

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

United States Courts
Southern District of Texas
ENTERED

NOV 15 2007

TRACFONE WIRELESS, INC., a §
Florida corporation, §
§
Plaintiff, §
v. §
§
AMERICAS WIRELESS, §
MUHAMMAD MUBASHIR, and various §
XYZ COMPANIES 1-50 and §
JOHN OR JANE DOES 1-50 (UNIDENTIFIED), §
§
Defendants. §
§

Michael N. Milby, Clerk of Court

CASE NO.: 2007-cv-02206

Jury Trial Demanded

FINAL JUDGMENT AND PERMANENT INJUNCTION

Plaintiff, TracFone Wireless, Inc. (“TracFone”), brought the above-captioned lawsuit against Defendants, Americas Wireless, Muhammad Mubashir (“Mubashir”), and various XYZ Companies 1-50 and John or Jane Does 1-50 (unidentified) (collectively the “Defendants”), alleging that Defendants are engaged in an unlawful scheme involving the acquisition, sale, and counterfeiting of large quantities of TracFone prepaid wireless telephones (“TracFone Prepaid Phones” or “Phones”) that causes substantial and irreparable harm to TracFone and to consumers.

Defendants’ scheme (the “Bulk Resale Scheme”) involves the unauthorized and unlawful bulk purchase and resale of TracFone Prepaid Phones, unauthorized and unlawful computer unlocking of TracFone Prepaid Phones, alteration of TracFone’s copyrighted and proprietary software computer code installed in the Phones, and ultimate sale of counterfeited Phones, to unsuspecting end users, often in foreign countries, for profit.

Defendants perpetrate the Bulk Resale Scheme by acquiring bulk quantities of TracFone Prepaid Phones from retail stores such as Wal-Mart, Target or Sam's Club, and by soliciting others to purchase TracFone Prepaid Phones in bulk for the benefit of Defendants. Defendants acquire the TracFone Prepaid Phones with the actual or constructive knowledge and intent that the Phones will not be activated for use on the TracFone prepaid wireless network and that the Phones will be computer-hacked. The purpose of this hacking, known as "reflashing" or "unlocking," is to erase, remove and/or disable TracFone's copyrighted and proprietary software installed in the Phones, which enables the use of the TracFone Prepaid Phones exclusively on TracFone's prepaid wireless system. The reflashed Phones are then trafficked and resold, at a premium, as new under TracFone's trademarks for unauthorized use outside of the TracFone prepaid wireless system.

TracFone Prepaid Phones are sold subject to terms and conditions ("Terms and Conditions") which conspicuously restrict and limit the sale and use of TracFone Prepaid Phones. These Terms and Conditions are set forth in printed inserts that are included in the packaging with every TracFone Phone, and are also available to the public on TracFone's website. The Terms and Conditions are also referenced in printed warnings that are placed on the outside of the retail packaging of the Phones. The Terms and Conditions and language on the packaging constitute a valid binding contract.

Pursuant to the Terms and Conditions and the language on the packaging, purchasers of TracFone Prepaid Phones agree: (a) to use their Phones only in conjunction with TracFone's prepaid wireless service, (b) not to tamper with or alter TracFone Prepaid Phones or the Phones' software, enter unauthorized PIN numbers in the Phones, engage in any other unauthorized or illegal use of the Phones or the TracFone service, or assist others in such acts, and (c) not to

export any TracFone Prepaid Phones outside of the United States. In violation of the Terms and Conditions, Defendants have, among other things, unlawfully exported TracFone Prepaid Phones to foreign countries.

As a result of the Bulk Resale Scheme, TracFone asserted claims against the Defendants breach of contract; federal trademark infringement under 15 U.S.C. § 1114; federal unfair competition under 15 U.S.C. § 1125(a); common law unfair competition; contributory trademark infringement; copyright infringement under Title 17 of the United States Code; circumvention of technological measures that control access to copyrighted software and trafficking in services that circumvent technological measures protecting copyrighted software under 17 U.S.C. § 1201, *et. seq.* as a violation of the Digital Millennium Copyright Act (“DMCA”); tortious interference with business relationships and prospective advantages; tortious interference with contract; harm to TracFone’s goodwill and business reputation under Tex. Code. Ann. § 16.29; civil conspiracy; and unjust enrichment.

On July 10, 2007 at 3:20 p.m., the Court entered a Temporary Restraining Order, Order For Expedited Discovery, And Order To Show Cause For Preliminary Injunction (“TRO”) [DE 14] based, in part, on Plaintiff’s likely showing that Defendants are engaged in trademark infringement, tortious interference and other illegal activities as a result of their unauthorized and unlawful bulk purchasing, reselling, computer reflashing/unlocking and trafficking of counterfeit wireless telephones sold by TracFone for use exclusively on the TracFone prepaid wireless virtual network. Pursuant to the TRO, a shipment of TracFone Prepaid Phones is presently being stored by United States Department of Homeland Security, Immigration and Customs Enforcement (“ICE”), having been previously intercepted by ICE in transit from Defendants to a company in Hong Kong (the “Intercepted Shipment”).

The Court, having reviewed the Complaint and file and being otherwise duly advised in the premises, it is hereby:

ORDERS, ADJUDGES and DECREES that:

1. Muhammad Furkan (“Furkan”), though not named in the Complaint, has formally submitted to the jurisdiction of the Court in this action, and agreed to be bound by the provisions of this Order.

2. America’s Trading, Inc. d/b/a Americas Wireless, a Texas corporation, (“Americas Wireless”) though not properly named in the Complaint, has formally submitted to the jurisdiction of the Court in this action, and agreed to be bound by the provisions of this Order.

3. This Court has jurisdiction over all the parties and all of the claims set forth in TracFone’s Complaint, and over Furkan and Americas Wireless.

4. The United States Department of Homeland Security, Immigration and Customs Enforcement (“ICE”) shall release the Intercepted Shipment to TracFone, TracFone’s counsel, or a shipping company designated by TracFone, with any shipping costs to be paid by TracFone. ICE shall not under any circumstances release the Intercepted Shipment to Defendants. Nothing herein shall prevent ICE or any other law enforcement agency from retaining possession of the Intercepted Shipment as may be necessary for any criminal investigation or prosecution.

5. The Court finds that TracFone owns all right, title, and interest in and to Incontestable United States Trademark Registration No. 2,114,692, issued November 18, 1997, for TracFone, United States Trademark Registration No. 2,761,017, issued September 9, 2003, for TracFone and United States Trademark Registration No. 3,118,250 for Net 10, issued July 18, 2006 (collectively the “Registered TracFone Trademarks”). The Registered TracFone

Trademarks are valid, distinctive, protectable, famous, have acquired secondary meaning and are associated exclusively with TracFone. The Court finds that the trademark registered under Registration No. 2,114,692 is incontestable. The Court further finds that TracFone holds a valid and enforceable copyright on the TracFone Proprietary Software.

6. The Court also finds that the Terms and Conditions and the language on the packaging constitute a valid binding contract enforceable against Defendants. The Court finds that (a) facilitating others to use TracFone Prepaid Phones in conjunction with service providers other than TracFone, (b) tampering with or altering TracFone Prepaid Phones or the Phones' software, entering unauthorized PIN numbers in the Phones for purposes of unlocking or reflashing the Phones, or facilitating others in such acts, and/or (c) exporting TracFone Prepaid Phones outside of the United States, respectively, constitute independent breaches of contract for which TracFone is entitled to relief.

7. The Court finds that Defendants' conduct constitutes breach of contract; federal trademark infringement under 15 U.S.C. § 1114; federal unfair competition under 15 U.S.C. § 1125(a); common law unfair competition; contributory trademark infringement; copyright infringement under Title 17 of the United States Code; circumvention of technological measures that control access to copyrighted software and trafficking in services that circumvent technological measures protecting copyrighted software under 17 U.S.C. § 1201, *et. seq.* as a violation of the Digital Millennium Copyright Act ("DMCA"); tortious interference with business relationships and prospective advantages; tortious interference with contract; harm to TracFone's goodwill and business reputation under Tex. Code. Ann. § 16.29; civil conspiracy; and unjust enrichment.

8. The Court finds Defendants' conduct, independently, in the Bulk Resale Scheme, has caused substantial harm to TracFone and the public interest, and will continue to cause substantial harm to TracFone and the public interest, unless enjoined. Consequently, TracFone is entitled to injunctive relief on the claims set forth in its Complaint.

9. On November 27, 2006, the Librarian of Congress, upon the recommendation of the Register of Copyrights, issued a Final Rule setting forth six (6) classes of copyrighted works that are exempt from the provisions of the DMCA, including:

Computer programs in the form of firmware that enable wireless telephone handsets to connect to a wireless telephone communication network, when circumvention is accomplished for the sole purpose of lawfully connecting to a wireless telephone communication network.

71 Fed. Reg. 68472 (Nov. 27, 2006) (amending 37 C.F.R. § 201.40(b)). The Court finds that this new exemption does not absolve the Defendants of liability for their violations of the DMCA as alleged in Counts III and IV of TracFone's Complaint, because the Defendants' conduct as alleged in this case does not come within the scope of the new exemption. The Defendants' misconduct and involvement in unlocking TracFone handsets was for the purpose of reselling those handsets for a profit, and not "for the sole purpose of lawfully connecting to a wireless telephone communication network." Because the exemption does not apply to the conduct alleged in this case, there is no need for the Court to address the validity of the exemption or the circumstances surrounding its enactment.

10. Final judgment is hereby entered against the Defendants, Mubashir, Americas Wireless, and Furkan, on all of the claims set forth in TracFone's Complaint.

11. Defendants, Mubashir, America's Wireless, and Furkan, and each and all of their representatives, agents, assigns, employees, independent contractors, relatives, associates,

servants and any and all persons and entities in active concert and participation with them who receive notice of this Order shall be and hereby are PERMANENTLY ENJOINED from:

- a. Purchasing, selling and/or shipping any wireless mobile phone that they know or should know bears any Registered TracFone Trademark, any other trademark owned by TracFone, or any other model of wireless mobile device sold or marketed by TracFone or any of its affiliated or related entities, such as America Movil, bearing any Registered TracFone Trademark ("TracFone Handsets"). Specifically, the Defendants are enjoined from purchasing, selling and/or shipping, directly or indirectly, all models of TracFone Handsets, including Net 10 products, regardless of whether such devices are new or used, whether in or out of their original packaging, or whether "locked," "unlocked," "reflashed," or otherwise altered or modified in any way by any person. This injunction applies to all TracFone Handsets currently offered for sale by TracFone, or that may be offered for sale in the future, as listed and updated from time to time on TracFone's websites, http://tracfone.com/activation_pick_brand.jsp and www.net10.com, including without limitation the following TracFone

Handsets:

Motorola W370	Nokia 2126	LG 3280
Motorola C261	Nokia 2126i	LG CG225
Motorola C139	Nokia 2600	LG 1500
Motorola V176	Nokia 1100	
Motorola V170	Nokia 1112	
Motorola V171	Nokia 1600	
Motorola C155	Nokia 2285	
Motorola C343		

- b. reflashing and/or unlocking of any TracFone Handset;
- c. accessing, altering, erasing, tampering with, deleting or otherwise disabling TracFone's proprietary prepaid cellular software contained within any and all models of TracFone Handsets;
- d. supplying TracFone Handsets to or facilitating or in any way assisting other persons or entities who Defendants know or should know are engaged in reflashing and/or unlocking TracFone Handsets and/or hacking, altering, erasing, tampering with, deleting or otherwise disabling the software installed in TracFone Handsets;
- e. supplying TracFone Handsets to, or facilitating or assisting, in any way, other persons or entities who Defendants know or should know are engaged in any of the acts prohibited under this permanent injunction including, without limitation, the buying, selling and/or shipping of locked or unlocked TracFone Handsets; and
- f. knowingly using the Registered TracFone Trademarks or any other trademark owned or used by TracFone now or in the future, without TracFone's prior written authorization.

12. The shipment of any TracFone Handsets within or outside of the continental United States is and shall be deemed a presumptive violation of this permanent injunction.

13. The last known address of Mubashir is 15706 Springfield Drive, Sugarland, Texas 77478.

14. The last known address of Americas Wireless is 12763 Capricorn Street, Suite #700, Stafford, Texas 77477.

15. The last known address of Furkan is 15706 Springfield Drive, Sugarland, Texas 77478.

16. The address of TracFone Wireless, Inc. is 8390 NW 25 St, Miami, FL 33122.

17. Defendants, Mubashir, Americas Wireless, Furkan, and TracFone each waive their right to appeal from the entry of this Final Judgment.

18. The Court retains jurisdiction over this matter and the parties to this action in order to punish any violation of the terms of this Permanent Injunction by a finding of contempt and a payment of damages to TracFone Wireless, Inc. in an amount of not less than \$5,000 for each TracFone Handset that that a Defendant or Americas Wireless or Furkan is found to have purchased, sold, unlocked, altered in any way, or shipped in violation of this injunction.

19. The prevailing party in any proceeding to enforce compliance with the terms of this Permanent Injunction shall be entitled to an award of its attorneys' fees and costs.

DONE AND ORDERED in Houston, Texas, this 15th day of November, 2007.


UNITED STATES DISTRICT JUDGE

Copies furnished to:

James B. Baldinger, *attorney for TracFone Wireless, Inc.*

Altaf Adam, *attorney for Americas Wireless, Muhammad Mubashir, and Muhammad Furkan*