

IN THE UNITED STATES DISTRICT COURT
 FOR THE NORTHERN DISTRICT OF TEXAS
 DALLAS DIVISION

TRACFONE WIRELESS, INC. a,	§	
Delaware corporation,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Civil Action No.
	§	
PARAMOUNT IMPORTS, INC. a	§	3:09-CV-1734-K
Texas coporation; SHAFEEN	§	
DADWANI, individually; JOHN	§	
DOES 1-50; and XYZ	§	
COMPANIES 1-50,	§	
	§	
Defendants.	§	

FINAL JUDGMENT AND PERMANENT INJUNCTION

Plaintiff, TRACFONE WIRELESS, INC. (“TracFone”), brought the above-captioned lawsuit against Defendant, PARAMOUNT IMPORTS, INC., a Texas corporation (“Defendant”), alleging that Defendant is engaged in an unlawful enterprise involving the acquisition, sale and alteration of large quantities of TracFone and TracFone’s NET10, Straight Talk and SafeLink branded prepaid wireless telephones (“TracFone Prepaid Phones” or “Phones”) purchased from various retail outlets such as Wal-Mart, Target and Sam’s Club, the solicitation and payment of others to bulk purchase TracFone Prepaid Phones for Defendant’s benefit, and computer hacking and erasing or otherwise disabling the prepaid software (“TracFone Prepaid Software”) installed in the Phones and essential for consumers to access TracFone’s prepaid wireless

network. TracFone further alleges that this unlawful business practice involves the unauthorized and/or unlawful purchase, resale and/or trafficking of TracFone Prepaid Phones, the unauthorized and/or unlawful unlocking and/or reflashing of TracFone Prepaid Phones and/or alteration, copying, and/or accessing of TracFone's copyrighted and proprietary software computer code installed in the Phones, or reselling the Phones to others who disable the software, and ultimately sell the altered Phones as new to unsuspecting consumers under the TracFone, NET10, Straight Talk, or SafeLink trademarks for unauthorized use outside of the TracFone prepaid wireless system for profit (the "Illicit Bulk Resale Scheme").

The Court hereby finds that the 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 Prepaid 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 between Defendant and TracFone.

Pursuant to the Terms and Conditions and the language on the packaging, purchasers of TracFone Prepaid Phones agree: (a) to use the Phones only in conjunction with the TracFone, NET10, Straight Talk, or SafeLink 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, NET10, Straight Talk, or SafeLink service, or assist others in such acts; and (c) not to export any TracFone Prepaid Phones outside of the TracFone, NET10, Straight Talk, or SafeLink wireless system coverage area (“Coverage Area”). In violation of the Terms and Conditions, Defendant has, among other things, unlawfully exported TracFone Prepaid Phones to foreign countries outside of the Coverage area or knowingly facilitated others who have done so; facilitated others to use the Phones without the TracFone, NET10, Straight Talk, or SafeLink prepaid wireless service; and altered TracFone Prepaid Phones and the Phones’ software or facilitated others who have done so.

As a result of Defendant’s involvement in the Illicit Bulk Resale Scheme, TracFone asserted claims against the Defendant for federal trademark infringement, 15 U.S.C. §1114; federal unfair competition, 15 U.S.C. §1125; breach of contract; contributory trademark infringement; copyright infringement under 17 U.S.C. §101 et seq.; violations of the Digital Millennium Copyright Act (“DMCA”), 17 U.S.C. §1201 et seq.; tortious interference with a contractual right in violation of Texas common law; conspiracy to induce breach of contract; civil conspiracy; and unjust enrichment. Defendant is in default for failing to respond to TracFone’s Complaint as required by law.

Accordingly, it is hereby,

ORDERED, ADJUDGED and DECREED that:

1. This Court has jurisdiction over all the parties and all of the claims set forth in TracFone's Complaint.

2. The Court finds that TracFone owns all right, title, and interest in and to United States Trademark Registration No. 2,114,692, for "TracFone," issued on November 18, 1997 and based on a first use date of June 30, 1996; United States Trademark Registration No. 2,761,017, for "TracFone," issued on September 9, 2003 and based on a first use date of December 2000; United States Trademark Registration No. 3,224,929, for "TracFone," issued on April 3, 2007 and based on a first use date of December 31, 2005; United States Trademark Registration No. 3,222,623, for "TracFone," issued on March 27, 2007 and based on a first use date of December 31, 2005; United States Trademark Registration No. 3,118,250, for "NET10," on July 18, 2006 and based on a first use date of March 1, 2005; United States Trademark Registration No. 3,255,754, for "NET10," issued on June 26, 2007 and based on a first use date of December 31, 2005; United States Trademark Registration No. 3,253,506, for "NET10," issued on June 19, 2007 and based on a first use date of December 31, 2005; United States Trademark Registration No. 3,251,389, for "NET10," issued on June 12, 2007 and based on a first use date of December 31, 2005; United States Trademark Registration No. 3,630,321 for "SafeLink Wireless" and Design, issued on June 2, 2009 and based on a first use date of September 12, 2008; United States Trademark Application No. 77/740,346 for "SafeLink", filed on May 19, 2009; United States Trademark Application No. 77/685,281 for "Straight Talk", filed on March 6,

2009; United States Trademark Application No. 77/685,279 for “Straight Talk”, filed on March 6, 2009; United States Trademark Application No. 77/685,274 for “Straight Talk”, filed on March 6, 2009; United States Trademark Application No. 77/691,921 for “Straight Talk Wireless”, filed on March 16, 2009; United States Trademark Application No. 77/691,917 for “Straight Talk Wireless”, filed on March 16, 2009; and United States Trademark Application No. 77/691,925 for “Straight Talk Wireless”, filed on March 16, 2009 (collectively the “TracFone/NET10/Straight Talk/SafeLink Trademarks”).

3. The TracFone/NET10/Straight Talk/SafeLink 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.

4. The Court further finds that TracFone holds a valid and enforceable copyright registration, TX 6-515-894, on the TracFone Prepaid Software.

5. The Court finds that the Defendant’s involvement in the Illicit Bulk Resale Scheme constitutes federal trademark infringement under 15 U.S.C. §1114; federal unfair competition under 15 U.S.C. §1125; breach of contract; contributory trademark infringement; copyright infringement under 17 U.S.C. §101 et seq.; violations of the Digital Millennium Copyright Act (“DMCA”), 17 U.S.C. §1201 et seq.; tortious interference with a contractual right in violation of Texas common law; conspiracy to induce breach of contract; civil conspiracy; and unjust enrichment.

6. The Court finds that the Terms and Conditions constitute a valid binding contract enforceable against Defendant. 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 Coverage Area, or assisting others in such acts, respectively, constitute independent breaches of contract for which TracFone is entitled to relief.

7. The Court further finds that Defendant's participation in the Illicit Bulk Resale Scheme has caused substantial and irreparable harm to TracFone, and will continue to cause substantial and irreparable harm to TracFone unless enjoined.

8. TracFone is entitled to injunctive relief and damages on the claims set forth in the 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 exemption does not absolve the Defendants of liability for their violations of the DMCA as alleged in TracFone's Complaint, because the Defendant's conduct as alleged in this case does not come within the scope of the exemption. The Defendant's purchase and resale of TracFone Prepaid Phones 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. Pursuant to 17 U.S.C. 1203(c)(3)(A), TracFone is entitled to recover statutory damages "of not less than \$200 or more than \$2,500" for each TracFone Prepaid Phone Defendants altered, or sold as part of a conspiracy to alter, in furtherance of the Illicit Bulk Resale Scheme. The Court finds that Defendant, Paramount Imports, Inc. altered, or sold as part of a conspiracy to alter, at minimum, three thousand one hundred ninety-three (3193) TracFone Prepaid Phones in furtherance of the Bulk Resale Scheme in willful violation of the DMCA.

11. Final Judgment is hereby entered against Defendant, Paramount Imports, Inc., and in favor of the Plaintiff, TracFone Wireless, Inc., a Delaware corporation, on all of the claims set forth in TracFone's complaint, in the principal amount of \$7,982,500.00, which shall bear interest at the legal rate, and for which let execution issue forthwith.

12. Defendant, Paramount Imports, Inc., and each and all of its respective officers, directors, successors, assigns, parents, subsidiaries, affiliates, related companies, predecessors-in-interest, principals, agents, employees, attorneys, accountants, investigators, consultants, and all other persons or entities acting or purporting to act for it or on its behalf, including but not limited to any corporation, partnership, proprietorship or entity of any type that is in any way affiliated or associated with any Defendant or any Defendant's representatives, agents, assigns, parent entities, employees, independent contractors, accountants, attorneys, associates, servants, affiliated entities, and any and all persons and entities in active concert and participation with any Defendant, are hereby **PERMANENTLY ENJOINED** from:

- a. purchasing and/or selling any wireless mobile handset that they know, or should know, bears, or at one time bore, any TracFone/NET10/Straight Talk/SafeLink Trademark, any other trademark owned or used by TracFone, or any other model of wireless mobile phone sold or marketed by TracFone ("TracFone Handsets"). Specifically, the Defendant is enjoined from purchasing and/or selling all models of wireless phones 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, NET10's, Straight Talk's, and SafeLink's websites, www.tracfone.com, www.net10.com, www.straighttalk.com and www.safelink.com, respectively, and including without limitation the following TracFone

Handsets:

Kyocera K126C	Motorola C139	Nokia 1100
LG 100C	Motorola C155	Nokia 1112
LG 220C	Motorola C261	Nokia 1600
LG 290C	Motorola C343	Nokia 2126
LG 1500	Motorola EM 326g	Nokia 2126i
LG 200C	Motorola RAZR V3a	Nokia 2285
LG 200CM	Motorola V170	Nokia 2600
LG 300G	Motorola V171	Nokia 3390
LG 3280	Motorola V176	Samsung R451C
LG 400G	Motorola W175g	Samsung T101G
LG 410G	Motorola W260g	Samsung T201G
LG 600G	Motorola W370	Samsung T301G
LG CG225	Motorola W375	Samsung T401G
Motorola C139	Motorola W376g	
Motorola C155	Motorola W377g	
Motorola C261	Motorola W385	

- b. rekitting, 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 model of TracFone Handsets;
- d. facilitating or in any way assisting other persons or entities who Defendant knows or should know are engaged in rekitting, reflashing and/or unlocking TracFone Handsets and/or hacking, altering, erasing, tampering with, deleting or otherwise disabling the software installed in TracFone Handsets;
- e. facilitating or in any way assisting other persons or entities who Defendant knows or should know are engaged in any of the acts prohibited under this

Permanent Injunction including, without limitation, the buying and/or selling of unlocked TracFone Handsets; and,

- f. knowingly using the TracFone/NET10/Straight Talk/SafeLink Trademarks or any other trademark owned or used by TracFone, or that is likely to cause confusion with the TracFone/NET10/Straight Talk/SafeLink Trademarks, without TracFone's prior written authorization.

13. The Court retains jurisdiction over this matter and the parties to this action in order to enforce any violation of the terms of this Permanent Injunction. In the event of any such violation by Defendant, the Court shall award TracFone liquidated damages in the amount of **FIVE THOUSAND DOLLARS** (\$5,000.00) for each TracFone Prepaid Phone involved in such violation, which the Court specifically finds is an appropriate amount to reasonably compensate TracFone for any such loss and is not a penalty, or **ONE MILLION DOLLARS** (\$1,000,000.00), whichever is greater.

14. 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.

15. The last known address of Defendant, Paramount Imports, Inc. is 4056 Legacy Trail, Carrollton, Texas 75010.

16. The address of Plaintiff, TracFone Wireless, Inc. is 9700 Northwest 112th Avenue, Miami, Florida 33178.

17. This case remains pending against the other defendants named in TracFone's pleadings. The Court finds that there is no just reason for delay of the entry of judgment against Defendant, Paramount Imports, Inc., and therefore directs the Clerk to enter Judgment as set forth herein. See Fed. R. Civ. P. 54(b).

18. All relief not expressly granted is **DENIED**.

SO ORDERED.

December 18th, 2009.



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UNITED STATES DISTRICT JUDGE