which names Krupa, Crowds on Demand and Swart as defendants.

In a statement, Krupa Global Investments spokeswoman Barbora Hanakova called Bakala "an untrustworthy person" and implied the U.S. protests against Bakala have been "inconvenient for him" and have ruined "his attempts to whitewash his reputation."

So far, it's not clear the alleged campaign has had much effect. Elliot Gerson, an executive vice president at the Aspen Institute, said in an emailed statement that the institute has received calls and emails from "individuals associated with Crowds on Demand" and that the

nonprofit's general counsel has spoken with Swart "about this campaign of harassment."

"From the beginning, we assumed that these manufactured communications were linked to political issues in the Czech Republic and Mr. Bakala's high profile in that country," Gerson said. "Nothing we received has altered our views about Mr. Bakala."

Following the 2011 pepper spraying of students, the campus hired consultants to improve the online reputations of UC Davis and Chancellor Linda Katehi.

By Sam Stanton

Peter Baldwin, a former federal prosecutor who's now a partner at the law firm Drinker Biddle, said the case raises interesting questions about the business of paid protesting, in particular what due diligence a company like Crowds on Demand must do to make sure it is not defaming its targets.

In other campaigns, Crowds on Demand appears to have been hired to advocate for or against policy matters – a practice that many might find distasteful but that probably isn't legally actionable. In this case, though, the company is accused of making false accusations against an individual, leading to the lawsuit's allegation of defamation.

"If you're presented with information that your message may be false or defamatory, do you have an obligation to not be the messenger?" Baldwin said. "That's a key question for someone in this business. At what point do you have an obligation to verify the truth or veracity of the claims?"

Swart declined to comment about what type of due diligence his company performs before getting involved in a campaign.

Bakala's lawsuit, filed in federal court in South Carolina, also alleges violations of the federal Racketeer Influenced and Corrupt Organizations Act, or RICO, a law originally intended to target organized crime syndicates. Bakala alleges that Krupa, Swart and Crowds on Demand have violated that law by participating in an extortion scheme against him.