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From the Los Angeles Times

Early termination fee ruling a blow to Sprint, other cellphone carriers

From the Associated Press

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SAN FRANCISCO — The fees that cellphone carriers charge customers who break service contracts took a big hit when a judge said such charges by Sprint Nextel Corp. probably violate California law.

Alameda County Superior Court Judge Bonnie Sabraw, in a tentative ruling issued late Monday, said Sprint would have to pay \$18.3 million to customers who sued over the fees and credit \$54.8 million to those who were charged but did not pay the fees.

The same judge is considering other lawsuits against telecommunications companies over their so-called early termination fees, which can range from \$150 to \$225. This month, Verizon Wireless agreed to pay \$21 million to settle an identical lawsuit just as trial was starting.

Sabraw rejected Sprint's argument that a state court had no business deciding an issue the company said should be left for federal authorities. And although her ruling isn't legally binding outside the state, it cut to the heart of a continuing debate in other state courthouses and in Washington over the fairness of the fees.

The Federal Communications Commission is enduring intense lobbying over how best to handle the fees. Telecommunications companies have asked the FCC to regulate the fees and shield wireless companies from class-action lawsuits in state courts, such as the one Sprint is poised to lose.

At a public hearing last month, FCC Chairman Kevin J. Martin sketched out a plan in which the cancellation fees would be reduced over the life of the contract. Three companies -- T-Mobile USA Inc., AT&T Inc. and Verizon Wireless -- already do that, and Sprint said it would begin prorating its fees next year.

Martin said he hoped the commission would make a decision in August.

FCC spokesman Robert Kenny declined to comment on the court decision specifically, but did say it wouldn't affect the agency's plans to address the issue.

Scott Bursor, a lawyer for the victorious Sprint customers, added that the "ruling sounds the death knell" for the industry's efforts before the FCC.

Sprint will get a chance to change Sabraw's mind at another court hearing. But it's unlikely the judge will alter her detailed, 37-page tentative ruling, which she issued after presiding over a two-week trial in June.

Customers of six telecommunications companies sued their carriers in 2006 in Alameda County Superior Court, alleging that the fees violate California's unfair business practices law.

"We're disappointed," said Sprint spokesman Matthew Sullivan, "but this is a tentative decision and we are focusing now on our response to the court."

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