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C

United States District Court,
M.D. Florida,
Orlando Division.

TRACFONE WIRELESS, INC., a Florida
corporation, Plaintiff,

v.

Ryan Maurice DIXON, a/k/a Derrick Johnson a/k/a
Derrick Johnzun a/k/a Derrick

Jonzun, individually and d/b/a Piphy Productions
and Give-A-Gift-Basket; Tracy

Nicole Dixon, individually and d/b/a Piphy
Productions and Give-A-Gift-Basket;

and Lost in the 80'S, LLC., a Georgia limited
liability company, Defendants.

No. 6:07-CV-0013-ORL-18-JGG.

Feb. 26, 2007.

Background: Prepaid wireless telephone provider brought action alleging that resellers unlawfully disabled its copyrighted and proprietary software installed in phones and resold them as new under provider's trademarks for unauthorized use outside of its system. Provider moved for permanent injunction.

Holding: The District Court, G. Kendall Sharp, J., held that resellers' actions did not fall within exception to Digital Millennium Copyright Act (DMCA).

Motion granted.

West Headnotes

Copyrights and Intellectual Property 67.3

99k67.3 Most Cited Cases

Resellers' actions in disabling prepaid wireless telephone provider's copyrighted and proprietary software installed in phones and reselling them as new for unauthorized use outside of its system did not fall within exception to Digital Millennium Copyright Act (DMCA) for computer programs in

form of firmware to enable wireless telephone handsets to connect to wireless telephone communication network, where resellers unlocked provider's handsets for purpose of reselling those handsets for profit, and not for sole purpose of lawfully connecting to wireless telephone communication network. 17 U.S.C.A. § 1201; 37 C.F.R. § 201.40(b).

Trademarks 1800

382Tk1800 Most Cited Cases

TracFone.

***1236** Christopher Mark Paolini, Carlton Fields, P.A., Orlando, FL, James Blaker Baldinger, Carlton Fields, P.A., West Palm Beach, FL, Steven J. Brodie, Carlton Fields, P.A., Miami, FL, for Plaintiff.

Ryan Maurice Dixon, Douglasville, GA, Pro se.

Tracy Nicole Dixon, Douglasville, GA, Pro se.

Lost in the 80'S, LLC, Douglasville, GA, Pro se.

**FINAL JUDGMENT AND PERMANENT
INJUNCTION AGAINST DEFENDANTS RYAN
MAURICE DIXON,
TRACY NICOLE DIXON AND LOST IN THE
80'S LLC**

G. KENDALL SHARP, District Judge.

****1** Plaintiff, TracFone Wireless, Inc. ("TracFone"), brought the above-captioned lawsuit against Defendants, Ryan Maurice Dixon a/k/a Derrick Johnson a/k/a Derrick Johnzun a/k/a Derrick Jonzun, individually and d/b/a PIPHY Productions and Give-A-Gift-Basket; Tracy Nicole Dixon, individually and d/b/a PIPHY Productions and Give-A-Gift-Basket; and Lost in the 80's, LLC, a Georgia limited liability company (collectively the "Defendants"), alleging that Defendants are engaged in two unlawful schemes that have caused

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substantial harm to TracFone and to consumers generally.

***1237** TracFone alleges Defendants' first scheme (the "Bulk Resale Scheme") involves the unauthorized and unlawful bulk purchase and resale of TracFone prepaid wireless telephones ("TracFone Prepaid Phones" or "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 for profit.

TracFone alleges 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. TracFone alleges 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. TracFone alleges 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. TracFone alleges 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 alleges Defendants' other scheme (the "Fraudulent Airtime Scheme"), provides Defendants with another mechanism for unlawfully profiting from their bulk acquisition of TracFone Prepaid Phones by exploiting TracFone's "Refer-A-Friend" promotion (the "Promotion"). TracFone alleges Defendants recruit customers for their Fraudulent Airtime Scheme via their websites, www.tracfoneusa.com and www.lostinthe80s/active_tracfones.htm, which contain unauthorized reproductions of the TracFone

trademarks and logo, and deceives consumers into believing the scheme is legitimate and authorized by TracFone. TracFone alleges Defendants fraudulently obtain free airtime from TracFone through the Promotion then sell the airtime to unsuspecting third parties for a profit.

TracFone asserted claims against the Defendants for federal trademark infringement under 15 U.S.C. § 1114; copyright infringement under 17 U.S.C. § 106; circumvention of technological measures that control access to proprietary software and trafficking in services that circumvent technological measures protecting proprietary software under 17 U.S.C. § 1201, *et. seq.* as a violation of the Digital Millennium Copyright Act ("DMCA"), as amended, 15 U.S.C. § 1051, *et. seq.*; trademark violation for domain name misuse; federal unfair competition under 15 U.S.C. § 1125; tortious interference with business relationships and prospective advantages business relationships between TracFone and its manufacturers; unfair competition and false advertising under § 501.204, Fla. Stat.; injury to business reputation and dilution of marks under § 495.151, Fla. Stat.; fraud; civil conspiracy; and unjust enrichment. Defendants admit their liability under the claims asserted by TracFone. The Court, having considered the Complaint, Declarations and Exhibits, Memorandum of Law, and further evidence submitted therewith by TracFone and Defendants, accordingly hereby:

****2 ORDERS, ADJUDGES and DECREES that:**

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

***1238** 2. 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 and Incontestable United States Trademark Registration No. 2,71,017, issued September 9, 2003, for TracFone (the "TracFone Trademarks"). The TracFone Trademarks are valid, incontestable, distinctive, protectable, famous, have acquired secondary meaning and are associated

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exclusively with TracFone.

3. TracFone owns all right, title and interest to the domain name *www.tracfone.com*.

4. The Court finds that the conduct, although unintentional, alleged by TracFone in the Complaint violates the following statutes: federal trademark infringement under 15 U.S.C. § 1114; copyright infringement under 17 U.S.C. § 106; circumvention of technological measures that control access to proprietary software and trafficking in services that circumvent technological measures protecting proprietary software under 17 U.S.C. § 1201, *et. seq.* as a violation of the Digital Millennium Copyright Act ("DMCA"), as amended, 15 U.S.C. § 1051, *et. seq.*; trademark violation for domain name misuse; federal unfair competition under 15 U.S.C. § 1125; unfair competition and false advertising under § 501.204, Fla. Stat. The Court further finds that Defendants' conduct, alleged in the Complaint, constitutes tortious interference with TracFone's business relationships and prospective advantages business relationships between TracFone and its manufacturers, fraud, civil conspiracy, and unjust enrichment.

5. The Court finds Defendants' conduct, independently, in both the Bulk Resale Scheme and the Fraudulent Airtime 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.

6. 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 IE 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.

****3** 7. Final judgment is hereby entered against the Defendants, Ryan Maurice Dixon, Tracy Nicole Dixon, and Lost in the 80's, LLC, and in favor of the Plaintiff, TracFone Wireless, Inc., on all of the claims set forth in TracFone's Complaint.

8. Defendants, and each and all of their representatives, agents, assigns, employees, ***1239** 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 and/or selling, except for their own personal use. any wireless mobile phone that they know or should know bears any TracFone 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 Defendants are enjoined from purchasing and/or selling all models of TracFone Handsets currently offered for sale by TracFone, or that may be offered for sale in the future, as listed and updated regularly on http://tracfone.com/activation_pick_brand.jsp.

TracFone's website, including without limitation the following cellular phone handsets:

Nokia 1100
Nokia 1112
Nokia 1221
Nokia 2126

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Nokia 2285
 Nokia 2600
 Nokia 2610
 Nokia 3390
 Nokia 5100
 Nokia 252 (Analog)
 Nokia 282 (Analog)
 Nokia 918 (Analog)
 Motorola V170
 Motorola V176
 Motorola C139
 Motorola C155
 Motorola C261
 Motorola C343
 Motorola V60
 Motorola 120
 Motorola Ballina
 LG 3280
 LG 5150
 LG C1300
 LG C1500
 LG CG225
 Uniden 2000
 Uniden Minicel
 StarTrac
 Radio Shack
 MicroTac
 Profile
 Lifestyle 500
 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. 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. reselling, or participating in or facilitating the resale by others, of TracFone airtime units, airtime cards, or prepaid airtime minutes;
 f. facilitating or in any way assisting 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 and/or selling of unlocked TracFone Handsets;
 g. using or operating websites with a domain names *www.tracfoneusa.com* *1240 or which uses "tracfones " or "tracfone "; and
 h. knowingly using the TracFone Trademarks or any other trademark owned or used by TracFone, or that is likely to cause confusion with TracFone's Trademarks, without TracFone's prior written authorization.

****4** 9. Defendants and TracFone waive their right to appeal from the entry of this Final Judgment.

10. 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 Defendants are found to have purchased, sold, or unlocked in violation of this injunction.

11. 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.

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