

MOBILE TRAFFICKING

The practice of purchasing and reselling prepaid mobile phones and accessories in bulk is a lesser known way for terrorist organisations to raise funds and launder money, explains Ross Bulla.



How it works

Prepaid mobile phones are often sold at kiosks in shopping centres or at chain retail stores and pharmacies. To thwart bulk purchases, retailers are contractually required to limit sales to no more than three per customer. Knowing this, diverters hire 'runners' to visit as many retailers per day as possible and purchase the maximum quantity from each retailer.

When sufficient quantities have been obtained, the diverter/trafficker will often remove the handsets and batteries, discarding the packaging, chargers, user manuals and other accessories. Before preparing the handsets and batteries for shipment, the handsets might be unlocked and 'flashed' (reprogrammed) to operate on other service providers' networks.

The dangers of trafficking

Trafficking in prepaid mobile phones generates hundreds of thousands of dollars in illicit revenue used to fund organised crime at best, and terrorism at worst. Military and intelligence officials know that flashed prepaid phones are sometimes used once by terror operatives and then discarded to prevent tracing the caller's location. The phones can also be weaponised and used as detonators on improvised explosive devices by insurgents in Iraq or Afghanistan.



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The IP connection

The terms and conditions restricting and limiting the use and sale of prepaid mobile phones printed on the packaging, inserts and websites constitute a binding and legal contract. Traffickers who flash, tamper with, export or engage in illegal activities (or assist others who do so), or who obscure, cover or remove brand owners’ trademarks engage in: trademark infringement; unfair competition; copyright infringement; circumvention of copyrighted software protection systems and trafficking in circumvented technology in violation of the Digital Millennium Copyright Act; breach of contract; tortious interference with business relationships and prospective advantages; tortious interference with contract; common law unfair competition; dilution; civil conspiracy; conspiracy to induce breach of contract; and unjust enrichment. Such claims have resulted in dozens of injunctions and judgments against traffickers.

How traffickers are caught

To combat trafficking in prepaid cell phones, a major manufacturer has collaborated with The Treadstone Group, Inc. for several years. Its in-house fraud department and Treadstone generate leads through tips from retailers and manufacturers’ reps, or through online postings offering to buy or sell prepaid phones in bulk.

When known or suspected runners are identified, Treadstone conducts moving surveillance, starting when the suspect enters the store—runners are often waiting in line at

kiosks on the day and at the time that shipments are scheduled to arrive—and following them throughout their day, until they deliver the purchases to the trafficker.

When traffickers operate online by posting ads ‘willing to buy’ prepaid mobile phones in bulk, Treadstone poses as a runner and ships dozens of phones to the traffickers, enabling us to identify and then target the trafficker at his place of operation. Once the traffickers are identified, the investigation shifts from surveillance to an undercover sting operation. When traffickers post online ads ‘willing to sell’ in bulk, Treadstone purchases a small ‘test’ quantity of 25 to 100 phones to establish trust and verify the trafficker’s ability to supply phones in volume.

Once the trafficker is identified, our investigators attempt to prove that a suspect is buying in bulk and, particularly, exporting phones, by meeting personally with the suspect or corresponding via email, and negotiating bulk purchases. When possible, Treadstone negotiates flashing of phones prior to export, or attempts to identify and negotiate directly with those who flash the phones in-country.

Signs of trafficking include:

- An unusually high number of young men (runners are typically unemployed teens or young adults) arriving and entering a suspect location, particularly late in the afternoon, carrying bags from stores known to sell prepaid mobile phones, but leaving without the bags and without having made a purchase from the suspect location
- Empty and discarded packaging, user manuals and chargers in rubbish bins

- A disproportionate number of outbound shipments in large, generic boxes via UPS, FedEx or other carriers. (A retailer should receive more packages than it ships.)

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Ross Bulla is president of The Treadstone Group, Inc., which investigates and anonymously acquires trademarks and domain names on behalf of many of the world’s largest brand owners and law firms. Bulla has managed complex international investigations in more than 42 countries, including the Middle East, and has negotiated the acquisition of thousands of trademarks, domain names and patents. Actively involved in many professional organisations and committees, Bulla is at the forefront of establishing industry best practices. He is an active member of INTA, for which he serves on the INTA Internet Committee and Internet Governance and Contractual Relationships Subcommittee.