

D | Business

Business editor: Carolyn DiPaolo (561) 820-3704 or pb_business@pbpost.com | On the web: palmbeachpost.com

Lawsuits pile up after magicJack founder dies



Alexandra Clough
Business Watch

When magicJack founder **Daniel Borislow** died suddenly last summer, the Palm Beach resident had so many well-wishers, his family held a reception at West Palm Beach's **Kravis Center** to receive more than 500 mourners.

But six months later, Borislow's death is marked by money claims or lawsuits from governments, companies and individuals. Among them: The **IRS**, which seeks \$6 million in back taxes; the **Palm Beach Kennel Club**, which seeks repayment of a \$674,000 line of credit; and \$3.3 million owed to Palm Beach Gardens resident **Michael Cipriani**.

Payouts to claimants or ben-

eficiaries might not happen soon. There is a monster lawsuit against Borislow. In 2012, a Miami company called **Net-TALK.com** sued Borislow and West Palm Beach's magicJack for \$200 million, claiming Borislow infringed on Net-TALK's patented technology for its magicJack Plus gadget.

The lawsuit is pending, and it has frozen the settling of Borislow's estate.

"Given the size of that claim relative to the estate, Mr. Borislow's widow and personal representative of his estate, **Michelle Borislow**, cannot make any distributions from the estate," according to court records. Making matters worse: The case has dragged in recent months due to a switch of Net-TALK's lawyers.

Borislow was only 52 when he died July 21 from a heart attack after a soccer match. In his short life, Borislow gained fame and riches through his business ventures.

His most notable accomplishment: **magicJack**, a device that allows people to use



Daniel Borislow, who made a fortune with **magicJack**, died last summer at 52 of a heart attack.

their computer's USB port to make phone calls and bypass the phone company.

The product, hawked on ubiquitous television infomercials, made hundreds of millions of dollars and helped pioneer free phone calls on the Internet.

Before magicJack, Borislow was the founding CEO of **Tel-Save Holdings Inc.**, a long-distance telephone-service provider in Philadelphia. Borislow took the company public in 1995 and reportedly made \$300 million.

Borislow subsequently moved to Florida, buying a South Ocean Boulevard mansion on Palm Beach.

By all accounts, he was a devoted father to his two children. Friends at his funeral ser-

vice joked about Borislow's strong personality, recalling that they wanted to choke him at times, even as they praised his generosity. Borislow had many passions, including youth soccer, which he backed financially.

By his own admission, Borislow liked to live large: "There's two things I like to do, and I don't know which one I like to do more," Borislow boasted to *The Palm Beach Post* in 2011. "One is make money. And the other one is spend money."

He did both with gusto, through such outlets as horse racing and betting.

On May 25, Borislow was playing at Palm Beach Kennel Club and won \$6,678,939.12 with the only ticket to have the winners of the final six races on **Gulfstream's** Sunday card.

According to a spreadsheet submitted to his probate filing, Borislow was a patron of Palm Beach Kennel Club, making 23 visits in 2014. His biggest bet: \$1.3 million on June 7. And on

Clough continued on D2

BUSINESS

Clough

continued from D1

July 19, two days before his death, he placed a bet for \$560,268.

Michele Borislow has denied Palm Beach Kennel Club's claim for \$674,000, so the club filed a lawsuit against her to recover the money.

Despite the millions of dollars Borislow made through businesses and betting, Borislow didn't always pay debts quickly, according to lawsuits. He also didn't hesitate to fight when he believed he was wronged.

Borislow has been described by some observers as litigious, even bullying.

But **Laird Lile** of Naples, the attorney for the estate, said Borislow's court history is not unusual.

"A lot of high-profile business people are always in battles. There's nothing noteworthy," Lile said.

In 2011, Borislow and his wife filed a petition in U.S. Tax Court challenging the IRS' claim of more than \$6 million owed on taxes.

The Borislows claimed in their petition that the IRS miscalculated the tax treatment of various securities transactions.

And in the months leading to his death, Borislow launched two lawsuits over what he claimed were attacks on his reputation.

On Jan. 19, 2014, he sued **Canaccord Genuity Group Inc.** for defamation, 13 days after it published a newsletter article that said his 2013 departure from **magicJack VocalTec Ltd.** should boost the company's stock price.

Then, on April 2, just three months before his death, he followed up with a \$20 million lawsuit against magicJack itself, the company he founded.

His complaint against magicJack and its affli-

ate, **Ymax Corp.**, alleged they breached a November 2013 consulting deal with him.

Borislow says they also defamed him in a "character assassination campaign" to obtain a short-term bump up in the company's stock price.

So far, Michele Borislow has tried to settle some lawsuits.

"Shelly is a rock," Lile said. "I'm very impressed with her handling of things."

In October, she settled the lawsuit against **Canaccord Genuity Group.** In December, she settled with **MagicJack Volatec Ltd** and **Ymax Corp.**

Despite wrapping up the litigation with magicJack, Michele Borislow still is stuck with the **NetTALK** lawsuit.

She and magicJack now are trying to convene a mediation with **NetTALK**, which has "dragged its feet" to resolve the case, according to court filings. **NetTALK's** 2012 lawsuit,

filed in U.S. District Court in 2012, alleges magicJack and Borislow infringed on **NetTALK's** patent when they created magicJack Plus.

While the netTALK lawsuit lingers, other claims remain unpaid.

One is by **Ciprianni** of Palm Beach Gardens. According to a lawsuit filed against Michele Borislow in January, **Ciprianni** claims Dan Borislow owed him \$3.3 million, plus shares in a company created to run magicJack's customer care services.

The lawsuit claims Borislow did not pay **Ciprianni** any money, and he conveyed only half the shares.

A **Ciprianni** lawyer didn't return a phone call for comment.

Staff researcher Michelle Quigley contributed to this column. Alexandra Clough writes about the economy, real estate and the law. aclough@pbpost.com
Twitter: @acloughbbp