800 Ride Share Drivers Used Fake GPS and Screwber Apps

Federal prosecutors in Brooklyn have charged two men with orchestrating a sophisticated six-year fraud scheme that exploited a major rideshare company's surge pricing system, bilking passengers out of an estimated $40 million in inflated fares.

Eliahou Paldiel, 52, of Queens, and Carlos Arturo Suarez Palacios, 54, were arraigned Wednesday on federal wire fraud and money laundering charges. The pair allegedly sold hacked smartphones and custom apps to over 800 rideshare drivers, allowing them to manipulate the company's systems and unfairly profit from artificially inflated surge pricing.

The 'Screwber' App: A Digital Skeleton Key

At the heart of the scheme was a suite of illicit applications, including one dubbed "Screwber," which allowed drivers to view passengers' destinations and fare estimates before accepting rides. This enabled drivers to cherry-pick only the most lucrative fares, leaving less profitable rides for honest drivers.

To use the software, the pair installed outdated versions of the Uber App. By installing outdated versions of the rideshare company's application, the defendants ensured that the Fake GPS and Screwber applications were not detected by security features implemented in newer versions of the application, prosecutors contend.

Another app, "Fake GPS," allowed drivers to spoof their locations, making it appear they were in high-demand areas to trigger surge pricing. These tools were installed on modified smartphones sold to drivers for $600 each.

"You know Screwber is like drugs .. once you get into it you'll get withdrawals when you can't get your fix," Suarez allegedly wrote to Paldiel in 2018, according to court documents.

In another message, prosecutors say Paldiel wrote to Suarez regarding the driver co-conspirators, "I get them hooked on the software, even a drug deal[er] throws in a few extra grams of weed in the beginning."

A Lucrative Operation with Far-Reaching Impact

Prosecutors allege that over the course of the scheme, which ran from November 2018 to August 2024, the fraudulent drivers earned more than $40 million in ill-gotten fares. Paldiel and Suarez are accused of pocketing at least $1.5 million for themselves through the sale of hacked devices and apps.

The scam's impact extended beyond financial losses. Legitimate drivers were pushed out of lucrative fares and high-demand areas, while unsuspecting passengers paid inflated prices for their rides.

Industry Response and Ongoing Investigation

The New York City Taxi and Limousine Commission is working closely with the FBI to identify any licensed drivers who participated in the scheme. Commissioner David Do vowed to ensure that implicated drivers "never drive for hire in New York City again."

If convicted, Paldiel and Suarez each face up to 20 years in prison. As the investigation continues, authorities are urging anyone with information related to the case to contact the FBI.

Read the Complaint on Following Pages

U.S. Department of Justice

United States Attorney
Eastern District of New York

MRG
F. #2021R00900

271 Cadman Plaza East
Brooklyn, New York 11201

August 28, 2024

By ECF and E-Mail

The Honorable Marcia M. Henry
United States Magistrate Judge
Eastern District of New York
225 Cadman Plaza East
Brooklyn, New York 11201

Re: United States v. Eliahou Paldiel and Carlos Arturo Suarez Palacios
Criminal Docket No. 24-329 (ARR)

Dear Judge Henry:

The government respectfully submits this letter in advance of the Court's arraignment of the defendants on the charges in the above-captioned indictment. As set forth below, the defendants pose a serious risk of flight and a danger to the community that cannot be mitigated in the absence of a substantial bond and stringent conditions of release.

The defendants are each charged with wire fraud and money laundering conspiracies relating to a wide-ranging scheme in which they sold hacked[1] smartphones and fraudulent applications to more than 800 rideshare drivers (the "Driver Co-conspirators"). The applications enabled the Driver Co-conspirators, using popular rideshare services, to "spoof" GPS locations in order to fraudulently obtain "surge" fees to which they were not entitled and to otherwise manipulate legitimate rideshare applications to enrich themselves to the detriment of riders, law-abiding drivers and rideshare companies, including "Rideshare Company-1."[2]

Beginning in approximately November 2018, Paldiel and Suarez Palacios ("Suarez") engaged in a scheme to defraud Rideshare Company-1's users and drivers by causing passengers to collectively pay millions of dollars in fraudulent "surge" fees to hundreds of

[1] More specifically, the smartphones were "jailbroken" or "rooted," i.e., manipulated to remove restrictions on a mobile device's operating system, allowing users to install software and apps that are not available through official app stores.

[2] Rideshare Company-1 is a multinational company, headquartered in the United States, that provides ridesharing services. It operates primarily through its smartphone application, connecting users with drivers for on-demand transportation and delivery services.

participating Driver Co-Conspirators and depriving legitimate rideshare drivers of their true share of "surge" fares and access to the most lucrative trips. In addition, the fraudulent devices and applications sold by the defendants for profit enabled the Driver Co-conspirators to cherry-pick high-fare rides by obtaining proprietary information and to impermissibly "queue" in areas where they were not physically present.

During the course of the scheme, Driver Co-Conspirators using the defendants' fraudulent devices and applications received fares of over approximately $40 million from rideshare customers. Through one peer-to-peer payment service alone, the defendants received more than $1.5 million from Driver Co-Conspirators for subscriptions to the defendants' illegal services.

Based on the defendants' serious and years-long fraud, the severe penalties they face upon conviction, the overwhelming evidence of their guilt and their ties abroad, the government respectfully submits that the defendants should be released only upon the imposition and satisfaction of appropriate conditions to ensure that they do not flee or commit any additional crimes.

I. Background

On August 8, 2024, a grand jury in the Eastern District of New York returned an indictment charging Paldiel and Suarez each with one count of conspiracy to commit wire fraud, in violation of 18 U.S.C. § 1349 (Count One), and one count of conspiracy to commit money laundering, in violation of 18 U.S.C. § 1956(h) (Count Two). See ECF Dkt. No. 1 (the "Indictment").

A. The Fraudulent Scheme

As set forth in the Indictment, in furtherance of the above-described scheme, the defendants provided Driver Co-conspirators with the following suite of scheme applications that were not publicly available nor approved by Rideshare Company-1:

- **Fake GPS "Spoofing" App**

  "Fake GPS" is a GPS spoofing application developed by the defendants and others. Fake GPS enabled Driver Co-conspirators to manipulate or "spoof" their locations within Rideshare Company-1's application and make it appear as if a driver was located in an area with surging fares when, in fact, they were not.

- **Screwber App**

  "Screwber" is an application developed by the defendants and others that provided Driver Co-conspirators with information about prospective rides that was not otherwise available to Rideshare Company-1 drivers. For example, Screwber enabled Driver Co-conspirators to obtain prospective riders' destinations and approximate fares for prospective trips prior to accepting such rides, thereby allowing Driver Co-conspirators to accept or decline the

prospective rides based on information to which they were otherwise not entitled and, in turn, cherry-pick only the most profitable and lucrative rides offered to them.

- **Outdated Rideshare Application**

  The defendants caused outdated versions of the Rideshare Company-1's application to be downloaded onto the devices provided to Driver Co-conspirators. By installing outdated versions of the application, the defendants ensured that the Fake GPS and Screwber applications were not detected by security features implemented in newer versions of the application.

As part of the scheme, and in order to conceal it, defendant Suarez paid a hosting provider ("Hosting Provider-1") for a subscription to private cloud servers that the defendants used to support their scheme applications. To conceal their activity from Rideshare Company-1, the defendants configured the scheme devices to use internet protocol ("IP") addresses assigned by and routed through the Hosting Provider-1 cloud servers. In one instance, for example, Paldiel and Suarez discussed deploying a "weekly rotation of I[P]s" to avoid detection of the scheme by Rideshare Company-1.

Paldiel typically sold and facilitated the sale of the scheme devices equipped with the scheme applications from the vicinity of his residence in Queens, New York. Paldiel charged Driver Co-conspirators approximately $600 per fraudulent device equipped with the scheme applications, plus a $300 monthly subscription for continued use of the Screwber and Push-notification Applications and a $50 one-time fee for the Fake GPS application.

As part of the scheme, the defendants sent Driver Co-conspirators information about how to avoid detection, such as the following: "Using 2 iphones with FakeGPS is very very risky. If you need FakeGPS for airport I recommend doing it one time a day. Do it when you wake up in the morning before you go to the airport."

The defendants also spoke with one another about their strategy to profit from the Driver Co-conspirators. For example, on or about November 2, 2018, Suarez wrote to Paldiel, "You know Screwber is like drugs .. once you get into it you'll get withdrawals when you can't get your fix

fact, the defendants used the criminal proceeds to, among other things, fund brokerage accounts and pay off credit cards.

B. Additional Evidence of Guilt

Evidence of the defendants' guilt in this case is overwhelming. In addition to the evidence outlined above, there are text messages, recordings, significant documentary evidence and surveillance capturing the defendants engaged in illegal activity. By way of example, on June 4, 2024 and June 6, 2024, law enforcement observed lengthy lines of drivers waiting in line for Paldiel and meeting with Paldiel. (Many drivers were waiting in cars with NYC Taxi & Limousine Commission license plates, which are generally used by rideshare drivers.) Example photograph below:

In addition, on June 26, 2024, Paldiel sent a message to drivers, stating that they could show up at his residence to "pick up" or get "help" with a phone. Law enforcement subsequently conducted surveillance and observed more than 20 vehicles and suspected Driver Co-conspirators meeting with Paldiel outside of his residence.

Moreover, in electronic communications, Paldiel and Suarez discussed their profits from the scheme. For example, in July 2020, they discussed that they were making "43k mid month" and discussed bringing in more drivers to increase their profitability to $100,000 per month. In July 2022, the defendants discussed that they were "going to be rich" and that they were running a "100k/month operation."

In addition, as relevant here, the defendants discussed via electronic message the potential criminal charges they could face in connection with the above-described conduct. Suarez also specifically stated that he would flee if he feared the scheme would be uncovered. Specifically, on November 2, 2018, he wrote to Paldiel: "Because the moment I smell trouble I'll shut down everything and fly back to mother land [emoji]."

II. Legal Standard

In deciding whether to release or detain a defendant, a court "must undertake a two-step inquiry." United States v. Friedman, 837 F.2d 48, 49 (2d Cir. 1988). "It must first determine by a preponderance of the evidence that the defendant either has been charged with one of the crimes enumerated in Section 3142(f)(1) [which are inapplicable here] or that the defendant presents a risk of flight or obstruction of justice." Id. "Once this determination has been made, the court turns to whether any condition or combinations of conditions of release will protect the safety of the community and reasonably assure the defendant's appearance at trial." Id.

The government may proceed by proffer to establish facts relevant to a detention determination. United States v. Ferranti, 66 F.3d 540, 541 (2d Cir. 1995). Furthermore, "[t]he rules of evidence do not apply in a detention hearing." Id. at 542. As the Second Circuit has explained:

> [I]n the pre-trial context, few detention hearings involve live testimony or cross examination. Most proceed on proffers. See United States v. LaFontaine, 210 F.3d 125, 131 (2d Cir. 2000). This is because bail hearings are "typically informal affairs, not substitutes for trial or discovery." United States v. Acevedo-Ramos, 755 F.2d 203, 206 (1st Cir. 1985) (Breyer, J.) (quoted approvingly in LaFontaine, 210 F.3d at 131). Indeed, § 3142(f)(2)(B) expressly states that the Federal Rules of Evidence do not apply at bail hearings; thus, courts often base detention decisions on hearsay evidence. Id.

United States v. Abuhamra, 389 F.3d 309, 320 n.7 (2d Cir. 2004).

The Bail Reform Act lists four factors to be considered in the detention analysis: (1) the nature and circumstances of the crimes; (2) the weight of the evidence against the

defendant; (3) the history and characteristics of the defendant, including "the person's character"; and (4) the nature and seriousness of the danger posed by the defendant's release. See 18 U.S.C. § 3142(g). In evaluating dangerousness, courts consider not only the effect of a defendant's release on the safety of identifiable individuals, such as victims and witnesses, but also "'the danger that the defendant might engage in criminal activity to the detriment of the community.'" United States v. Millan, 4 F.3d 1038, 1048 (2d Cir. 1993) (quoting legislative history).

III. Argument

A. The Defendants Present a Risks of Flight

The facts and circumstances of this case demonstrate that both defendants present a serious risk of flight.

1. Risk of Flight

First, "[t]he prospect of a severe sentence can create a strong incentive for a defendant to flee and thereby avoid that sentence." United States v. Zhang, 55 F.4th 141, 151 (2d Cir. 2022). Here, the government currently estimates that, for purposes of the United States Sentencing Guidelines ("U.S.S.G." or the "Guidelines"), the advisory Guidelines range of imprisonment would be 210 to 262' months' (approximately 17 to 21 years') imprisonment.[3] Courts have recognized that even a significantly shorter potential sentence can warrant a risk-of-flight finding. See United States v. Scali, 738 F. App'x 32, 33 (2d Cir. 2018) ("The court reasonably determined that Scali's Guidelines range of 87-108 months' imprisonment was significant enough to provide an incentive to flee."); United States v. Khusanov, 731 F. App'x 19, 21 (2d Cir. 2018) ("[E]ven if, as a practical matter, Khusanov's maximum sentence exposure were only 15, rather than 30, years' imprisonment, that would still be sufficient to provide him with a strong incentive to flee."); United States v. Williams, No. 20-CR-293 (WFK), 2020 WL 4719982, at *2 (E.D.N.Y. Aug. 13, 2020) (Guidelines range of "92 to 115 months' imprisonment" gave defendant "a strong incentive to flee").

Second, where, as here, the evidence of a defendant's guilt is strong, "it follows that the defendant faces an elevated risk of conviction (and of the attendant punishment), and therefore may present an elevated risk of flight." Zhang, 55 F.4th at 151; United States v. Sabhnani, 493 F.3d 63, 76 (2d Cir. 2007) (finding detention appropriate because, in part, "the evidence of [the defendants'] guilt, both direct and circumstantial, appears strong"); United

[3] The government's initial estimate of the Guidelines is premised on a base offense level of 7 pursuant to U.S.S.G § 2B1.1(a)(1); a 22-point enhancement pursuant to U.S.S.G. § 2B1.1(b)(1)(L) (loss of more than $25 million); a two-point enhancement pursuant to U.S.S.G. § 2B1.1(b)(2)(A)(i) (more than 10 victims); a two-point enhancement pursuant to U.S.S.G. § 2B1.1(b)(10)(C) (sophisticated means); a four-point enhancement pursuant to U.S.S.G. § 3B1.1(a) (organizer or leader); for a total offense level of 37. Assuming a criminal history category of I, this would yield an initial Guidelines range of 210 to 262 months' imprisonment for Counts One and Two.

States v. Bruno, 89 F. Supp. 3d 425, 431 (E.D.N.Y. 2015) ("When evidence of a defendant's guilt is strong, and when the sentence of imprisonment upon conviction is likely to be long a defendant has stronger motives to flee."). The evidence of the defendants' guilt is overwhelming. The allegations in the Indictment — which make up just a portion of the government's proof — are largely drawn from documents uncovered over the course of the ongoing investigation. The documentary proof irrefutably shows that the defendants deceived rideshare companies to the determinant of rideshare drivers and customers. The defendants own electronic communications show that they knew they were engaged in criminal activity and that they were the driving force behind the scheme, directing co-conspirators to effectuate it. The government anticipates that witness testimony will further elaborate the scope of the scheme and the defendants' central role in it.

Third, the defendants have the means to flee if they chooses to do so. See Sabhnani, 493 F.3d at 76 ("a second factor strengthens the case for detention: defendants' ample means to finance flight"). Based on the investigation, the government understands that the defendants have substantial assets. In addition, the defendants obtained millions of dollars from victims — the full extent of which the government is still investigating.

Fourth, the dishonesty shown by the defendants in this case demonstrate that they cannot be trusted to return to court as required without appropriate conditions. See United States v. Nouri, No. 07-CR-1029 (DC), 2009 WL 2924334, at *2 (S.D.N.Y. Sept. 8, 2009) (Chin, D.J.) (finding defendant presented "substantial risk of flight" based, in part, on "dishonest and obstructive conduct," including "commit[ing] fraud on his investors"). The defendants engaged in deception for years. There is no reason to believe that any promise to return to court should be accepted unless it is based on substantially more than their word.

Fifth, each defendant has ties abroad and, indeed, citizenship in a foreign country. Specifically, Paldiel has Israeli citizenship, and Suarez has Colombian citizenship. Each has spent significant time in their respective home countries.

Sixth, as mentioned above, on November 2, 2018, Suarez told Paldiel that if he suspected the defendants' scheme were close to being uncovered, Suarez would "shut down everything and return to the mother land."

Accordingly, the government submits that the Court should find by a preponderance of the evidence that the defendants pose a serious risk of flight.

B. Appropriate Conditions Are Required

Here, each of the factors set forth in 18 U.S.C. § 3142(g) weigh in favor of setting appropriate conditions to ensure that the defendants do not flee.

First, as set forth above, the offense is serious, the conduct involves extraordinary dishonesty, and the defendants face severe penalties if convicted at trial.

Second, as set forth above, the weight of the evidence against the defendants is extremely strong.

Third, the defendants' respective histories and characteristics weigh in favor of imposing conditions of release. Their commission of a years-long fraudulent scheme suggests that neither has a truthful or reliable character. In addition, each defendant has ties abroad and, indeed, citizenship in a foreign country. As noted above, Paldiel has Israeli citizenship and Suarez has Colombian citizenship, and each has spent significant time in their respective home countries.

Fourth, there is a risk of continued fraudulent conduct by the defendants. Indeed, in the days leading up to their arrests, the scheme remained ongoing. Law enforcement is still investigating the scope of the scheme, and restrictions must be set to prevent the defendants from dissipating victim funds. For example, during a search executed in connection with Paldiel's arrest, law enforcement found more than $98,000 and 38 cellular telephones in his residence.

In light of the above, the government submits that the Court should release the defendants only if they satisfy the appropriate conditions, including:

1) A substantial secured bond of a value constituting a significant portion of their respective assets, signed by at least two sureties with net worths of sufficient unencumbered value to pay the amount of the bond, with appropriate moral suasion over the defendants, see Sabhnani, 493 F.3d at 77 ("[T]he deterrent effect of a bond is necessarily a function of the totality of a defendant's assets."); United States v. Batista, 163 F. Supp. 2d 222, 224 (S.D.N.Y. 2001) ("In addition to the requirement of financial responsibility, a defendant must show that the proposed suretors exercise moral suasion to ensure the defendant's presence at trial."); see also 18 U.S.C. § 3142(c)(1)(B)(xii) (requiring that any surety "have a net worth which shall have sufficient unencumbered value to pay the amount of the bail bond");

2) Travel restrictions limited to New York City for Paldiel; New Jersey for Suarez and, as required for court appearances, New York City, see 18 U.S.C. § 3142(c)(1)(B)(iv);

3) A condition prohibiting the defendants from contacting each other any other co-conspirators, victims or witnesses, see 18 U.S.C. § 3142(c)(1)(B)(v); and

4) A condition forbidding the defendants from attempting to dissipate victim funds, obstruct the prosecution or retaliate against witnesses or causing anyone else to do the aforementioned.

IV. Conclusion

For the reasons set forth above, the government respectfully submits that the Court should impose appropriate conditions, as forth above, to mitigate the risk that the defendants will flee or engage in further criminal activity harmful to the community.

Respectfully submitted,

BREON PEACE
United States Attorney

By: /s/
Matthew R. Galeotti
Dana Rehnquist
Elias Laris
Assistant U.S. Attorneys
(718) 254-6340

cc: Clerk of the Court (EK) (by ECF)
Counsel of Record (by ECF)