

**UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF NEW YORK**

Reginald Middleton,

and

Veritaseum, LLC,

Plaintiffs,

v.

T-Mobile US, Inc.,

Defendant.

COMPLAINT

DEMAND FOR JURY TRIAL

Plaintiffs Reginald Middleton and Veritaseum LLC (collectively, “Plaintiffs” and individually “Mr. Middleton” and “Veritaseum”), by and through their counsel, complain and allege as follows against T-Mobile US, Inc. (“Defendant” or “T-Mobile”):

NATURE OF THE CASE

1. This action arises out of T-Mobile’s failure to protect its customers’ highly sensitive personal and financial information. As a result of T-Mobile’s gross negligence in protecting Plaintiffs’ information, its negligent hiring and supervision of T-Mobile employees who were responsible for safeguarding that information, and its violation of laws that expressly protect the information of wireless carrier customers, Plaintiffs lost \$8.7 million in cryptocurrency and Mr. Middleton suffered and continues to suffer severe anxiety, fear and emotional distress relating to the repeated instances of identity theft that

1 he experienced as a result of T-Mobile's inadequate protection of his personal and
2 financial information.

3 2. T-Mobile is one of the three largest wireless carriers in the United States.
4 As a leading wireless carrier, T-Mobile holds itself out, and is required by law to be
5 equipped to protect the personal and financial information of its customers. Consistent
6 with its duty to protect such information, T-Mobile promises its customers that it uses a
7 variety of administrative, technical, and physical security measures designed to protect its
8 customers' personal data—and particularly their data-rich SIM cards— against
9 accidental, unlawful, or unauthorized destruction, loss, alteration, access, disclosure, or
10 use while it is under their control.

12 3. As T-Mobile is aware, and has been widely reported in the press and by
13 the government regulators, including the Federal Trade Commission ("FTC") and Federal
14 Communications Commission ("FCC"), fraudsters have been increasingly using schemes
15 to access customer personal and financial information by causing unauthorized changes
16 in customers' wireless accounts. The purpose of these schemes is to compromise
17 customers' mobile identities, access confidential data, take over their financial accounts,
18 and effectuate fraudulent transactions.

20 4. One of the most damaging and pervasive schemes is fraudulent SIM card
21 swapping. In SIM card swapping schemes, a hacker convinces a mobile phone carrier to
22 transfer access of a targeted person's phone number from her registered SIM card — the
23 small portable chip that houses identification information connecting an account to the
24 cell network — to the hacker's SIM card. Once the hacker has access to this information,
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1 the hacker takes over the user's cell phone. Often, the hacker targets individuals who are
2 known, or expected, to hold large quantities of cryptocurrency. If the target has
3 cryptocurrency account information on his or her phone, the hacker can transfer that
4 cryptocurrency to his or her own accounts.

5 5. In 2016, the FTC's Chief Technologist described these issues in a widely
6 read post about her experience as a victim of an identity theft scheme and specifically
7 called attention to the insidious "SIM swapping" scheme in which thieves use a victim's
8 hijacked phone number to gain access to financial accounts that use two-factor
9 authentication through text messages. *See* "Your mobile phone account could be hijacked
10 by an identity thief," Lorrie Cranor, FTC Chief Technologist (Jun 7, 2016).
11 [https://www.ftc.gov/news-events/blogs/techftc/2016/06/your-mobile-phone-account-](https://www.ftc.gov/news-events/blogs/techftc/2016/06/your-mobile-phone-account-could-be-hijacked-identity-thief)
12 [could-be-hijacked-identity-thief](https://www.ftc.gov/news-events/blogs/techftc/2016/06/your-mobile-phone-account-could-be-hijacked-identity-thief). T-Mobile was undoubtedly aware of this scheme and
13 represented to its customers that they were protected against this type of identity theft
14 scheme.
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17 6. Nevertheless, in 2017, hackers began a campaign to victimize Reginald
18 Middleton, a well-known holder of cryptocurrency and founder and sole owner of
19 Veritaseum, a cryptocurrency company, through, and with the assistance of, his wireless
20 carrier T-Mobile. On or about July 23, 2017, hackers targeted Mr. Middleton's
21 cryptocurrency account by accessing his account at T-Mobile which he maintained for
22 the use of Veritaseum and himself. In order to gain access to Mr. Middleton's financial
23 accounts, a party unknown to Plaintiffs called T-Mobile pretending to be Mr. Middleton
24 and seeking to conduct a SIM card swap. T-Mobile denied that request. The same or a
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1 related party proceeded to call three more times, each time seeking to conduct a SIM card
2 swap. On the next two attempts, T-Mobile denied the request. On the fourth attempt, T-
3 Mobile granted access to this unknown party without Mr. Middleton's authorization.

4 7. T-Mobile then swapped Mr. Middleton's SIM card and transferred control
5 of Mr. Middleton's phone number to a device under the control of the unknown party.
6 That party was a hacker, who immediately took control of Mr. Middleton's phone,
7 accessed multiple accounts of Mr. Middleton and Veritaseum on his phone, accessed Mr.
8 Middleton's personal and financial information, and ultimately accessed his corporate
9 and personal cryptocurrency addresses, wallets and online exchange accounts for holding
10 cryptocurrency, using the access provided by T-Mobile to bypass the two-factor
11 authentication (also known as "2FA") security measures.
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13 8. Mr. Middleton's corporate and personal cryptocurrency addresses, wallets
14 and online exchange accounts contained \$8.7 million of cryptocurrency. The hacker
15 proceeded to transfer \$8.7 million of cryptocurrency from Mr. Middleton's corporate and
16 personal cryptocurrency addresses, wallets and online exchange accounts to a separate
17 cryptocurrency address and wallet owned and controlled by the hacker.
18

19 9. Mr. Middleton immediately contacted T-Mobile and spoke with T-Mobile
20 representatives, including members of T-Mobile's security department about the issue. T-
21 Mobile's representatives confirmed that T-Mobile permitted an unauthorized SIM swap
22 and that T-Mobile would take steps to avoid future SIM swap occurrences.
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24 10. Nevertheless, after the initial SIM swap, hackers continued to gain access
25 to Mr. Middleton's phone by performing additional unauthorized SIM swaps with T-
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1 Mobile's assistance. Despite T-Mobile's promise to Mr. Middleton that it would prevent
2 future SIM swaps, hackers persuaded T-Mobile employees to authorize SIM swaps on
3 August 22, 2017, September 16, 2017, and twice on October 4, 2017. After each
4 unauthorized SIM swap, Mr. Middleton reported the issue to T-Mobile and T-Mobile
5 confirmed the unauthorized SIM swap, however, T-Mobile did not take sufficient action
6 to prevent future SIM swaps from occurring. Indeed, Mr. Middleton was on a call with
7 T-Mobile's security representatives, discussing the unauthorized October 4, 2017 SIM
8 swap, and receiving assurance that T-Mobile had addressed the issue and taken steps to
9 avoid any future SIM swaps, when the phone cut off because T-Mobile had permitted yet
10 another unauthorized SIM swap.
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12 11. Even after those five unauthorized SIM swaps in 2017, Mr. Middleton
13 continued to be victimized by unauthorized SIM swaps in 2018 and 2019. Mr. Middleton
14 made repeated complaints to T-Mobile in 2018 and 2019 regarding these instances of
15 unauthorized access to his T-Mobile account. After each such complaint, T-Mobile
16 failed to take corrective action or do anything to stop the unauthorized access to his T-
17 Mobile account.
18

19 12. Most striking, T-Mobile, itself, conceded its own failure to act in response
20 to this unauthorized hacking of Mr. Middleton's account. In a letter to Mr. Middleton
21 dated June 20, 2018, nearly one year after T-Mobile gave hackers unauthorized access to
22 Mr. Middleton's account and caused \$8.7 million in losses, T-Mobile reported:
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24 *We recently detected* unauthorized activity on your T-Mobile account,
25 during which an unknown party would have had access to Customer
26 Proprietary Network Information ("CPNI").



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