

Resellers Barred From Using TracFone's Trademarks

By **Ben James**

Law360, New York (January 21, 2010) -- Cellnet 7 Inc. and Anadisk LLC have been hit with injunctions in TracFone Wireless Inc.'s trademark suit alleging a scheme in which companies buy its phones in bulk and disable the software that enables them to work exclusively on TracFone's wireless networks before reselling them overseas.

Judge David King of the U.S. District Court for the Southern District of Florida signed off on a preliminary injunction barring Anadisk LLC, DNMA66 LLC and Davut Kilinc from using TracFone's trademarks, or any imitations of the marks, in connection with the alleged resale scheme.

Those defendants failed to show up at a hearing, and the injunction was entered upon an evidentiary showing, said Aaron Weiss, an attorney for TracFone in this case.

James Baldinger, also a lawyer for TracFone in this matter, said he expected to obtain a large damage award against Anadisk, DNMA66 and Kilinc.

Three other defendants — Cellnet 7, Natalia Sierra and Ihosvany Diaz — stipulated to an entry of final judgment and a permanent injunction, which Judge King signed off on Tuesday.

Violating that permanent injunction will mean a \$5,000 compensatory damages payment to TracFone for each phone purchased, altered and shipped, or a single damages award of \$1 million, whichever is greater.

TracFone has brought numerous lawsuits over similar allegations and has raked in millions of dollars in damages, Weiss said.

In December, for example, TracFone filed suit in the U.S. District Court for the Northern District of Texas accusing Idaho-based Wireless Association LLC of acting as a hub for

business-to-business sales of cell phones that ultimately are shipped overseas and unlocked for resale.

TracFone subsidizes prepaid handsets that are locked for use on its own network, with the expectation of recouping its losses through the sale of airtime, according to that complaint. TracFone contracts with wireless providers to buy airtime on their networks for TracFone customers.

The cheap phones have enticed a network of resellers and other players who buy up the phones en masse, hack them, move them through a distribution network — including Wireless Association's — and sell them overseas at a profit, TracFone alleged.

On Dec. 21 TracFone lodged its amended complaint in the Cellnet 7 case, accusing the defendants of unlawful business practices involving the bulk purchase and resale of prepaid phones, "unlocking" or "reflashing" those phones, altering the copyrighted software installed in the phones, and trafficking them for profit.

Cellnet, Sierra and Diaz were part of transactions in which at least 115,000 TracFone phones were sold to Miranda Holdings Corp. (d/b/a Incomtel), according to the amended complaint, which added that TracFone obtained a final judgment and permanent injunction against Incomtel based on claims "substantively similar" to those TracFone asserted in the Cellnet case.

Other companies, like AT&T and T-Mobile, also have brought similar suits over resale schemes, but TracFone has been the most aggressive, said Baldinger. At one point, the schemes threatened TracFone's very existence, but that's changed because of the company's willingness to go to court, according to Baldinger.

"TracFone has had a lot of success at shutting people down," Baldinger noted.

TracFone is represented in this matter by Carlton Fields PA. The defendants do not have counsel of record in this matter.

The case is TracFone Wireless Inc. v. Cellnet 7 Inc. et al., case number 09-23670, in the U.S. District Court for the Southern District of Florida.

--Additional reporting by Richard Vanderford