



Exploding The Phone

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Bibliographic Cover Sheet

Title **FBI File 87-HQ-134486: Redacted v. Clarence M. Kelley et al;
Miscellaneous Civil Suit; OO: Las Vegas**

Date 1976-04-06

Author(s) FBI

Abstract Memo re Ninth Circuit case 75-1906 which appears to be a lawsuit
against the FBI and Pacific Telephone for their violation of IOC
laws while investigating a blue box case.

Keywords blue box; FBI; Las Vegas, NV; lawsuit

Notes Obtained as part of FOIPA 1034080 (blue box part 1)

Source FBI via FOIA

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FOIPA
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FBI

Date: 4/6/76

Transmit the following in _____
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Via AIRTEL _____
(Priority)

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TO: BUREAU
ATTN: LEGAL SECTION
FROM: SAC, LAS VEGAS (62-895) (P)
SUBJECT: [Redacted]

Plaintiff v.
CLARENCE M. KELLEY,
Director, FBI;
LAWRENCE J. SEMENZA,
USA, District of Nevada;

[Redacted]
Special Agent, FBI;

[Redacted]
Pacific Telephone and Telegraph Co. -
Defendants
MISCELLANEOUS CIVIL SUIT
OO: Las Vegas

Enclosed for the Bureau are five copies of a LHM setting forth information concerning captioned matter, and five copies of the 9th Circuit case 75-1906, concerning [Redacted] appeal.

ADMINISTRATIVE

[Redacted] contacted the Reno RA on 9/20/74, and furnished info re the use of the "blue box". He requested that any investigation be delayed until investigation was concluded by the RT&T in Los Angeles, California, as he believe [Redacted] was involved in the use of a "blue box," in the Los Angeles area.

② - Bureau (Enc.)
2 - Las Vegas
JAN:arw
(4)

REC-83 87-134466-30X

MCT-18 APR 10 1976

CH 38

CC-732
LHM
LCS, 732
REPROD

Approved: 50 JUL 6 1976
Special Agent in Charge

Sent _____ M Per _____

APR 10 1976
MVA 5 5 1976

LV 62-895

On 9/27/74, the First National Bank of Nevada, 2nd Street and North Virginia Street Branch, Reno, Nevada, was robbed of \$1,044,000.

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On 11/22/74, two of the bank robbers were arrested in Newport Beach, California.

During 9/27/74 and 11/22/74, there was no investigative personnel available to work on the "blue box" case. [redacted]

On 11/25/74 [redacted] called to ask how the BR investigation was going and to say the "blue box" was again being used. At this time it was decided to proceed with the [redacted] investigation and USA SEMENZA was contacted.

SEMENZA stated there was probable cause and that a search warrant would be prepared 11/26/74.

On 11/27/74, SA [redacted] contacted [redacted] and determined the latest fraudulent activity had taken place at 11:16 AM, 11/27/74.

REC'D COURIER
NOV 15 1 18 PM '74
RECEIVED



UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

In Reply, Please Refer to
File No.

Las Vegas, Nevada

April 6, 1976

[Redacted]

Plaintiff v.
CLARENCE M. KELLEY,
Director, FBI;
LAWRENCE J. SEMENZA,
United States Attorney, District of Nevada;
[Redacted]
Special Agent, FBI;

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[Redacted]

Pacific Telephone and Telegraph Company -
Defendants
MISCELLANEOUS CIVIL SUIT

[Redacted]

[Redacted] Pacific Telephone and Telegraph Company (PT&T), Sacramento, California, on September 20, 1974, appeared at the Reno Resident Agency of the Federal Bureau of Investigation (FBI), and advised that cause to suspect electronic toll fraud originating from subscriber line [Redacted] was established on August 26, 1974. The number had been changed from [Redacted] on June 15, 1974.

According to [Redacted] "In Watts," computer printouts for the period of April 3, 1974, through April 9, 1974, indicated abnormal call patterns. A subsequent review of previous printouts indicated the abnormal call patterns originated from [Redacted] beginning March 19, 1974.

According to [Redacted] official records show [Redacted] was a one party flat residence listed to [Redacted]

After being furnished with a demand letter, [Redacted] summarized information developed by him as follows:

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

87 ENCLOSURE BOX

[redacted]

1. Telephone company billing equipment was being circumvented by an electronic device generically known as a blue box.

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2. Electronic toll fraud was originating from subscriber line [redacted] which terminates at [redacted]

3. The perpetrator identified himself as [redacted]

4. The electronic toll fraud was being perpetrated in conjunction with real estate business transactions by [redacted]

5. The subscriber of record to telephone [redacted] is one [redacted]. No correlation between the subscribers of record and the perpetrator was known.

On November 25, 1974, [redacted] again contacted SA [redacted] stating the "blue box" was again being used on telephone [redacted]

The facts were presented to Lawrence J. Semenza, United States Attorney, District of Nevada, who authorized a search warrant.

The search warrant was prepared and signed by G. Russell Pike, then the United States Commissioner.

At about 5:30 PM, November 27, 1974, [redacted] advised the "blue box" had just been used from telephone [redacted]

[redacted] Special Agents [redacted] and [redacted] proceeded to West Moana Lane and Skyline Boulevard, Reno, where they waited until [redacted] arrived.

At 6:00 PM, November 27, 1974, after the arrival of [redacted] Special Agents [redacted] and [redacted] executed the search warrant at [redacted] and recovered a "blue box" from [redacted]

The "blue box" was taken from the residence and displayed to [redacted] who had waited in his car outside residence to be certain it was in fact a "blue box".

[REDACTED]

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On December 4, 1974, a Federal Grand Jury (FGJ), sitting in Reno, Nevada, indicted [REDACTED] for violation of Title 18, United States Code, Section 1343 (Fraud by Wire).

On December 20, 1974 [REDACTED] was arraigned in United States District Court (USDC), and entered a plea of not guilty.

[REDACTED] was subpoenaed to produce magnetic tapes of intercepted fraudulent calls. He produced the original tape for the United States Attorney, a copy of the tape for the Defense and a copy of the tape analysis.

On December 14, 1974, motions to suppress the information furnished by [REDACTED] to Special Agent [REDACTED] were heard. The Honorable Bruce R. Thompson, United States District Judge (USDJ), denied the motions and set trial for March 3, 1975.

On March 3, 1975, a jury trial was held in USDC, Reno, Nevada, and on March 4, 1975, the jury found [REDACTED] guilty.

On March 4, 1975, [REDACTED] filed a notice of appeal.

On October 21, 1975, the 9th Circuit Court of Appeals affirmed [REDACTED] conviction.

On February 25, 1976, Special Agent [REDACTED] was served with the following:

[redacted]

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In answer to the above the following is set forth:

Paragraph 7 - Special Agent [redacted] is a Special Agent of the FBI and was so employed during the pertinent period of the investigation.

Paragraph 9 - At no time did Special Agent [redacted] direct the activities of [redacted] or Semenza and did not act as an agent for [redacted] or Semenza.

Paragraph 11 - Special Agent [redacted] at no time had actual knowledge of any intercepts or of telephone calls made from [redacted] and [redacted] until the tapes were subpoenaed on February 14, 1975. Special Agent [redacted] at no time instructed [redacted] to intercept calls. Special Agent [redacted] at no time monitored the telephone conversations from telephone numbers [redacted] or [redacted].

Paragraph 12 - Special Agent [redacted] only discussed the contents of the tapes and other information with [redacted] Semenza and in the USDC, Reno, Nevada, during trial.

Paragraph 13 - Neither the FBI nor Special Agent [redacted] instigated the interception or monitoring of telephone calls from [redacted] or [redacted].

It was obvious that [redacted] when he spoke to Special Agent [redacted] or September 20, 1974, had conducted an intensive investigation.

To the knowledge of Special Agent [redacted] the FBI is the only investigative agency at the time having any knowledge of the "blue boxed" calls and/or conversations. Special Agent [redacted] did not hear the tapes until they were played after being subpoenaed on February 14, 1975. At no time were the conversations discussed with anyone outside the FBI except [redacted] and Semenza.

Paragraph 16 - There was no wrongful conduct on the part of Special Agent [redacted].