

FILED

CO JUN 21 PM 4:45

DEPUTY
A. Rydell
DEPUTY

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

**IRENE TORRES, as Guardian ad litem
for JOHN RODRIGUEZ, On Behalf of
Themselves and All Others Similarly
Situating,**

Plaintiffs,

vs.

PACIFIC TRADING CARDS, INC.,

Defendant.

97CV1658-B (AJB)

ORDER:

**(1) DISMISSING RICO CLAIM
WITHOUT LEAVE TO
AMEND; and**

**(2) DISMISSING ALL STATE
LAW CLAIMS WITH LEAVE
TO AMEND**

INTRODUCTION

Plaintiffs herein, alleged residents of New York, claim to be purchasers, or the guardian ad litem of purchasers, of trading cards. Plaintiffs allege that they purchased trading cards in the hope of winning "chase"¹ cards, redeemable in bonus cash prizes. Defendant is an alleged resident of California and Washington. On April 18, 2000, this Court ordered Plaintiffs to show cause as to why the claim brought under the Racketeer Influenced and Corrupt Organizations Act ("RICO"), 18 U.S.C. §§ 1961-1968, should not be dismissed for lack of standing under § 1964(c) of RICO. The hearing for this Court's

¹ Plaintiffs refer to the cards as "chase cards" because collectors allegedly "chase" these limited edition trading cards which may be worth hundreds or thousands of dollars.

4/ 1

1 Order to Show Cause (“OSC”) was held on June 7, 2000 with counsel for all parties
2 present.

3 The Court re-reviewed all pleadings, motions, and briefs heretofore filed as well as
4 all briefs filed in response to the OSC. All parties appeared by counsel. The Court, having
5 heard oral argument by counsel and being fully advised in the premises, now therefore
6 issues the following ORDER:

7 (1) The prior order denying Defendant’s Fed. R. Civ. P. 12(b)(6) motion to
8 dismiss is hereby vacated NUNC PRO TUNC;

9 (2) The RICO claim is dismissed pursuant to Fed. R. Civ. P. 12(c) without
10 leave to amend on the ground that Plaintiffs’ lack standing as required by §
11 1964(c) of RICO; and

12 (3) All state law claims are dismissed with leave to amend. If no proper
13 amendment is filed within 30 days of the date of the filing of this Order, the
14 state law claims shall be dismissed without prejudice pursuant to 28 U.S.C §
15 1367.

16 DISCUSSION

17 A. Standing Requirement under 18 U.S.C. § 1964(c)

18 Pursuant to this Court’s April 18, 2000 Order to Show Cause, the issue before this
19 Court is whether Plaintiffs have met the requirement of 18 U.S.C. § 1964(c) in order to
20 have standing to bring a lawsuit against Defendant for its alleged gambling activity.

21 Standing under 18 U.S.C. § 1964(c) requires an ability to state a claim for harm to a
22 person’s “business or property” resulting from conduct violative of 18 U.S.C. § 1962.

23 1. Section 1964(c)

24 Section 1964(c) provides in pertinent part: “Any person *injured in his business or*
25 *property* by reason of a violation of section 1962 of this chapter may sue therefore in any
26 appropriate United States district court and shall recover threefold the damages he sustains
27 and the cost of the suit, including a reasonable attorney’s fee” 18 U.S.C. § 1964(c)
28 (emphasis added). Federal courts have established that RICO was “intended to combat

1 organized crime, not to provide a federal cause of action and treble damages to every tort
2 plaintiff.” Oscar v. University Students Cooperative Assn., 965 F.2d at 783, 786 (9th Cir.
3 1992). Although this additional requirement of a showing of “business or property” injury
4 is not imposed upon governmental entities, it is required in order for a *private party* to have
5 standing to recover under RICO.

6 **2. “Injury” to Business or Property under 18 U.S.C. § 1964(c)**

7 In their reply papers, Plaintiffs set forth several arguments which skirt the immediate
8 issue before this Court of whether there has been a showing of injury to their “business or
9 property” sufficient to meet the standing requirements of § 1964(c).²

10 Plaintiffs appear to equate the issue of whether they have set forth a proper showing
11 of a pattern of racketeering activity under § 1962 with whether they have satisfied the
12 requirements of standing under § 1964(c). Plaintiffs also discuss at length the issue of
13 “causation,” a separate issue under § 1964(c) that is premature to the analysis before this
14 Court.

15 When Plaintiffs do narrow in on the § 1964(c) “injury” issue, their arguments are
16 not persuasive. Plaintiffs begin by essentially claiming that the allegation of unlawful
17 gambling, without more, is sufficient to demonstrate standing under § 1964(c). For
18 example, Plaintiffs contend that “a person’s property interest in the money spent to gamble
19 is in no way diminished because he or she may have received ‘something of value’ for the
20 opportunity to play.” See Pls.’ Reply to OSC at 10:7-9. Plaintiffs cite to cases which
21 support Plaintiffs’ allegation that Defendant’s conduct constituted illegal gambling or
22 lottery. See inter alia People ex rel. Ellison v. Lavin, 179 N.Y. 164, 168-74 (1904). These
23 cases, however, are otherwise inapposite since they do not discuss whether the conduct of
24 illegal gambling *per se* automatically confers a showing of injury for purposes of §
25 1964(c).

26 Plaintiffs appear to argue that, by the mere fact that there is a property interest
27

28 ² For example, Plaintiffs rely on this Court’s prior erroneous findings to argue that the §
1964(c) standing requirements have been met. See Pls.’ Reply to OSC at 8-12.

1 involved (the consideration tendered in exchange for a pack of trading cards), such
2 consideration constitutes an economic loss sufficient to constitute a § 1964(c) injury to
3 one's "business or property." This is a circular contention, however, one which seems to
4 overlook the precise issue facing this Court: *Have Plaintiffs suffered an economic injury or*
5 *loss; or have they in fact received the benefit of their bargain -- the pack of cards and a*
6 *chance to win?*

7 In trying to devise a § 1964(c) standing argument, Plaintiffs appear to equate
8 property *interest* (i.e. the consideration tendered during a gambling act) with property
9 *injury* (i.e. a lost opportunity to win as would be the case, for example, with a "rigged" or
10 fraudulent gambling mechanism). For example, Plaintiffs argue that because they "have
11 more than adequately alleged a property interest under RICO based upon traditional
12 common law," this interest is sufficient to satisfy the § 1964(c) requirement. *See Pls.'*
13 *Reply to OSC at 9:9-13 (citing Beck v. Prupis, No. 98-1480, 2000 U.S. LEXIS 2999 at *13*
14 *(April 26, 2000).*

15 Plaintiffs further erroneously equate their alleged common law state cause of action
16 with a showing of "injury" under RICO's statutory framework. Plaintiffs argue that since
17 they state a cause of action under state common law to recover gambling losses because of
18 the illegality of Defendant's gambling conduct, this common law remedy is sufficient in
19 and of itself to show injury, and thus standing, under the federal RICO framework.

20 The Court agrees that the consideration tendered by Plaintiffs constitutes a property
21 "interest" as defined under state law.³ However, for a private cause of action, RICO
22 requires a showing of an "injury" to one's business or property as defined by the RICO
23 statute. While Plaintiffs may in fact possess a common law right of redress, this fact,
24 without more, is not helpful to Plaintiffs' case. The right to redress that Plaintiffs may
25 enjoy under California state law to sue individually for their gambling losses does not
26 equate with the standing requirement of § 1964(c).

27
28 ³ Plaintiffs argue that "under RICO, 'whether a particular interest amounts to property is
quintessentially a question of state law.'" *See Pls.' Reply to OSC at 8:7-9 (citing Doe v. Roe, 958
F.2d 763, 768 (7th Cir. 1992)).*

1 Moreover, although this Court agrees that Plaintiffs have stated a cause of action for
2 illegal gambling by Defendant, the act of gambling *per se* is not sufficient to show an
3 injury to one's business or property under RICO. To confer standing under § 1964(c),
4 Plaintiffs must show that they have suffered an economic harm to business or personal
5 property that would constitute the sort of injury contemplated under § 1964(c) as, for
6 example, in the case of a fraudulent gambling scheme.

7 Here, Plaintiffs allege no fraud or dishonesty with respect to Defendant's gambling
8 activity. Plaintiffs struck a bargain with Defendant and received the benefit of their
9 bargain. They paid for a pack of cards which included a *bona fide* "chance to win." See
10 Allard v. Flamingo Hilton (In re Chomakos), 69 F.3d 769, 770 (6th Cir. 1995). Plaintiffs
11 knew when they made their purchase that they might not draw a "chase card" and that the
12 most they might receive would be a pack of non-chase trading cards.

13 There is no allegation that Defendant has engaged in any sort of fraudulent or
14 dishonest conduct such as misrepresenting to purchasers the odds of winning a chase card.
15 Significantly, Plaintiffs concede that in this case they would not claim any injury to their
16 business or property if Defendant's alleged gambling activity were legal under state law.
17 Plaintiffs' reliance on Sedima, S.P.R.L. v. Imrex Co., Inc., 473 U.S. 479, 496 (1985), is
18 misplaced. In Sedima, the plaintiff was defrauded out of proceeds of a joint venture with
19 Imrex because of fraudulent billings for electronic components charged by Imrex. Clearly,
20 Sedima suffered injury to its business, unlike the instant case which contains no allegation
21 of fraud or dishonesty by Defendant.

22 Plaintiffs' last argument involves the "verboden" nature of gambling activity. State
23 law may proscribe gambling irrespective of whether or not it causes injury to business or
24 property of persons within the meaning of § 1964(c) (i.e. that elements of fraud are
25 present). A state may base its gambling prohibition on public policy grounds, which may
26 include religious, cultural, or moral considerations. However, notwithstanding a state's
27 condemnation of such racketeering activity for policy reasons, the Court must look to a
28 different test. Section 1964(c) gives standing to private persons not because of the

1 objectionable nature of the racketeering conduct, but because a person's business or
2 property is injured by the activity. Since Plaintiffs have not alleged such injury, the Court
3 dismisses the RICO cause of action from each of the pending cases. Moreover, the Court
4 takes into consideration the fact that Plaintiffs have had the opportunity to amend their
5 complaint for many months, including the past several weeks during which they have been
6 on notice of this procedural defect. They have failed to allege even a scintilla of fraudulent
7 conduct by Defendant. Therefore, the Court dismisses the RICO claim without leave to
8 amend. See Price v. Pinnacle Brands, Inc., 138 F.3d 602 (5th Cir. 1998).

9 **3. § 1962 RICO Claim**

10 Having determined that Plaintiffs lack standing under § 1964(c), the Court need not,
11 and therefore does not, analyze further the elements required by § 1962. See Id.

12 **B. Jurisdiction over State Law Pending Claims**

13 The Court, having dismissed Plaintiffs' RICO cause of action, lacks federal subject
14 matter jurisdiction over these cases under 28 U.S.C § 1331. However, the citizenship of
15 the parties, as alleged in the complaint, may allow this Court to retain the UCL claims
16 under 28 U.S.C § 1332. If diversity jurisdiction were properly pled by Plaintiffs, the
17 pendent state claims under 28 U.S.C § 1367 would become diversity claims. This Court,
18 therefore, dismisses the state law claims herewith with leave to amend. Plaintiffs shall
19 have 30 days from the filing of this Order to amend the complaint. Upon expiration of the
20 30 days without proper amendment, these claims shall be dismissed without prejudice
21 pursuant to 28 U.S.C. § 1367 and the Clerk shall close the file.

1 **CONCLUSION**

2 Having re-reviewed the pleadings and memoranda heretofore filed, the papers in
3 response to the Court's OSC, having heard oral presentations by the parties on June 7,
4 2000, and being fully advised in the premises, NOW THEREFORE,

5 **IT IS HEREBY ORDERED:**

6 (1) The prior order denying Defendant's Fed. R. Civ. P.
7 12(b)(6) motion to dismiss is hereby vacated NUNC PRO
8 TUNC;

9 (2) The RICO claim is dismissed pursuant to Fed. R. Civ. P.
10 12(c) without leave to amend on the ground that Plaintiffs' lack
11 standing as required by § 1964(c) of RICO; and

12 (3) All state law claims are dismissed with leave to amend. If
13 no proper amendment is filed within 30 days of the date of the
14 filing of this Order, the state law claims shall be dismissed
15 without prejudice pursuant to 28 U.S.C § 1367.

16 **IT IS SO ORDERED.**

17
18
19 DATED: 6-21-00



20 UNITED STATES SENIOR DISTRICT JUDGE

21
22
23
24 cc: All Parties
25 Magistrate Judge
26
27
28