

# **INDIAN & FEDERAL GAMING LAW**

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# The Federal Wire Act

## Introduction

The federal government and federal laws have generally not played a central role in regulating gambling activity. In general, gambling laws, enforcement and regulation have been the domain of the states, with few exceptions. Those exceptions include sports wagering, Native American gaming, and interstate horse race wagering.

For the purposes of this class, we will focus on the core federal statutes, and related court opinions, that regulate gambling.

## Background



<https://youtu.be/gvxQldrMG9c>

## **The Federal Wire Act**

The Federal Wire Act, along with several other laws, was a part of the 1961 federal legislative package designed to cut off those activities that profited organized crime and to assist the states in enforcing their gambling laws. The Federal Wire Act, codified as 18 U.S.C. §1084, generally prohibits the use of interstate electronic communications facilities for conducting gambling. There is some difference of opinion as to the types of gambling regulated by the Federal Wire Act, as the case materials and other resource materials will illustrate.

## The 1961 Attorney General's Summary

P.L. 87-216, SPORTING EVENTS-- TRANSMISSION OF BETS, WAGERS, AND RELATED INFORMATION

Senate Report No. 87-588,  
July 14, 1961 (To accompany S. 1656)  
House Report No. 87-967,  
Aug. 17, 1961 (To accompany S. 1656)  
The House Report is set out.

House Report No. 87-967  
Aug. 17, 1961

THE Committee on the Judiciary, to whom was referred the bill (S. 1656) to amend chapter 50 of title 18, United States Code, with respect to the transmission of bets, wagers, and related information, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

### PURPOSE OF THE AMENDMENTS

The first amendment is purely technical in order to correct a typographical error.

Amendment No. 2 adds the Commonwealth of Puerto Rico, which is not encompassed by the wording in subsection (c) since it is neither a State, territory, nor possession, in order to insure that it will be included within the scope of that subsection, the purpose of which makes certain that the area encompassed by the bill is not preempted by the Federal Government.

### PURPOSE OF THE BILL

The purpose of the bill is to assist the various States and the District of Columbia in the enforcement of their laws pertaining to gambling, bookmaking, and like offenses and to aid in the suppression of organized gambling activities by prohibiting the use of wire communication facilities which are or will be used for the transmission of bets or wagers and gambling information in interstate and foreign commerce.

## BACKGROUND

H.R. 7039 was introduced by the chairman of the Committee on the Judiciary on May 15, 1961, after a communication from the Attorney General dated April 6, 1961. H.R. 7039 is identical to S. 1656 as introduced in the Senate. S. 1656, with amendments, passed the Senate on July 28, 1961, and was referred to the Committee on the Judiciary. Your committee considered S. 1656 as passed by the Senate and, with two amendments, recommends that it do pass.

## STATEMENT

Testimony before your Committee on the Judiciary revealed that modern bookmaking depends in large measure on the rapid transmission of gambling information by wire communication facilities. For example, at present the immediate receipt of information as to results of a horserace permits a bettor to place a wager on a successive race. Likewise, bookmakers are dependent upon telephone service for the placing of bets and for layoff betting on all sporting events. The availability of wire communication facilities affords opportunity for the making of bets or wagers and the exchange of related information almost to the very minute that a particular sporting event begins.

The bill does not include within its provisions radio and television stations. The Attorney General is of the opinion, and the Federal Communications Commission agrees, that the Commission has adequate authority under existing law to prevent the transmission of gambling information over the radio and television facilities. It is evident that this power to act to revoke a station's license when that station is not operated in the public interest (47 U.S.C. 312) is preventing the misuse of these means of communication.

## SECTIONAL ANALYSIS

The first section of the bill amends section 1081 of title 18, United States Code, by adding to that section of the chapter on gambling a new definition. The definition is that of 'wire communication facility' and as defined is similar to the definition of 'wire communication' or 'communication by wire' as defined in section 153 of title 47, United States Code-- the Communications Act.

Section 2 of the bill amends chapter 50 of title 18, United States Code, by adding a new section designated 'Section 1084. Transmission of wagering information; penalties.'

Subsection (a) of the new section prohibits those persons who are engaged

in the business of betting or wagering from knowingly using a wire communication facility for the transmission of bets or wagers or information assisting in the placing of bets or wagers in interstate or foreign commerce on any sporting event or contest. It also prohibits the transmission of a wire communication which entitles the recipient to receive money or credit as a result of a bet or wager or for information assisting in the placing of bets or wagers. A penalty of \$10,000 or imprisonment not more than 2 years, or both, is placed upon such transmission.

Subsection (b) contains an exemption from the prohibitions of subsection (a) for bona fide news reporting of sporting events or contests. A further exemption is contained in subsection (b) which would exempt the transmission of gambling information from a State where the placing of bets and wagers on a sporting event is legal, to a State where betting on that particular event is legal. Phrased differently, the transmission of gambling information on a horserace from a State where betting on that horserace is legal to a state where betting on the same horserace is legal is not within the prohibitions of the bill. Since Nevada is the only State which has legalized offtrack betting, this exemption will only be applicable to it. For example, in New York State parimutuel betting at a racetrack is authorized by State law. Only in Nevada is it lawful to make and accept bets on the race held in the State of New York where parimutuel betting at a racetrack is authorized by law. Therefore, the exemption will permit the transmission of information assisting in the placing of bets and wagers from New York to Nevada. On the other hand, it is unlawful to make and accept bets in New York State on a race being run in Nevada. Therefore, the transmission of information assisting in the placing of bets and wagers from Nevada to New York would be contrary to the provisions of the bill. Nothing in the exemption, however, will permit the transmission of bets and wagers or money by wire as a result of a bet or wager from or to any State whether betting is legal in that State or not.

Subsection (c) would make certain that the Federal Government is not preempting the area encompassed by the bill. Thus, the right of a State to prosecute for a violation of its penal laws is preserved by this subsection which is a disclaimer of any possible preemption by the Federal Government.

Subsection (d) provides that any common carrier, subject to the jurisdiction of the Federal Communications Commission, which is notified in writing by a Federal, State, or local law enforcement agency acting within its jurisdiction that any facility furnished by the common carrier is being used or will be used for the purpose of transmitting or receiving gambling information which is in violation of Federal, State, or local law shall discontinue or refuse to furnish its wire facility. However, before removal or refusal by the common carrier it must give reasonable notice to the

subscriber of the facility. It further provides that the common carrier would be immunized from any damages, penalties, or forfeitures, either civil or criminal, for the acts done in compliance with the notice it received from a law enforcement agency.

This subsection also provides that nothing in this section shall prejudice the right of any person affected by this section to obtain an appropriate determination as otherwise provided by Federal, State, or local law in a Federal or State court or before a local tribunal or agency that the facility should not be removed or discontinued or that it should be restored.

Attached hereto and made a part of this report is a communication from the Attorney General to the Speaker of the House of Representatives dated August 6, 1961.

OFFICE OF THE ATTORNEY GENERAL,  
Washington, D.C. April 6, 1961.

The SPEAKER,  
House of Representatives,  
Washington, D.C.

DEAR MR. SPEAKER: There is attached for your consideration and appropriate action a legislative proposal to amend chapter 50 of title 18, United States Code, with respect to the transmission of bets, wagers, and related information.

The purpose of this legislation is to assist the various States, territories, and possessions of the United States and the District of Columbia in the enforcement of their laws pertaining to gambling, bookmaking, and like offenses and to aid in the suppression of organized gambling activities by prohibiting the use of or the leasing, furnishing, or maintaining of wire communication facilities which are or will be used for the transmission of certain gambling information in interstate and foreign commerce. Radio and television stations have not been included since we believe that the Federal Communications Commission has ample authority to control transmission of gambling information by such facilities.

Modern bookmaking depends in large measure on the rapid transmission of gambling information by wire communication facilities. For example, at present the immediate receipt of information as to the results of a horserace permits a bettor to place a wager on a succeeding race. Likewise, bookmakers are dependent upon telephone service for the placing of bets and for layoff betting on all sporting events. The availability of wire communication facilities affords opportunity for the making of bets and wagers, and the exchange of related information almost to the very minute that a particular sporting event begins.

The enclosed proposal would prohibit the leasing, furnishing, or maintaining of wire communication facilities, as defined therein, with intent



that they be used for the transmission of bets or wagers or information assisting in the placing of bets or wagers, and would prohibit the use of such facilities for the transmission of gambling information. A criminal sanction of \$10,000 or imprisonment for not more than 2 years or both is prescribed for violations of the act.

It should be noted that the news broadcasting of sporting events or contests will not be affected by this legislation.

Accordingly, I urge the early introduction and enactment of this legislative proposal.

The Bureau of the Budget has advised that there is no objection to the submission of this recommendation.

Sincerely,

ROBERT F. KENNEDY, Attorney General.

(Note: 1. PORTIONS OF THE SENATE, HOUSE AND CONFERENCE REPORTS, WHICH ARE DUPLICATIVE OR ARE DEEMED TO BE UNNECESSARY TO THE INTERPRETATION OF THE LAWS, ARE OMITTED. OMITTED MATERIAL IS INDICATED BY FIVE ASTERISKS: \*\*\*\*\*.

2. TO RETRIEVE REPORTS ON A PUBLIC LAW, RUN A TOPIC FIELD SEARCH USING THE PUBLIC LAW NUMBER, e.g., TO(99-495))

H.R. REP. 87-967, H.R. Rep. No. 967, 87TH Cong., 1ST Sess. 1961, 1961 U.S.C.C.A.N. 2631, 1961 WL 4794 (Leg.Hist.)

END OF DOCUMENT

## The Statute

### ***18 U.S.C. §1084 Transmission of wagering information; penalties***

(a) Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under this title or imprisoned not more than two years, or both.

(b) Nothing in this section shall be construed to prevent the transmission in interstate or foreign commerce of information for use in news reporting of sporting events or contests, or for the transmission of information assisting in the placing of bets or wagers on a sporting event or contest from a State or foreign country where betting on that sporting event or contest is legal into a State or foreign country in which such betting is legal.

(c) Nothing contained in this section shall create immunity from criminal prosecution under any laws of any State.

(d) When any common carrier, subject to the jurisdiction of the Federal Communications Commission, is notified in writing by a Federal, State, or local law enforcement agency, acting within its jurisdiction, that any facility furnished by it is being used or will be used for the purpose of transmitting or receiving gambling information in interstate or foreign commerce in violation of Federal, State or local law, it shall discontinue or refuse, the leasing, furnishing, or maintaining of such facility, after reasonable notice to the subscriber, but no damages, penalty or forfeiture, civil or criminal, shall be found against any common carrier for any act done in compliance with any notice received from a law enforcement agency. Nothing in this section shall be deemed to prejudice the right of any person affected thereby to secure an appropriate

determination, as otherwise provided by law, in a Federal court or in a State or local tribunal or agency, that such facility should not be discontinued or removed, or should be restored.

(e) As used in this section, the term “State” means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or a commonwealth, territory or possession of the United States.

## Questions for Discussion

What does the Federal Wire Act prohibit?

Does it prohibit or regulate online casino game wagering such as online slots? (Why or why not)

Does it prohibit or regulate online sports wagering such as wagers on NFL games? (Why or why not)

Does it prohibit or regulate online poker sites? (Why or why not)

## Elements

In the business of betting or wagering.

528 F.Supp. 324, 9 Fed. R. Evid. Serv. 964  
United States District Court, D. Rhode Island.

UNITED STATES of America

v.

Robert BABORIAN and Anthony Lauro.

C.R. No. 80-0018.

Nov. 25, 1981.

A bettor and a bookmaker were charged with the use of a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers. Though a jury was impanelled, it was subsequently excused, and the case was tried to the court by agreement of the parties. The District Court, Pettine, Chief Judge, held that: (1) the statute providing that whoever being engaged in business of betting or wagering knowingly uses wire communication facilities for transmission in interstate commerce of bets shall be fined not more than \$10,000 or imprisoned not more than two years, or both, does not cover an individual bettor, even if the bettor wagered substantial sums and displayed sophistication of an expert in his knowledge of odds making, and (2) the bookmaker could be convicted under the statute after it was established that he had knowledge that certain telephone calls were being placed from Connecticut to Rhode Island.

Ordered accordingly.

### OPINION

PETTINE, Chief Judge.

The defendants are accused of violating 18 U.S.C. ss 2 and 1084. [FN1] Though a jury was impanelled, it was subsequently excused, and the case was tried to the Court by agreement of the parties.

*FN1. These defendants were charged in one count of a multicount indictment. This case was severed.*

The major question presented is whether or not the activities of the defendant Baborian constituted the "business of betting or wagering." 18 U.S.C. s 1084(a) reads as follows:

(a) Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined not more than \$10,000 or imprisoned not more than two years, or both.

The evidence in the case consisted of bookmaking records seized from defendant Anthony Lauro's apartment in Rhode Island, and intercepted telephone conversations between these defendants and others. Baborian is a lavish gambler; since at least the first week of March 1977 through December 1977 he wagered, with Lauro alone, an average of \$800 to \$1,000 a

day, three to four times per week, on professional baseball, basketball, and football. In addition to betting, the intercepted phone conversations reveal that he received the line [FN2] on games, made up his own line, and gave Lauro his opinion on the best games on which to wager.

*FN2. The "line" is simply the points added to an underdog, or subtracted from the favorite, to balance more evenly the teams for wagering purpose.*

In all, there were eight telephone conversations. Since they are the basis of the indictment, the substance of each conversation is set forth. The government accurately summarizes them in its memorandum as follows:

On December 9, 1977 at 6:58 p. m., Baborian placed six bets for a total of \$800. He received the line on professional basketball, had already made up his own line, and gave Anthony Lauro his opinion on the best games to wager on.

On the following day at 11:13 a. m., he opened and closed a teaser,[FN3] mentioned that he was in a rush, asked for the afternoon games, asked Lauro if he had gotten him "three with Cincinnati," gave his opinion to Lauro on the best games to bet and asked what time Lauro would get the line on the college games.

*FN3. A "teaser" is a single wager on two or more teams, all of which must win in order to collect. The bettor receives a more favorable point-spread than under the actual line, but collects a lesser payoff if he wins.*

On December 11, 1977 at 11:50 a. m., Baborian told Falk that he played the whole card, that is, 23 games.

On the same day at 1:45 p. m., Baborian asked Falk to get him a line on a professional basketball game. (Falk is a defendant in other counts of the indictment.)

On December 12, 1977 at 6:35 p. m., Robert Baborian mentioned his own line, received the college line from Lauro, made four bets for a total of \$600 and asked for the football line.

On December 17, 1977 at 6:20 p. m., Baborian placed 12 bets with Lauro for a total of \$1,700.

On December 14, 1977 at 5:55 p. m., Robert Baborian called his father (in Rhode Island) from New York City. The conversation shows that Baborian came out of a Christmas party to get the line from his father and to place wagers... Baborian asked his father to relay the wagers to Anthony Lauro. The wagers totaled \$800.

On December 16, 1977, there were a series of phone calls from Robert Baborian in Connecticut to (his father) in Providence who in turn relayed wagers to Anthony Lauro. At 6:15 p. m., Robert Baborian called his father, received the line from him and asked his father to place five bets for Baborian with Anthony Lauro. These wagers totaled \$1,550.... (T)his call was placed from Fairfield, Connecticut. Twenty minutes later, (his father) relayed these wagers to Anthony Lauro and told Lauro that (his son) called him from New Haven and that "He's driving in." Fifteen minutes later, Robert Baborian again called his father, stated that he had just talked to "Pooch," made a mistake on one of his wagers and wanted to raise a \$100 bet to \$250. At 6:55 p. m., (the father) called Lauro and after Lauro confirmed that he had just spoken

to Robert Baborian, (the father) relayed the wager made from Connecticut by (his son) to Anthony Lauro.... (T)his second call from Robert Baborian to (his father) was made from Milford, Connecticut.

The government concedes that Baborian only placed bets with Lauro and did so only for himself. It further concedes that all these calls, except those of December 14 and 16, were intrastate. The only other evidence presented was the records seized from Lauro's apartment which show that he was servicing a number of customers in addition to Baborian.

#### “Business” of Betting or Wagering-Defendant Baborian

The sine-qua non of conviction under this statute is proof that the defendant was in the “business” of betting or wagering. **When such a business exists is not easy to determine. There are no sharp contours in a general term such as “business,” and the present state of the law is indeed amorphous.**

The legislative history does not help solve the problem at hand. I do not believe the legislators were thinking of a situation such as exists in this case when they enacted section 1084. They used words interchangeably, thus obfuscating the meaning of their various statements. Referring to “professional” gamblers, the legislative history of the Act contains the following observation:

Law enforcement is not interested in the casual dissemination of information with respect to football, baseball, or other sporting events between acquaintances. That is not the purpose of this legislation. However, it would not make sense for Congress to pass this bill and permit the professional gambler to frustrate any prosecution by saying, as one of the largest layoff bettors in the country has said, “I just like to bet. I just make social wagers.” This man, incidentally, makes a profit in excess of a half-million dollars a year from layoff betting. Therefore, there is a broad prohibition in the bill against the use of wire communications for gambling purposes.

S.Rep.No.588, 87th Cong., 1st Sess. (1961) (emphasis added).

It is not too difficult to say from this legislative history that the bill does not encompass discussions between friends as to their opinions on the outcome of sporting events. On the other hand, one cannot say with certainty what was intended by the term “professional gambler.” However, “professional gambler” was used in connection with layoff betting, which has a clear meaning in the gambling world-it is nothing more than the process whereby a gambler accepts bets from bettors and then in turn places a portion of these bets with another gambler to balance his books. In other words, he bets with another gambler to minimize potential losses.[FN4] Whatever meaning the Congress had in mind, it certainly did not appear to include a mere bettor.

*FN4. More precisely, a “lay off” is a bet placed by one bookmaker with another bookmaker in order to achieve a more favorable ratio of wagers and in order to reduce his financial risk when one bookmaker holds excess wagers on one team.*

The Court notes that an additional term applicable to the business of gambling is “vigorish,” the percentage a bettor must pay the bookmaker on a losing wager. The parties agreed to the incorporation and meaning of this word.

Other legislative history likewise is of little help. For example, when section 1084 was proposed, Senator Kefauver asked during the hearings, “What are you going to do about private social betting ... (,) any individual at home calling up to see how a horse race went.(?)” It was then suggested that the proposed bill be amended to have it apply to gambling activities in furtherance of a business enterprise. From this it may be argued that the Senator intended that a mere social bettor not be included within the provisions of the bill. The reader, however, can only wonder at what the Senator would have said if he were asked to define “social” betting.

Representative Celler said, “This bill only gets after the bookmaker, the gambler who makes it his business to take bets or to lay off bets.” From this statement one could conclude that Representative Celler intended to cover only the typical bookmaker. However, he qualified his statement by adding, “It does not go after the casual gambler who bets \$2 on a race. That type of transaction is not within the purview of the statute.” 107 Cong.Rec. 16,534 (1961) (emphasis added). What would Representative Celler have said of one who gambled approximately \$200,000 a year with one other gambler?

Further review of the legislative history casts no clearer light on the meaning of “engaged in the business of betting or wagering.” The House Report on the bill reads:

Testimony before your Committee on the Judiciary revealed that modern bookmaking depends in large measure on the rapid transmission of gambling information by wire communication facilities. For example, at present the immediate receipt of information as to results of a horse race permits a bettor to place a wager on a successive race. Likewise, bookmakers are dependent upon telephone service for the placing of bets and for layoff betting on all sporting events.

The availability of wire communications facilities affords opportunity for the making of bets or wagers and the exchange of related information almost to the very minute that a sporting event begins.

H.R.Rep.No.967, 87th Cong., 1st Sess. (1961), reprinted in (1961) U.S.Code Cong. & Ad.News 2631, 2631-32, (emphasis added).

This last quote does indicate that the business of gambling is a bookmaking operation entailing the acceptance of bets and laying off of bets. I conclude, after considering all of the foregoing legislative history, that Congress intended the business of gambling to mean bookmaking, i.e., the taking and laying off of bets, and not mere betting. The provocative question is whether this is still the proper definition when the bettor wagers substantial sums and displays the sophistication of an expert in his knowledge of odds making. I conclude the statute simply does not cover such a situation. I find that Congress never intended to include a social bettor within the prohibition of the statute and that Congress did not contemplate prohibiting the activities of mere bettors, even where, as with Mr. Baborian, they bet large sums of money with a great deal of sophistication. Indeed, I do not see how the statute could be read otherwise. The government's interpretation of the statute would make the implication of criminality turn on the expertise of the bettor and the quantum of money wagered. I submit that these factors are not determinative of what constitutes a business.

As I see it, the legislative language indicates that “being engaged in the business of betting or wagering” requires the sale of a product or service for a fee involving third parties, i.e.,



customers and clients, or the performance of “a function which is an integral part of such business.” The defendant need not be exclusively engaged in such business. If he is an agent or employee of the business he need not share in the profits or losses of the business or receive compensation for his services, but “the function he performs must provide a regular and essential contribution to the (overall operation of) that business. If an individual performs only an occasional or nonessential service or is a mere bettor or customer, (regardless of the amount bet,) he cannot properly be said to engage in the business.” There must be a “continuing course of conduct,” and if associated with another, their joint conduct must be to achieve a common objective and purpose. *U. S. v. Scavo*, 593 F.2d 837, 842-43 (8th Cir. 1979).

The various decisions in this area are not to the contrary, but I could find no case truly on point. The government cites *Sagansky v. United States*, 358 F.2d 195, 200 (1st Cir.), cert. denied, 385 U.S. 816, 87 S.Ct. 36, 17 L.Ed.2d 55 (1966), for the proposition that section 1084 applies to a “bettor who is a professional gambler.” This statement is circular; neither does it not tell us when a bettor is a professional gambler, nor does it define “professional gambler.” Moreover, the government fails to note that, in *Sagansky*, the defendants were bookmakers, that is, they accepted bets and were clearly “engaged in the business.” As the court said,

*s 1084(a) does not punish the mere transmission of bets or wagers, but rather the “use” of interstate wire communication facilities for their transmission. When a person holds himself out as being willing to make bets or wagers over interstate telephone facilities, and does in fact accept offers of bets or wagers over the telephone as part of his business, we think it is consistent with both the language and the purpose of the statute that he has “used” the facility for the transmission of bets or wagers. Id. at 200. (emphasis added).*

Finally, the remainder of the opinion does not clarify the problem at stake in this case. The Court hypothesized:

Suppose a professional gambler used interstate wires on ten different days, but never to place more than one bet on a single day. Would he have never violated the statute? ... If a defendant is professionally engaged in making bets and wagers, one single use of interstate facilities is an offense. *Id.* at 201. (emphasis added).

In this last passage the meaning of the phrase “professionally engaged” is not discussed. It is not at all clear from this case whether a mere bettor is or is not excluded under section 1084(a).

Another decision in this area, *United States v. Anderson*, 542 F.2d 428 (7th Cir. 1976), describes certain betting activities as follows:

Their conversations involved in depth discussions of the merits of betting one side of a particular game or the other and the comparison of line information. Crews placed substantial bets with Anderson when these discussions ended. Also, Crews had on occasion used Anderson's phone to collect line information. When asked to characterize the Anderson-Crews relationship, the expert witness ... stated it was “in the nature of a partnership, a cooperating relationship where they were valuing one another's opinions and more or less working together.” *Id.* at 435. (footnote omitted).

The government argued that this was enough to establish that they were partners. The court ruled to the contrary; it reversed Crews' conviction under 1084(a). It stated that, "In the instant case there was no evidence that Crews was in the 'business of betting or wagering.'" *Id.* at 436. Crews, the defendant in this case, seems to be on a comparable footing with Baborian.

In *United States v. Marder*, 474 F.2d 1192 (5th Cir. 1973), witnesses testified, *inter alia*, that they had made numerous bets and wagers with the appellant over an extended period of time. The Fifth Circuit affirmed a s 1084 conviction with language that included the following:

*There was sufficient evidence introduced by the government to prove that (appellant) committed the first element of the offense charged which forbids the use of a wire communication facility for the transmission in interstate commerce of wagering information. In addition the burden was on the government to establish that (appellant) was in the business of gambling or in common parlance, was a "bookie."* *Id.* at 1194. (emphasis added).

Finally, in a similar manner, while addressing the meaning of the term "transmission" under s 1084(a), the Tenth Circuit noted that "the statute deals with bookmakers-'persons engaged in the business of betting or wagering.'" *United States v. Tomeo*, 459 F.2d 445, 447 (10th Cir.), cert. denied, 409 U.S. 914, 93 S.Ct. 232, 34 L.Ed.2d 175 (1972).

It must be acknowledged that these courts spoke in conclusory terms as to the "business" of gambling. However, the language does tend to indicate how they would address the issue in this case.

In *United States v. Scavo*, 593 F.2d 837 (8th Cir. 1979), the appellant was charged with a violation of s 1084(a). As proof that he was not in the gambling "business", he relied on cases interpreting 18 U.S.C. s 1955, which provides in pertinent part:

(a) Whoever conducts, finances, manages, supervises, directs, or owns all or part of an illegal gambling business shall be fined not more than \$20,000 or imprisoned not more than five years, or both.

(b) As used in this section-

(1) "illegal gambling business" means a gambling business which-

(i) is a violation of the law of a State or political subdivision in which it is conducted;

(ii) involves five or more persons who conduct, finance, manage, supervise, direct, or own all or part of such business; and

(iii) has been or remains in substantially continuous operation for a period in excess of thirty days or has a gross revenue of \$2,000 in any single day.

The court rejected such an analogy stating:

We find appellant's argument unpersuasive. The issue in the cases decided under s 1955 is whether the person providing line information has such a close, ongoing, and substantial relationship to the person receiving the information as to make them both participants in a single gambling business. In enacting s 1955, Congress did not intend to make all gambling businesses subject to federal prosecution; rather the statute was 'intended to reach only those

persons who prey systematically upon our citizens and whose syndicated operations are so continuous and substantial as to be of national concern.'

In regard to s 1084(a), however, there is nothing to indicate that Congress intended only to punish large-scale gambling businesses. The basis of federal jurisdiction underlying s 1084(a) is the use of interstate communications facilities, which is wholly distinct from the connection between large-scale gambling businesses and the flow of commerce, which provides the jurisdictional basis for s 1955. See *United States v. Sacco*, 491 F.2d 995, 999 (9th Cir. 1974). Thus, the necessary showing of interdependence between individuals involved in an illegal gambling business under s 1955 is not required under s 1084(a). Moreover, s 1084(a) is not limited to persons who are exclusively engaged in the business of betting or wagering and the statute does not distinguish between persons engaged in such business on their own behalf and those engaged in the business on behalf of others. See *Truchinski v. United States*, 393 F.2d 627, 630 (8th Cir.), cert. denied, 393 U.S. 831, 89 S.Ct. 104, 21 L.Ed.2d 103 (1968).

In *Scavo*, among the factors the court found pertinent to its conclusion that Scavo was engaged in the business of betting were the facts that Scavo furnished the bookmaker with line information on a regular basis; that such information was critical to the bookmaker's operation; and that there was a financial arrangement between the two. *Id.* at 842. Such facts are absent in the Baborian-Lauro relationship. (While Baborian discussed line information with Lauro, there was no evidence presented that showed Lauro ever relied upon Baborian to supply it.) Baborian was not a part of Lauro's business; rather, he was in the posture of a customer. Finally, I also note that the *Scavo* court, in its instructions to the jury defining the "business" of betting or wagering, pointed out that "a mere bettor or customer" cannot be said to be engaged in the business of betting or wagering. *Id.* at 842-843.

The government finds no greater support in the other cases it cites. *Katz v. United States*, 369 F.2d 130, 132 (9th Cir. 1966), rev'd on other grounds, 389 U.S. 347, 88 S.Ct. 507, 19 L.Ed.2d 576 (1967), involved a defendant who placed bets on behalf of other bettors and who was a handicapper as well. *United States v. Swank*, 441 F.2d 264, 265 (9th Cir. 1971), involved a defendant who worked closely with the bookmakers in "laying off" bets to avoid an adverse effect on the horse track odds. Nothing in that opinion addresses the issue in this case.

In short, s 1084 does not sweep within its prohibition a mere bettor. Congress never intended that the federal government should thus invade the criminal jurisdiction that properly belongs to the states. I adopt defense counsels' argument that the interpretation of s 1084(a) proffered by the government would upset this balance between state and federal law enforcement functions by drastically expanding federal criminal jurisdiction. Section 1084(a) by reaching the customer of the business would become an anomaly in the federal matrix, intruding into an area that the individual states are perfectly able to fill. As a general rule, criminal statutes must be narrowly construed. *Bell v. United States*, 349 U.S. 81 (75 S.Ct. 620, 99 L.Ed. 905) (1955); *United States v. Box*, (530 F.2d 1258, 1266 (5th Cir. 1976) ); *United States v. Bergland*, 209 F.Supp. 547 (D.Wis.1962), rev'd on other grounds, 318 F.2d 158 (159) (7th Cir.), cert. den., sub nom, *Cantrell v. United States*, 375 U.S. 861 (84 S.Ct. 129, 11 L.Ed.2d 88) (1963). This general rule applies with particular force where a broad construction would serve to push federal criminal jurisdiction into areas previously reserved to the states. Post Trial memorandum, p. 6.

Thus, I find that, on the record of this case, the defendant Robert Baborian was not engaged in the business of betting or wagering and, therefore, is not guilty of violating 18 U.S.C. s 1084.

## Defendant Lauro and 18 U.S.C. s 1084(a)

There is no question that defendant Lauro accepted wagers from Baborian as a bookmaker during the period in question, and therefore was in the business of betting or wagering. The only issue as to him is whether he knowingly used or caused to be used a telephone for the transmission in interstate commerce of bets or wagers as stated in the statute. The Court need not decide whether knowledge by the defendant of the interstate nature of a betting communication is required for a conviction under s 1084(a). See *United States v. Feola*, 420 U.S. 671, 95 S.Ct. 1255, 43 L.Ed.2d 541 (1975). The Court is persuaded beyond a reasonable doubt that Lauro knew that the bets he accepted from Baborian on December 16 originated from out of state.

A conviction of Lauro must rest on the events of December 16, 1977. An evaluation of the December 16th phone calls begins with a monitored call between Baborian and his father on December 14 at 5:55 p. m. In this conversation, Baborian, who was out of state, called his father in Rhode Island and asked him to place certain wagers with Lauro who was also in Rhode Island. At 6:34 p. m. of the same date, the father phoned Lauro and placed the bets. Unquestionably Lauro knew these wagers were being placed for Baborian; in the course of the conversation Lauro said "Well, I'm gonna call him back anyway. I might change. Those are the games he likes." The government argues from this last statement that it may be inferred that Lauro knew at that time that Baborian was out of state. I agree.

On December 16 the following four telephone calls were monitored. First, there was a 6:15 p. m. monitored conversation between father (Brian) and son (Baborian). There is no question that this call was placed by Baborian, who was out of state, to his father in Rhode Island. Baborian clearly told his father he was 10 or 15 minutes from New Haven, Connecticut. He asked his father to phone Lauro in Rhode Island and place certain bets.

Second, there was a 6:36 p. m. monitored conversation between father and Lauro. The father placed his son's bets with Lauro and, in the course of the conversation, told Lauro that his son had called him from New Haven. Lauro knew the bets placed were from Baborian.

Third, there was a 6:51 p. m. monitored conversation between father and son Baborian. Baborian told his father that he had just talked to Lauro (about bets) and had made a mistake. He asked his father to call Lauro back to verify his wagers.

Fourth, there was a 6:55 p. m. monitored conversation between father and Lauro. Lauro verified that Baborian had phoned him.

The 6:15 p. m. call clearly was from Baborian in Connecticut to his father in Rhode Island. The 6:36 p. m. call certainly alerted Lauro that the bets came from Baborian while he was out of state, i.e., in New Haven. The 6:51 p. m. call shows that, between 6:36 p. m. and 6:51 p. m., Baborian had called Lauro to place certain wagers. At this time, Lauro knew Baborian had been in New Haven at 6:36 p. m. Thus, he certainly knew that Baborian was out of state between 6:36 and 6:51 p. m. when Baborian phoned him. The 6:51 p. m. call verifies that Baborian had phoned Lauro; in the 6:55 p. m. call Lauro acknowledges as much. The interstate nature of these calls is further established by the telephone records. (Government exhibit 6).

Notes I need not dwell on whether or not the indirect relay of Baborian's out-of-state bets through his father are violative of s 1084(a), because I am convinced beyond a reasonable doubt that Lauro knew his conversation on December 16 with Baborian was interstate. In my opinion, to interpret the evidence in any other way is to strain to a fragile, meaningless filament the factual premise of this case. I take judicial notice that no one could possibly drive from New Haven, Connecticut to the Rhode Island line in the 15-minute interval between the telephone calls of 6:36 p. m. and 6:51 p. m. See Fed.R.Evid. 201.

I find that the government has proved Mr. Lauro's guilt beyond a reasonable doubt. It has shown that Lauro accepted wagers knowing that such wagers originated outside of Rhode Island, and that he was in the business of betting or wagering, as proven by the records seized from his apartment as well as by the intercepted phone conversations. Thus, I find the defendant Anthony Lauro guilty as charged.

So Ordered.

## Questions for Discussion

What does it mean to be in the business of betting wagering?

Does the federal wire act prohibit us from placing online wagers?

Does the federal wire act prohibit us from offering online sports book services from Nevada?

## WIRE COMMUNICATIONS FACILITY

593 F.2d 837, 4 Fed. R. Evid. Serv. 62

United States Court of Appeals,  
Eighth Circuit.  
UNITED STATES of America, Appellee,  
v.  
Frank SCAVO, Appellant.

Decided March 13, 1979.

Defendant was convicted in the United States District Court for the District of Minnesota, Harry H. MacLaughlin, J., of being engaged in the business of betting or wagering and knowingly using wire communication facilities for transmission in interstate commerce of information assisting in placing of bets or wagers. Defendant appealed. The Court of Appeals, Henley, Circuit Judge, held that: (1) evidence established that defendant was "engaged in the business of betting or wagering" within the meaning of the statute; (2) no error was shown in instructions to the jury; (3) defendant waived indictment; (4) a special agent was properly allowed, as an expert, to testify about defendant's role in bookmaking operation and knowledge of, and assistance to, the operation, and (5) failure to move to suppress intercepted communications prior to trial amounted to waiver of a claim that, because the court order authorizing the wiretap referred only to possible violations of one statute and not to possible violations of the statute under which defendant was prosecuted, the Government should have sought subsequent judicial approval prior to utilizing such evidence at trial. Affirmed.

HENLEY, Circuit Judge.

Frank Scavo appeals from his conviction of being engaged in the business of betting or wagering and knowingly using wire communication facilities for the transmission in interstate commerce of information assisting in the placing of bets or wagers, in violation of 18 U.S.C. s 1084(a). We affirm.

On December 20, 1976 Chief Judge Devitt of the District of Minnesota signed an order authorizing interception of communications conducted on telephones which were suspected of being used in connection with an illegal gambling business being conducted in violation of 18 U.S.C. s 1955. The investigation centered on one Dwight Mezo, who operated a substantial bookmaking business in the Minneapolis area. As a result of this investigation, appellant, along with nine others, was indicted by a grand jury and charged with conducting an illegal gambling business in violation of 18 U.S.C. s 1955. Eight of appellant's co-defendants, including Mezo, pleaded guilty and charges against a ninth codefendant were dropped.

On March 8, 1978 appellant was charged by information with use of a communications facility to transmit wagering information in violation of 18 U.S.C. s 1084(a). As a result of plea negotiations, appellant consented to having his case transferred to the District of Nevada (where he resided) for plea and sentence pursuant to Rule 20 of the Federal Rules of Criminal Procedure. There, appellant waived indictment and tendered a plea of guilty. For reasons not appearing of record, the Nevada district court rejected the plea of guilty and appellant then entered a plea of nolo contendere, which was accepted by the court. Thereafter, appellant successfully moved to withdraw his plea of nolo contendere and the case was transferred back to the District of Minnesota for trial.

At trial the government's evidence consisted principally of playing recordings of telephone conversations obtained from the court-authorized wiretaps on the telephones of Dwight Mezo. In addition, F.B.I. Special Agent William Holmes was qualified as an expert in gambling and testified about the nature of gambling operations, gambling terminology, and his opinion as to appellant's role in Mezo's bookmaking operation. He testified that appellant, then a resident of Las Vegas, provided Mezo with much-needed "line" information i. e., the odds or point spread established to equalize or induce betting on sporting events.

Appellant offered two exhibits for the purpose of showing the ready availability of line information from other sources, but introduced no other evidence. The jury returned a verdict of guilty and the district court [FN1] sentenced appellant to one year on probation. This timely appeal ensued.

*FN1. The Honorable Harry H. MacLaughlin, United States District Judge for the District of Minnesota.*

Appellant challenges his conviction on six grounds: (1) the evidence was insufficient to show a violation of 18 U.S.C. s 1084(a); (2) the court erred in its instructions to the jury; (3) the court erred in finding that appellant had waived his right to trial by indictment; (4) the court erred in admitting certain opinion testimony of Agent Holmes; (5) the court erred in denying appellant's motion to dismiss the information for noncompliance with 18 U.S.C. s 2517(5); and (6) the court erred in admitting certain hearsay testimony. We examine these claims individually.

#### A. Sufficiency of the Evidence.

Appellant first contends that the evidence was insufficient to support a conviction under 18 U.S.C. s 1084(a). The statute provides:

(a) Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of



bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined not more than \$10,000 or imprisoned not more than two years, or both.

Appellant concedes that he used a wire communication facility (the telephone) to transmit information assisting in the placing of bets or wagers. Appellant argues, however, that a person who merely provides line information is not "engaged in the business of betting or wagering."

Appellant relies on a series of cases interpreting 18 U.S.C. s 1955. This statute provides in relevant part:

(a) Whoever conducts, finances, manages, supervises, directs, or owns all or part of an illegal gambling business shall be fined not more than \$20,000 or imprisoned not more than five years, or both.

(b) As used in this section

(1) "illegal gambling business" means a gambling business which

(i) is a violation of the law of a State or political subdivision in which it is conducted;

(ii) involves five or more persons who conduct, finance, manage, supervise, direct, or own all or part of such business; and

(iii) has been or remains in substantially continuous operation for a period in excess of thirty days or has a gross revenue of \$2,000 in any single day.

A number of cases decided under this statute have held that the mere occasional exchange of line information between two individuals is insufficient to show that they are so interdependent as to be part of a single "illegal gambling business." For example, in *United States v. Guzek*, 527 F.2d 552, 557-58 (8th Cir. 1975), we said:

(T)he mere placing of bets by one bookmaker with another or the mere furnishing of line information in and of itself may not be sufficient to establish the interdependence of the bookmakers so as to fuse them into one single business for the purpose of counting each of these participants toward the five persons necessary to establish a violation of s 1955.

See also *United States v. Todaro*, 550 F.2d 1300, 1302 (2d Cir.), Cert. denied, 433 U.S. 909, 97 S.Ct. 2975, 53 L.Ed.2d 1093 (1977); *United States v. McCoy*, 539 F.2d 1050, 1062 (5th Cir. 1976),

Cert. denied, 431 U.S. 919, 97 S.Ct. 2185, 53 L.Ed.2d 230 (1977); *United States v. Leon*, 534 F.2d 667, 677 (6th Cir. 1976); *United States v. Thomas*, 508 F.2d 1200, 1206 (8th Cir.), Cert. denied sub nom. *Schullo v. United States*, 421 U.S. 947, 95 S.Ct. 1677, 44 L.Ed.2d 100 (1975). But cf. *United States v. Campagnuolo*, 556 F.2d 1209, 1211 (5th Cir. 1977). Appellant contends that the phrase “conduct(ing) . . . an illegal gambling business” used in s 1955 is synonymous with the phrase “being engaged in the business of a betting or wagering” used in s 1084(a) and thus the cases decided under s 1955 should also apply to alleged violations of s 1084(a).

We find appellant's argument unpersuasive. The issue in the cases decided under s 1955 is whether the person providing line information has such a close, ongoing, and substantial relationship to the person receiving the information as to make them both participants in a single gambling business. In enacting s 1955, Congress did not intend to make all gambling businesses subject to federal prosecution; rather the statute was “intended to reach only those persons who prey systematically upon our citizens and whose syndicated operations are so continuous and so substantial as to be of national concern . . . .” H.R.Rep.No.1549, 91st Cong. 2d Sess. (1970), Reprinted in (1970) U.S.Code Cong. & Admin.News, pp. 4007, 4029. See also *United States v. Box*, 530 F.2d 1258, 1264-65 (5th Cir. 1976). The cases relied upon by appellant merely reflect a judicial sensitivity to the limited purpose of Congress in enacting s 1955.

In regard to s 1084(a), however, there is nothing to indicate that Congress intended only to punish large-scale gambling businesses. The basis of federal jurisdiction underlying s 1084(a) is the use of interstate communications facilities, which is wholly distinct from the connection between large-scale gambling businesses and the flow of commerce, which provides the jurisdictional basis for s 1955. See *United States v. Sacco*, 491 F.2d 995, 999 (9th Cir. 1974). Thus, the necessary showing of interdependence between individuals involved in an illegal gambling business under s 1955 is not required under s 1084(a). Moreover, s 1084(a) is not limited to persons who are exclusively engaged in the business of betting or wagering and the statute does not distinguish between persons engaged in such business on their own behalf and those engaged in the business on behalf of others. See *Truchinski v. United States*, 393 F.2d 627, 630 (8th Cir.), Cert. denied, 393 U.S. 831, 89 S.Ct. 104, 21 L.Ed.2d 103 (1968).

Although we reject appellant's blanket assertion that suppliers of line information are outside the scope of s 1084(a), we must nevertheless determine whether the government introduced evidence sufficient to show that appellant was “engaged in the business of betting and wagering.” At trial, the government proceeded on the theory that appellant was part of Mezo's bookmaking business and on this aspect of the case the authorities relied upon by appellant are relevant to a prosecution under s 1084(a). They are not controlling, however, because the evidence adduced showed more than a mere occasional exchange of line information between appellant and Mezo.

Viewed in the light most favorable to the government, the evidence showed that appellant furnished line information to Mezo on a regular basis; that Mezo relied on this information;

that some sort of financial arrangement existed between appellant and Mezo; [FN2] that appellant was fully aware of Mezo's bookmaking operation; [FN3] and that accurate and up-to-date line information is of critical importance to any bookmaking operation.

*FN2. In a telephone conversation of December 21, 1976 Mezo told appellant that "Rodney" (apparently co-defendant Rodney Scott Smith) would be going to Las Vegas and would bring appellant "the money." In a telephone conversation of December 24, 1976 Mezo told appellant that he would give appellant "the money" when appellant arrived at Minneapolis.*

*FN3. On one occasion, appellant flew from Las Vegas to Minneapolis. During that time, he was present at the place where Mezo conducted the bookmaking operation. Appellant answered the phone at this place, and he used Mezo's phone to contact an associate in Las Vegas in an attempt to procure line information for Mezo's use.*

Given this evidence, we conclude that the government has shown that appellant was an important part of the Mezo bookmaking operation and that appellant was indeed "engaged in the business of betting or wagering" within the meaning of s 1084(a).

#### B. The Court's Instructions.

Appellant contends that the court made two errors in instructing the jury. First, he claims that the court erred in refusing to give the following instruction in relation to the elements of the offense under s 1084(a):

That defendant must have been aware of the statute in question; that he must have known that he was violating the law in providing the line information before he can be found guilty of the offense charged.

Appellant contends that such a specific intent instruction is mandated by *Cohen v. United States*, 378 F.2d 751 (9th Cir.), Cert. denied, 389 U.S. 897, 88 S.Ct. 217, 19 L.Ed.2d 215 (1967). In *Cohen*, the court held that Congress intended knowledge of the statutory prohibition to be an element of the offense under s 1084(a), but also held that there is a rebuttable presumption that the accused in fact had knowledge of the law. 378 F.2d at 757.

The parties have not cited, nor has our independent research disclosed, any other case which has accepted the *Cohen* rationale. Indeed, in a subsequent case, the Ninth Circuit, in a brief per curiam opinion, upheld a conviction under s 1084 against a challenge that the defendant had no intent to commit a violation of federal law. See *United States v. Swank*, 441 F.2d 264, 265 (9th Cir. 1971).

Given the facts of this case, we have no occasion to decide whether *Cohen* correctly states the law. In *Cohen*, the court approved the following instruction:

Unless and until outweighed by evidence in the case to the contrary, the presumption is that every person knows what the law forbids and what the law requires to be done.

378 F.2d at 756 n.5. In the instant case, the record is devoid of any evidence from which it could be inferred that appellant acted because of ignorance of the law. Thus, there was nothing to rebut the presumption approved in Cohen, and failure to give a specific intent instruction, if error at all, was harmless.

Appellant's second contention relates to the instruction defining the phrase "engaged in the business of betting or wagering." Appellant offered, and the court rejected, an instruction limiting application of this phrase to "bookmakers" I. e., persons who accept, exchange, or lay off bets. Instead, the court instructed the jury as follows:

The first of these essential elements that the government must prove is that the defendant engaged in the business of betting or wagering if and when he used the wire communications facility. The term "business" is to be applied according to its usual and ordinary meaning.

An individual engages in the business of betting or wagering if he regularly performs a function which is an integral part of such business. The individual need not be exclusively engaged in the business nor must he share in the profits or losses of the business. He may be an agent or employee for another person's business, but the function he performs must provide a regular and essential contribution to that business. If an individual performs only an occasional or nonessential service or is a mere bettor or customer, he cannot properly be said to engage in the business.

A business enterprise usually involves a continuing course of conduct by persons associated together for a common purpose.

We find no error in the court's instruction, which is in accord with the law in this circuit. See *Truchinski v. United States*, supra, 393 F.2d at 630.

### C. Waiver of Indictment.

Appellant claims that the trial court erred in overruling his motion to dismiss the information made just prior to the selection of the jury. The crux of appellant's argument is that his waiver of indictment filed in the Nevada district court was not knowingly made because he was unaware that his waiver of indictment was effective even though the plea agreement between himself and the United States was not accepted by the district court. In other words, appellant appears to contend that his waiver of indictment was part and parcel of the rejected plea agreement and that the failure of the plea agreement voided his waiver of indictment.

We reject appellant's contention. We begin by noting that we have serious doubts whether this claim was properly raised below. Appellant did not move to withdraw his waiver of indictment prior to trial. He made no objection to proceeding by way of information until just before the jury was selected and, even then, the question now presented on appeal was only obliquely suggested.

Even assuming that appellant adequately preserved his objection, however, we find his claim to be without merit. The record is entirely barren of any suggestion that the waiver of indictment was conditioned upon the acceptance of the plea agreement by the district court. The waiver, signed by appellant and his former counsel in open court, is unequivocal on its face. The memorandum of the plea agreement submitted to the Nevada district court by the Las Vegas Strike Force Office does not indicate that the waiver was a part of the plea agreement. In addition, appellant's motion to withdraw his nolo contendere plea in Nevada contained no mention of his waiver of indictment. Indeed, the motion affirmatively indicated that, if the court allowed the plea to be withdrawn, the case should be transferred back to the District of Minnesota for trial.

Finally, we note that the mere fact that a district court allows a guilty plea (or in this case a plea of nolo contendere) to be withdrawn does not compel the withdrawal of a waiver of indictment entered in conjunction with that plea. *Bartlett v. United States*, 354 F.2d 745, 749 (8th Cir.), Cert. denied, 384 U.S. 945, 86 S.Ct. 1471, 16 L.Ed.2d 542 (1966). Cf. *United States v. Hammerman*, 528 F.2d 326, 332 (4th Cir. 1975). In addition, a waiver of indictment entered in conjunction with a Rule 20 transfer in a district other than the district where the offense occurred is nonetheless effective in the latter district. *Boyes v. United States*, 298 F.2d 828, 830 (8th Cir.), Cert. denied, 370 U.S. 948, 82 S.Ct. 1595, 8 L.Ed.2d 814 (1962).

In view of all these considerations, we hold that the district court properly concluded that appellant effectively waived his right to indictment.

#### D. Expert Testimony.

Appellant next contends that the district court erred in allowing Special Agent Holmes to give certain opinion testimony. Appellant does not contest Agent Holmes' qualifications as an expert in the field of gambling; rather, he contends that Agent Holmes' testimony "invaded the province of the jury." Specifically, he objects to Holmes' testimony about his role in Mezo's bookmaking operation and his knowledge of, and assistance to, Mezo's operation.

We reject appellant's contention of error. Rule 704 of the Federal Rules of Evidence provides:

Testimony in the form of an opinion or inference otherwise admissible is not objectionable because it embraces an ultimate issue to be decided by the trier of fact.

One purpose of the Federal Rules of Evidence was to make opinion evidence admissible if it would be of assistance to the trier of fact. Rule 704 is consistent with this purpose by doing away with the "ultimate issue" rule, a rule which Professor Wigmore aptly characterized as "empty rhetoric." 7 J. Wigmore, *Evidence* s 1920 at 17 (3d ed. 1940).

Rule 704 does not, of course, render all expert testimony admissible. Expert testimony must still meet the criterion of helpfulness expressed in Rule 702 and is also subject to exclusion under Rule 403 if its probative value is substantially outweighed by the risks of unfair prejudice, confusion or waste of time. 3 J. Weinstein & M. Berger, *Weinstein's Evidence P 704(01)* at 704-9 (1978).

Judged under these standards, Agent Holmes' testimony was properly admitted. The structure of a gambling enterprise is not something with which most jurors are familiar. In addition, the business employs a jargon foreign to all those who are not connected with the business. The latter consideration assumes particular importance in a case, such as this one, where the prosecution's evidence consists largely of tape recorded conversations. These conversations, which are at times virtually incomprehensible to the layman, are fraught with meaning to a person familiar with gambling enterprises.

Accordingly, we conclude that Agent Holmes' concededly relevant expert opinion would be helpful to the jury and was thus admissible under Rule 702. Any possibility of undue prejudice was removed by the trial court's careful instructions regarding the juror's role in deciding the facts and weighing the credibility of witnesses, including expert witnesses.

#### E. Noncompliance with 18 U.S.C. s 2517(5).

Appellant next contends that the trial court erred in allowing the jury to hear the tape recordings of telephone conversations obtained through the wiretap of Mezo's telephone. Specifically, appellant contends that the court order authorizing the wiretap referred only to possible violations of 18 U.S.C. s 1955 and not to possible violations of 18 U.S.C. s 1084(a). Thus, because the wiretap authorization referred to a separate and distinct offense from that on which appellant was tried, he contends that 18 U.S.C. s 2517(5) required the government to seek subsequent judicial approval prior to utilizing this evidence at trial. Because no such authorization was sought, appellant contends that the information charging a s 1084(a) violation should have been dismissed.

Appellant did not raise the issue of noncompliance with s 2517(5) until after the parties had rested at trial. Section 2518(10) of Title 18, which governs motions to suppress intercepted communications, provides that "(s)uch motion(s) shall be made before the trial, hearing or proceeding unless there was no opportunity to make such motion or the person was not aware of the grounds of the motion." Appellant does not contend that he lacked the opportunity to

move to suppress prior to trial, nor does he allege ignorance of the grounds of the motion. Accordingly, his failure to move to suppress the conversations prior to trial amounts to a waiver of the claim of noncompliance with s 2517(5). See, e. g., *United States v. Johnson*, 176 U.S.App.D.C. 179, 188, 539 F.2d 181, 190 (1976), Cert. denied, 429 U.S. 1061, 97 S.Ct. 784, 50 L.Ed.2d 776 (1977); *United States v. Sisca*, 503 F.2d 1337, 1349 (2d Cir.), Cert. denied, 419 U.S. 1008, 95 S.Ct. 328, 42 L.Ed.2d 283 (1974).

#### F. Co-Conspirator Testimony.

Appellant's final ground for reversal is that the trial court erred in allowing the jury to hear tape recordings of conversations between Mezo and other bookmakers, customers, etc. Appellant contends that this evidence was inadmissible hearsay. The government responds that the statements were admissions of co-conspirators and thus admissible under Rule 801(d)(2)(E) of the Federal Rules of Evidence.

We agree with the government. The district court made the appropriate findings regarding the existence of a conspiracy required by *United States v. Bell*, 573 F.2d 1040 (8th Cir. 1978), and our examination of the record shows that the finding has abundant support. Accordingly, the evidence was properly admitted.[FN4]

*FN4. The co-conspirator admission exception embodied in Rule 801(d)(2)(E) applies to cases, like the one at bar, in which the defendant is not formally charged with conspiracy. United States v. Richardson*, 477 F.2d 1280, 1283 (8th Cir.), Cert. denied, 414 U.S. 843, 94 S.Ct. 104, 38 L.Ed.2d 82 (1973). See generally 4 J. Weinstein & M. Berger, *Weinstein's Evidence P 801(d)(2)(E)(01) at 801-141 & n.3* (1978).

The judgment of conviction is affirmed.

## Interstate or Foreign Transmission

**204 F. Supp. 276**

**UNITED STATES of America, Plaintiff,<sup>[SEP]</sup> v. <sup>[SEP]</sup> Carl YAQUINTA, Philip Joseph Hankish, Howard Oscar Allen, Albert Downing, Nick Vukovich, and Louis Gresko, Defendants.**

**No. 7340.**

**United States District Court N. D. West Virginia, at Wheeling.**

**May 1, 1962.**

Robert E. Maxwell, U. S. Atty., John H. Kamlowsky, Asst. U. S. Atty., John P. Diuguid, Sp. Counsel, Department of Justice, for plaintiff.

[204 F. Supp. 277]

Gilbert S. Bachmann, Wheeling, W. Va., for defendants Vukovich and Gresko.

Arch W. Riley, Riley & Riley, James A. Byrum, Wheeling, W. Va., for defendants Yaquinta, Hankish, Allen and Downing.

CHARLES F. PAUL, District Judge.

Count One of the indictment charges all six defendants with conspiracy to violate Title 18, United States Code § 1084. Counts Two and Three of the indictment charge all of the defendants, as principals and accessories, with the substantive offenses of violating said § 1084 on December 4, 1961, and December 6, 1961, respectively. All defendants have moved to dismiss the indictment with respect to the charged offenses.

Language contained in the indictment, supplemented by the bills of particulars filed by the Government, reveals the following claimed state of facts:

The defendants Allen and Downing conducted a book-making shop for off-track wagering on horse races, in Wheeling, West Virginia. The defendants Vukovich and Gresko conducted a similar and related book-making shop in Weirton, West Virginia. Part of the business of the two shops was taking bets and wagers on the results of horse races run at Waterford Park, near Chester, West Virginia. The defendant Hankish attended the races at the track, and, by means of a portable radio transmitter or walkie-talkie, broadcast the results of the races. The defendant Yaquinta was stationed in a housetrailer at Arroyo, West Virginia, a short distance from the track, where he received the information broadcast by Hankish on a radio receiving set. Immediately after reception of the information, Yaquinta relayed the information, by long-distance telephone, to the bookie shops in Weirton and Wheeling. To the knowledge of all defendants, the lines of the Telephone Company crossed the river, which is the border between West Virginia and Ohio, to the East Liverpool, Ohio, exchange of the Telephone Company. On



the calls, the connection with the receiving ends was made by the operator at East Liverpool, through circuits connecting with Weirton and Wheeling.

The pertinent portions of § 1084, which was enacted September 13, 1961, are as follows:

"(a) Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate \* \* \* commerce of \* \* \* information assisting in the placing of bets or wagers on any sporting event \* \* \*, shall be fined not more than \$10,000 or imprisoned not more than two years, or both."

The defendants contend that the congressional intent expressed in the statute was not to make criminal the use of an interstate wire transmission facility to carry messages emanating from a point in West Virginia to receiving points, also in West Virginia, no matter how many other States the electrical impulses, carried by the wires, traversed.

Parimutuel betting at licensed race tracks, of which Waterford Park is one, is legal in West Virginia; off-track betting is not. The statute, as far as is known, has not yet been construed. The "purpose" of the statute is succinctly stated in Report No. 588 of the Senate Judiciary Committee of the 87th Congress, on July 24, 1961, as "\* \* \* to assist the several States in the enforcement of their laws pertaining to gambling and to aid in the suppression of organized gambling activities by restricting the use of wire communication facilities." Both in oral argument and on brief, defendants' counsel have stated that "unquestionably Congress has the power to regulate all traffic in interstate commerce, and in recent years has shown little hesitancy to exercise such power. Thus, defendants concede that Congress could, if it wished, enact legislation sufficiently broad to cover the facts of the instant case. The question is whether § 1084 is so designed." The problem then is that often encountered but still

[204 F. Supp. 278]

esoteric one of "discovering" the congressional intent.

Counsel have endeavored to be helpful by drawing analogies between the question presented by § 1084 and other Acts of Congress in cases both criminal and civil, where transportation, travel or transmission between two points in the same State crossed, enroute, the borders of another State, including the following:

(1) The provisions of Title 18 § 1951, in which, in sub-section (b) (3),

the Hobbs Act defines commerce, for the purposes of the anti-racketeering objectives of the Act, to include "all commerce between points within the same State through any place outside such State \* \* \*."

(2) *United States v. Winkler*, W.D. Tex.1924, 299 F. 832 (interstate transportation of stolen vehicle).

(3) *United States v. Erie R. Co.*, N.J. 1909, 166 F. 352 (penalties of the Safety Appliance Act).

(4) *Western Union Telegraph Co. v. Speight*, 254 U.S. 17, 41 S.Ct. 11, 65 L.Ed. 104 (telegram from point to point in the same State, passing through another). To the same effect a long list of decisions of State courts under The Communications Act (Title 47 U.S.C.A.) are cited, beginning with *Western Union Telegraph Co. v. Mahone*, 1917, 120 Va. 422, 91 S.E. 157.1

(5) *Cornell Steamboat Co. v. United States*, 1944, 321 U.S. 634, 64 S.Ct. 768, 88 L.Ed. 978 (water transportation between points in a single State, passing through territorial waters of another).

(6) *Yohn v. United States*, 2 Cir., 1922, 280 F. 511 (theft from interstate railroad shipment).

(7) *Michael v. United States*, 7 Cir., 1925, 7 F.2d 865 (rail shipment).

(8) *United States v. Delaware Lackawanna R. Co.*, S.D.N.Y.1907, 152 F. 269 (rebates on rail shipments).

Although § 1084 does not attempt federal preemption of the crime of gambling, some analogies can be drawn from the following cases which deny State jurisdiction where the State lines have been crossed: *Roundtree v. Terrell*, N.D.Tex. 1938, 22 F.Supp. 297; *Central Greyhound Lines v. Mealey*, 1948, 334 U.S. 653, 68 S.Ct. 1260, 92 L.Ed. 1633; *Missouri Pacific R. Co. v. Stroud*, 1925, 267 U.S. 404, 45 S.Ct. 243, 69 L.Ed. 683.

As against the above cases, defense counsel have cited *United States v. Wilson*, D.C.Tenn.1920, 266 F. 712. This case involved a Mann Act charge in which the transportation was from Nashville to another point in Tennessee, on a train which passed through a portion of the State of Alabama. The District Court sustained a motion to dismiss the indictment, pointing out that the Act defined interstate commerce by the words "shall include transportation from any State or Territory \* \* \* to any other State or Territory." and held that that definition did not fit the charge in the indictment. No such restrictive definition applies to § 1084.

While the cases, construing different statutes and under differing circumstances, are not particularly helpful, they do make it abundantly clear that the intermediate crossing of a State line provides enough of a peg of interstate commerce to serve as a resting place for the congressional hat, if that will serve the congressional purpose. The congressional purpose here is very frankly elucidated in the Attorney General's letter to the branches of the Congress, dated April 6, 1961, in which he says,

"The purpose of this legislation is to assist the various States \* \* \* in the enforcement of their laws pertaining to gambling, bookmaking, and like offenses and to aid in the suppression of organized gambling activities by prohibiting the use of \* \* \* wire communication facilities which are or will be used for the transmission of certain gambling information in interstate \* \* \* commerce. \* \* \*"

"Modern bookmaking depends in large measure on the rapid transmission of gambling information by wire communication facilities. For example, at present the immediate receipt of information as to the results of a horserace permits a bettor to place a wager on a succeeding race."

Both the congressional committees which reported this legislation favorably and the Attorney General's office which sponsored it have made it abundantly clear that the evil under attack is illegal gambling, and that the legislative purpose is to assist the States in the enforcement of their laws. The use of the commerce clause is the occasion rather than the reason for invoking federal jurisdiction. West Virginia needs just as much help in the enforcement of its anti-gambling statutes when the information which assists their violation comes from another point in West Virginia, as it does when that information comes from an adjoining or distant State. Admittedly, the federal government is without power to render such assistance unless an instrumentality of interstate commerce is employed, but, also admittedly, it has the power when such an instrumentality is employed. I find no evidence of the spirit of abnegation on the part of the Congress in the legislative history surrounding this enactment. The defendants urge that the evil attacked is "multi-state" organizational and professional gambling, but I cannot read into the Act a limitation which would so restrict its effect.

Defendants' counsel call attention to the following paragraph in the House Judiciary Report, explaining the exemption in sub-section (b) with regard to the transmission of gambling information from a State where the placing of bets and wagers on a sport is legal, to a State where betting (such as off-track betting) on the event is legal:

"For example, in New York State parimutuel betting at a racetrack is authorized by State law. Only in Nevada is it lawful to make and accept bets on the race held in the State of New York where parimutuel betting at a racetrack is authorized by law. Therefore, the exemption will permit the transmission of information assisting in the placing of bets and wagers from

New York to Nevada. On the other hand, it is unlawful to make and accept bets in New York State on a race being run in Nevada. Therefore, the transmission of information assisting in the placing of bets and wagers from Nevada to New York would be contrary to the provisions of the bill."

Defendants' counsel argue that since, in the transmission of the messages from New York to Nevada, the transmission lines traverse many States where off-track betting is illegal, and must pass through telephone exchanges in those States, the framers of the Act did not intend to make the incident of the locations of the telephone exchanges of legal significance. The argument loses sight of the fact that the objective of the Act is not to assist in enforcing the laws of the States through which the electrical impulses traversing the telephone wires pass, but the laws of the State where the communication is received. To mix a metaphor, the telephone wire may seem a slender thread on which to hang the federal crime, but it is a substantial part of the web in which these defendants seem to be caught.

The motions to dismiss are denied.

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Notes:

**1** These cases, while civil in nature, have some pertinency because they make use of the definition of "wire communication" or "communication by wire", as contained in § 153 of Title 47, U.S.C.A. — The Communications Act. In referring to the amendment of § 1081 of Title 18, defining "wire communication facility", as used in § 1084, Report No. 967 of the House Judiciary Committee of the 87th Congress, dated August 17, 1961, in the "Sectional Analysis". is as follows:

"The first section of the bill amends § 1081 of Title 18, United States Code, by adding to that section of the chapter on gambling a new definition. The definition is that of 'wire communication facility', and as defined, is similar to the definition of 'wire

communication' or `communication by wire', as defined in § 153 of Title 47, United States Code 47 U.S. C.A. § 153 — The Communications Act."

## Wagering Subject Matter

As set forth above, the Federal Wire Act applies to *the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest.*

### The District Court Opinion

132 F.Supp.2d 468,

United States District Court,E.D. Louisiana.

In re MASTERCARD INTERNATIONAL INC., INTERNET GAMBLING LITIGATION, and Visa International Service Association Internet Gambling Litigation

This Document Relates to All Actions  
Nos. CIV. A. MDL1321, CIV. A. MDL1322.

Feb. 23, 2001.

Gamblers filed class action complaints on behalf of themselves and others similarly situated against certain credit card companies and issuing banks based on defendants' alleged illegal involvement with the internet gambling industry. Upon defendants' motions to dismiss Racketeer Influenced and Corrupt Organizations Act (RICO) claims, the District Court , Duval, J., held that: (1) gamblers failed to plead violation of state law as predicate act; (2) since Wire Act did not prohibit internet casino gambling or credit card companies' and issuing banks' association therewith, there could be no mail or wire fraud serving as predicate acts under RICO; (3) gamblers failed to allege a RICO enterprise consisting of internet gambling casinos and defendant credit card companies and issuing banks; (4) gamblers failed to allege that defendant credit card companies and issuing banks satisfied the operation or management test for liability under RICO; and (5) gamblers could not pursue civil remedies under RICO due to their inability to plead proximate causation.

Motions granted.

### ORDER AND REASONS

DUVAL, District Judge.

...

Presently before the Court are Rule 12(b)(6) motions to dismiss for failure to state a claim upon which relief can be granted and Rule 19 motions for joinder or dismissal for non-joinder filed by MasterCard International Inc. (record

documents 19 & 20), Fleet Bank and Fleet Credit Card Services (record document 21), Visa International Services Association (record documents 17 & 18), and Travelers Bank (record document 16). These motions have been filed in accordance with the Court's multidistrict litigation management order entered June 14, 2000 and are limited to defendants' liability under federal law, namely the Racketeer Influenced and Corrupt Organizations Act ("RICO"), found at 18 U.S.C. § 1961 et seq. The Court heard oral argument on the motions on September 13, 2000 and has considered the pleadings, memoranda and relevant law and finds that the motions to dismiss shall be granted for the reasons that follow.

The Court will analyze the Rule 12(b)(6) motions as follows:

- I. Background
- II. Standard for Motion to Dismiss
- III. The Racketeer Influenced and Corrupt Organizations Act ("RICO"), Generally
- IV. Elements Common to All RICO claims
  - A. The Existence of a RICO Person
  - B. The Alleged Pattern of Racketeering Activity
    1. Alleged Predicate Acts Under State Law
      - a. New Hampshire Law
      - b. Kansas Law
    2. The Wire Act, 18 U.S.C. § 1084
    3. Mail Fraud, 18 U.S.C. § 1341 and Wire Fraud, 18 U.S.C. § 1343
    4. Other Federal Laws
    5. Collection of Unlawful Debt
  - C. Enterprise
    1. Generally
    2. Existence Separate and Apart From the Pattern of Racketeering Activity
    3. An Ongoing Organization with a Hierarchical or Consensual Decision Making Structure
- V. Additional Elements Discrete to 18 U.S.C. § 1962(c)
  - A. Conduct
  - B. Person/Enterprise Distinctness
- VI. Aiding and Abetting Liability under 18 U.S.C. § 1962(c)
- VII. Standing to Assert a Civil RICO Claim under 18 U.S.C. § 1964 for Violations of 18 U.S.C. § 1962(c)

The Rule 12(b)(6) Motions

#### I. Background

The factual and legal allegations by plaintiffs in each of the two actions before the Court are nearly identical; therefore, the Court will set out the factual background in the form of a single narrative and indicate where the factual allegations or legal theories diverge. For purposes of this motion, the following are taken as true.

Larry Thompson ("Thompson") and Lawrence Bradley ("Bradley") (together referred to as "plaintiffs") filed class action complaints on behalf of themselves and others similarly situated against certain credit card companies and issuing

banks for those entities alleged illegal involvement with the internet gambling industry. Named as defendants by Thompson are MasterCard International, Inc. ("MasterCard"), Fleet Bank and Fleet Credit Card Services ("Fleet"). Those named as defendants by Bradley are Visa International Service Association ("Visa") and Travelers Bank USA Corp ("Travelers").

Plaintiffs' class action complaints allege that defendants have violated several federal and state laws with respect to defendants' involvement with internet casinos. Plaintiffs argue that defendants' actions constitute a pattern of racketeering activity in violation of the Racketeer Influenced and Corrupt Organizations Act, found at 18 U.S.C. §§ 1961 -1968.

As the internet breaks down the geographic and temporal walls that once restricted the flow of information and commerce, plaintiffs argue that several illegitimate businesses have used the medium to further their illegal industries....

...  
In support of these accusations, plaintiffs contend that the defendants' services support "the internet casinos... in foreign countries where their presence may be legal" but that they also "actively directed, participated in and aided and abetted [the casinos] bookmaking activities in the United States where they are not legal." Bradley Complaint at ¶ 39, Thompson Complaint at ¶ 35. Thompson supports this accusation by alleging that employees of MasterCard attended an on-line gaming seminar and gave an impromptu presentation explaining MasterCard's role in the internet gambling system. Thompson Complaint at ¶ 40. Bradley supports his claim by alleging that Visa had detailed procedures in place to handle internet gambling transactions. Bradley Complaint at ¶¶ 45-49. It is plaintiffs' contention that the credit card companies know the exact nature of each transaction processed through their international payment system and continue to allow internet gamblers to use their credit cards when defendants knew that internet gambling debts were allegedly illegal. Bradley Complaint at ¶¶ 41-42, Thompson Complaint at ¶¶ 36-37. Plaintiffs do not allege that the defendants received or transmitted any bets or that they have an ownership interest in the online casinos.

Plaintiffs bring their suits under 18 U.S.C. § 1964(c) arguing that the defendants have violated 18 U.S.C. § 1962(c) as well as state law. Plaintiffs support these causes of action with several claims that depend upon a finding that internet gambling is illegal under state and/or federal law, as well as causes of action for mail fraud and wire fraud. With these facts in mind the Court turns to the relevant legal standards.

## II. Standard for Motion to Dismiss

...

## III. RICO Generally

...

## IV. Elements Common to All RICO Claims



...

## B. Pattern of Racketeering Activity

As stated above, a prerequisite to the RICO action is that there be a pattern of racketeering activity...

In this case, plaintiffs' allegations arise under sections 1961(1)(A) and 1961(1)(B). Plaintiffs' (1)(A) allegations are that the defendants violated gambling laws that are chargeable under state law and punishable by imprisonment of more than one year. In plaintiff Thompson's case, he alleges violations of Kan. Stat. Ann. §§ 60-1704 , 21-4302 , 21-4304 and 21-3104. In plaintiff Bradley's case, he alleges violations of N.H.Rev.Stat. Ann. §§ 491:22 , 338:1 , 338:2 and 338:4. As to their claims under § 1961(1)(B) , plaintiffs claim violations of 18 U.S.C. § 1084(a) ("The Wire Act"); 18 U.S.C. § 1952 ("The Travel Act"); 18 U.S.C. § 1955 (Prohibition of Illegal Gambling Business); 18 U.S.C. § 1957 (Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity); and 18 U.S.C. § 1960 (Prohibition of Illegal Money Transmitting Business). There are currently no federal statutes addressing Internet gambling.

It is the defendants' argument that both plaintiffs failed to sufficiently allege a violation of any predicate act listed in the complaint. As such they argue that plaintiffs cannot satisfy a RICO prerequisite and that plaintiffs' case should be dismissed accordingly. Plaintiffs' response is that internet gambling violates the several federal and state statutes as alleged in the complaint. Thus, in order to establish that plaintiffs' have established a crucial RICO prerequisite, the Court turns to the alleged underlying offenses.

### 1. State Law Claims...

### 2. The Wire Act

When interpreting a statute, a court looks first to the language of the statute. *Richardson v. United States*, 526 U.S. 813, 818, 119 S.Ct. 1707, 1710, 143 L.Ed.2d 985 (1999). "Courts in applying criminal laws generally must follow the plain and unambiguous<sup>480</sup> meaning of the statutory language." *Salinas v. United States*, 522 U.S. 52, 57, 118 S.Ct. 469, 474, 139 L.Ed.2d 352 (1997). "[O]nly the most extraordinary showing of contrary intentions in the legislative history will justify a departure from that language." *Id.*

The Wire Act, found at 18 U.S.C. § 1084 provides in pertinent part as follows, (a) Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under his title or imprisoned....

18 U.S.C. § 1084(a) (emphasis added). Section (b) of the statute carves out an exception to the rule, instructing that the Wire Act shall not “be construed to prevent the transmission in interstate or foreign commerce of information for use in news reporting of sporting events or contests” from a state or country where betting on the sporting event or contest is legal to another state or country where “such betting is legal.” 18 U.S.C. § 1084(b) (emphasis added).

The defendants argue that plaintiffs' failure to allege sports gambling is a fatal defect with respect to their Wire Act claims, while plaintiffs strenuously argue that the Wire Act does not require sporting events or contests to be the object of gambling. However, a plain reading of the statutory language clearly requires that the object of the gambling be a sporting event or contest. Both the rule and the exception to the rule expressly qualify the nature of the gambling activity as that related to a “sporting event or contest.” See 18 U.S.C. §§ 1084(a) & (b). A reading of the caselaw leads to the same conclusion. See *United States v. Kaczowski*, 114 F.Supp.2d 143, 153 (W.D.N.Y.2000) (Wire Act “prohibits use of a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest”); *United States v. Sellers*, 483 F.2d 37, 45 (5th Cir.1973)(overruled on other grounds in *United States v. McKeever*, 905 F.2d 829 (5th Cir.1990) (“the statute deals with bookmakers”); *U.S. v. Marder*, 474 F.2d 1192, 1194 (5th Cir.1973) (first element of statute satisfied when government proves wagering information “relative to sporting events”).

As the plain language of the statute and case law interpreting the statute are clear, there is no need to look to the legislative history of the Act as argued by plaintiffs. See *In re Abbott Laboratories*, 51 F.3d 524, 528 (5th Cir.1995). However, even a summary glance at the recent legislative history of internet gambling legislation reinforces the Court's determination that internet gambling on a game of chance is not prohibited conduct under 18 U.S.C. § 1084. Recent legislative attempts have sought to amend the Wire Act to encompass “contest[s] of chance or a future contingent event not under the control or influence of [the bettor]” while exempting from the reach of the statute data transmitted “for use in the new reporting of any activity, event or contest upon which bets or wagers are based.” See S.474, 105th Congress (1997). Similar legislation was introduced the 106th Congress in the form of the “Internet Gambling Prohibition Act of 1999.” See, S. 692, 106th Congress (1999). That act sought to amend Title 18 to prohibit the use of the internet to place a bet or wager upon “a contest of others, a sporting event, or a game of chance...” *Id.* As to the legislative intent at the time the Wire Act was enacted, the House Judiciary Committed Chairman explained that “this particular bill involves the transmission of wagers or bets and layoffs on horse \*481 racing and other sporting events.” See 107 Cong. Rec. 16533 (Aug. 21, 1961). Comparing the face of the Wire Act and the history surrounding its enactment with the recently proposed legislation, it becomes more certain that the Wire Act's prohibition of gambling activities is restricted to the types of events enumerated in the statute, sporting events or contests. Plaintiffs' argument flies in the face of the clear wording of the Wire Act and is more appropriately directed to the legislative branch than this Court.

In the context of a Rule 12(b)(6) motion, then, the Court must look to the allegations in the complaints to determine if “the complaint lacks an allegation regarding a required element necessary for relief.” *Blackburn v. City of Marshall*, 42 F.3d 925, 931 (5th Cir.1995) citing 2A Moore's Federal Practice, ¶ 12.07[2.-5] at 12-91; *Conley v. Gibson*, 355 U.S. 41, 45-46, 78 S.Ct. 99, 102, 2 L.Ed.2d 80 (1957). The parties make several allegations that they placed bets at internet casino sites. See e.g., Thompson complaint at ¶¶ 24, 25, 54, Bradley complaint at ¶¶ 24, 26. Plaintiffs fail to allege the identity of the games that they played, i.e. games of chance or sports related games. Pleading such matters is critical when their right to relief hinges upon the determination of whether Internet casino gambling is legal. That being said, the Court cannot simply assume that plaintiffs bet on sporting events or contests when they make no such allegation in their otherwise extremely thorough complaints.

The sole reference to “sports betting” is a conclusory allegation that the alleged enterprise engaged in sports betting. See Bradley petition at ¶ 88, Thompson petition at ¶ 77. However, nowhere does either plaintiff allege personal participation in sports gambling. Such an allegation is not enough to survive a motion to dismiss where there is no claim that plaintiffs themselves, or the defendants they have sued, participated in sports gambling. Since plaintiffs have failed to allege that they engaged in sports gambling, and internet gambling in connection with activities other than sports betting is not illegal under federal law, plaintiffs have no cause of action against the credit card companies or the banks under the Wire Act.

### 3. Mail and Wire Fraud

Plaintiffs also allege violations of the federal mail and wire fraud statutes...

...

Since the Court finds that the Wire Act does not prohibit internet casino gambling or defendants' association therewith, there can be no mail or wire fraud. Plaintiffs' fraud claims depend upon a finding that the gambling activities and debts were in violation of U.S. and state law and that the defendants therefore misrepresented the debts as legal, as explained in the previous sections. However, plaintiffs' attempt to advance this theory fails because the debts themselves are not illegal. Moreover, even if the debts were illegal, defendants' representations with respect to those debts do not provide a basis for a mail or wire fraud claim because “[i]t is the general rule that fraud cannot be predicated upon misrepresentations of law.” See *Meacham v. Halley*, 103 F.2d 967, 971 (5th Cir.1939); see also *Allen v. WestPoint-Pepperell, Inc.*, 945 F.2d 40 (2d Cir.1991).

....

### VI. Aiding and Abetting a § 1962(c) violation FN9

In a subheading of his complaint, plaintiff Bradley cites the applicable statute as § 1964(a). However, in his factual allegations plaintiff clearly refers to defendants'

as aiders and abettors to a § 1962(c) violation. The Court will accordingly analyze plaintiffs' claim as one for aiding and abetting a § 1962(c) violation.

Plaintiffs also assert a cause of action premised on aiding and abetting liability. They state that “[b]ecause Defendants have formed an illegal Internet gambling enterprise, conducted and/or facilitated Internet casino betting and collected unlawful debt, they have participated as a principal within the meaning of 18 U.S.C. § 2 and are liable as an aider and abettor to the violation of 18 U.S.C. § 1962(c).” Bradley Complaint at ¶ 113; see also Thompson Complaint at ¶ 35.

This argument fails as plaintiffs' underlying § 1962(c) claim is meritless. Without a violation of the underlying substantive offense, there can be no aiding and abetting liability. That being said, it is doubtful that an aiding and abetting liability cause of action exists under § 1962(c).

...

Accordingly,

IT IS ORDERED that the motions to dismiss of MasterCard, Visa, Travelers and Fleet are GRANTED.

## The Court of Appeals Opinion

313 F.3d 257, (portions redacted)

United States Court of Appeals, Fifth Circuit.

In Re: MASTERCARD INTERNATIONAL INC. Internet Gambling Litigation.

...

Nov. 20, 2002.

Credit card holders filed class action complaints against credit card companies and issuing banks, alleging that they violated the Racketeer Influenced and Corrupt Organizations Act (RICO) by aiding and abetting illegal internet gambling. The United States District Court for the Eastern District of Louisiana, Stanwood R. Duval, Jr., J., 132 F.Supp.2d 468, granted motions to dismiss, and plaintiffs appealed. The Court of Appeals, Dennis, Circuit Judge, held that plaintiffs failed to sufficiently allege that defendants engaged in a pattern of racketeering activity or the collection of unlawful debt, and thus dismissal for failure to state a claim was proper.

Affirmed.

Appeal from the United States District Court for the Eastern District of Louisiana. Before DeMOSS, STEWART and DENNIS, Circuit Judges.

DENNIS, Circuit Judge:

In this lawsuit, Larry Thompson and Lawrence Bradley (“Thompson,” “Bradley,” or collectively “Plaintiffs”) attempt to use the Racketeer Influenced and Corrupt Organizations Act (“RICO”), 18 U.S.C. § § 1961 -1968, to avoid debts they incurred when they used their credit cards to purchase “chips” with which they gambled at on-line casinos and to recover for injuries they allegedly sustained by reason of the RICO violations of MasterCard International, Visa International, and banks that issue MasterCard and Visa credit cards (collectively “Defendants”). FN1 The district court granted the Defendants' motions to dismiss pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure. We AFFIRM.

## I.

Thompson and Bradley allege that the Defendants, along with unnamed Internet casinos, created and operate a “worldwide gambling enterprise” that facilitates illegal gambling on the Internet through the use of credit cards. Internet gambling works as follows. A gambler directs his browser to a casino website. There he is informed that he will receive a gambling “credit” for each dollar he deposits and is instructed to enter his billing information. He can use a credit card to purchase the credits.<sup>1</sup> His credit card is subsequently charged for his purchase of the credits. Once he has purchased the credits, he may place wagers. Losses are debited from, and winnings credited to, his account. Any net winnings a gambler might accrue are not credited to his card but are paid by alternate mechanisms, such as wire transfers.

Under this arrangement, Thompson and Bradley contend, “[t]he availability of credit and the ability to gamble are inseparable.”<sup>2</sup> The credit card companies facilitate the enterprise, they say, by authorizing the casinos to accept credit cards, by making credit available to gamblers, by encouraging the use of that credit through the placement of their logos on the websites, and by processing the “gambling debts” resulting from the extension of credit. The banks that issued the gamblers' credit cards participate in the enterprise, they say, by collecting those “gambling debts.”

Thompson holds a MasterCard credit card issued by Fleet Bank (Rhode Island) NA. He used his credit card to purchase \$1510 in gambling credits at two Internet gambling sites. Bradley holds a Visa credit card issued by Travelers Bank USA Corporation. He used his credit card to purchase \$16,445 in gambling credits at seven Internet gambling sites. Thompson and Bradley each used his credits to place wagers. Thompson lost everything, and his subsequent credit card billing statements reflected purchases of \$1510 at the casinos. Bradley's winning percentage was higher, but he fared worse in the end. He states his monthly credit card billing statements included \$7048 in purchases at the casinos.

Thompson and Bradley filed class action complaints against the Defendants on behalf of themselves and others similarly situated. They state that the

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<sup>1</sup> Gamblers can purchase the credits through online transactions or by authorizing a purchase via a telephone call. Gamblers also can purchase the credits via personal check or money order using the mails.

<sup>2</sup> The Plaintiffs state that 95% of Internet gambling business involves the use of credit cards.

Defendants participated in and aided and abetted conduct that violated various federal and state criminal laws applicable to Internet gambling. Through their association with the Internet casinos, the Defendants allegedly “directed, guided, conducted, or participated, directly or indirectly, in the conduct of an enterprise through a pattern of racketeering and/or the unlawful collection of unlawful debt,” in violation of 18 U.S.C. § 1962(c). They seek damages under RICO's civil remedies provision, claiming that they were injured by the Defendants' RICO violations. They also seek declaratory judgment that their gambling debts are unenforceable because they are illegal.

Upon motions by the Defendants, the district court dismissed the Plaintiffs' complaints. ...

## II.

We review a district court's grant of a Rule 12(b)(6) motion de novo, applying the same standard used below. “In so doing, we accept the facts alleged in the complaint as true and construe the allegations in the light most favorable to the plaintiffs.” But “conclusory allegations or legal conclusions masquerading as factual conclusions will not suffice to prevent a motion to dismiss.”

## III.

...  
“A pattern of racketeering activity requires two or more predicate acts and a demonstration that the racketeering predicates are related and amount to or pose a threat of continued criminal activity.” The predicate acts can be either state or federal crimes. Thompson and Bradley allege both types of predicate acts.

...  
Thompson and Bradley both identify three substantive federal crimes as predicates-violation of the Wire Act, mail fraud, and wire fraud. The district court concluded that the Wire Act concerns gambling on sporting events or contests and that the Plaintiffs had failed to allege that they had engaged in internet sports gambling.<sup>3</sup> We agree with the district court's statutory interpretation, its reading of the relevant case law, its summary of the relevant legislative history, and its conclusion. The Plaintiffs may not rely on the Wire Act as a predicate offense here.

The district court next articulated several reasons why the Plaintiffs may not rely on federal mail or wire fraud as predicates. Of these reasons, two are particularly compelling. First, Thompson and Bradley cannot show that the Defendants made a false or fraudulent misrepresentation. Because the Wire Act does not prohibit non-sports internet gambling, any debts incurred in connection with such gambling are not illegal. Hence, the Defendants could not have fraudulently represented the Plaintiffs' related debt as legal because it was, in fact, legal. We agree that “the allegations that the issuing banks represented the credit charges as legal debts is not a scheme to defraud.” Second, Thompson and Bradley fail

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<sup>3</sup> In re MasterCard, 132 F.Supp.2d at 480 (“[A] plain reading of the statutory language [of the Wire Act] clearly requires that the object of the gambling be a sporting event or contest.”).

to allege that they relied upon the Defendants' representations in deciding to gamble. The district court correctly stated that although reliance is not an element of statutory mail or wire fraud, we have required its showing when mail or wire fraud is alleged as a RICO predicate. Accordingly, we conclude that Thompson and Bradley cannot rely on the federal mail or wire fraud statutes to show RICO predicate acts.

...

We need not analyze the validity or merit of Plaintiffs' claim based on aiding and abetting liability because (assuming it is valid) it necessarily falls along with the underlying RICO claim. Likewise, we need not consider the merits of the Defendants' motions to join the Internet casinos pursuant to Rule 19 of the Federal Rules of Civil Procedure. We agree with the district court that those motions are moot.

...

For the foregoing reasons, we AFFIRM the judgment of the district court.

## The DOJ Interpretation

Statement of  
John G. Malcolm  
Deputy Assistant Attorney General

Criminal Division  
United States Department of Justice

At  
Special Briefing: Money Laundering and Payment Systems in Online Gambling  
Sponsored  
By World Online Gambling Law Report  
London, England

It is a pleasure to speak to you today about some of the many issues involved with on-line gambling. Let me state at the outset that when I refer to on-line gambling, I am including within that definition gambling and gaming of all types, be it casino-type games or sporting events, and I am also including gambling by other technologies, such as through interactive television. For purposes of United States law, these distinctions are not as significant as they are under the laws of other countries.



As you all know, the number of Internet gambling sites has increased substantially in recent years. While there were approximately 700 Internet gambling sites in 1999, it is estimated that by 2003, there will be approximately 1,800 such sites generating around \$4.2 billion. In addition to on-line casino-style gambling sites, there are also numerous off-shore sports books operating telephone betting services. These developments are of great concern to the United States Department of Justice, particularly because many of these operations are currently accepting bets from United States citizens, when we believe that it is illegal to do so. The United States has other concerns too, some of which I would like to talk about today.

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In the United States, both federal and state laws apply to on-line gambling. Historically, the individual states were left to determine what forms of gambling could be offered within an individual state's borders and to regulate such gambling. Not surprisingly, different states have different laws about gambling. For example, the State of Nevada permits and regulates casinos and sports bookmaking operations; while the neighboring State of Utah, on the other hand, does not permit any gambling. This poses a particular problem in the on-line world because, as I previously stated, the person placing a bet may not be located in the same state or even the same country as the person receiving the bet.

The Department of Justice views a gambling transaction as occurring in both the jurisdiction where the bet is placed by the bettor and in the jurisdiction where the gambling business that receives the bet is located. Thus, if Internet gambling were regulated in the United States, it would be subject to, and would need to be in compliance with, fifty differing sets of gambling laws, which would pose certain unique problems.

While the prosecution of individual bettors and intra-state gambling crimes are largely left to the individual states, there are numerous federal gambling statutes that the Department of Justice has employed against large-scale gambling businesses that operate interstate or internationally.

One such statute is the so-called Wire Act, which is codified at Section 1084 of Title 18 of the United States Code. This statute makes it a crime, punishable up to two years in prison, to knowingly transmit in interstate or foreign commerce bets on any sporting event or contest. It is the Department of Justice's position that this prohibition applies to both sporting events and other forms of gambling, and that it also applies to those who send or receive bets in interstate or foreign commerce even if it is legal to place or receive such a bet in both the sending jurisdiction and the receiving jurisdiction. This view was upheld by the Second Circuit Court of Appeals in the recent successful federal prosecution of Jay Cohen, who was the President of World Sports Exchange, a company which was based in Antigua but which accepted bets via the telephone and the Internet from citizens in the United States, who was the President of World Sports Exchange, a



company which was based in Antigua but which accepted bets via the telephone and the Internet from citizens in the United States.

## **Questions for Discussion**

Does the Federal Wire Act prohibit offering sports wagering services across state lines?

Does the Federal Wire Act prohibit offering poker wagering services across state lines?

Does the Federal Wire Act prohibit offering slot machine wagering services across state lines?

Does the Federal Wire Act prohibit offering horse race wagering services across state lines?

United States District Court,  
D. Utah,  
Central Division.  
UNITED STATES of America, Plaintiff,  
v.  
Baron LOMBARDO, et al., Defendants.  
**Case No. 2:07-CR-286 TS.**  
639 F.Supp.2d 1271

Dec. 13, 2007.

The Court heard oral argument regarding the matters on November 29, 2007. Having taken the matters under advisement, the Court now denies each of the motions to dismiss for the reasons set forth below.

### I. THE INDICTMENT

As two of the motions to dismiss challenge the sufficiency of the Indictment, the Court begins with a detailed summary of the conduct alleged therein: The charges in the Indictment arise from an alleged criminal “Enterprise” created for the purpose of providing transaction processing services to illegal gambling websites. The Enterprise consisted of individual defendants Baron Lombardo, Richard Carson-Selman, Henry Bankey, Tina Hill, Count Lombardo, Frank Lombardo, and Kimberlie Lombardo, as well as entity defendants CurrenC Worldwide, LTD, Gateway Technologies, LLC, Hill Financial Services, Inc., and BETUS. Through the various entities, the Enterprise maintained a website called the “Gateway,” which it used to facilitate payments made by bettors to various gambling websites. When bettors wished to gamble at one of the gambling websites serviced by the Enterprise, their payment information was forwarded by the gambling site to the Gateway for processing.

When a bettor opted to pay using a Visa or MasterCard credit card, the Gateway processed the bettor's credit card payment information by mis-classifying the charge in order to hide its gambling nature, thus duping banks into disbursing funds. The Enterprise paid money to at least one bank employee to ensure that mis-coded credit card charges were processed and paid.

When a bettor selected the “Western Union” payment option, he or she was instructed by the Enterprise to wire funds to a Western Union office in the Philippines where an agent of the Enterprise collected and then deposited the funds into bank accounts held by the Enterprise. The Enterprise then notified the referring website that the money had been received and the bettor was allowed by the website to gamble.

Gambling website operators were provided with constant access to information regarding the status of credit card payments and wire transfers via the Gateway. Money was held by the Enterprise in foreign banks and was transferred to the United States through payments to accounts, [pg-1276] entities, and individuals associated with the Enterprise. Some of the funds were also reposed in various trusts created by the Enterprise. The Enterprise charged the gambling website operators substantial per-transaction fees on all credit card payments and wire transfers processed through the Gateway, thus enriching the Enterprise.

Each of the Defendants played a role in the operations of the Enterprise. Baron Lombardo, Henry Bankey, and Richard Carson-Selman created a company by the name of CurrenC Worldwide, LTD, through which the Enterprise conducted much of the payment processing. Baron Lombardo controlled the movement of gambling funds through credit card transactions via Gateway Technologies, which operated and maintained the Gateway website. Richard Carson-Selman was responsible for selling the payment processing services to gambling websites. Tina Hill created Hill Financial to provide the accounting services necessary to move and track the gambling funds. Henry Bankey supervised the creation of this accounting system. Count Lombardo managed and maintained the equipment on which the Gateway website was operated. Kimberlie and Frank Lombardo managed the system through which the Western Union wire transfers were processed.

The objects of the conspiracy were as follows: “to make money illegally by helping Internet gambling [websites] conduct their illegal business”; “to transfer the proceeds of its illegal operations into and out of the United States; to conceal its operations

from the legitimate credit card companies, banks and wire transfer services it used; to conceal its operations from law enforcement agencies; and to evade the payment of federal taxes due to the United States from the [c]onspirators, their employees and agents.”

Count 1 of the Indictment also specifically alleges that “no later than 2000,” Defendants knowingly and intentionally conspired to participate in and conduct the affairs of the Enterprise, affecting interstate and foreign commerce, through a pattern of racketeering activity consisting of violations of the following: Georgia Code Ann § 16-12-22, 28; 720 Ill. Comp. Stat. 5/28-1.1; Mo.Rev.Stat. § 572.030; 18 U.S.C. § 1084; 18 U.S.C. § 1344; and 18 U.S.C. § 1956. As part of the conspiracy, each of the Defendants agreed to commit at least two acts of racketeering activity. The Indictment also alleges multiple transmissions or money wires as overt acts.

The Indictment further charges Defendants with four counts of violating the **WireAct** (Counts 16-19) by using a wire communication facility “for the transmission in interstate or foreign commerce ... [of] information assisting in the placing of bets and wagers on sporting events and contests, and a wire communication which entitled the recipient to receive money and credit as a result of bets and wagers, and information assisting in the placing of bets and wagers,” as per the statutory language of 18 U.S.C. § 1084(a).<sup>EN7</sup> The Indictment alleges that Defendants did these acts “in the course of aiding and abetting individuals engaged in the business of betting and wagering.”<sup>EN8</sup> Paragraph 38 alleges four specific transmissions, each corresponding to a count in the Indictment, including their respective dates of transmission and places of origin and destination.

EN7.*Id.* at ¶ 38.

EN8.*Id.*

Although not relevant to the pending motions, the Indictment also sets forth charges of bank fraud and money laundering.

## [pg-1277] II. SUFFICIENCY OF THE INDICTMENT

The **WireAct** Motion and the RICO Motion challenge the sufficiency of the allegations in the Indictment concerning the alleged violations of the **WireAct** and the alleged RICO conspiracy. Federal Rule of Criminal Procedure 7(c)(1) requires that the Indictment “be a plain, concise, and definite written statement of the essential facts constituting the offense charged.” This standard “embodies” the Tenth Circuit test for reviewing the sufficiency of an indictment:<sup>EN9</sup> “An indictment is sufficient if it sets forth the elements of the offense charged, puts the defendant on fair notice of the charges against which he must defend, and enables the defendant to assert a double jeopardy defense.”<sup>EN10</sup> The sufficiency test is based solely on the allegations contained in the Indictment, each of which are assumed to be true.<sup>EN11</sup> “An indictment need only meet minimal constitutional standards, and [the court] determine[s] the sufficiency of an indictment by practical rather than technical considerations.”<sup>EN12</sup>

“An indictment that sets forth the words of the statute generally is sufficient so long as the statute itself adequately states the elements of the offense.”<sup>EN13</sup> However, “[w]here guilt depends so crucially upon ... a specific identification of fact ... an indictment must do more than simply repeat the language of the criminal statute.”<sup>EN14</sup> Thus, the Supreme Court required an indictment for the offense of refusing to answer “any question pertinent to the subject under inquiry” before a committee or subcommittee of Congress to include a specific allegation regarding the subject under inquiry.<sup>EN15</sup> Yet, where the allegations set forth the statutory elements of an obscenity charge, implicitly carrying with it a legal definition, specific factual averments were unnecessary.<sup>EN16</sup>

### A. The WireAct Motion

In the **WireAct** Motion, Defendants ask the Court to dismiss on sufficiency grounds Counts 16-19 of the Indictment, which charge them with violating 18 U.S.C. § 1084(a). Section 1084(a) of the **WireAct** punishes the transmission of certain wagers and information related thereto as follows:

Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under this title or imprisoned not more than two years, or both.<sup>EN17</sup>

[pg-1278]Section 1084(b) makes two notable exceptions to this prohibition:

Nothing in this section shall be construed to prevent the transmission in interstate or foreign commerce of information for use in news reporting of sporting events or contests, or for the transmission of information assisting in the placing of bets or wagers on a sporting event or contest from a State or foreign country where betting on that sporting event or contest is legal into a State or foreign country in which such betting is legal.<sup>EN18</sup>

In order to prove a § 1084(a) violation, the government must show that (1) “the defendant regularly devoted time, attention and labor to betting or wagering for profit,” (2) “the defendant used a wire communication facility: (a) to place bets or wagers on any sporting event or contest; or (b) to provide information to assist with the placing of bets or wagers; or (c) to inform someone that he or she had won a bet or wager and was entitled to payment or credit,” and (3) “the transmission was made from one state to another state or foreign country.”<sup>EN19</sup>

Defendants challenge the sufficiency of the **WireAct** allegations solely with respect to the second element above, arguing as follows: (1) that § 1084 reaches wire communications concerning betting or wagering on sporting events or contests only, and not on other games of chance such as those employed by online casinos; (2) that the language regarding the use of wire communications for “information assisting in the placing of bets or wagers” prohibits only those communications that lead to the placement of an actual bet or wager; and (3) that the language concerning communications that “entitle[ ] the recipient to receive money or credit as a result of bets or wagers” does not prohibit communications that merely discuss or request a transfer of money or credit. From these contentions, Defendants argue that the Indictment fails to allege a violation of the **WireAct** because the government did not set forth specific facts regarding bets or wagers actually placed on sporting events or contests or a specific communication entitling a recipient to the payment of money or credit from such bets or wagers.

Defendants also argue that the allegations in the Indictment are unconstitutionally vague, failing to provide them with meaningful notice as to the charges against them in violation of the Sixth Amendment. However, as the Tenth Circuit analysis regarding the sufficiency of an indictment encompasses both the Rule 7(c)(1) test and the constitutional requirements, the Court will analyze Defendants' constitutional concerns within this framework, as outlined above.

### *Sporting Events or Contests*

First, Defendants assert that the **WireAct** applies to wire communications related to betting or wagering on sporting events or contests alone. The **WireAct** was enacted in 1961, long before the rise of the Internet as a potential marketplace for gambling. Most prosecutions under § 1084(a) have involved the practice of bookmaking, or taking bets on sporting events over the telephone. The advent of the Internet has resulted in the availability of casino-like gambling online, squarely presenting the question of whether § 1084(a) applies to wire communications related to this type of gambling. Very few courts have directly considered this question.

[pg-1279] Before engaging in analysis of this issue, the Court notes that even if § 1084(a) does not reach bets or wagers unrelated to sports, Counts 16-19 would not need to be dismissed in their entirety, but only insofar as the alleged wire communications relate to non-sports betting or wagering.<sup>EN20</sup> Paragraph 38 of the Indictment alleges that Defendants did knowingly use and cause the use of a wire communication facility, for the transmission ... [of] information assisting in the placing of bets and wagers on sporting events and contests, and a wire communication which entitled the recipient to receive money and credit as a result of bets and wagers, and “information assisting in the placing of bets and wagers.”

Notably, the Indictment does not allege the transmission of actual bets or wagers on sporting events or contests, but rather the transmission of “information assisting in the placing of bets and wagers on sporting events and contests.”

By tracking the language of the Statute and specifically including the term “sporting events,” the Indictment adequately alleges a violation of § 1084(a) based on the transmission of communications related to bets or wagers on a sporting event or contest. If the language of the statute is interpreted as applying to communications related to bets or wagers on sporting events or contests alone, the inclusion in the Indictment of the language of the statute would signal the same. Moreover, the indictment specifically uses the “sporting event” language to allege this element of the offense. The statutory language and the specific wire communications, including the dates and points of origin and destination of their transmission, alleged in Paragraph 38 give Defendants adequate notice that they must defend a charge of violating the **WireAct** based solely on the specified transmissions. Likewise, these allegations would clearly form the basis upon which Defendants could assert a double jeopardy defense in a future prosecution based on the listed transmissions.

Thus, the Indictment sufficiently alleges a violation of the **WireAct** stemming from the transmission of wire communications related to sports betting. Nonetheless, the Court deems it appropriate, both for purposes of the **WireAct** Motion and in anticipation of trial, to decide now whether § 1084(a) applies to wire communications related to non-sports bets or wagers.

The Fifth Circuit has determined that § 1084(a) only prohibits transmissions related to bets or wagers on sporting events or contests.<sup>EN21</sup> In the case of *In re MasterCard International Inc., Internet Gambling Litigation*, the United States District Court for the Eastern District of Louisiana considered a civil RICO claim against several credit card companies and issuing banks, alleging, among other predicate acts, that the credit card companies violated the **WireAct** by allowing the use of credit cards to fund gambling transactions at gambling websites.<sup>EN22</sup> The plaintiffs had collectively lost thousands of dollars by gambling at online gambling websites using their credit cards.<sup>EN23</sup> The court rejected the plaintiffs' assertion that the **WireAct** “does not require sporting events or contests to be the object of gambling” based on the court's “plain reading of the statutory language,” highlighting that both the rule in § 1084(a) and the exceptions in [pg-1280]§ 1084(b) “expressly qualify the nature of the gambling activity as that related to a ‘sporting event or contest.’”<sup>EN24</sup> Several cases were cited by the court for the proposition that “[a] reading of the caselaw leads to the same conclusion,” which opinions seem to assume that § 1084(a) applies only to sports betting, although they did not specifically address whether it could be applied to communications related to non-sports betting.<sup>EN25</sup> The court also relied on then-pending legislation that would have modified the **WireAct** to reach forms of gambling unrelated to sports, finding that the perceived need to amend the **WireAct's** language to cover such gambling was indicative of its absence in the statute's current form.<sup>EN26</sup> Lastly, the court pointed to a floor statement offered by the House Judiciary Committee Chairman regarding the **WireAct**: “this particular bill involves the transmission of wagers or bets and layoffs on horse racing and other sporting events.”<sup>EN27</sup>

A Fifth Circuit panel summarily affirmed the district court's analysis, stating only that it “agree[d] with the district court's statutory interpretation, its reading of the relevant case law, its summary of the relevant legislative history, and its conclusion.”<sup>EN28</sup> Interestingly, the court noted that the civil plaintiffs in the *MasterCard* case, who were essentially seeking to avoid their gambling debts, were not exactly sympathetic and should not be allowed “to avoid meeting obligations they voluntarily took on” as “they got exactly what they bargained for.”<sup>EN29</sup>

At least one court has determined that § 1084(a) applies to wire communications related to online gambling in the form of “virtual slots, blackjack, or roulette.”<sup>EN30</sup> In *New York v. World Interactive Gaming Corporation*, the Attorney General of New York sought, among other things, to enjoin an online casino based in Antigua from “running any aspect of their Internet gambling business within the State of New York.”<sup>EN31</sup> The action was brought pursuant to a New York law allowing “the Attorney General to bring a special proceeding against a person or business committing repeated or persistent fraudulent or illegal acts” under either New York or Federal law.<sup>EN32</sup> The **WireAct** was among the federal laws of which the casino was accused of violating. Without directly considering the “sporting event or contest” language of § 1084(a), the court held that “[b]y hosting this casino and exchanging betting information with the user, an illegal communication in violation of the **WireAct** ... has occurred.”<sup>EN33</sup> In so doing the court pointed to legislative history found in the House Report concerning the **WireAct** which states:

The purpose of the bill is to assist various States and the District of Columbia in the enforcement of their laws pertaining to gambling, bookmaking, and like [pg-1281] offenses and to aid in the suppression of organized gambling activities by prohibiting the use of wire communication facilities which are or will be used for the transmission of bets or wagers and gambling information in interstate and foreign commerce.<sup>EN34</sup>

Having carefully examined the language of the statute as well as the cases above, the Court concludes that § 1084(a) is not confined entirely to wire communications related to sports betting or wagering. The statute proscribes using a wire communication facility (1) “for the transmission ... of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest”; or (2) “for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers”; or (3) “for information assisting in the placing of bets or wagers.” The phrase “sporting event or contest” modifies only the first of these three uses of a wire communication facility. Giving effect to the presumably intentional<sup>EN35</sup> exclusion of the “sporting event or contest” qualifier from the second and third prohibited uses indicates that at least part of § 1084(a) applies to forms of gambling that are unrelated to sporting events.

This interpretation aligns with the Tenth Circuit's *Criminal Pattern Jury Instructions*, which do not attach the “sporting event or contest” qualifier to either providing information assisting in the placing of bets or wagers or informing someone of his or her entitlement to money or credit resulting from bets or wagers. Moreover, § 1084(d) requires a common carrier, upon notice, to cease from operating any facility that is or will be used “for the purpose of transmitting or receiving gambling information,” unqualified by any relation to a sporting event or contest. This largely negates the fact that the exceptions in § 1084(b) refer to betting on sporting events or contests alone.

Admittedly, the language of the statute limits the prohibition on the transmission of actual bets or wagers to those on sporting events or contests. This could lead to the conclusion, as it apparently did in the *MasterCard* case, that when the phrase “bets or wagers” is used in the second and third prohibited uses, it is actually referring to the “bets or wagers on any sporting event or contest” language found in the first prohibited use. However, this conclusion would essentially require the Court to find that the failure to include the phrase “sporting events or contests” in the second and third prohibited uses was an inadvertent mistake of Congress.

The absence of the “sporting event or contest” qualifier in the second and third prohibitions is conspicuous, especially as the first prohibition, which includes the qualifier, is directly before the second and third prohibitions in the statute. This is particularly weighty in light of the legislative history of the **WireAct**, which indicates the intent of Congress to facilitate enforcement of state gambling laws related to “gambling, bookmaking, and like offenses.” Moreover, the exact phrase “information assisting in the placing of bets or wagers” is used twice in § 1084(a)—first, as part of the first prohibited use, and second, as the entirety of the third prohibited use. It is simply unpalatable to the Court to attribute no meaning to Congress's use of the same phrase in two different parts of the statute where the first use is modified by the phrase “sporting event or contest” and the second use is **[pg-1282]** not. Accordingly, the Court concludes that the second and third prohibited uses of a wire communication facility under § 1084(a) do not require that the bets or wagers to which those uses relate be limited to bets or wagers placed on sporting events or contests alone.

[8] Defendants assert that the **WireAct** is at least ambiguous as to whether it reaches communications related to non-sports betting and that the rule of lenity requires a court to “interpret [an ambiguous criminal statute] in favor of the defendant.”<sup>EN36</sup> However, the rule of lenity applies only where the statute includes “a grievous ambiguity or uncertainty in [its] language and structure.”<sup>EN37</sup> As the Court finds that the plain language of § 1084(a) concerning the second and third prohibited uses is unambiguously broad enough to encompass use of a wire communications facility for transmissions related to non-sports betting or wagering, the rule of lenity has no application to its interpretation.

#### *Information Assisting in the Placing of Bets or Wagers*

Next Defendants claim that the phrase “information assisting in the placing of bets or wagers” should be interpreted to encompass only communications that result in the actual placement of a bet or wager, and that because the government has not alleged any specific bets in Counts 16-19, the Court should dismiss them. In making this assertion, Defendants rely entirely on the case of *Truchinski v. United States* from the Eighth Circuit.<sup>EN38</sup> In that case, the court found that a statement made by the defendant over the telephone that “there wasn't much doing that day, only two games going that day” was information assisting in the placing of bets or wagers when “[c]onsidering the method of operation of those generally engaged in the taking of bets, the frequency with which the [bettor] would place bets with the [defendant], plus the fact that the bet was placed.”<sup>EN39</sup> Although the *Truchinski* case did look to the fact that a bet was placed in determining whether the statement regarding the games on which to bet was “information assisting in the placing of bets or wagers,” the court did not affirmatively hold that proof of an actual bet or wager arising from the information in the communication is a necessary element of a § 1084(a) violation such that it must be alleged in an indictment.

Although the statute seems to contemplate that the “information” assist in the placement of an actual bet or wager, none of the cases cited by the parties stands for the proposition that the government must allege specific bets in the Indictment that were assisted by information in the alleged wire communication. Rather, the language of the statute set forth in the Indictment adequately alleges that the specific wire communications listed in Counts 16-19—each of which includes its date, origin, and destination—contained information “assisting in the placing of bets or wagers.” Whether the alleged transmissions actually contained information assisting in the placing of a bet or wager is a question of fact to be made by the jury after receiving proper instruction from the Court on the applicable law. Accordingly, the Court holds that the Indictment need not allege a specific bet or wager the placement of which was assisted by the information in the alleged wire communication.

#### **[pg-1283]** *Communications That Entitle the Recipient to Receive Money or Credit*

Lastly, Defendants contend that the language in § 1084(a) prohibiting transmissions of wire communications that “entitle [ ] the recipient to receive money or credit as a result of bets or wagers” does not include communications merely discussing or requesting a transfer of money or credit resulting from wagers. Defendants also point out that this language is limited to communications that entitle the *recipient* to money or credit. The government asserts that the statute clearly includes communications that “entitle” the recipient to “credit” as well as money, and should therefore reach promises to pay and not just entitlements comparable to negotiated instruments.

Regardless of the reach of the word “entitles” as found in the statute, nothing in the cases cited by the parties requires the government to allege a specific entitlement resulting from a specific bet or wager. The allegation that one or more of the specific wire communications listed in Paragraph 38 of the Indictment are “wire communication[s] which entitled the recipient to receive money and credit as a result of bets and wagers,” which tracks the language of § 1084(a), sufficiently apprises Defendants of this element of a **WireAct** violation and that they will have to defend a charge of violating the **WireAct** arising therefrom. Any haggling over the proper interpretation of “entitles” is appropriately decided upon the submission of proposed jury instructions.

In sum, the Indictment properly sets forth the **WireAct** elements challenged by Defendants using the language of the statute and listing the specific wire communications, including their respective dates, origins, and destinations. Certainly the Indictment could have been more specific; however, it sufficiently notifies Defendants that they are charged with a violation of § 1084(a) stemming from the specific wire communications listed therein. This will also allow Defendants to assert a double jeopardy defense in a future prosecution based on the listed communications. Therefore, the Court will deny the **WireAct** Motion.

## **B. The RICO Motion**

In the RICO motion, Defendants challenge the sufficiency of Count 1 of the Indictment, which charges each of the Defendants with a violation of 18 U.S.C. § 1962(d), or RICO conspiracy. Section 1962(d) requires the government to prove “that the defendant: (1) by knowing about and agreeing to facilitate the commission of two or more acts (2) constituting a pattern (3) of racketeering activity (4) participates in (5) an enterprise (6) the activities of which affect interstate or foreign commerce.” <sup>EN40</sup>

Defendants challenge the sufficiency of the RICO conspiracy charge only with respect to the “enterprise” and “pattern of racketeering activity” elements, claiming that the Indictment fails to properly allege them. The government addresses the merits of these claims in the alternative, but initially asserts that the RICO Motion is an inappropriate challenge to the sufficiency of the government's evidence, rather than the sufficiency of the Indictment. Although the level of detail with which Defendants would require the government to set forth the allegations in the Indictment is generally not required, the Court finds that the RICO Motion appropriately challenges the sufficiency of the allegations in the Indictment. However, as set forth below, the Court concludes that the Indictment is sufficient on its face and therefore will deny the RICO Motion.

### **[pg-1284]** *The “Enterprise” Element*

In order to prove the existence of a RICO enterprise, the government must show: (1) “the existence of an ongoing organization with a decision making framework or mechanism for controlling the group,” (2) that “the various associates function as a continuing unit,” and (3) that “the enterprise exists separate and apart from the pattern of racketeering activity.” <sup>EN41</sup>

The “ongoing organization” requirement is established by a showing that “some sort of structure exists within the group for the making of decisions, whether it be hierarchical or consensual.” <sup>EN42</sup> The government may prove a “continuing unit” with evidence that each member of the enterprise “played a role in the [enterprise] that is both consistent with [its] organizational structure and furthered [its] activities.” <sup>EN43</sup>

The separate existence requirement arises from the language of the statute itself, which requires that a RICO conspiracy violation be based on the existence of an enterprise *and* its planned pattern of racketeering activity. <sup>EN44</sup> To prove separate existence, “it is not necessary to show that the enterprise has some function wholly unrelated to the racketeering activity, but rather that it has an existence beyond that which is necessary merely to commit each of the acts charged as predicate racketeering offences.” <sup>EN45</sup> “The function of overseeing and coordinating the commission of several different predicate offenses and other activities on an on-going basis is adequate to satisfy the separate existence requirement.” <sup>EN46</sup>

Defendants argue that Count 1 of the Indictment should be dismissed because the government has not alleged specific facts outlining the structure and continuity of the Enterprise, and that the Enterprise, as alleged, has no existence separate from the predicate racketeering activities. On the contrary, the government contends that the structure and continuity of the Enterprise are not essential elements of a RICO conspiracy claim and therefore need not be affirmatively alleged, and that the Enterprise alleged in the Indictment has a separate existence from the predicate acts.

The Indictment in this case sufficiently alleges the first two elements of an enterprise by referring to the term's definition in 18 U.S.C. § 1961(4) and further explaining that the Enterprise “constituted an ongoing organization, whose members functioned



as a continuing unit, for the common purpose of achieving the objectives of the enterprise.” <sup>EN47</sup> This language alone likely satisfies any need for the government to allege the “ongoing organization” and “continuing unit” requirements of the “enterprise” element. <sup>EN48</sup> In this regard, [pg-1285] it appears that Defendants have substituted the requirements for proof at trial in place of the minimal constitutional standards for sufficiency of the Indictment.

Nonetheless, the Indictment also carefully identifies each of the Defendants as members of the Enterprise and alleges their individual roles therein as follows: <sup>EN49</sup> Baron Lombardo controlled the movement of gambling funds through credit card transactions via Gateway Technologies, which operated and maintained the Gateway website; Richard Carson-Selman was responsible to sell the payment processing services to the gambling websites; Tina Hill created and operated Hill Financial to provide the accounting services necessary to move and track the gambling funds; Henry Bankey supervised the creation of the accounting system; Count Lombardo managed and maintained the equipment on which the Gateway site was operated; and Kimberlie and Frank Lombardo managed the system through which the Western Union money wires were processed.

The Indictment also alleges the objects of the conspiracy: “to make money illegally by helping Internet gambling [websites] conduct their illegal business”; “to transfer the proceeds of its illegal operations into and out of the United States; to conceal its operations from the legitimate credit card companies, banks and wire transfer services it used; to conceal its operations from law enforcement agencies; and to evade the payment of federal taxes due to the United States from the [c]onspirators, their employees and agents.” <sup>EN50</sup>

Although a much closer question, the Indictment also sets forth enough facts that, taken as true, would establish an enterprise separate from the alleged predicate acts. As the “enterprise” element is crucial to the statutory concept of RICO, the separate existence requirement merits some factual allegation beyond the mere tracking of the words of the statute or caselaw. As set forth above, the Indictment has provided this detail. In this case, Defendants organized multiple companies with significant infrastructure, including a technology company capable of “operating and maintaining a web site,” as well as a functioning accounting firm. <sup>EN51</sup> Additionally, the enterprise held bank accounts both within and without the United States and established a number of trusts. <sup>EN52</sup> This substantial infrastructure, although not unrelated to the predicate offenses, existed apart from the actual commission of the predicate acts and was capable of being put to alternative legal and illegal uses separate from the alleged pattern of racketeering activity. For example, this infrastructure could have been used to process payments for legitimate service operations or retail merchants, such as an online bookstore. The enterprise presided daily over this infrastructure, using it to facilitate the commission of the predicate acts on an on-going basis “[b]eginning no later than sometime in 2000.” <sup>EN53</sup> Although this complex infrastructure was necessary for the commission of the alleged racketeering acts, it existed and was capable of functioning beyond the perpetration of the predicate acts.

#### *The Pattern of Racketeering Activity Element*

Defendants argue that the government has failed to sufficiently allege the predicate acts that make up the “pattern of racketeering activity element” of a \*1286 RICO conspiracy. Specifically, Defendants point out that in Paragraph 24 of the Indictment the government refers to the underlying predicate acts only by statutory citation, which, according to defendants, “reache[s] new heights of vagueness.”

A pattern of racketeering activity must consist of “at least two predicate acts ... committed within ten years of another” that “are (1) related and (2) that ... amount to or pose a threat of continued criminal activity.” <sup>EN54</sup> However, when the indictment alleges a RICO conspiracy charge under § 1962(d), as opposed to a substantive RICO charge under § 1962(c), it need not allege specific predicate acts committed by Defendants. <sup>EN55</sup> This is so because the essence of the punishable offense under § 1962(d) is the agreement and not the underlying racketeering activity. <sup>EN56</sup> As stated by the Seventh Circuit:

If the government were required to identify, in indictments charging violation only of section 1962(d), specific predicate acts in which the defendant was involved, then a 1962(d) charge would have all of the elements necessary for a substantive RICO charge. Section 1962(d) would thus become a nullity, as it would criminalize no conduct not already covered by sections 1962(a) through (c). Such a result, quite obviously, would violate the statutory scheme in which conspiracy to engage in the conduct described in sections 1962(a) through (c) is itself a separate crime. <sup>EN57</sup>

Although the government must go beyond a generalized statement such as “the defendant engaged in various acts of bribery,” “an indictment need only charge-after identifying a proper enterprise and the defendant's association with that enterprise-that the defendant knowingly joined a conspiracy the objective of which was to operate that enterprise through an identified pattern of racketeering activity.” <sup>EN58</sup>



In this case, as Defendants are charged with only RICO conspiracy under § 1962(d) and not a substantive violation of RICO, the Indictment need not allege the predicate acts with the level of specificity as would be required in a separate substantive count for such acts. Here the government carefully listed the statutes under which the predicate acts are alleged. The government also descends to further detail in Paragraphs 25 through 34, which directly follow the heading “Manner, Method, and Means of the Racketeering Conspiracy.” In this section, the government discusses in detail the alleged “scheme” whereby the payment information of gamblers who wished to pay for online gambling using credit cards was forwarded to the Gateway where it was processed using incorrect classifications in order to disguise the gambling nature of the credit card charges. The Indictment further discusses the manner in which money wires to the Philippines were used to disguise gambling payments. It also alleges use of a system of banks and trusts through which the money was hidden and/or transferred to the gambling websites. The indictment clearly sets forth sufficient detail to properly allege a pattern of racketeering acts.

Therefore, as the Court finds that the Indictment sufficiently alleges the elements\*1287 of a RICO conspiracy under § 1962(d) challenged by Defendants, it will deny the RICO Motion.

### III. THE GATS MOTION

In the GATS Motion, Defendants ask the Court to dismiss the **WireAct** counts and the RICO count, insofar as it is based on the **WireAct** as a predicate act, arguing that recent decisions of the dispute resolution arm of the World Trade Organization bar prosecution of Defendants for facilitating online gambling protected under the General Agreement on Trade in Services (“GATS”).

As a member of the WTO, the United States has agreed to multiple treaties, including GATS. Pursuant to GATS, the United States has made a series of commitments to allow foreign providers of services access to certain domestic markets. The United States has also agreed to the system of dispute resolution outlined in an agreement called the Dispute Settlement Understanding, which provides for the establishment of a panel to hear disputes and render reports, which are reviewable on appeal by the WTO's Appellate Body. The decisions of the Appellate Body become final unless the WTO Dispute Settlement Board reaches consensus otherwise.

Congress formally approved GATS in the Uruguay Round Agreements Act (“URAA”) in 1994.<sup>EN59</sup> In the URAA, Congress addressed the “relationship of [the Uruguay Round Agreements] to United States law” and directed that “[n]o provision of any of the Uruguay Round Agreements, nor the application of any such provision to any person or circumstance, that is inconsistent with any law of the United States shall have effect.”<sup>EN60</sup> Additionally, the URAA makes clear that “[n]o person other than the United States ... shall have any cause of action or defense under any of the Uruguay Round Agreements or by virtue of congressional approval of such an agreement.”<sup>EN61</sup>

Congress statutorily adopted a Statement of Administrative Action in the URAA, which is “an authoritative expression by the United States concerning the interpretation and application of the Uruguay Round Agreements and [the URAA] in any judicial proceeding in which a question arises concerning such interpretation or application.”<sup>EN62</sup> The Statement clarifies a number of important issues regarding the interplay between domestic law and GATS, as well as the effect of decisions issued by WTO dispute resolution bodies.

A section of the Statement dealing with United States sovereignty states:

The WTO will have no power to change U.S. law. If there is a conflict between U.S. law and any of the Uruguay Round agreements, section 102(a) of the implementing bill makes clear that U.S. law will take precedence.... Moreover, as explained in greater detail in this Statement in connection with the Dispute Settlement Understanding, WTO dispute settlement panels will not have any power to change U.S. law or order such a change. Only Congress and the Administration can decide whether to implement a WTO panel recommendation and, if so, how to implement it.<sup>EN63</sup>

A section of the Statement dealing with dispute resolution under the WTO states:

It is important to note that the new WTO dispute settlement system does not give panels any power to order the \*1288 United States or other countries to change their laws. If a panel finds that a country has not lived up to its commitments, all a panel may do is recommend that the country begin observing its obligations. It is then up to the disputing countries to decide how they will settle their differences.<sup>EN64</sup>

....

Reports issued by panels or the Appellate Body under the [Dispute Settlement Understanding] have no binding effect under the law of the United States and do not represent an expression of U.S. foreign or trade policy.... If a report recommends that the United States change a federal law to bring it into conformity with a Uruguay Round agreement, it is for the Congress to decide whether any such change will be made.<sup>EN65</sup>

In April of 2005, the Appellate Body of the WTO issued a decision regarding a dispute between Antigua and the United States in which Antigua claimed that the United States was in violation of its GATS commitments by making it unlawful for foreign providers to supply gambling and betting services to consumers within the United States.<sup>EN66</sup> The Appellate Body upheld a panel decision finding that the United States had committed to allow foreign suppliers to access the United States market for gambling and betting services and that the **WireAct**, and other federal laws regulating online gambling, violates the commitments of the United States under GATS.<sup>EN67</sup>

In their GATS Motion, Defendants contend that by carrying on this prosecution, the United States is in direct violation of its international obligations and that the **WireAct** charges should therefore be dismissed because (1) the *Charming Betsy* canon of construction and the principle of international comity dictate that the Court interpret the **WireAct** and the URAA so as to not violate these obligations; and (2) the WTO's Appellate Body decision in the Antigua gambling case is self-executing and therefore binding upon this Court.

#### A. The Charming Betsy Canon and International Comity

Arising from the statements of Chief Justice John Marshall in the case of *Murray v. Schooner Charming Betsy*,<sup>EN68</sup> the *Charming Betsy* canon of construction has come to stand for the proposition that “[w]here fairly possible, a United States statute is to be construed so as not to conflict with international law or with an international agreement of the United States.”<sup>EN69</sup> However,

the “*Charming Betsy* canon comes into play only where Congress's intent is ambiguous.” “If a statute makes plain Congress's intent ... then Article III courts, which can overrule Congressional enactments only when such enactments conflict with the Constitution, must enforce the intent of Congress irrespective of whether the statute conforms to customary international law.”<sup>EN70</sup>

Likewise, the principle of international comity, when applied as a rule of statutory \*1289 construction, “has no application where Congress has indicated otherwise.”<sup>EN71</sup>

Defendants assert that this Court “may and must,” under the *Charming Betsy* canon and the principle of international comity, interpret the **WireAct** to have neither extraterritorial reach nor application to online gambling. They also contend that the *Charming Betsy* canon is an alternative ground to the **WireAct** Motion's contention that § 1084(a) should be interpreted to apply only to sports betting. Lastly, Defendants argue that the URAA itself should be interpreted narrowly so as not to conflict with the commitments of the United States under GATS.

The clear language of both the **WireAct** and the URAA entirely preclude any application of either the *Charming Betsy* canon or the broader principle of international comity in this case. As an initial matter, the Indictment does not seek to apply the **WireAct** to actions beyond the borders of the United States. Rather, the alleged conduct of Defendants was carried out within the United States. Specifically, each of the alleged wire communications either originated or terminated in the United States. However, even if extraterritorial conduct was at issue, the plain language of the **WireAct** specifically contemplates such an application: “[w]hosoever ... knowingly uses a wire communication facility for the transmission in interstate or *foreign* commerce of bets or wagers or information assisting in the placing or bets or wagers on a sporting event or contest ... shall be fined under this title or imprisoned....”<sup>EN72</sup>

With regard to the **WireAct's** application to online gambling, at least two courts have already held that the **WireAct** applies to this form of gambling.<sup>EN73</sup> Moreover, the **WireAct** itself, although enacted long before the advent of the Internet, clearly contemplates any form of electronic transmission via wire:

The term ‘wire communication facility’ means any and all instrumentalities, personnel, and services (among other things, the receipt, forwarding, or delivery of communications) used or useful in the transmission of writing, signs, pictures, and sounds of all kinds by aid of wire, cable, or other like connection between the points of origin and reception of such transmission.<sup>EN74</sup>

Defendants' contention that the *Charming Betsy* canon supports a narrow reading of § 1084(a), which reading would apply the prohibition on wire communications to only those communications related to sports betting, is misplaced. Although the proffered interpretation would certainly help Defendants in this case, in order to avoid a conflict with the obligations of the United States under GATS, as interpreted in the Antigua case, the **WireAct** could have no international application with regard to any form of online gambling, including sports-related gambling.

Finally, concerning Defendants' proffered URAA interpretation, Congress explicitly stated that “[n]o provision of any of the Uruguay Round Agreements, nor the application of any such provision to any person or circumstance, that is inconsistent with any law of the United States shall have effect.”<sup>EN75</sup> Furthermore, the \*1290 Statement indicates that this statutory statement “clarifies that no provision of a Uruguay Round agreement will be given effect under domestic law if it is inconsistent with federal law, including provisions of federal law enacted or amended by the [URAA].”<sup>EN76</sup> On its face, the URAA precludes precisely the argument raised by Defendants.

## B. The Appellate Body Decision

Defendants assert that the Appellate Body's Antigua decision is self-executing and that they may therefore rely on it to seek the dismissal of the allegations in the Indictment related to the **WireAct**. However, “WTO decisions are ‘not binding on the United States, much less this court.’ ”<sup>EN77</sup> As indicated in the Statement of Administrative Action:

Reports issued by panels or the Appellate Body under the DSU have no binding effect under the law of the United States and do not represent an expression of U.S. foreign or trade policy. They are no different in this respect than those issued by GATT panels since 1947. If a report recommends that the United States change a federal law to bring it into conformity with a Uruguay Round agreement, it is for the Congress to decide whether any such change will be made.<sup>EN78</sup>

Additionally, the URAA expressly forecloses “any cause of action or defense under any of the Uruguay Round Agreements” to persons other than the United States.<sup>EN79</sup> Defendants have no standing to assert a defense based on the obligations of the United States under GATS. A failure on the part of the United States to comply with a decision of the Appellate Body may give rise to WTO sanctions against the United States under GATS. However, whether to accept those sanctions, modify federal law, or renegotiate its GATS commitments<sup>EN80</sup> is a matter committed to the discretion of Congress. It is the Court's role to apply federal law to the case at hand as found in the **WireAct**. Any provision of GATS to the contrary “shall have [no] effect.”<sup>EN81</sup> Therefore the Court will deny the GATS Motion.

## IV. CONCLUSION

For the reasons set forth above, it is hereby

ORDERED that Defendants' Motion to Dismiss **WireAct** Counts (Counts 16-19) [Docket No. 80] is DENIED. It is further

ORDERED that Defendants' Motion to Dismiss Count One (RICO Conspiracy) [Docket No. 78] is DENIED. It is further

ORDERED that Defendants' Motion to Dismiss Based on Treaty Obligations and \*1291 Domestic and International Law (Counts 1, 16-19) [Docket No. 79] is DENIED.

D.Utah,2007.  
U.S. v. Lombardo  
639 F.Supp.2d 1271

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<sup>EN7</sup>.*Id.* at ¶ 38.

<sup>EN8</sup>.*Id.*

<sup>EN9</sup>.*United States v. Darrell*, 828 F.2d 644, 647 (10th Cir.1987).

<sup>EN10</sup>.*United States v. Todd*, 446 F.3d 1062, 1067 (10th Cir.2006) (quoting *United States v. Dashney*, 117 F.3d 1197, 1205 (10th Cir.1997)).

<sup>EN11</sup>.*Id.*

<sup>EN12</sup>.*Dashney*, 117 F.3d at 1205.

<sup>EN13</sup>.*Darrell*, 828 F.2d at 647 (citing *Hamling v. United States*, 418 U.S. 87, 117, 94 S.Ct. 2887, 41 L.Ed.2d 590 (1974)).

<sup>EN14</sup>.*Hamling*, 418 U.S. at 118, 94 S.Ct. 2887.

[EN15.\*Russell v. United States\*, 369 U.S. 749, 754-55, 82 S.Ct. 1038, 8 L.Ed.2d 240 \(1962\).](#)

[EN16.\*Hamling\*, 418 U.S. at 117-19, 94 S.Ct. 2887.](#)

[EN17.18 U.S.C. § 1084\(a\).](#)

[EN18.18 U.S.C. § 1084\(b\).](#)

[EN19.](#) Criminal Pattern Jury Instruction Committee of the United States Court of Appeals for the Tenth Circuit, *Criminal Pattern Jury Instructions 2.51* (2005).

[EN20.](#)See *United States v. Miller*, 471 U.S. 130, 136, 144, 105 S.Ct. 1811, 85 L.Ed.2d 99 (1985).

[EN21.](#)*In re MasterCard Int'l Inc., Internet Gambling Litig.*, 132 F.Supp.2d 468, 480-81 (E.D.La.2001), *aff'd*, 313 F.3d 257 (5th Cir.2002).

[EN22.](#)*Id.* at 473-75, 478.

[EN23.](#)*Id.* at 474-75.

[EN24.](#)*Id.* at 480.

[EN25.](#)See *id.* (citing *United States v. Kaczowski*, 114 F.Supp.2d 143, 153 (W.D.N.Y.2000); *United States v. Sellers*, 483 F.2d 37, 45 (5th Cir.1973), *overruled on other grounds by United States v. McKeever*, 905 F.2d 829 (5th Cir.1990); *United States v. Marder*, 474 F.2d 1192, 1194 (5th Cir.1973)).

[EN26.](#)*Id.*

[EN27.](#)*Id.* at 480-81 (quoting 107 Cong. Rec. 16533 (Aug. 21, 1961)).

[EN28.](#)*In re MasterCard Int'l Inc. Internet Gambling Litig.*, 313 F.3d 257, 262 (5th Cir.2002).

[EN29.](#)*Id.* at 264.

[EN30.](#)*N.Y. v. World Interactive Gaming Corp.*, 185 Misc.2d 852, 714 N.Y.S.2d 844, 848, 850-52 (N.Y.Sup.Ct.1999).

[EN31.](#)*Id.* at 847-48.

[EN32.](#)*Id.* at 848.

[EN33.](#)*Id.* at 852.

[EN34.](#)*Id.* at 851 (citing H.R.Rep. No. 967 (1961) *as reprinted in* 1961 U.S.C.C.A.N. 2631, 2631) (emphasis added).

[EN35.](#)See *Hamdan v. Rumsfeld*, 548 U.S. 557, 126 S.Ct. 2749, 2765-66, 165 L.Ed.2d 723 (2006).

[EN36.](#)*United States v. Michel*, 446 F.3d 1122, 1135 (10th Cir.2006).

[EN37.](#)*Id.* (quoting *United States v. Onheiber*, 173 F.3d 1254, 1256 (10th Cir.1999)).

[EN38.](#)393 F.2d 627 (8th Cir.1968).

[EN39.](#)*Id.* at 631.

[EN40.](#)*United States v. Smith*, 413 F.3d 1253, 1266 (10th Cir.2005).

[EN41.](#)*Id.* at 1266-67 (quoting *United States v. Sanders*, 928 F.2d 940, 943-44 (10th Cir.1991)) (internal quotation marks omitted). In *Smith*, the Tenth Circuit adopted the test found in the case of *United States v. Riccobene*, 709 F.2d 214 (3d Cir.1983), *abrogation on other grounds recognized by United States v. Vastola*, 989 F.2d 1318, 1330 (3d Cir.1993).

[EN42.](#)*Riccobene*, 709 F.2d at 222.

[EN43.](#)*Smith*, 413 F.3d at 1267.

[EN44.](#)See *United States v. Turkette*, 452 U.S. 576, 583, 101 S.Ct. 2524, 69 L.Ed.2d 246 (1981).

[EN45.](#)*Smith*, 413 F.3d at 1267 (quoting *Riccobene*, 709 F.2d at 223-24) (internal quotation marks omitted).

[EN46.](#)*Riccobene*, 709 F.2d at 224.

[EN47.](#) Indictment ¶ 21 (Docket No. 1).

[EN48.](#)See *United States v. Diaz*, 2006 WL 1833193, at \*3-4 (N.D.Cal. Jun. 30, 2006) (unpublished order).

[EN49.](#) Indictment ¶¶ 5-11, 13-17, 21 (Docket No. 1).

[EN50.](#)*Id.* at ¶ 4.

[EN51.](#)*Id.* at ¶¶ 13-15.

[EN52.](#)*Id.* at ¶¶ 18-19.

[EN53.](#)*Id.* at ¶ 21.

[EN54.](#)*Smith*, 413 F.3d at 1269 (quoting *H.J., Inc. v. Northwestern Bell Tel. Co.*, 492 U.S. 229, 239, 109 S.Ct. 2893, 106 L.Ed.2d 195 (1989)) (internal quotation marks omitted).

[EN55.](#)*United States v. Glecier*, 923 F.2d 496, 500-01 (7th Cir.1991); *see also United States v. Crockett*, 979 F.2d 1204, 1209-10 (7th Cir.1992).

[EN56.](#)*Glecier*, 923 F.2d at 501.

[EN57.](#)*Id.*

[EN58.](#)*Id.* at 500-01.

[EN59.](#)19 U.S.C. § 3511(a), (d)(14).

[EN60.](#)19 U.S.C. § 3512(a)(1).

[EN61.](#)19 U.S.C. § 3512(c)(1)(A).

[EN62.](#)19 U.S.C. § 3512(d).

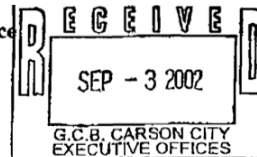
[EN63.](#)*The Uruguay Round Agreements Act: Statement of Administrative Action*, H.R. No. 103-316 (1994), *as*

*reprinted in* 1994 U.S.C.C.A.N. 4040, 4042 [hereinafter *Statement* ].  
EN64.*Id.* at 4300.  
EN65.*Id.* at 4318.  
EN66. Appellate Body Report, *United States-Measures Affecting the Cross-Border Supply of Gambling and Betting Services*, ¶ 1 WT/DS285/R (April 7, 2005).  
EN67.*Id.* at ¶¶ 5, 373.  
EN68.6 U.S. (2 Cranch) 64, 2 L.Ed. 208 (1804).  
EN69.Restatement (Third) of Foreign Relations Law of the United States § 114 (1987).  
EN70.*Guaylupo-Moya v. Gonzales*, 423 F.3d 121, 135-36 (2d Cir.2005) (quoting *United States v. Yousef*, 327 F.3d 56, 93 (2d Cir.2003)) (citation omitted).  
EN71.*In re Maxwell Commc'n Corp.*, 93 F.3d 1036, 1047 (2d Cir.1996).  
EN72.18 U.S.C. § 1084(a).  
EN73.See *United States v. Cohen*, 260 F.3d 68 (2d Cir.2001); *United States v. Corrar*, 2007 WL 196862 (N.D.Ga. Jan. 22, 2007).  
EN74.18 U.S.C. § 1081.  
EN75.19 U.S.C. § 3512(a)(1).  
EN76.*Statement*, *supra* note 63, at 4050.  
EN77.*Corus Staal BV v. Dep't of Commerce*, 395 F.3d 1343, 1348 (Fed.Cir.2005) (quoting *Timken Co. v. United States*, 354 F.3d 1334, 1344 (Fed.Cir.2004)).  
EN78.*Statement*, *supra* note 63, at 4318.  
EN79.19 U.S.C. § 3512(c)(1)(A).  
EN80. The United States has apparently elected the last option: “In light of these developments in the WTO dispute, the United States has decided to make use of the established WTO procedures to correct its schedule in order to reflect the original U.S. intent—that is, to exclude gambling from the scope of the U.S. commitments under the GATS.” Press Release, Office of United States Trade Representative, Statement of Deputy United States Trade Representative John K. Veroneau Regarding U.S. Actions under GATS Article XXI (May 5, 2007), *available at* [http:// www. ustr. gov/ Document\\_ Library/ Press\\_ Releases/ Section\\_ Index. html](http://www.ustr.gov/Document_Library/Press_Releases/Section_Index.html).  
EN81.See 19 U.S.C. § 3512(a)(1).

# The DOJ Letter to Nevada



U.S. Department of Justice  
Criminal Division



Assistant Attorney General

Washington, D.C. 20530

August 23, 2002

Mr. Dennis K. Neilander, Chairman  
Nevada Gaming Control Board  
P.O. Box 8003  
Carson City, Nevada 89706

Dear Chairman Neilander:

Your office recently spoke to Mr. Matthew Martens, who is the Criminal Division's Chief of Staff to the Assistant Attorney General, regarding the application of federal law to Internet gambling and the article on Internet gambling in Nevada that was prepared by Mr. Jeffrey R. Rodefer, who is an Assistant Chief Deputy Attorney General for the Nevada Attorney General's Office. The Criminal Division was recently informed by the Department of Justice's Office of Intergovernmental Affairs that your office is also requesting a written response.

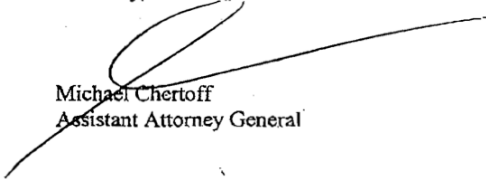
As a general rule, the Department of Justice is limited by statute to providing legal advice within the federal government and the Criminal Division does not issue advisory opinions with respect to the legality of specific gambling operations. This allows the Department to defer the resolution of legal questions until it is confronted with a concrete situation requiring action in a judicial forum.

We may, however, provide general guidance as to relevant statutory provisions that are applicable to Internet gambling. As set forth in prior Congressional testimony, the Department of Justice believes that federal law prohibits gambling over the Internet, including casino-style gambling. While several federal statutes are applicable to Internet gambling, the main statutes are Sections 1084, 1952, and 1955, of Title 18, United States Code. As stated in Mr. Rodefer's article, Section 1084 of Title 18, United States Code, prohibits one in the business of betting or wagering from knowingly using a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers. Section 1952 of Title 18, United States Code, prohibits traveling in interstate or foreign commerce, or using the mails, or using a facility in interstate or foreign commerce with intent to distribute the proceeds of an unlawful activity or otherwise promoting, managing, establishing, carrying on, or facilitating the promotion, management, establishment, or carrying on, of any unlawful activity and thereafter performing or attempting to perform such act. The term "unlawful activity" is defined in Section 1952(b) to mean "any business enterprise involving gambling . . . in violation of the laws of the State in which they are committed or of the United States." Section 1955 of Title 18, United States Code, prohibits illegal gambling businesses, which involve 1) a violation of state law, 2) five or more persons who conduct, finance, manage,

supervise, direct, or own all or part of such business, and 3) a business that has been or remains in substantially continuous operation for a period in excess of thirty days or has a gross revenue of \$2000 in any single day. In addition to criminal convictions, Section 1955 can be used to seek civil forfeiture of gambling proceeds. See United States v. \$734,578.82 in United States Currency, 286 F.3d 641 (3d Cir. 2002). Moreover, the federal money laundering statutes are applicable to unlawful Internet gambling businesses. Additionally, it is the Department's view that the gambling activity occurs both in the jurisdiction where the bettor is located and the state or foreign country where the gambling business is located.

I trust that this is responsive to your inquiry. Please do not hesitate to contact us if we can be of any further assistance in this or any other matter.

Sincerely,



Michael Chertoff  
Assistant Attorney General

# The Plea Agreement of Mr. Anurag Dikshit



## *United States Attorney Southern District of New York*

**FOR IMMEDIATE RELEASE  
DECEMBER 16, 2008**

**CONTACT: U.S. ATTORNEY'S OFFICE  
YUSILL SCRIBNER  
REBEKAH CARMICHAEL  
JANICE OH  
PUBLIC INFORMATION OFFICE  
(212) 637-2600**

### **PARTYGAMING FOUNDER PLEADS GUILTY IN INTERNET GAMBLING CASE AND AGREES TO \$300 MILLION FORFEITURE**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, and MARK J. MERSHON, Assistant Director-in-Charge of the Federal Bureau of Investigation ("FBI"), announced that ANURAG DIKSHIT -- a founder and former officer and director of PartyGaming PLC, an internet gambling business -- pleaded guilty today before United States District Judge JED S. RAKOFF to charges that he used the wires to transmit in interstate and foreign commerce bets and wagering information. As alleged in the documents filed and statements made during DIKSHIT's plea allocution in Manhattan federal court, and as set forth in DIKSHIT's plea agreement with the Government:

From about 1997 through October 2006, PartyGaming PLC, a Gibraltar corporation, and its predecessor and affiliated corporate entities (collectively "PartyGaming"), operated an Internet gambling business which offered casino and poker games, among other games of chance, to customers who wished to gamble online. During that time a substantial majority of PartyGaming's online gambling customers -- who accounted for approximately 85% of PartyGaming's revenue in 2005 -- were located in the United States, including the Southern District of New York. ANURAG DIKSHIT developed a proprietary software platform for PartyGaming and directed PartyGaming's computer operations from approximately 1998 through October 2006. From 1999 through October 2006, DIKSHIT was a principal shareholder of PartyGaming and, at various times, served as a PartyGaming corporate officer and director.

DIKSHIT pleaded guilty to one count of using the wires to transmit bets and wagering information in interstate commerce. DIKSHIT, 37, faces a maximum sentence of 2 years in prison and a fine of \$250,000, or twice the gross gain or loss from the offense.



In addition, DIKSHIT admitted to forfeiture allegations requiring him to forfeit \$300 million, and agreed with the Government to pay \$100 million at the time of the signing of his plea agreement; another \$100 million within 3 months of the date of his guilty plea; and the final \$100 million prior to the defendant's sentencing or September 30, 2009, whichever is earlier. DIKSHIT has already paid the first \$100 million installment of this forfeiture.

Sentencing is scheduled for December 16, 2010 before Judge RAKOFF.

Mr. DASSIN praised the investigative work of the FBI in this case.

Assistant United States Attorneys JONATHAN B. NEW, ARLO DEVLIN-BROWN, and SHARON COHEN LEVIN are in charge of the prosecution.

08-331

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In

December, 2010, a court accepted Mr. Dikshit's plea and he was sentenced to one year probation in addition to the payment of the agreed forfeitures.

# The Letter from Senators Kyl and Reid

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United States Senate  
WASHINGTON, DC 20510

July 14, 2011

The Honorable Eric Holder  
Attorney General  
U.S. Department of Justice  
950 Pennsylvania Avenue, N.W.  
Washington, D.C. 20530-0001

Dear Attorney General Holder:

As you know, several weeks ago, the U.S. Attorney in the Southern District of New York indicted various individuals associated with online poker sites for violations of various laws. Additional indictments were unveiled in Baltimore at the end of May.

These indictments came after many years in which the entities operated Internet poker websites to Americans in an open and notorious way with apparently no repercussions from law enforcement. Leading up to the indictments, this lack of activity by law enforcement led to a significant and growing perception that operating Internet poker and other Internet gambling did not violate U.S. laws, or at least that the Department of Justice thought that the case was uncertain enough that it chose not to pursue enforcement actions. In turn, this perception allowed this activity to spread substantially, so that at least 1,700 foreign sites continue to offer Internet gambling to U.S. players. We think it is important that the Department of Justice pursue aggressively and consistently those offering illegal Internet gambling in the United States.

In addition, we have two further concerns: the spread of efforts to legalize intra-state Internet gambling and the spread of efforts to offer such intra-state Internet gambling through state-sponsored lotteries.


We believe that the Department of Justice's longstanding position has been that all forms of Internet gambling are illegal — including intra-state Internet gambling, because activity over the Internet inherently crosses state lines, implicating federal anti-gambling laws such as the Wire Act. Yet efforts are underway in about a dozen states to legalize some form of intra-state Internet gambling. In many cases, Internet gambling advocates in those states cite the silence of the Department of Justice in the face of these efforts as acquiescence. In fact, we have heard that at a major conference in May, several officials from various state lotteries boasted that they have obtained the Department of Justice's effective consent by writing letters of their plans that stated that if no objection was received they would proceed with their Internet gambling plans — and no objection has been received despite many months or years.

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This is troubling. We respectfully request that you reiterate the Department's longstanding position that federal law prohibits gambling over the Internet, including intra-state gambling (e.g., lotteries). Conversely, if for some reason the Department is reconsidering its longstanding position, then we respectfully request that you consult with Congress before finalizing a new position that would open the floodgates to Internet gambling.

Finally, we would like to work with you to strengthen the penalties for those who violate the law and to see what modifications would be helpful to the Department to enhance its ability to fight Internet gambling.

Sincerely,

  
HARRY REID  
U.S. Senator

  
JON KYL  
U.S. Senator

# The December Surprise DOJ Opinion

## WHETHER PROPOSALS BY ILLINOIS AND NEW YORK TO USE THE INTERNET AND OUT-OF-STATE TRANSACTION PROCESSORS TO SELL LOTTERY TICKETS TO IN-STATE ADULTS VIOLATE THE WIRE ACT

*Interstate transmissions of wire communications that do not relate to a “sporting event or contest” fall outside the reach of the Wire Act.*

*Because the proposed New York and Illinois lottery proposals do not involve wagering on sporting events or contests, the Wire Act does not prohibit them.*

September 20, 2011

### MEMORANDUM OPINION FOR THE ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION

You have asked for our opinion regarding the lawfulness of proposals by Illinois and New York to use the Internet and out-of-state transaction processors to sell lottery tickets to in-state adults. *See* Memorandum for David Barron, Acting Assistant Attorney General, Office of Legal Counsel, from Lanny A. Breuer, Assistant Attorney General, Criminal Division (July 12, 2010) (“Crim. Mem.”); Memorandum for Jonathan Goldman Cedarbaum, Acting Assistant Attorney General, Office of Legal Counsel, from Lanny A. Breuer, Assistant Attorney General, Criminal Division (Oct. 8, 2010) (“Crim. Supp. Mem.”). You have explained that, in the Criminal Division’s view, the Wire Act, 18 U.S.C. § 1084 (2006), may prohibit States from conducting in-state lottery transactions via the Internet if the transmissions over the Internet during the transaction cross State lines, and may also limit States’ abilities to transmit lottery data to out-of-state transaction processors. You further observe, however, that so interpreted, the Wire Act may conflict with the Unlawful Internet Gambling Enforcement Act (“UIGEA”), 31 U.S.C. §§ 5361-5367 (2006), because UIGEA appears to permit intermediate out-of-state routing of electronic data associated with lawful lottery transactions that otherwise occur in-state. In light of this apparent conflict, you have asked whether the Wire Act and UIGEA prohibit a state-run lottery from using the Internet to sell tickets to in-state adults where the transmission using the Internet crosses state lines, and whether these statutes prohibit a state lottery from transmitting lottery data associated with in-state ticket sales to an out-of-state transaction processor either during or after the purchasing process.

Having considered the Criminal Division’s views, as well as letters from New York and Illinois to the Criminal Division that were attached to your opinion request,<sup>1</sup> we conclude that interstate transmissions of wire communications that do not relate to a “sporting event or contest,” 18 U.S.C. § 1084(a), fall outside of the reach of the Wire Act. Because the proposed New York and Illinois lottery proposals do not involve wagering on sporting events or contests,

<sup>1</sup> *See* Letter for Portia Roberson, Director, Office of Intergovernmental Affairs, from William J. Murray, Deputy Director and General Counsel, New York Lottery (Dec. 4, 2009) (“N.Y. Letter”); Letter for Eric H. Holder, Jr., Attorney General of the United States, from Pat Quinn, Governor, State of Illinois (Dec. 11, 2009) (“Ill. Letter”); Letter for Bruce Ohr, Chief, Organized Crime and Racketeering Section, Criminal Division, from John W. McCaffrey, General Counsel, Illinois Department of Revenue (Mar. 10, 2010); Department of Revenue and Illinois Lottery, State of Illinois Internet Lottery Pilot Program (Mar. 10, 2010) (“Ill. White Paper”).

the Wire Act does not, in our view, prohibit them. Given this conclusion, we have not found it necessary to address the Wire Act's interaction with UIGEA, or to analyze UIGEA in any other respect.

I.

In December 2009, officials from the New York State Division of the Lottery and the Office of the Governor of the State of Illinois sought the Criminal Division's views regarding their plans to use the Internet and out-of-state transaction processors to sell lottery tickets to adults within their states. *See* Crim. Mem. at 1; Ill. Letter; N.Y. Letter. According to its letter to the Criminal Division, New York is finalizing construction of a new computerized system that will control the sale of lottery tickets to in-state customers. Most of the tickets will be printed at retail locations and delivered to customers over the counter, but some will be "virtual tickets electronically delivered over the Internet to computers or mobile phones located inside the State of New York." N.Y. Letter at 1. New York also notes that all transaction data in the new system will be routed from the customer's location in New York to the lottery's data centers in New York and Texas through networks controlled in Maryland and Nevada. *Id.* Illinois, for its part, plans to implement a pilot program to sell lottery tickets to adults over the Internet, with sales restricted by geolocation technology to "transactions initiated and received or otherwise made exclusively within the State of Illinois." Ill. Letter at 2 (citation and internal quotation marks omitted). Illinois characterizes its program as "an intrastate lottery, despite the fact that packets of data may intermediately be routed across state lines over the Internet." Ill. White Paper at 12 (italics omitted). Both States argue in their submissions to the Criminal Division that the Wire Act is inapplicable because it does not cover communications related to non-sports wagering, and that their proposed lotteries are lawful under UIGEA. *Id.* at 11-12; N.Y. Letter at 3.

In the Criminal Division's view, both the New York and Illinois Internet lottery proposals may violate the Wire Act. Crim. Mem. at 3. The Criminal Division notes that "[t]he Department has uniformly taken the position that the Wire Act is not limited to sports wagering and can be applied to other forms of interstate gambling." *Id.* at 3; *see also* Crim. Supp. Mem. at 1-2. The Division also explains that "the Department has consistently argued under the Wire Act that, even if the wire communication originates and terminates in the same state, the law's interstate commerce requirement is nevertheless satisfied if the wire crossed state lines at any point in the process." Crim. Mem. at 3; *see also* Crim. Supp. Mem. at 2. Taken together, these interpretations of the Wire Act "lead[] to the conclusion that the [Act] prohibits" states from "utiliz[ing] the Internet to transact bets or wagers," even if those bets or wagers originate and terminate within the state. Crim. Supp. Mem. at 2.

The Criminal Division further notes, however, that reading the Wire Act in this manner creates tension with UIGEA, which appears to permit out-of-state routing of data associated with in-state lottery transactions. Crim. Mem. at 4-5. UIGEA prohibits any person engaged in the business of betting or wagering from accepting any credit or funds from another person in connection with the latter's participation in "unlawful Internet gambling." 31 U.S.C. § 5363; *see* Crim. Mem. at 3. Under UIGEA, "unlawful Internet gambling" means "to place, receive, or otherwise knowingly transmit a bet or wager by any means which involves the use, at least in part, of the Internet" in a jurisdiction where applicable federal or state law makes such a bet illegal. 31 U.S.C. § 5362(10)(A). Critically, however, UIGEA specifies that "unlawful Internet

*Whether Use of the Internet and Out-of-State Processors to Sell Lottery Tickets Violates the Wire Act*

gambling” does not include bets “initiated and received or otherwise made exclusively within a single State,” *id.* § 5362(10)(B), and expressly provides that “[t]he intermediate routing of electronic data shall not determine the location or locations in which a bet or wager is initiated, received, or otherwise made,” *id.* § 5362(10)(E).

The Criminal Division is thus concerned that the Wire Act may criminalize conduct that UIGEA suggests is lawful. On the one hand, the Criminal Division believes that the New York and Illinois lottery plans violate the Wire Act because they will involve Internet transmissions that cross state lines or the transmission of lottery data to out-of-state transaction processors. Crim. Mem. at 4; Crim. Supp. Mem. at 2. On the other hand, the Division acknowledges that state-run intrastate lotteries are lawful and that UIGEA specifically provides that the kind of “intermediate routing” of lottery transaction data contemplated by New York and Illinois cannot in itself render a lottery transaction interstate. Crim. Supp. Mem. at 2; Crim. Mem. at 4-5. The Criminal Division further notes that the conclusion that the Wire Act prohibits state lotteries from making in-state sales over the Internet creates “a potential oddity of circumstances” in which “the use of interstate commerce,” rather than simply supplying a jurisdictional hook for conduct that is already wrongful, would transform otherwise lawful activity—state-run in-state lottery transactions—into wrongful conduct under the Wire Act. Crim. Supp. Mem. at 2.<sup>2</sup>

In light of this tension, the Criminal Division asked this Office to provide an opinion addressing whether the Wire Act and UIGEA prohibit state-run lotteries from using the Internet to sell tickets to in-state adults (a) where the transmission over the Internet crosses state lines, or (b) where the lottery transmits lottery data across state lines to an out-of-state transaction processor. Crim. Mem. at 5; Crim. Supp. Mem. at 1.

## II.

The Criminal Division’s conclusion that the New York and Illinois lottery proposals may be unlawful rests on the premise that the Wire Act prohibits interstate wire transmissions of gambling-related communications that do not involve “any sporting event or contest.” See Crim. Mem. at 3; Crim. Supp. Mem. at 2. As noted above, both Illinois and New York dispute this premise, contending that the Wire Act prohibits only transmissions concerning sports-related wagering. See Ill. White Paper at 11-12; N.Y. Letter at 3; see also *In re Mastercard Int’l, Inc., Internet Gambling Litig.*, 132 F. Supp. 2d 468, 480 (E.D. La. 2001) (“[A] plain reading of the statutory language clearly requires that the object of the gambling be a sporting event or contest.”), *aff’d*, 313 F.3d 257 (5th Cir. 2002). The sparse case law on this issue is divided. Compare, e.g., *Mastercard*, 313 F.3d at 262-63 (holding that the Wire Act does not extend to non-sports wagering), with *United States v. Lombardo*, 639 F. Supp. 2d 1271, 1281 (D. Utah. 2007) (taking the opposite view), and Report and Recommendation of United States Magistrate Judge Regarding Gary Kaplan’s Motion to Dismiss Counts 3-12, at 4-6, *United States v. Kaplan*, No. 06-CR-337CEJ (E.D. Mo. Mar. 20, 2008) (same).<sup>3</sup> We conclude that the Criminal

<sup>2</sup> State-run lotteries are exempt from many federal anti-gambling prohibitions. See, e.g., 18 U.S.C. §§ 1307, 1953(b)(4) (2006).

<sup>3</sup> A New York court also found that subsection 1084(a) applied to gambling in the form of “virtual slots, blackjack, or roulette,” but did so without analyzing the meaning of the “sporting event or contest” qualification. See *New York v. World Interactive Gaming Corp.*, 714 N.Y.S.2d 844, 847, 851-52 (N.Y. Sup. Ct. 1999).

Division's premise is incorrect and that the Wire Act prohibits only the transmission of communications related to bets or wagers on sporting events or contests.

The relevant portion of the Wire Act, subsection 1084(a), provides:

Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under this title or imprisoned not more than two years, or both.

18 U.S.C. § 1084(a) (codifying Pub. L. No. 87-216, § 2, 75 Stat. 491 (1961)).<sup>4</sup>

This provision contains two broad clauses. The first bars anyone engaged in the business of betting or wagering from knowingly using a wire communication facility “for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest.” *Id.* The second bars any such person from knowingly using a wire communication facility to transmit communications that entitle the recipient to “receive money or credit” either “as a result of bets or wagers” or “for information assisting in the placing of bets or wagers.” *Id.*<sup>5</sup>

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<sup>4</sup> The Wire Act defines “wire communication facility” as “any and all instrumentalities, personnel, and services (among other things, the receipt, forwarding, or delivery of communications) used or useful in the transmission of writings, signs, pictures, and sounds of all kinds by aid of wire, cable, or other like connection between the points of origin and reception of such transmission.” 18 U.S.C. § 1081 (2006).

<sup>5</sup> The Criminal Division reads this second clause of subsection 1084(a) as if it were two separate clauses: the first prohibiting the use of a wire communication facility “for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers,” and the second prohibiting the use of a wire communication facility “for information assisting in the placing of bets or wagers.” *See* *Crim. Mem.* at 3; *Crim. Supp. Mem.* at 1 n.1. We do not find this reading convincing. Under that reading, the latter clause would prohibit the “use[] [of] a wire communication facility . . . for information assisting in the placing of bets or wagers,” but it is unclear what, if anything, “us[ing]” a wire communication facility “for information” would mean. This difficulty could be remedied by reading the phrase “the transmission of” into the statute. However, doing so would both add words to the text and make the last clause in subsection 1084(a)—prohibiting use of a wire facility “for [the transmission of] information assisting in the placing of bets or wagers”—overlap with the first part of subsection 1084(a), which prohibits using wire communications for “the transmission . . . of . . . information assisting in the placing of bets or wagers on any sporting event or contest.” This redundancy counsels against the Criminal Division’s reading. *See, e.g., Hibbs v. Winn*, 542 U.S. 88, 101 (2004) (invoking “rule against superfluities”). We believe the second half of subsection 1084(a) is better read as a single prohibition barring “the transmission of a wire communication which entitles the recipient to receive money or credit [either] as a result of bets or wagers[] or for information assisting in the placing of bets or wagers.” 18 U.S.C. § 1084(a) (emphasis added). This reading avoids the illogic and redundancy of the first reading. It is also supported by the Wire Act’s legislative history, which characterizes the second half of subsection 1084(a) as a provision that would prohibit “the transmission of wire communications which entitle the recipient to receive money as the result of betting or wagering.” S. Rep. No. 87-588, at 2 (1961)—*not* as a set of two provisions that both would prohibit the transmission of wire communications entitling the recipients to receive money or credit as a result of bets or wagers *and* broadly bar the transmission of information assisting in the placing of bets or wagers. *See* H.R. Rep. No. 87-967, at 2 (1961) (subsection (a) “also prohibits the transmission of a wire communication which entitled the recipient to receive

Our question is whether the term “on any sporting event or contest” modifies each instance of “bets or wagers” in subsection 1084(a) or only the instance it directly follows. The second part of the first clause clearly prohibits a person who is engaged in the business of betting or wagering from knowingly using a wire communication facility to transmit “information assisting in the placing of bets or wagers on any sporting event or contest” in interstate or foreign commerce. *Id.* § 1084(a). It is less clear that the “sporting event or contest” limitation also applies to the first part of the first clause, prohibiting the use of a wire communication facility to transmit “bets or wagers” in interstate or foreign commerce, or to the second clause, prohibiting the transmission of a wire communication “which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers.” *Id.* For the reasons set forth below, we conclude that both provisions are limited to bets or wagers on or wagering communications related to sporting events or contests. We begin by discussing the first part of the first clause, and then turn to the second clause.

A.

In our view, it is more natural to treat the phrase “on any sporting event or contest” in subsection 1084(a)’s first clause as modifying both “the transmission in interstate or foreign commerce of bets or wagers” and “information assisting in the placing of bets or wagers,” rather than as modifying the latter phrase alone. The text itself can be read either way—it does not, for example, contain a comma after the first reference to “bets or wagers,” which would have rendered our proposed reading significantly less plausible. By the same token, the text does not contain commas after *each* reference to “bets or wagers,” which would have rendered our proposed reading that much more certain. See 18 U.S.C. § 1084(a) (“Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest . . .”).

Reading “on any sporting event or contest” to modify “the transmission . . . of bets or wagers” produces the more logical result. The text could be read to forbid the interstate or foreign transmission of bets and wagers of all kinds, including non-sports bets and wagers, while forbidding the transmission of information to assist only sports-related bets and wagers. But it is difficult to discern why Congress, having forbidden the transmission of *all* kinds of bets or wagers, would have wanted to prohibit only the transmission of information assisting in bets or wagers concerning sports, thereby effectively permitting covered persons to transmit information assisting in the placing of a large class of bets or wagers whose transmission was expressly forbidden by the clause’s first part. See *id.*; see also *id.* § 1084(b) (providing exceptions for news reporting, and for transmissions of wagering information from one state where betting is legal to another state where betting is legal, both expressly relating to “sporting events or contests”). The more reasonable inference is that Congress intended the Wire Act’s prohibitions to be parallel in scope, prohibiting the use of wire communication facilities to transmit both bets or wagers *and* betting or wagering information on sporting events or contests. Given that this interpretation is an equally plausible reading of the text and makes better sense of the statutory

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money or credit as a result of a bet or wager or for information assisting in the placing of bets or wagers”), *reprinted in* 1961 U.S.C.C.A.N. 2631, 2632.



scheme, we believe it is the better reading of the first clause. *See Ali v. Fed. Bureau of Prisons*, 552 U.S. 214, 222 (2008) (“[O]ur construction . . . must, to the extent possible, ensure that the statutory scheme is coherent and consistent.”).

The legislative history of subsection 1084(a) supports this conclusion. As originally proposed, subsection 1084(a) would have imposed criminal penalties on anyone who “leases, furnishes, or maintains any wire communication facility with intent that it be used for the transmission in interstate or foreign commerce of *bets or wagers, or information assisting in the placing of bets or wagers, on any sporting event or contest . . .*” S. 1656, 87th Cong. § 2 (1961) (as introduced) (emphasis added). The commas around the phrase “or information assisting in the placing of bets or wagers” make clear that the phrase “on any sporting event or contest” modifies both “bets or wagers” and “information assisting in the placing of bets or wagers.”

In redrafting subsection 1084(a), the Senate Judiciary Committee altered the provision’s first clause, changing the class of covered persons and removing the commas after both references to “wagers,” and added a second clause prohibiting transmissions relating to “money or credit” (which we discuss below in section II.B). The Senate Judiciary Committee Report noted that the purpose of this amendment was to limit the subsection’s reach to persons engaged in the gambling business, and to expand its reach to include “money or credit” communications:

The second amendment changes the language of the bill, as introduced (which prohibited the leasing, furnishing, or maintaining of wire communication facility with intent that it be used for the transmission in interstate or foreign commerce of bets or wagers), to prohibit the use of wire communication facility by persons engaged in the business of betting or wagering, in the belief that the individual user, engaged in the business of betting or wagering, is the person at whom the proposed legislation should be directed; and has further amended the bill to prohibit the transmission of wire communications which entitle the recipient to receive money as the result of betting or wagering which is designed to close another avenue utilized by gamblers for the conduct of their business.

S. Rep. No. 87-588, at 2 (1961). Nothing in the legislative history of this amendment suggests that, in deleting the commas around “or information assisting in the placing of bets or wagers” and adding subsection 1084(a)’s second clause, Congress intended to expand dramatically the scope of prohibited transmissions from “bets or wagers . . . on any sporting event or contest” to *all* “bets or wagers,” or to introduce a counterintuitive disparity between the scope of the statute’s prohibition on the transmission of bets or wagers and the scope of its prohibition on the transmission of information assisting in the placing of bets or wagers. *See also* 107 Cong. Rec. 13,901 (1961) (Explanation of S. 1656, Prohibiting Transmission of Bets by Wire Communications, submitted for the record by Sen. Eastland, Chairman, S. Judiciary Comm.) (describing Senate Judiciary Committee’s two major amendments to S. 1656 without mentioning an expansion of prohibited wagering to reach non-sports wagering); *cf. Report of Proceedings: Hearing Before the S. Comm. on the Judiciary, Exec. Sess.*, 87th Cong. 55 (1961) (“Senate Judiciary Comm. Exec. Session”) (statement of Byron R. White, Deputy Att’y Gen.) (the bill, as amended, “is aimed now at those who use the wire communication facility for the

transmission of bets or wagers in connection with a sporting event”)<sup>6</sup> Given that such changes would have significantly altered the scope of the statute, we think this absence of comment in the legislative history is significant. *Cf. Whitman v. Am. Trucking Ass’ns*, 531 U.S. 457, 468 (2001) (“Congress . . . does not, one might say, hide elephants in mouseholes.”).

## B.

We likewise conclude that the phrase “on any sporting event or contest” modifies subsection 1084(a)’s second clause, which prohibits “the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers.” 18 U.S.C. § 1084(a). The qualifying phrase “on any sporting event or contest” does not appear in this clause. But in our view, the references to “bets or wagers” in the second clause are best read as shorthand references to the “bets or wagers on any sporting event or contest” described in the first clause.

Although Congress could have made such an intent even clearer by writing “*such* bets or wagers” in the second clause, the text itself is consistent with our interpretation. And the interpretation gains support from the fact that the phrase “in interstate and foreign commerce” is likewise omitted from the second clause, even though Congress presumably intended *all* the prohibitions in the Wire Act, including those in the second clause, to be limited to interstate or foreign (as opposed to intrastate) wire communications. *See* *Crim. Mem.* at 3 (to violate the Wire Act, the wire communication must “cross[] state lines”); *see also, e.g.*, H.R. Rep. No. 87-967, at 1-2 (“The purpose of the bill is to . . . aid in the suppression of organized gambling activities by prohibiting the use of wire communication facilities which are or will be used for the transmission of bets or wagers and gambling information *in interstate and foreign commerce.*”) (emphasis added), *reprinted in* 1961 U.S.C.C.A.N. at 2631. This omission suggests that Congress used shortened phrases in the second clause to refer back to terms spelled out more completely in the first clause.

Reading the entire subsection, including its second clause, as limited to sports-related betting also makes functional sense of the statute. *Cf. Corley v. United States*, 129 S. Ct. 1558, 1567 n.5 (2009) (construing the statute as a whole to avoid “the absurd results of a literal reading”). On this reading, all of subsection 1084(a)’s prohibitions serve the same end, forbidding wagering, information, and winnings transmissions of the same scope: No person may send a wire communication that places a bet on a sporting event or entitles the sender to

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<sup>6</sup> The legislative history indicates that the Department of Justice played a significant role in drafting S. 1656 as part of the Attorney General’s program to fight organized crime and syndicated gambling. *See, e.g.*, S. Rep. No. 87-588, at 3 (noting that S. 1656 was introduced by the committee chairman on the recommendation of the Attorney General); *The Attorney General’s Program to Curb Organized Crime and Racketeering: Hearings on S. 1653, S. 1654, S. 1655, S. 1656, S. 1657, S. 1658, S. 1665 Before the S. Comm. on the Judiciary*, 87th Cong. 12 (1961) (“Senate Hearings”) (statement of Robert F. Kennedy, Att’y Gen.) (“We have drafted this statute carefully to protect the freedom of the press.”), *quoted in* S. Rep. No. 87-588, at 3; Senate Judiciary Comm. Exec. Session at 54-55 (statement of Byron R. White, Deputy Att’y Gen.) (describing amendments to S. 1656 negotiated by the Justice Department); *Legislation Relating to Organized Crime: Hearings on H.R. 468, H.R. 1246, H.R. 3021, H.R. 3022, H.R. 3023, H.R. 3246, H.R. 5230, H.R. 6571, H.R. 6572, H.R. 6909, H.R. 7039 Before Subcomm. No. 5 of the H. Comm. on the Judiciary*, 87th Cong. 5 (1961) (“House Hearings”) (statement of Rep. McCulloch) (referring to “the legislative proposals of the Kennedy administration”).

receive money or credit as a result of a sports-related bet, and no person may send a wire communication that shares information assisting in the placing of a sports-related bet or entitles the sender to money or credit for sharing information that assisted in the placing of a sports-related bet.

Reading subsection 1084(a) to contain some prohibitions that apply solely to sports-related gambling activities and other prohibitions that apply to all gambling activities, in contrast, would create a counterintuitive patchwork of prohibitions. If the provision's second clause is read to apply to *all* bets or wagers, subsection 1084(a) as a whole would prohibit using a wire communication facility to place bets or to provide betting information only when sports wagering is involved, but would prohibit using a wire communication facility to transmit *any and all* money or credit communications involving wagering, whether sports-related or not. We think it is unlikely that Congress would have intended to permit wire transmissions of non-sports bets and wagers, but prohibit wire transmissions through which the recipients of those communications would become entitled to receive money or credit as a result of those bets. We think it similarly unlikely that Congress would have intended to allow the transmission of information assisting in the placing of bets or wagers on non-sporting events, but then prohibit transmissions entitling the recipient to receive money or credit for the provision of information assisting in the placing of those lawfully-transmitted bets.

The legislative history of subsection 1084(a) supports our reading of the text. *Cf. Pub. Citizen v. U.S. Dep't of Justice*, 491 U.S. 440, 454 (1989) ("Where the literal reading of a statutory term would 'compel an odd result,' we must search for other evidence of congressional intent to lend the term its proper scope.") (quoting *Green v. Bock Laundry Mach. Co.*, 490 U.S. 504, 509 (1989)); *cf. Green*, 490 U.S. at 527 (Scalia, J., concurring) (finding it "entirely appropriate to consult all public materials, including the background of [Federal] Rule [of Evidence] 609(a)(1) and the legislative history of its adoption, to verify that what seems to us an unthinkable disposition . . . was indeed unthought of, and thus to justify a departure from the ordinary meaning of the word 'defendant' in the Rule"). To begin, when Congress revised the Wire Act during the legislative process to add the second clause, it indicated (as noted above) that its purpose in doing so was to "further amend[] the bill to prohibit the transmission of wire communications which entitle the recipient to receive money as the result of betting or wagering[,] which is designed to close another avenue utilized by gamblers for the conduct of their business." S. Rep. No. 87-588, at 2. There is no indication that Congress intended the prohibition on money or credit transmissions to sweep substantially more broadly than the underlying prohibitions on betting, wagering, and information communications, let alone any discussion of any rationale behind such a counterintuitive scheme. *Cf. Am. Trucking*, 531 U.S. at 468.

More broadly, the Wire Act's legislative history reveals that Congress's overriding goal in the Act was to stop the use of wire communications for sports gambling in particular. Congress was principally focused on off-track betting on horse races, but also expressed concern about other sports-related events or contests, such as baseball, basketball, football, and boxing. The House Judiciary Committee Report, for example, explains:

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Testimony before your Committee on the Judiciary revealed that modern bookmaking depends in large measure on the rapid transmission of gambling information by wire communication facilities. For example, at present, the immediate receipt of information as to results of a horserace permits a bettor to place a wager on a successive race. Likewise, bookmakers are dependent upon telephone service for the placing of bets and for layoff betting on all sporting events. The availability of wire communication facilities affords opportunity for the making of bets or wagers and the exchange of related information almost to the very minute that a particular sporting event begins.

H.R. Rep. No. 87-967 at 2, *reprinted in* 1961 U.S.C.C.A.N. at 2631-32 (reprinted report entitled “Sporting Events—Transmission of Bets, Wagers, and Related Information”); *see also* 107 Cong. Rec. 16,533 (1961) (statement of Rep. Celler, Chairman, H. Judiciary Comm.) (“This particular bill involves the transmission of wagers or bets and layoffs on horseracing and other sporting events.”); House Hearings at 24-26 (statement of Robert F. Kennedy, Att’y Gen.) (describing horse racing bookmaking operations and the importance to the bookmaker of rapid inbound and outbound communications); House Hearings at 236-38 (statement of Frank D. O’Connor, District Attorney, Long Island City, N.Y.) (describing the operation of the Delaware Sports Service, a wire service that enables bookies and gambling syndicates to lay off horse race bets with other bookies, reduce odds on a horse, and even cheat by taking bets after a race has finished).

Legislative history from the Senate similarly suggests that Congress’s motive in enacting the Wire Act was to combat sports-related betting. The Explanation of S. 1656, Prohibiting Transmission of Bets by Wire Communications, provided by Chairman Eastland during the Senate debate, describes the problem addressed by the legislation this way:

Information essential to gambling must be readily and quickly available. Illegal bookmaking depends upon races at about 20 major racetracks throughout the country, only a few of which are in operation at any one time. Since the bookmaker needs many bets in order to operate a successful book, he needs replays, including money on each race. Bettors will bet on successive races only if they know quickly the results of the prior race and the bookmaker cannot accept bets without the knowledge of the results of each race. Thus, information so quickly received as to be almost simultaneous, prior to, during, and immediately after each race with regard to starting horse, scratches of entries, probable winners, betting odds, results and the prices paid, is essential to both the illegal bookmaker and his customers.

107 Cong. Rec. 13,901 (1961); *see also* S. Rep. No. 87-588, at 4 (quoting Letter for Vice President, U.S. Senate, from Robert F. Kennedy, Att’y Gen. (Apr. 6, 1961)); Senate Hearings at 12 (statement of Robert F. Kennedy, Att’y Gen.) (“The people who will be affected [by S. 1656] are the bookmakers and the layoff men, who need incoming and outgoing wire communications in order to operate.”).

Although Congress was most concerned about horse racing, testimony during the hearings also highlighted the increasing importance of rapid wire communications to “large-scale betting operations” involving other professional and amateur sporting events, such as baseball, basketball, football, and boxing. House Hearings at 25 (statement of Robert F. Kennedy, Att’y Gen.). The Attorney General testified, for instance, that recent disclosures revealed that gamblers had bribed college basketball players to shave points on games, and that up-to-the-minute information regarding “the latest ‘line’ on the contest,” “late injuries to key players,” and the like was critical to bookmakers. *Id.*; accord Senate Hearings at 6 (statement of Robert F. Kennedy, Att’y Gen.); see also House Hearings at 272 (statement of Nathan Skolnik, N.Y. Comm’n of Investigation) (bookmakers handling illegal baseball, basketball, football, hockey, and boxing wagering need wire communications to obtain “the line,” to make layoff bets, and to receive race results); *id.* at 298-99 (statement of Dan F. Hazen, Assistant Vice President, W. Union Tel. Co.) (discussing baseball-sports ticker installations refused or removed by Western Union because of illegal use). This focus on sports-related betting makes sense, as the record before Congress indicated that sports bookmaking was the principal gambling activity for which crime syndicates were using wire communications at the time. See Charles P. Ciaccio, Jr., *Internet Gambling: Recent Developments and State of the Law*, 25 Berkeley Tech. L.J. 529, 537 (2010); see also Senate Hearings at 277-78 (testimony of Herbert Miller, Assistant Attorney General, Criminal Division).<sup>7</sup>

Our conclusion that subsection 1084(a) is limited to sports betting finds additional support in the fact that, on the same day Congress enacted the Wire Act, it also passed another statute in which it expressly addressed types of gambling other than sports

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<sup>7</sup> As noted above, the Justice Department played a key role in drafting S. 1656, and it understood the bill to reach only the use of wire communications for sports-related wagering and communications. The colloquy between Mr. Miller and Senator Kefauver, chairman of a committee that held hearings to investigate organized crime and gambling in the 1950s, underscores that Congress was well aware of that understanding:

SENATOR KEFAUVER. The bill [S. 1656] on page 2 seems to be limited to sporting events or contests. Why do you not apply the bill to any kind of gambling activities, numbers rackets, and so forth?

MR. MILLER. Primarily for this reason, Senator. The type of gambling that a telephone is indispensable to is wagers on a sporting event or contest. Now, as a practical matter, your numbers game does not require the utilization of communications facilities.

....

SENATOR KEFAUVER. I can see that telephones would be used in sporting contests, and it is used quite substantially in the numbers games, too.

How about laying off bets by the use of telephones and laying off bets in bigtime gambling? Does that not happen sometimes?

MR. MILLER. We can see that this statute will cover it. Oh, you mean gambling on other than a sporting event or contest?

SENATOR KEFAUVER. Yes.

MR. MILLER. This bill, of course, would not cover that because it is limited to sporting events or contests.

Senate Hearings at 277-78.

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gambling, including gambling known as the “numbers racket,” which involved lottery-style games. In addressing these forms of gambling, Congress used terms wholly different from those employed in the Wire Act. For example, the Interstate Transportation of Wagering Paraphernalia Act, Pub. L. No. 87-218, 75 Stat. 492 (1961) (codified at 18 U.S.C. § 1953), specifically prohibits the interstate transportation of wagering paraphernalia, including materials used in lottery-style games such as numbers, policy, and bolita.<sup>8</sup> Subject to exemptions, the statute provides, in part:

Whoever, except a common carrier in the usual course of its business, knowingly carries or sends in interstate or foreign commerce any record, paraphernalia, ticket, certificate, bills, slip, token, paper, writing, or other device used, or to be used, or adapted, devised, or designed for use in (a) bookmaking; or (b) wagering pools with respect to a sporting event; or (c) in a numbers, policy, bolita, or similar game shall be fined under this title or imprisoned for not more than five years or both.

18 U.S.C. § 1953(a) (2006). The legislative history indicates that the reference to “a numbers, policy, bolita, or similar game” under subpart (c) of this provision was intended to cover lotteries. *See* H.R. Rep. No. 87-968, at 2 (1961), *reprinted in* 1961 U.S.C.C.A.N. 2634, 2635; *see also* House Hearings at 29-30 (1961) (statement of Robert F. Kennedy, Att’y Gen.) (highlighting the need for legislation prohibiting the interstate transportation of wagering paraphernalia to help suppress “lottery traffic” and to close loopholes created by judicial decisions).

Congress thus expressly distinguished these lottery games from “bookmaking” or “wagering pools with respect to a sporting event,” and made explicit that the Interstate Transportation of Wagering Paraphernalia Act applied to all three forms of gambling. 18 U.S.C. § 1953(a).<sup>9</sup> Congress’s decision to expressly regulate lottery-style games in addition to sports-related gambling in that statute, but not in the contemporaneous Wire Act, further suggests that Congress did not intend to reach non-sports wagering in the Wire Act. *See Dooley v. Korean Air Lines Co.*, 524 U.S. 116, 124 (1998) (construing one federal statute in light of another congressional enactment the same year).<sup>10</sup>

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<sup>8</sup> As Assistant Attorney General Herbert Miller explained, “numbers, policy, and bolita[] are similar types of lotteries wherein an individual purchases a ticket with a number.” House Hearings at 350; *see generally* National Institute of Law Enforcement and Criminal Justice, United States Department of Justice, *The Development of the Law of Gambling: 1776-1976*, at 748-52 (1977) (describing the numbers game and lotteries).

<sup>9</sup> The Supreme Court later held that 18 U.S.C. § 1953 barred the interstate transportation of records, papers, and writings in connection with a sweepstake race operated by the state of New Hampshire. *United States v. Fabrizio*, 385 U.S. 263, 266-70 (1966). In 1975, Congress amended the statute to exempt “equipment, tickets, or materials used or designed for use within a State in a lottery conducted by that State acting under authority of State law,” Pub. L. No. 93-583, § 3, 88 Stat. 1916 (1975) (codified at 18 U.S.C. § 1953(b)(4)), and established a new provision, 18 U.S.C. § 1307, exempting state-conducted lotteries from statutory restrictions governing lotteries in 18 U.S.C. §§ 1301-1304, Pub. L. No. 93-583, § 1, 88 Stat. 1916 (1975). No similar exemption for state lotteries was added to the Wire Act.

<sup>10</sup> The legislative history of the Wire Act does contain numerous references to “gambling information.” However, in context, this term is best read as a reference to the specific kinds of gambling information covered by the statute being discussed, not evidence of an independent intent to include other kinds of gambling information

In sum, the text of the Wire Act and the relevant legislative materials support our conclusion that the Act's prohibitions relate solely to sports-related gambling activities in interstate and foreign commerce.<sup>11</sup>

### III.

What remains for resolution is only whether the lotteries proposed by New York and Illinois involve "sporting event[s] or contest[s]" within the meaning of the Wire Act. We conclude that they do not. The ordinary meaning of the phrase "sporting event or contest" does not encompass lotteries. As noted above, a statute enacted the same day as the Wire Act expressly distinguished sports betting from other forms of gambling, including lotteries. *See supra* pp. 10-11 (discussing § 1953(e)). Other federal statutes regulating lotteries make the same distinction. *See* 18 U.S.C. § 1307(d) (2006) ("'Lottery' does not include the placing or accepting of bets or wagers on sporting events or contests.").<sup>12</sup> Nothing in the materials supplied by the

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within the scope of the statute—let alone an intent to include that other kind of information *only* with respect to money or credit communications. *See, e.g.*, H.R. Rep. No. 87-967, at 3 (citing the exemption in subsection 1084(b) for the transmission of "gambling information" from "a State where the placing of bets and wagers on a sporting event is legal, to a State where betting on that particular event is legal," even though subsection 1084(b) does not refer to "gambling information"), *reprinted in* 1961 U.S.C.C.A.N. at 2632; House Hearings at 353-54 (referring, in discussing H.R. 7039, 87th Cong. (1961), to "[o]ur purpose [being] to prohibit the interstate transmission of gambling information which is essential to the gambling fraternity," even though H.R. 7039 did not refer to "gambling information" but would have prohibited the transmission of wagers and wagering information only with respect to a "sporting event or contest").

We further note that the Wire Act itself uses the term "gambling information" in subsection 1084(d). *See* 18 U.S.C. § 1084(d) ("When any common carrier, subject to the jurisdiction of the Federal Communications Commission, is notified in writing by a Federal, State, or local law enforcement agency, acting within its jurisdiction, that any facility furnished by it is being used or will be used for the purpose of transmitting or receiving *gambling information* in interstate or foreign commerce in violation of Federal, State or local law, it shall discontinue or refuse, the leasing, furnishing, or maintaining of such facility, after reasonable notice to the subscriber . . .") (emphasis added). We express no opinion about the scope of that term as it is used in that statutory provision.

<sup>11</sup> We also considered the possibility that, in the Wire Act's reference to "any sporting event or contest," 18 U.S.C. § 1084(a), the word "sporting" modifies only "event" and not "contest," such that the provision would bar the wire transmission of "wagers on any sporting event or [any] contest." This interpretation would give independent meaning to "event" and "contest," but it would also create redundancy of its own. If Congress had intended to cover *any* contest, it is unclear why it would have needed to mention sporting events separately. Moreover, as discussed above, the legislative history of the Wire Act makes clear that Congress was focused on preventing the use of wire communications for sports gambling in particular. And, legislative proposals from the 1950s in which the phrase "any sporting event or contest" originated further confirm that Congress intended to reach only "sporting contests." A key debate at that time concerned whether to regulate "any sporting event or contest" or "any horse or dog racing event or contest." *See, e.g.*, S. Rep. No. 81-1752, at 3, 22, 28 (1950) (explaining committee amendment to bill narrowing the definition of "gambling information" from covering "any sporting event or contest" to "any horse or dog racing event or contest"); *compare* S. 3358, 81st Cong. § 2(b) (1950) (as introduced), *with* S. 3358, 81st Cong. § 2(b) (1950) (as reported by the Interstate and Foreign Commerce Committee). If Congress had intended the Wire Act's predecessors to reach *any* "contest," however, the debate over which adjectival phrase to apply to "event" would have been meaningless.

<sup>12</sup> In addition, the Professional and Amateur Sports Protection Act ("PASPA") prohibits a governmental entity from sponsoring, operating, or authorizing by law "a lottery, sweepstakes, or other betting, gambling, or wagering scheme based, directly or indirectly . . . on one or more competitive games in which amateur or

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Criminal Division suggests that the New York or Illinois lottery plans involve sports wagering, rather than garden-variety lotteries. Accordingly, we conclude that the proposed lotteries are not within the prohibitions of the Wire Act.

Given that the Wire Act does not reach interstate transmissions of wire communications that do not relate to a “sporting event or contest,” and that the state-run lotteries proposed by New York and Illinois do not involve sporting events or contests, we conclude that the Wire Act does not prohibit the lotteries described in these proposals. In light of that conclusion, we need not consider how to reconcile the Wire Act with UIGEA, because the Wire Act does not apply in this situation. Accordingly, we express no view about the proper interpretation or scope of UIGEA.

/s/

VIRGINIA A. SEITZ  
Assistant Attorney General

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professional athletes participate, or are intended to participate, or on one or more performances of such athletes in such games.” 28 U.S.C. § 3702 (2006). While the statute grandfathers some established state gambling schemes, a new state lottery falling within the Act’s prohibitions would not be exempt. *Id.* § 3704; *see, e.g., OFC Comm Baseball v. Markell*, 579 F.3d 293, 300-04 (3d Cir. 2009) (PASPA preempted aspects of Delaware statute permitting wagering on athletic contests, which were not saved by any of the statutory exceptions).



## ***THE JANUARY 2019 SURPRISE***

After the release of the 2011 Opinion from the Department of Justice, a few states quickly began expanding certain forms of non-sports based wagering activities across state lines. For example, several states allowed for multi-state wide area progressive jackpots for slot machines. Some states began offering intrastate online lottery products. Nevada, Delaware and New Jersey entered into an agreement to permit online poker games between players in their states so long as players were using an online poker provider licensed in one of their states.

While most of the gaming industry was happy with the 2011 Opinion, there were some casino operators that were strongly opposed to the 2011 Opinion and sought various ways to legislatively or administratively reverse the opinion.

Such a reversal became published in January of 2019 during the midst of a partial federal government shut down. The following is that opinion:

## **Reconsidering Whether the Wire Act Applies to Non-Sports Gambling**

This Office concluded in 2011 that the prohibitions of the Wire Act in 18 U.S.C. § 1084(a) are limited to sports gambling. Having been asked to reconsider, we now conclude that the statutory prohibitions are not uniformly limited to gambling on sporting events or contests. Only the second prohibition of the first clause of section 1084(a), which criminalizes transmitting “information assisting in the placing of bets or wagers on any sporting event or contest,” is so limited. The other prohibitions apply to non-sports- related betting or wagering that satisfy the other elements of section 1084(a).

The 2006 enactment of the Unlawful Internet Gambling Enforcement Act did not alter the scope of section 1084(a).

November 2, 2018

### MEMORANDUM OPINION FOR THE ACTING ASSISTANT ATTORNEY GENERAL CRIMINAL DIVISION

In 2010, the Criminal Division asked whether the Wire Act, 18 U.S.C. § 1084, prohibits New York and Illinois from using the Internet and out-of-state transaction processors to sell lottery tickets to in-state adults. That request arose from a potential conflict between the Wire Act and the Unlawful Internet Gambling Enforcement Act, 31 U.S.C. §§ 5361–5367 (“UIGEA”). In the Criminal Division’s view, the Wire Act prohibits such transactions, but UIGEA might permit the interstate routing of certain state lottery transactions.

We answered that request by challenging its underlying premise: that the Wire Act prohibits transmissions unrelated to sports gambling. Instead of analyzing the interplay between the Wire Act and UIGEA, we concluded, more broadly, that the prohibitions of the Wire Act are limited to sports gambling and thus do not apply to state lotteries at all. *See Whether Proposals by Illinois and New York to Use the Internet and Out-of-State Transaction Processors to Sell Lottery Tickets to In-State Adults Violate the Wire Act*, 35 Op. O.L.C. \_\_ (2011) (“2011 Opinion”). Our opinion departed from the position of the Department of Justice, which had successfully brought Wire Act prosecutions for offenses not involving sports gambling.

The Criminal Division has asked us to reconsider the 2011 Opinion’s conclusion that the Wire Act is limited to sports gambling. *See Memorandum*

dum for Curtis E. Gannon, Acting Assistant Attorney General, Office of Legal Counsel, from Kenneth A. Blanco, Acting Assistant Attorney General, Criminal Division (May 26, 2017).<sup>1</sup> We do not lightly depart from our precedents, and we have given the views expressed in our prior opinion careful and respectful consideration. Based upon the plain language of the statute, however, we reach a different result. While the Wire Act is not a model of artful drafting, we conclude that the words of the statute are sufficiently clear and that all but one of its prohibitions sweep beyond sports gambling. We further conclude that that the 2006 enactment of UIGEA did not alter the scope of the Wire Act.

## I.

The Wire Act prohibits persons involved in the gambling business from transmitting several types of wagering-related communications over the wires. The prohibitions, located at 18 U.S.C. § 1084, were originally enacted in 1961.<sup>2</sup> Section 1084(a) sets them out:

Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers,

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<sup>1</sup> We address this opinion to John Cronan, as the Acting Assistant Attorney General for the Criminal Division, because Assistant Attorney General Brian Benczkowski is recused from this matter.

<sup>2</sup> Pub. L. No. 87-216, § 2, 75 Stat. 491. The provision has been amended three times, although none of those amendments is material to our analysis. *See* Anti-Drug Abuse Act of 1988, Pub. L. No. 100-690, § 7024, 102 Stat. 4181, 4397 (adding section 1084(e), which defines “State”; making conforming amendments; and adding the term “foreign country” to section 1084(b), so that the Wire Act now includes an exception for the transmission of information assisting in the placing of bets or wagers on a sporting event or contest *from* a state or “foreign country” where such betting is legal *into* a state or “foreign country” in which such betting is also legal); Crime Control Act of 1990, Pub. L. No. 101-647, § 1205(g), 104 Stat. 4789, 4831 (amending the definition of “State” in section 1084(e)); Violent Crime Control and Law Enforcement Act of 1994, Pub. L. No. 103-322, § 330016(1)(L), 108 Stat. 1796, 2147 (altering the statutory penalty in section 1084).

shall be fined under this title or imprisoned not more than two years, or both.

Section 1084(a) consists of two general clauses, each of which prohibits two kinds of wire transmissions, creating four prohibitions in total. The first clause bars anyone in the gambling business from knowingly using a wire communication facility to transmit “bets or wagers” or “information assisting in the placing of bets or wagers on any sporting event or contest.” *Id.*<sup>3</sup> The second clause bars any such person from transmitting wire communications that entitle the recipient to “receive money or credit” either “as a result of bets or wagers” or “for information assisting in the placing of bets or wagers.” *Id.*<sup>4</sup>

The Wire Act’s interpretive difficulties arise from the phrase “on any sporting event or contest,” which appears immediately after the second prohibition in the first clause. Those words narrow the prohibition on transmitting “information assisting in the placing of bets or wagers” to bets or wagers “on a sporting event or contest.” That phrase is not otherwise repeated in section 1084(a). The other three prohibitions thus appear to be naturally read to apply to wire transmissions involving all forms of gambling, not just “bets or wagers on any sporting event or contest.” But if that reading is correct, our 2011 Opinion asked, then why would Congress, “having forbidden the transmission of *all* kinds of bets or wagers . . . prohibit only the transmission of information assisting in bets or wagers concerning sports”? 35 Op. O.L.C. \_\_\_, at \*5. Why permit transmissions of information that assists gambling on non-sporting events, but then prohibit transmissions “entitling the recipient to receive money” for

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<sup>3</sup> The phrase “wire communication facility” is defined to include “any and all instrumentalities, personnel, and services (among other things, the receipt, forwarding, or delivery of communications) used or useful in the transmission of writings, signs, pictures, and sounds of all kinds by aid of wire, cable, or other like connection between the points of origin and reception of such transmission.” 18 U.S.C. § 1081.

<sup>4</sup> As our 2011 Opinion explained, the second clause prohibits “the transmission of a wire communication which entitles the recipient to receive money or credit” either “as a result of bets or wagers[] or for information assisting in the placing of bets or wagers.” 35 Op. O.L.C. \_\_\_, at \*4 n.5 (emphases and alterations in original). Reading the second clause to prohibit “the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers” or “the transmission of a wire communication . . . for information assisting in the placing of bets or wagers” would be awkward and would duplicate the second prohibition, which covers “information assisting in the placing of bets or wagers on any sporting event or contest.”

providing information that assists “in the placing of those lawfully- transmitted bets”? *Id.* at \*8. In short, why would Congress have limited just one of the four prohibitions to sports gambling?

Absent any obvious answer to these questions, our 2011 Opinion concluded that the statutory text was ambiguous, and that the “more logical result” was to read section 1084(a)’s prohibitions as parallel in scope and therefore as all limited to sports gambling. *Id.* at \*5. In so doing, we recognized that our reading of the statute departed from that of the Criminal Division and of some courts that had addressed the statute. *See id.* at \*3. Several district courts had upheld prosecutions involving non-sports gambling, reasoning that the limitation to “sporting event or contest” did not apply to all of section 1084(a)’s prohibitions.<sup>5</sup> On the other hand, the Fifth Circuit had affirmed a district court opinion that found that the “plain reading of the statutory language clearly requires that the object of the gambling be a sporting event or contest.” *In re Mastercard Int’l, Inc., Internet Gambling Litig.*, 132 F. Supp. 2d 468, 480 (E.D. La. 2001), *aff’d*, 313 F.3d 257 (5th Cir. 2001).<sup>6</sup>

Those prosecutions, of course, were brought by the Department of Justice. In requesting our opinion, the Criminal Division had advised that “[t]he Department has uniformly taken the position that the Wire Act is not limited to sports wagering and can be applied to other forms of interstate gambling[.]” Memorandum for David Barron, Acting Assistant Attorney General, Office of Legal Counsel, Department of Justice, from Lanny A. Breuer, Assistant Attorney General, Criminal Division, Department of Justice (July 12, 2010). In the years before our opinion, the

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<sup>5</sup> *See United States v. Lombardo*, 639 F. Supp. 2d 1271, 1281 (D. Utah. 2007) (holding that the “sporting event or contest” qualifier does not apply to section 1084(a)’s second clause; noting that this conclusion “aligns with the Tenth Circuit’s *Criminal Pattern Jury Instructions*”); Report and Recommendation of United States Magistrate Judge Regarding Gary Kaplan’s Motion to Dismiss Counts 3–12, at 4–7, *United States v. Kaplan*, No. 06- CR-337CEJ-2 (E.D. Mo. Mar. 20, 2008) (concluding that the “sporting event or contest” qualifier applies only to the second prohibition in section 1084(a)’s first clause); *see also United States v. Ross*, No. 98 CR. 1174-1 (KMV), 1999 WL 782749, at \*2 (S.D.N.Y. Sept. 16, 1999) (suggesting that the term “sporting event or contest” modifies only the second prohibition in section 1084(a)’s first clause); *Vacco v. World Interactive Gaming Corp.*, 714 N.Y.S.2d 844, 847, 851–52 (N.Y. Sup. Ct. 1999) (suggesting same).

<sup>6</sup> Since our 2011 Opinion, the First Circuit has observed in dictum that the Wire Act is limited to betting and wagering on “any sporting event or context.” *United States v. Lyons*, 740 F.3d 702, 718 (1st Cir. 2014).

Department had advanced that position in court and before Congress.<sup>7</sup>

And on several prior occasions, the Criminal Division had prosecuted defendants whose wire communications involved non-sports gambling, including a 1971 prosecution of “a business enterprise involving gambling in the form of numbers writing.” *United States v. Manetti*, 323 F. Supp.

683, 687 (D. Del. 1971); see also *United States v. Vinaithong*, No. 97-

6328, 1999 WL 561531, at \*1 (10th Cir. Apr. 9, 1999) (order and judgment affirming the sentences of defendants who pleaded guilty under the Wire Act for transmission of “gambling information” related to a “gambling enterprise which has been referred to as a mirror lottery”).<sup>8</sup> In two congressional hearings in 1998 and 2000, the Criminal Division had acknowledged some uncertainty concerning the scope of the Wire Act and urged Congress to amend the statute to confirm its application to non-sports gambling.<sup>9</sup> But our 2011 Opinion represented a marked shift in

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<sup>7</sup> See Letter for Dennis K. Neilander, Chairman, Nevada Gaming Control Board, from Michael Chertoff, Acting Assistant Attorney General, Criminal Division (Aug. 23, 2002) (“[T]he Department of Justice believes that federal law prohibits gambling over the Internet, including casino-style gambling.”); *Unlawful Internet Gambling Funding Prohibition Act and the Internet Gambling Licensing and Regulation Commission Act: Hearing Before the Subcomm. on Crime, Terrorism, & Homeland Security of the H. Comm. on the Judiciary*, 108th Cong. 70 (2003) (response of John G. Malcolm, Deputy Assistant Attorney General, Criminal Division, to questions for written submission from Rep. Goodlatte) (“The Department of Justice has long held, and continues to hold, the position that 18 U.S.C. § 1084 applies to all types of gambling, including casino-style gambling, not just sports betting.”); Letter for Carolyn Adams, Superintendent, Illinois Lottery, from Laura H. Parsky, Deputy Assistant Attorney General, Criminal Division (May 13, 2005) (explaining that if Illinois permitted online purchase of state lottery tickets it would be in violation of federal law—so long as the “transmission [were] routed outside of the state”); *Establishing Consistent Enforcement Policies in the Context of Online Wagers: Hearing Before the H. Comm. on the Judiciary*, 110th Cong. 13 (2007) (statement of Catherine Hanaway, U.S. Attorney) (“It is the Department’s view, and that of at least one federal court (the E.D. Mo.), that [the Wire Act] applies to both sporting events and other forms of gambling, and that it also applies to those who send or receive bets in interstate or foreign commerce, even if it is legal to place or receive bets in both the sending jurisdiction and the receiving jurisdiction.”).

<sup>8</sup> The Criminal Division advises that the Department secured at least seventeen Wire Act convictions between Fiscal Years 2005 and 2011 that involved non-sports betting.

<sup>9</sup> Compare, e.g., *Internet Gambling Prohibition Act of 1997: Hearings on H.R. 2380 Before the Subcomm. on Crime of the H. Comm. on the Judiciary*, 105th Cong. 78 (1998) (statement of Kevin DiGregory, Deputy Assistant Attorney General, Criminal Division) (“That being said, [section 1084] currently prohibits someone in the business of betting and wagering from using a wire communication facility for the transmission in interstate

how the Department interpreted the statute, including with respect to some successful prosecutions.

## II.

The Criminal Division has asked us to reconsider our 2011 Opinion. We do not lightly depart from our precedent. But having reconsidered our conclusion, we now reach a different result. The 2011 Opinion, in our view, incorrectly interpreted the limitation “on any sporting event or contest” (the “sports-gambling modifier”) to apply beyond the second prohibition that it directly follows: the prohibition on transmitting “information assisting in the placing of bets or wagers.”

### A.

Section 1084(a)’s first clause makes it a crime to use the wires “for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest.” Our 2011 Opinion concluded that this clause was ambiguous on whether the sports-gambling modifier applies to both prohibitions in the first clause. 35 Op. O.L.C. \_\_\_, at \*5. We reasoned that “[t]he text itself

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or foreign commerce of bets or wagers on any sporting event or contest. . . . [T]he statute may relate only to sports betting and not to the type of real-time, interactive gambling that the Internet now makes possible for the first time. Therefore, we generally support the idea of amending the Federal gambling statutes by clarifying that the Wire Communications Act applies to interactive casino betting[.]”;

*Internet Gambling Prohibition Act of*

*1999: Hearing Before the Subcomm on Telecommunications, Trade, & Consumer Protection of the H. Comm. on Commerce, 106th Cong. 35 (2000) (statement of Kevin DiGregory, Deputy Assistant Attorney General, Criminal Division) (“We urge you to consider a proposal that we have made, and I will highlight what that proposal would do. It would clarify that [section] 1084 applies to all betting and not just betting on sporting events or contests. . . . Our proposed amendment, Mr. Chairman and members of the committee, would not prohibit any gambling currently permitted nor would our proposal permit anything that is currently prohibited.”), with id. at 88 (answering question from Rep. Tauzin and explaining that “[s]ection 1084 applies to sports betting but not to contests like a lottery”). In a 1962 speech shortly following the passage of the Wire Act, then-Assistant Attorney General for the Office of Legal Counsel Nicholas deB. Katzenbach explained that, under the Wire Act, “gamblers, bookies and related members of their fraternity are barred from using the phones for the interstate transmission of wagers on sporting events or contests,” without addressing whether the statute was limited to such wagering. Nicholas deB. Katzenbach, Assistant Attorney General, Office of Legal Counsel, Address on Federal and Local Cooperation in Fighting Crime (Jan. 25, 1962).*

can be read either way” because section 1084(a) lacks “a comma after the first reference to ‘bets or wagers’”; we thought that such a comma would have made it “plausible” that the first prohibition in the first clause was not limited to sports-based gambling. *Id.* “By the same token,” we continued, “the text does not contain commas after *each* reference to ‘bets or wagers,’” which we would have considered evidence that the sports-gambling modifier qualified each prohibition in the first clause. In light of this perceived ambiguity, we interpreted both prohibitions in the first clause as confined to sports gambling because that reading “produce[d] the more logical result” and was supported by the legislative history. *Id.* at \*5–7.

We do not believe that the first clause is ambiguous, however. “It is well established that ‘when the statute’s language is plain, the sole function of the courts—at least where the disposition required by the text is not absurd—is to enforce it according to its terms.’” *Lamie v. U.S. Trustee*, 540 U.S. 526, 534 (2004) (quoting *Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 6 (2000)); see also *Sebelius v. Cloer*, 569 U.S. 369, 381 (2013) (same). There was no need for Congress to add a comma to clarify that the sports-gambling modifier applies only to the second prohibition in the first clause, because the grammar of the provision itself accomplishes that task. The sports-gambling modifier comes at the end of a complex modifier that defines the type of “information” reached by section 1084(a)’s second prohibition: “information *assisting in the placing of bets or wagers on any sporting event or contest.*” 18 U.S.C. § 1084(a) (emphasis added). Since “assisting in the placing of bets or wagers” modifies only the prohibition on transmitting information, it follows that “on any sporting event or contest”—a component of the same modifier—is similarly limited.

Traditional canons of statutory construction confirm that conclusion. In construing the reach of modifiers like “on any sporting event or contest,” the default rule is that “a limiting clause or phrase . . . should ordinarily be read as modifying only the noun or phrase that it immediately follows.” *Lockhart v. United States*, 136 S. Ct. 958, 962 (2016) (quoting *Barnhart v. Thomas*, 540 U.S. 20, 26 (2003)); see also *Barnhart*, 540 U.S. at 26 (“Referential and qualifying words and phrases, where no contrary intention appears, refer solely to the last antecedent”) (quoting 2A Norman J. Singer, *Statutes and Statutory Construction* § 47.33, at 369 (6th rev. ed. 2000)); *United States v. Loyd*, 886 F.3d 686, 688 (8th Cir. 2018) (describing the rule as “a rebuttable presumption in statutory interpretation”); *In*



*re Sanders*, 551 F.3d 397, 399 (6th Cir. 2008) (similar). That rule, the “last-antecedent rule,” “reflects the basic intuition that when a modifier appears at the end of a list, it is easier to apply that modifier only to the item directly before it.” *Lockhart*, 136 S. Ct. at 963; *see also* Antonin Scalia & Bryan A. Garner, *Reading Law: The Interpretation of Legal Texts* 152 (2012) (“Scalia & Garner”).<sup>10</sup>

In *Lockhart*, for example, the Court applied this rule to a statute that subjected a criminal defendant to increased penalties if the defendant had “a prior conviction . . . under the laws of any State relating to aggravated sexual abuse, sexual abuse, or abusive sexual conduct involving a minor or ward.” 136 S. Ct. at 962 (quoting 18 U.S.C. § 2252(b)(2)). The Court held that the phrase “involving a minor or ward” modified only the one item on this list that immediately preceded it. *Id.* at 961. Similarly, in *Barnhart*, the Court considered the meaning of a statutory reference to circumstances in which someone “is not only unable to do his previous work but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy.” 540 U.S. at 23 (quoting 42 U.S.C. § 423(d)(2)(A)). The Court applied the rule of the last antecedent to conclude that the qualifier “which exists in the national economy” could reasonably be read to modify only its closest referent: “any other kind of substantial gainful work.” *Id.* at 26. And in *Loyd*, the Eighth Circuit applied the last- antecedent rule to a statute that made a mandatory minimum sentence applicable to anyone with a prior conviction under enumerated federal laws “or under the laws of any State relating to” certain types of sexual misconduct. 886 F.3d at 687 (quoting 18 U.S.C. § 2251(e)). The court held that the sexual misconduct language “modifies only the phrase that immediately precedes it: ‘the laws of any State.’” *Id.* at 688 (quoting 18 U.S.C. § 2251(e)). As in the examples discussed in those cases, the Wire Act’s reference to gambling “on any sporting event or contest” modifies only the phrase it immediately follows: “information assisting in the placing of bets or wagers.”

We have considered whether the series-qualifier rule might rebut the last-antecedent presumption. The series-qualifier rule provides that a modifying phrase used to qualify one element of a list of nouns or verbs

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<sup>10</sup> Courts commonly refer to this canon as the “last-antecedent rule,” although the more precise term where, as here, the modifier is an adjectival or adverbial phrase is the “nearest reasonable referent” canon. Scalia & Garner at 152–53.

may sweep beyond the nearest referent if the list “contain[s] items that readers are used to seeing listed together or a concluding modifier that readers are accustomed to applying to each of them.” *Lockhart*, 136 S. Ct. at 963. Importantly, that principle is generally limited to lists of items that are “simple and parallel without unexpected internal modifiers or structure.” *Id.*; see Scalia & Garner at 147 (canon applies where “there is a straightforward, parallel construction that involves all nouns or verbs in a series”). The series-qualifier rule thus may support applying a modifier beyond its nearest referent and across multiple, simple, parallel phrases.

But the structure of section 1084(a)’s first clause is not straightforward. The sports-gambling modifier is embedded within a longer modifier: “assisting in the placing of bets or wagers on any sporting event or contest.” Reading “on any sporting event or contest” alone to carry backward to modify the prohibition on “bets or wagers” would “take[] more than a little mental energy” and be a “heavy lift.” *Lockhart*, 136 S. Ct. at 963 (rejecting the applicability of the series-qualifier rule to the phrase “aggravated sexual abuse, sexual abuse, or abusive sexual conduct involving a minor or ward”). Nor is there any other textual evidence that would justify departing from the usual presumption that modifiers apply only to their closest referents. See *United States v. Hayes*, 555 U.S. 415, 425 (2009) (declining to apply that rule because it would introduce superfluity and would require accepting the ungrammatical premises “that Congress employed the singular ‘element’ to encompass two distinct concepts, and that it adopted the awkward construction ‘commi[t] a ‘use’”); see also *Paroline v. United States*, 572 U.S. 434, 447 (2014) (declining to apply the rule of the last antecedent because it was overcome by other indicia of meaning). We therefore do not believe that the series-qualifier rule warrants extending the sport-gambling modifier across both prohibitions in the first clause.

This conclusion is confirmed by comparing the structure of the sports-gambling modifier with other phrases in section 1084(a)’s first clause that do apply across multiple phrases. For instance, in speaking of “information assisting in the placing of *bets or wagers* on any sporting event or contest” (emphasis added), Congress employed a structure making clear that both “bets” and “wagers” were modified by the phrases that come before and after those items. “Bets” and “wagers” are two like items in the series, and it is straightforward to modify them with the phrases that immediately precede (“information assisting in the placing of”) and follow (“on any sporting event or contest”) those terms. Applying the last-

antecedent rule so that the prohibition would instead cover “information assisting in the placement of bets” and “wagers on sporting events or contests” would also introduce superfluity, since section 1084(a)’s first prohibition already extends to wire transmissions of “bets or wagers.” To take another example, the phrase “sporting event or contest” is a textbook example of a simple, parallel structure where “sporting” modifies both “event” and “contest.” *See* Scalia & Garner at 147–48 (providing similar examples and citing authorities); *cf.* 2011 Opinion, 35 Op. O.L.C. \_\_\_, at

\*12 n.11 (concluding the same, although for different reasons). In contrast with such simple constructions, the sports-gambling modifier is embedded in a more complex structure that does not easily allow that modifier to extend beyond its immediate referent.

Section 1084(a) similarly limits both prohibitions in the first clause to interstate wire transmissions. Congress prefaced both prohibitions with the phrase “*for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest.*” 18 U.S.C. § 1084(a) (emphasis added). In context, the “transmission” must be “of” what is mentioned in the following phrase. By placing the interstate-commerce requirement before the word “of,” Congress made clear that the entire phrase preceding “of”—“the transmission in interstate or foreign commerce”—would apply to the first two prohibitions. Otherwise, the second prohibition would be missing a preposition: “for the transmission . . . information assisting in the placing of bets or wagers on any sporting event or contest.” But there are no similar indicators that would support rebutting the last-antecedent presumption and applying the sports-gambling modifier to the first prohibition.

The road not taken is also illuminating. Simply by adding two commas, Congress could have unambiguously extended both prohibitions in the first clause to sports-related gambling: “for the transmission in interstate or foreign commerce of bets or wagers[,] or information assisting in the placing of bets or wagers[,] on any sporting event or contest.” *See* 2011

Opinion, 35 Op. O.L.C. \_\_\_, at \*5 (recognizing that if the text contained “commas after *each* reference to ‘bets or wagers,’” it would have made the opinion’s interpretation “much more certain”). Congress “could have easily” crafted text that would have carried that meaning, but did not. *Marx v. Gen. Revenue Corp.*, 568 U.S. 371, 384 (2013). The absence of these commas is particularly significant because it leaves “nothing in the statute to rebut the last-antecedent presumption.” *In re Sanders*, 551 F.3d

at 400. Because “Congress no doubt could have worked around this grammatical rule had it wished . . . we see nothing in the section to justify dispensing with this default rule of interpretation.” *Id.* The sports- gambling modifier therefore does not limit the first prohibition of section 1084(a)’s first clause, which makes it a crime to transmit “bets or wagers,” including those unrelated to sports gambling.

## **B.**

We likewise conclude that section 1084(a)’s second clause is not limited to sports gambling. The second clause prohibits the use of a wire communication facility “for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers.”

18 U.S.C. § 1084(a). That clause, on its face, applies to bets or wagers of any kind, even those unrelated to sports.

We do not think it tenable to read into the second clause the qualifier “on any sporting event or contest” that appears in the first clause. Carrying that qualifier forward to the second clause is even less textually plausible than carrying it backward to the first prohibition of the first clause. As a matter of basic grammar, section 1084(a)’s first clause is distinct from the second clause; the two clauses are separated not only by a comma, but also by an introductory determiner that repeats the beginning of the first clause (“for the transmission of”). There is no reference to “any sporting event or contest” in that clause and no apparent textual reason why the modifier in the first clause would extend to the second clause.

Nor does any canon of construction support reading the sports- gambling modifier transitively across the two clauses. As our analysis of the first clause demonstrates, the series-qualifier principle would appear the most natural candidate to justify such a reading. But here, the sports- gambling modifier appears after the second of four statutory prohibitions. It would take a considerable leap for the reader to carry that modifier both backward to the first prohibition of the first clause, then forward across the entire second clause. *See, e.g., United States v. Lockhart*, 749 F.3d

148, 152–53 (2d Cir. 2014) (“[T]his is not the prototypical situation in which the series qualifier canon is applied, since . . . the modifier does not end the list in its entirety.”), *aff’d*, 136 S. Ct. 958 (2016); *Wong v. Minn. Dep’t of Human Servs.*, 820 F.3d 922, 928 (8th Cir. 2016) (“[T]he series-qualifier canon generally applies when a modifier precedes or follows a

list, not when the modifier appears in the middle.”); *cf. Koons Buick Pontiac GMC, Inc. v. Nigh*, 543 U.S. 50, 61–62 (2004) (applying a qualifier at the end of the second item on a list to the first item as well, based in part on specific textual evidence that the second item modified the first item).

Other portions of the Wire Act support this reading. Section 1084(b) uses the phrase “sporting event[s] or contest[s]” three times to define the scope of exceptions to section 1084(a)’s prohibitions. Subsection (b) exempts the transmission “of information for use in news reporting of *sporting events or contests*,” then exempts “the transmission of information assisting in the placing of bets or wagers on *a sporting event or contest* from a State or foreign country where betting on that *sporting event or contest* is legal into a State or foreign country in which such betting is legal” (emphases added). That language illustrates that Congress repeated the sports-gambling modifier when applying that term beyond its nearest, and most natural, referent. “When Congress includes particular language in one section of a statute but omits it in another,” we presume “that Congress intended a difference in meaning.” *Digital Realty Tr., Inc. v. Somers*, 138 S. Ct. 767, 777 (2018) (quoting *Loughrin v. United States*, 134 S. Ct. 2384, 2390 (2014) (internal quotation marks and alteration omitted)); *Rubin v. Islamic Republic of Iran*, 138 S. Ct. 816, 826 (2018) (rejecting a proposed reading of a statutory provision on the ground that if Congress wanted the provision to have the claimed effect “it knew how to say so”).

By contrast, section 1084(d) creates a notice-and-disconnect regime for common carriers, which must discontinue services to subscribers upon notice that the subscribers are using, or will use, their facilities “for the purpose of transmitting or receiving gambling information in interstate or foreign commerce in violation of Federal, State or local law.” Section 1084(d), however, contains none of the sports-gambling qualifiers that appear in section 1084(a) or (b), and section 1084(d) contains no indication that it is limited to gambling information involving sporting events or contests. The absence of that modifier in section 1084(d) was presumably intentional. We thus cannot regard Congress’s decision to omit the modifier from the second clause of section 1084(a) as an accident.

Our 2011 Opinion concluded that the sports-gambling modifier applied to section 1084(a)’s second clause, reasoning that Congress had used “shortened phrases in the second clause to refer back to terms spelled out more completely in the first clause.” 35 Op. O.L.C. \_\_\_, at \*7. We ob-

served that the first clause prohibits the use of a wire communication facility for “the transmission *in interstate or foreign commerce*” of the prohibited bets or information, but that the second clause prohibits the use of the facility just for “the transmission of a wire communication” without repeating again the words “in interstate or foreign commerce.” *Id.* Citing the views of the Criminal Division and the legislative history, we concluded that Congress “presumably intended *all* the prohibitions in the Wire Act, including those in the second clause, to be limited to interstate or foreign (as opposed to intrastate) wire communications.” *Id.* Because the interstate-commerce qualifier could apply to both clauses, we concluded that the second clause used the phrase “for the transmission of a wire communication” as shorthand for both the interstate-commerce modifier and the sports-gambling modifier. *Id.*

We disagree with this inference, however, because the interstate-commerce modifier and the sports-gambling modifier are not parallel phrases. Within the grammar of the statute, the interstate-commerce element reaches beyond its nearest referent to modify at least the second prohibition as well as the first. *See* 18 U.S.C. § 1084(a) (“for the transmission *in interstate or foreign commerce of* bets or wagers *or information* assisting in the placing of bets or wagers”) (emphases added). Both prohibitions are tied by prepositional phrases to the “transmission in interstate or foreign commerce.” By contrast, there is no similar textual indication that the sports-gambling modifier ranges beyond its nearest referent: “information assisting in the placing of bets or wagers.” In addition, the interstate-commerce modifier appears at the beginning of a list of four prohibitions, and so there is precedent to support carrying the modifier forward to modify the prohibitions in the second clause. *See United States v. Bass*, 404 U.S. 336, 339–40 (1971) (“Since ‘in commerce or affecting commerce’ undeniably applies to at least one antecedent, and since it makes sense with all three, the more plausible construction here is that it in fact applies to all three.”). By contrast, the sports-gambling modifier appears midway through the list, which does not support the shorthand reference suggested by our 2011 Opinion. In view of these textual differences, we do not believe that the interstate-commerce modifier helps us to interpret the sports-gambling modifier. If anything, the textual differences underscore why the sports-gambling modifier does not apply across the statute.

In sum, the linguistic maneuvers that are necessary to conclude that the sports-gambling modifier sweeps both backwards and forwards to reach

all four of section 1084(a)'s prohibitions are too much for the statutory text to bear. *See Lockhart*, 749 F.3d at 152–53; *Wong*, 820 F.3d at 928. For these reasons, we conclude that the phrase “on any sporting event or contest” does not extend beyond the second prohibition in section 1084(a)'s first clause to qualify section 1084(a)'s second clause.

### C.

Having concluded the text was ambiguous, our 2011 Opinion reasoned that reading the Wire Act's prohibitions as limited to sports gambling “produce[d] the more logical result.” 35 Op. O.L.C. \_\_\_, at \*5; *see also id.* at \*7 (applying the sports-gambling modifier across all four prohibitions “made[] functional sense of the statute”). We found it “difficult to discern why Congress, having forbidden the transmission of *all* kinds of bets or wagers, would have wanted to prohibit only the transmission of information assisting in bets or wagers concerning sports.” *Id.* at \*5. There is a logic to this reasoning, but unlike the 2011 Opinion, we view the statutory language as plain, and, absent a patent absurdity, we must apply the statute as written. *See Dunn v. CFTC*, 519 U.S. 465, 470 (1997).

We do not think that applying the Wire Act as written would result in an interpretation “where it is quite impossible that Congress could have intended the result . . . and where the alleged absurdity is so clear as to be most obvious to most anyone.” *Pub. Citizen v. U.S. Dep't of Justice*, 491 U.S. 440, 470–71 (1989) (Kennedy, J., concurring in judgment); *see Scalia & Garner* at 237 (“The absurdity must consist of a disposition that no reasonable person could intend.”). Congress may well have had reasons to target the transmission of information assisting in sports gambling. Unlike lotteries, numbers games, or other kinds of non-sports gambling, sports gambling has long depended on the real-time transmission of information like point spreads, odds, or the results of horse races. Indeed, in concluding that the Wire Act was limited to sports gambling, our 2011 Opinion quoted the legislative history in which Senator Eastland, the Chairman of the Judiciary Committee, emphasized that illegal bookmaking required the use of the wires, because bookmakers and betters needed real-time results of horse “races at about 20 major racetracks throughout the country.” 35 Op. O.L.C. \_\_\_, at \*9 (quoting 107 Cong. Rec. 13,901 (1961)). Moreover, Congress might have been worried that an unfocused prohibition on transmitting any information that “assisted” in any sort of gambling whatsoever would criminalize a range of speech-related con-

duct—concerns that Congress evidently had in mind when it narrowed section 1084(a)’s prohibitions by excepting transmissions made “for use in news reporting of sporting events or contests.” 18 U.S.C. § 1084(b). We need not speculate further. It is sufficient that Congress targeted the transmission of information assisting in sports gambling in the text, and that applying the Wire Act as written does not produce an obviously absurd result.

In our 2011 Opinion, we found it improbable that Congress would have failed to prohibit “the transmission of information assisting in the placing of bets or wagers on non-sporting events,” but then, in section 1084(a)’s second clause, prohibited transmissions “entitling the recipient to receive money or credit for the provision of information assisting in the placing of those lawfully-transmitted bets.” 35 Op. O.L.C. \_\_\_, at \*8.<sup>11</sup> But improbable is not absurd, and that anomaly largely falls away if, as we have concluded, transmitting bets or wagers of any kind is indeed unlawful under section 1084(a)’s first clause. *See supra* Part II.A. It was not absurd for Congress to supplement a broad prohibition on transmitting information that assists sports gambling in the first clause with another prohibition on a particular species of transmissions concerning all forms of gambling: those that entitle a recipient to money or credit for information that assists in the placing of unlawfully transmitted bets and wagers. Even if these prohibitions were anomalous, however, that result would simply reflect the statutory text. It is the job of the Executive to faithfully execute those words, and that of Congress to fix or improve those laws as it sees fit. *See Exxon Mobil Corp. v. Allapattah Servs.*, 545 U.S. 546, 565 (2005) (If there is an “unintentional drafting gap,” “it is up to Congress rather than the courts to fix it. The omission may seem odd, but it is not absurd.”).

Our 2011 Opinion also relied heavily upon the legislative history of the 1961 Wire Act. Citing the many references in the legislative history to sports gambling and the dearth of references to other forms of gambling,

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<sup>11</sup> Similar results would follow even if section 1084(a) were limited to sports gambling. If it were so limited, section 1084(a)’s first clause would allow people to relay sports bets and wagers so long as they did not use the wires to do so—yet the second clause would prohibit wire transmissions entitling the recipients to receive money or credit for those bets and wagers. The primary conduct of betting would not be prohibited under the Wire Act, yet the wire transmission entitling the bettor to payment would be a criminal offense under that statute.



the opinion concluded that “Congress’s overriding goal in the Act was to stop the use of wire communications for sports gambling in particular.” 35

Op. O.L.C. \_\_\_, at \*8; *see id.* at \*8–10. That may well have been true. But “statutory prohibitions often go beyond the principal evil to cover reasonably comparable evils, and it is ultimately the provisions of our laws rather than the principal concerns of our legislators by which we are governed.” *Oncale v. Sundowner Offshore Servs., Inc.*, 523 U.S. 75, 79 (1998); *see also Encino Motorcars, LLC v. Navarro*, 138 S. Ct. 1134, 1142, 1143 (2018) (declining to attach significance to the fact that the legislative history of the Fair Labor Standards Act “discusses ‘automobile salesmen, partsmen, and mechanics’ but never discusses service advisors,” because “[e]ven if Congress did not foresee all of the applications of the statute, that is no reason not to give the statutory text a fair reading”).

Our 2011 Opinion also emphasized the drafting history of the Wire Act. As we explained it, an earlier draft of the bill was unequivocally limited to sports gambling. When the Senate Judiciary Committee substantially redrafted the provision to change it to its current form, the Committee removed the commas that had so clearly limited the initial prohibitions to sporting events and contests. Our 2011 Opinion could not identify evidence in the legislative history that when Congress reworked the provision, it intended “to expand dramatically the scope of prohibited transmissions from ‘bets or wagers . . . on any sporting event or contest’ to *all* ‘bets or wagers,’ or to introduce a counterintuitive disparity between the scope of the statute’s” different prohibitions. 35 Op. O.L.C. \_\_\_, at \*6.

The committee reports, for instance, did not suggest that these changes dramatically expanded the Wire Act’s coverage. Given that such substantial changes “would have significantly altered the scope of the statute,” our 2011 Opinion read the “absence of comment” to be significant. *Id.* at \*7.

But we do not share the 2011 Opinion’s confidence that silence in the legislative history on those revisions is so probative. As the Supreme Court recently observed, “if the text is ambiguous, silence in the legislative history cannot lend any clarity,” and “if the text is clear, it needs no repetition in the legislative history.” *Encino Motorcars*, 138 S. Ct. at 1143; *see also Avco Corp. v. U.S. Dep’t of Justice*, 884 F.2d 621, 625 (D.C. Cir. 1989) (“[S]ilence in legislative history is almost invariably ambiguous. If a statute is plain in its words, the silence may simply mean that no one in Congress saw any reason to restate the obvious.”). Here, the text is clear, and thus, even if so inclined, we would not have a justifica-

tion for delving into the Congressional Record to ascertain what individual Members of Congress may have thought at the time. It is the words of the statute that the President signs into law, and in so doing, “it is not to be supposed that . . . the President endorses the whole Congressional Record.” *Schwegmann Bros. v. Calvert Distillers Corp.*, 341 U.S. 384, 396 (1951) (Jackson, J., concurring). As the Supreme Court recently emphasized, “[i]t is the business of Congress to sum up its own debates in its legislation,’ and once it enacts a statute, ‘we do not inquire what the legislature meant; we ask only what the statute means.’” *Epic Sys. Corp. v. Lewis*, 138 S. Ct. 1612, 1631 (2018) (quoting *Schwegmann Bros.*, 341 U.S. at 396 (Jackson, J., concurring) (some internal quotation marks omitted)). Congress left the authoritative record of its deliberations in the text of the statute, and we rely solely upon its plain meaning to govern our interpretation here.<sup>12</sup>

### III.

In view of our conclusion that the Wire Act applies to non-sports gambling, the Criminal Division has asked us to revisit the question that our 2011 Opinion did not need to answer, namely whether the 2006 enactment

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<sup>12</sup> Even if we were to consider the legislative history, there are multiple inferences one could reasonably draw from the progression of the legislation through Congress. The 2011 Opinion quoted concerns expressed by Senator Kefauver (the leader of the Senate’s 1950s investigation into organized crime), who pressed a Department of Justice witness on why the draft Wire Act did not reach numbers games and other forms of non-sports-based gambling. 35 Op. O.L.C. \_\_\_, at \*10 n.7. Shortly after that hearing, the Judiciary Committee added the new language to change the prohibitions of the bill to their enacted form; in so doing, it removed the commas that had limited the draft prohibitions to sporting events and contests. Our 2011 Opinion concluded from this chain of events that Congress did not intend that change to extend the Wire Act’s prohibitions to non-sports gambling. *Id.* at \*6–7. But one might just as well speculate that the Judiciary Committee made such changes to respond to Senator Kefauver’s urging that the Wire Act reach non-sports gambling. Here then, as in other instances, the legislative record provides grounds for alternative interpretations of what the Members may have intended. *See Exxon Mobil*, 545 U.S. at 568 (The “investigation of legislative history has a tendency to become, to borrow Judge Leventhal’s memorable phrase, an exercise in ‘looking over a crowd and picking out your friends.’” (quoting Patricia Wald, *Some Observations on the Use of Legislative History in the 1981 Supreme Court Term*, 68 Iowa L. Rev. 195, 214 (1983)); *see also* Scalia & Garner at 377 (“With major legislation, the legislative history has something for everyone.”). Rather than relying upon suppositions concerning Members’ intent, however, we view the relevant record to be the unambiguous words of the statute.

of UIGEA modifies the scope of the Wire Act. See Memorandum for John P. Cronan, Principal Deputy Assistant Attorney General, Criminal Division, from David C. Rybicki, Deputy Assistant Attorney General, Criminal Division, *Re: The Interaction Between UIGEA and the Wire Act* at 2 (Aug. 28, 2018). Specifically, the Criminal Division has asked whether, in excluding certain activities from UIGEA’s definition of “unlawful Internet gambling,” UIGEA excludes those same activities from the prohibitions under other federal gambling laws. *Id.* We conclude that it does not.

Congress enacted UIGEA to strengthen the enforcement of existing prohibitions against illegal gambling on the Internet. 31 U.S.C. § 5361(4). UIGEA prohibits anyone “engaged in the business of betting or wagering” from “knowingly accept[ing]” various kinds of payments “in connection with the participation of another person in unlawful Internet gambling.” *Id.* § 5363. UIGEA defines “unlawful Internet gambling” as follows:

IN GENERAL.—The term “unlawful Internet gambling” means to place, receive, or otherwise knowingly transmit a bet or wager by any means which involves the use, at least in part, of the Internet where such bet or wager is unlawful under any applicable Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received, or otherwise made.

*Id.* § 5362(10)(A). That term, however, “does not include” certain enumerated activities. *Id.* § 5362 (10)(B)–(D). For instance, UIGEA excludes from coverage certain bets or wagers that are “initiated and received or otherwise made exclusively within a single State” and done so in accordance with the laws of such State, even if the routing of those wire transmissions was done in a manner that involved interstate commerce. *Id.* § 5362(10)(B).

UIGEA’s definition of “unlawful Internet gambling” simply does not affect what activities are lawful under the Wire Act. This definition applies only to the “subchapter” in which UIGEA is contained, 31 U.S.C. § 5362, and the Wire Act does not use the term “unlawful Internet gambling” in any event. Our conclusion follows from the plain meaning of the statutory definition, and Congress has confirmed it with a reservation clause stating that “[n]o provision of this subchapter shall be construed as altering, limiting, or extending any Federal or State law or Tribal-State compact prohibiting, permitting, or regulating gambling within the United States.” *Id.* § 5361(b). UIGEA therefore in no way “alter[s], limit[s], or extend[s]” the existing prohibitions under the Wire Act.

#### IV.

For the reasons explained, we conclude that our 2011 Opinion conflicts with the plain language of the Wire Act. We emphasize, however, that we employ considerable caution in departing from our prior opinions, and we therefore think it appropriate to explain in detail why reconsideration is warranted here. This Office, exercising authority delegated by the Attorney General, provides binding legal advice within the Executive Branch. See 28 U.S.C. § 511; 28 C.F.R. § 0.25(a); Memorandum for the Attorneys of the Office, from David J. Barron, Acting Assistant Attorney General, Office of Legal Counsel, *Re: Best Practices for OLC Legal Advice and Written Opinions* at 1 (July 16, 2010) (“2010 Best Practices Memo”), <https://www.justice.gov/sites/default/files/pages/attachments/2014/07/11/olc-best-practices-2010.pdf>; Memorandum for the Attorneys of the Office, from Steven G. Bradbury, Principal Deputy Assistant Attorney General, Office of Legal Counsel, *Re: Best Practices for OLC Opinions* at 1 (May 16, 2005) (“2005 Best Practices Memo”), <https://www.justice.gov/sites/default/files/pages/attachments/2014/07/11/olc-best-practices-2005.pdf>. Although the Judicial Branch’s doctrine of stare decisis does not itself apply to the Executive Branch, we embrace the long tradition of general adherence to executive branch legal precedent, reflecting strong interests in efficiency, institutional credibility, and the reasonable expectations of those who have relied on our prior advice. This tradition of respect for Department precedent predates the establishment of this Office and reflects the longstanding practice of Attorneys General in providing legal advice.<sup>13</sup>

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<sup>13</sup> See, e.g., *Import Duties—Warehoused Goods*, 21 Op. Att’y Gen. 23, 24 (1894) (“A [definitional] question once definitely answered by one of my predecessors and left at rest for a long term of years should be reconsidered by me only in a very exceptional case,” and “reconsideration” would only be appropriate if predicate assumptions on which the past advice relied were no longer correct); *Camel’s Hair Noils—Drawback*, 24 Op. Att’y Gen. 53, 55 (1902) (“[Attorney General] Olney’s opinion, although brief, is evidently based on careful consideration of all aspects of the case. It is not perhaps accurate, . . . but I concur in the principle of my predecessor’s ruling, and perceive no sufficient reason to revise the same. A question once definitely answered by one of my predecessors and left at rest for a long term of years should be reconsidered by me only in a very exceptional case.” (internal citations omitted)); see also Trevor W. Morrison, *Stare Decisis in the Office of Legal Counsel*, 110 Colum. L. Rev. 1448, 1471–74 (2010) (discussing the historical practice of stare decisis within the Department of Justice).

Reconsidering past opinions without considering these interests “could easily lead to requests for reconsideration of earlier Opinions on other subjects,” thereby undermining the value of our legal advice. Memorandum for the Attorney General, from Malcolm R. Wilkey, Assistant Attorney General, Office of Legal Counsel, *Re: Gifts from Foreign Governments, CP-58-80 of May 14, 1958*, at 3 (May 15, 1958). Accordingly, we “should not lightly depart from such past decisions, particularly where they directly address and decide a point in question.” 2010 Best Practices Memo at 2; *accord* 2005 Best Practices Memo at 2.

We nevertheless have recognized that, “as with any system of precedent, past decisions” of our Office “may be subject to reconsideration and withdrawal in appropriate cases and through appropriate processes.” 2010 Best Practices Memo at 2. We have departed from our prior advice for a range of reasons. In many instances, we have withdrawn precedents when intervening developments in the law appear to cast doubt upon our conclusions.<sup>14</sup> We have also modified earlier advice where the factual predicates have shifted or we have come to a better understanding of them. *See, e.g., Scope of Treasury Department Purchase Rights with Respect to Financing Initiatives of the U.S. Postal Service*, 19 Op. O.L.C. 238, 238, 243, 244 (1995) (upon being asked to “reconsider and rescind” a 1993 opinion, we “reaffirmed and clarified” that opinion but, after gathering information from the agencies and learning that one agency was not operating in the manner anticipated by the statute or by us, we modified one of its conclusions).

In other instances, however, we have reconsidered our advice after identifying errors in the supporting legal reasoning.<sup>15</sup> We have, for exam-

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<sup>14</sup> *See, e.g.,* Memorandum for the Files, from Steven G. Bradbury, Principal Deputy Assistant Attorney General, *Re: Status of Certain OLC Opinions Issued in the Aftermath of the Terrorist Attacks of September 11, 2001*, at 2 (Jan. 15, 2009) (“Bradbury Memo on 9/11 Opinions”) (withdrawing certain post-9/11 opinions because, among other things, their legal reasoning had “been overtaken by subsequent decisions of the Supreme Court and by legislation passed by Congress and supported by the President”); *Authority of the Department of the Interior to Provide Historic Preservation Grants to Historic Religious Properties Such as the Old North Church*, 27 Op. O.L.C. 91, 117 (2003) (“Perhaps more important, recent Supreme Court decisions have brought the demise of the ‘pervasively sectarian’ doctrine that comprised the basis . . . the 1995 Opinion of this Office.”).

<sup>15</sup> *See, e.g., Application of Anti-Nepotism Statute to Presidential Appointment in White House*, 41 Op. O.L.C. \_\_, at \*9–14 (Jan. 20, 2017) (describing our past opinions as legally erroneous as an initial matter and overtaken by subsequent developments in the law);

ple, modified our position regarding whether the Appointments Clause applies to private entities who perform functions on behalf of the federal government.<sup>16</sup> And we have revisited precedents that themselves had reversed established positions of the Executive Branch.<sup>17</sup>

Several factors justify reconsideration here. Although the 2011 Opinion directly addressed the question now before us, we believe that the 2011 Opinion devoted insufficient attention to the statutory text and applicable canons of construction, which we believe compel the conclusion that the prohibitions of the Wire Act are not uniformly limited to sports gambling. Furthermore, the 2011 Opinion is of relatively recent vintage and departed

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*Definition of Torture under 18 U.S.C. §§ 2340–2340A*, 28 Op. O.L.C. 297, 304 n.17 (2004) (“We do not believe [these statutory sources] provide a proper guide for interpreting ‘severe pain’ in the very different context of the prohibition against torture in sections 2340–2340A.”); *Reconsideration of Applicability of the Davis-Bacon Act to the Veteran Administration’s Lease of Medical Facilities*, 18 Op. O.L.C. 109 (1994) (reversing the conclusions reached in *Applicability of the Davis-Bacon Act to the Veterans Administration’s Lease of Medical Facilities*, 12 Op. O.L.C. 89 (1988)); *Authority of the Federal Bureau of Investigation To Override International Law In Extraterritorial Law Enforcement Activities*, 13 Op. O.L.C. 163 (1989) (disapproving the conclusion reached in *Extraterritorial Apprehension by the Federal Bureau of Investigation*, 4B Op. O.L.C. 543 (1980), that the FBI lacked authority to apprehend a fugitive in a foreign state in a manner contrary to customary international law).

<sup>16</sup> *Compare The Constitutional Separation of Powers Between the President and Congress*, 20 Op. O.L.C. 124, 146 n.65 (1996) (“disapprov[ing of] the Appointments Clause analysis and conclusion of an earlier opinion of this Office,” and finding that the Appointments Clause does not apply to private entities), with *Officers of the United States Within the Meaning of the Appointments Clause*, 31 Op. O.L.C. 73, 121 (2007) (reversing the 1996 opinion’s conclusion that the Appointments Clause does not apply to private entities).

<sup>17</sup> See, e.g., *Validity of Statutory Rollbacks as a Means of Complying with the Ineligibility Clause*, 33 Op. O.L.C. \_\_\_, at \*1 (May 20, 2009) (reconsidering 1987 OLC opinion that “was not in accord with the prior interpretations of this Clause by the Department of Justice and has not consistently guided subsequent practice of the Executive Branch” and did not “reflect[] the best reading of the Ineligibility Clause” of the Constitution); Memorandum for the Files, from Steven G. Bradbury, Principal Deputy Assistant Attorney General, Office of Legal Counsel, *Re: October 23, 2001 OLC Opinion Addressing the Domestic Use of Military Force to Combat Terrorist Activities* at 2 (Oct. 6, 2008) (overturning post-9/11 precedent that had departed from “the longstanding interpretation of the Executive Branch,” under which “any particular application of the Insurrection Act to authorize the use of the military for law enforcement purposes would require the presence of an actual obstruction of the execution of federal law or a breakdown in the ability of state authorities to protect federal rights”).

from established Department practice, which included successful prosecutions under a broader understanding of the Wire Act and repeated representations to Congress about the Department's views. *See supra* Part I. The Department's position prior to our 2011 Opinion, indeed, may have informed Congress's action in 2006 in enacting the UIGEA, which prohibited the acceptance of payment in connection with "unlawful Internet gambling," but expressly declined to alter, limit, or extend any federal laws "prohibiting, permitting, or regulating gambling within the United States." 31 U.S.C. § 5361(b).

Reaching a contrary conclusion from our prior opinion will also make it more likely that the Executive Branch's view of the law will be tested in the courts. We have sometimes relied on that likelihood in considering whether the Executive should decline to enforce or defend unconstitutional statutes. *See Presidential Authority to Decline to Execute Unconstitutional Statutes*, 18 Op. O.L.C. 199, 201 (1994); *Recommendation that the Department of Justice Not Defend the Constitutionality of Certain Provisions of the Bankruptcy Amendments and Federalist Judgeship Act of 1984*, 8 Op. O.L.C. 183, 193–94 (1984). We likewise believe it relevant in determining whether to depart from our precedent. Under our 2011 Opinion, the Department of Justice may not pursue non-sports-gambling-related prosecutions under the Wire Act. But under the conclusion we adopt today, such prosecutions may proceed where appropriate, and courts may entertain challenges to the government's view of the statute's scope in such proceedings. While the possibility of judicial review cannot substitute for the Department's independent obligation to interpret and faithfully execute the law, that possibility does provide a one-way check on the correctness of today's opinion, which weighs in favor of our change in position.

We acknowledge that some may have relied on the views expressed in our 2011 Opinion about what federal law permits. Some States, for example, began selling lottery tickets via the Internet after the issuance of our 2011 Opinion.<sup>18</sup> But in light of our conclusion about the plain language of

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<sup>18</sup> *See, e.g.*, John Byrne, *Quinn Says Online Lottery Sales Could Start in Spring*, Chi. Tribune (Dec. 27, 2011), <http://www.chicagotribune.com/news/local/politics/chi-quinn-says-online-lottery-sales-could-start-in-spring-20111227-story.html> (explaining that "following a U.S. Justice Department ruling that the Internet sales [of state lottery tickets] are legal," the Governor of Illinois planned to move forward with plans to sell lottery tickets on the Internet); State of Illinois, Office of Management and Budget, Illinois

the statute, we do not believe that such reliance interests are sufficient to justify continued adherence to the 2011 opinion.<sup>19</sup> Moreover, if Congress finds it appropriate to protect those interests, it retains ultimate authority over the scope of the statute and may amend the statute at any time, either to broaden or narrow its prohibitions.

**V.**

We conclude that the prohibitions of 18 U.S.C. § 1084(a) are not uniformly limited to gambling on sporting events or contests. Only the second prohibition of the first clause of section 1084(a), which criminalizes transmitting “information assisting in the placing of bets or wagers on any sporting event or contest,” is so limited. The other prohibitions apply to non-sports-related betting or wagering that satisfy the other elements of section 1084(a). We also conclude that section 1084(a) is not modified by UIGEA. This opinion supersedes and replaces our 2011 Opinion on the subject.

STEVEN A. ENGEL *Assistant Attorney General Office of Legal Counsel*

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Performance Reporting System, Agency Performance Metric Reports FY18 Quarter 4 (Aug. 14, 2018 3:53 PM), [https://www.illinois.gov/gov/budget/IPRS%20Reports/458\\_Department\\_of\\_the\\_Lottery.pdf](https://www.illinois.gov/gov/budget/IPRS%20Reports/458_Department_of_the_Lottery.pdf) (“Internet sales” of Illinois lottery tickets were about \$20 million in FY 2017 and in FY 2018).

<sup>19</sup> An individual who reasonably relied upon our 2011 Opinion may have a defense for acts taken in violation of the Wire Act after the publication of that opinion and prior to the publication of this one. *See, e.g., United States v. Pa. Indus. Chem. Corp.*, 411 U.S. 655, 673–74 (1973); *Cox v. Louisiana*, 379 U.S. 559, 568–69 (1965). The reliance interest implicit in any such defense, however, does not bear upon our reconsideration of the 2011 Opinion.



## **THE RESPONSE**

In response the Lottery of the State of New Hampshire and a vendor to the New Hampshire lottery filed suit to enjoin enforcement of the 2018 Opinion as it was perceived that the 2018 Opinion suggested that the activities of the state and vendor were now interpreted to be criminal activities and that the DOJ intended to enforce against them.

The DOJ responded that it had no intent to enforce the action against the state lottery or its vendor at this time and thus the issue was moot.

The court issued its opinion last year and the issue is now on appeal in the First Circuit Court of Appeals. The opinion of the district court follows:

United States District Court, D. New Hampshire.

NEW HAMPSHIRE LOTTERY COMMISSION, et al.

v.

William BARR, in his official capacity as Attorney General of the United States of America, et al.

Consolidated Case No. 19-cv-163-PB

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Signed June 3, 2019

## **MEMORANDUM AND ORDER**

Paul Barbadoro, United States District Judge

\*136 The **Wire Act** of 1961 criminalizes certain gambling activities that use interstate wires. In 2011, the Justice Department’s Office of Legal Counsel (“OLC”) issued a formal opinion declaring that the **Wire Act** only punishes activities associated with sports gambling. Last year, the OLC changed its mind. It now asserts that the Act also covers lotteries and other forms of gambling that do not involve sports.

The New Hampshire Lottery Commission has long offered lottery games such as Powerball that necessarily use interstate wires. Fearing that these games, which produce substantial revenue for the State, will be deemed to be criminal activities under the OLC’s current interpretation of the **Wire Act**, the Commission filed a complaint in this court seeking both a declaratory judgment that the Act is limited to sports gambling and an order under the Administrative Procedure Act setting aside the OLC’s new interpretation. One of the Commission’s vendors also filed a complaint that has been joined with the current action, seeking declaratory relief.

Before me are the Government’s motion to dismiss for lack of standing and the parties’ cross-motions for summary judgment. As I explain below, I agree with the plaintiffs that they have standing to sue. Based on the text, context, and structure of the **Wire Act**, I also conclude that the Act is limited to sports gambling. Accordingly, I deny the Government’s motions and grant the plaintiffs’ motions for summary judgment.

### **I. BACKGROUND**

#### **A. The Wire Act**

The relevant portion of the **Wire Act** provides:

Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under this title or imprisoned not more than two years, or both.

18 U.S.C. § 1084(a).

Section 1084(a) consists of two clauses. The first clause makes it a crime for anyone engaged in the business of gambling to use a wire communication facility “for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest.” *Id.* The second clause prohibits “the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers.” *Id.*

The key question this case presents is whether the limiting phrase “on any sporting event or contest” in § 1084(a)’s first clause modifies all references to “bets or wagers” in both clauses or only the single reference it directly follows in the first clause. If, as the OLC concluded in 2011, the sports-gambling modifier limits each reference to “bets or wagers,” then both clauses apply only to sports gambling. On the other hand, if the OLC’s current interpretation is correct, then § 1084(a)’s first \*137 clause prohibits the interstate transmission of both sports and non-sports bets or wagers but punishes the interstate transmission of information only if the information assists in the placing of bets or wagers on sports. It also follows from the OLC’s current interpretation that § 1084(a)’s second clause is unconstrained by the sports-gambling modifier.

## **B. The OLC Opinions**

The path that leads to both OLC opinions begins in 2009, when New York and Illinois asked the Department of Justice whether in-state sales of lottery tickets via the internet would violate the **Wire Act** if those sales caused information to be transmitted across state lines. The Department referred the matter to the OLC for a formal opinion. In 2011, the OLC responded by concluding that “interstate transmissions of wire communications that do not relate to ‘a sporting event or contest,’ 18 U.S.C. § 1084(a), fall outside of the reach of the **Wire Act**.” See Virginia A. Seitz, *Whether Proposals by Illinois and New York to Use the Internet and Out-of-State Transaction Processors to Sell Lottery Tickets to In-State Adults Violate the Wire Act*, Memorandum Opinion for the Assistant Attorney General, Criminal Division, U.S. Dept. Just. 1 (Sept. 20, 2011) (“2011 OLC Opinion” or “2011 Opinion”), Doc. No. 2-4.

The OLC arrived at this conclusion by first determining that the phrase “on any sporting event or contest” in the first clause of § 1084(a) applies to the transmissions of both “bets or wagers” and “information assisting in the placing of bets or wagers.” 2011 OLC Opinion at 5. Noting that the statutory text could be read either way, the OLC explained that it was “difficult to discern” why Congress would forbid the interstate transmission of all types of bets or wagers but only prohibit the transmission of information assisting in the placing of bets or wagers that concern sports. *Id.* The more reasonable inference, according to the OLC, was that Congress intended that the prohibitions “be parallel in scope.” *Id.*

Next, the OLC concluded that the phrase “on any sporting event or contest” also modifies the references to “bets or wagers” in § 1084(a)’s second clause. *Id.* at 7. The OLC explained that the references to “bets or wagers” in the second clause are best understood as shorthand references to “bets or wagers on any sporting event or contest” as described in the first clause. *Id.* The 2011 Opinion also relied heavily on the Act’s legislative history to confirm its interpretation of the section’s limited scope. See *id.* at 6-10.

In 2018, the OLC reversed course and released a new opinion concluding that “the prohibitions of 18 U.S.C. § 1084(a) are not uniformly limited to gambling on sporting events or contests.” See Steven A. Engel, *Reconsidering Whether the Wire Act Applies to Non-Sports Gambling*, Memorandum Opinion for the Acting Assistant Attorney General, Criminal Division, U.S. Dept. Just. 23 (Nov. 2, 2018) (“2018 OLC Opinion” or “2018 Opinion”), Doc. No. 2-5. The OLC now reasoned that the plain text of § 1084(a) unambiguously requires that all but one of the section’s prohibitions apply to gambling generally. See *id.* at 7, 11.

The OLC based its new reading on the syntactic structure of § 1084(a). Relying heavily on a canon of statutory construction commonly referred to as the “rule of the last antecedent,” the OLC concluded that the use of the sports-gambling modifier in the section’s first clause applies only to the prohibition on the interstate transmission of “information assisting in the placing of bets or wagers” and not the \*138 transmission of “bets or wagers” themselves. *Id.* at 7-8.

The OLC then concluded that the use of the sports-gambling modifier in § 1084(a)’s first clause should not be carried forward into the section’s second clause. *Id.* at 11. The two clauses are distinct “[a]s a matter of basic grammar” and “[i]t would take a considerable leap for the reader to carry that modifier both backward to the first prohibition of the first clause, then forward across the entire second clause,” the OLC reasoned. *Id.*

The OLC acknowledged its earlier concern that this reading of § 1084(a) would produce anomalous results. *Id.* at 14-15. It concluded, however, that it was obligated to give the section the meaning suggested by its syntactic structure because the anomalies identified in the 2011 Opinion did not rise to the level of “patent absurdity.” *Id.*

On January 15, 2019, the Deputy Attorney General instructed federal prosecutors to adhere to the OLC’s 2018 Opinion. See *Applicability of the Wire Act, 18 U.S.C. § 1084, to Non-Sports Gambling*, U.S. Dept. Just. (Jan. 15, 2019) (“Enforcement Directive”), Doc. No. 2-6. As an exercise of prosecutorial discretion, however, they “should refrain from applying Section

1084(a) in criminal or civil actions to persons who engaged in conduct violating the **Wire Act** in reliance on the 2011 OLC Opinion prior to the date of this memorandum, and for 90 days thereafter.” *Id.* The grace period was intended to allow time for businesses “to bring their operations into compliance with federal law.” *Id.* On February 28, the Deputy Attorney General extended that window through June 14, 2019. *See Additional Directive Regarding the Applicability of the Wire Act, 18 U.S.C. § 1084, to Non-Sports Gambling*, U.S. Dept. Just. (Feb. 28, 2019), Doc. No. 23-1.

### **C. New Hampshire Lottery System**

The Lottery Commission offers multiple types of lottery games. Those games include instant ticket and draw games that offer tickets for sale at brick-and-mortar retailers, multi-jurisdictional games such as Powerball and Mega Millions that permit tickets to be purchased either in stores or through the internet, and “iLottery” games that sell tickets exclusively through the internet. Each game involves the use of interstate wire transmissions.

The Lottery Commission contracts with a vendor, Intralot, Inc., to provide a computer gaming system (“CGS”) to manage the games and a back-office system (“BOS”) to manage inventory and sales data. Its CGS and BOS servers for traditional retailer-based lottery games are located in Barre, Vermont, with a disaster recovery location in Strongsville, Ohio.

Brick-and-mortar retailers employ lottery terminals that connect the retailer to the CGS and BOS systems via the internet, a cellular network, or a satellite connection. The terminals send and receive different types of data based on the type of game. For example, in an instant ticket game, a player purchases a pre-printed ticket and scratches it to reveal the result. The lottery terminal then communicates with the CGS to activate the ticket, validate the result, and record the sale and payment of prizes. Draw games require players to purchase sets of numbers for a future draw. The retailer requests a wager transaction from the CGS through the terminal. The CGS generates a wager in the system and sends the information to the terminal. In both types of transactions, the data travels between a lottery terminal in New Hampshire and CGS servers in Vermont and Ohio.

The Lottery Commission also offers a variety of multi-jurisdictional games, including \*139 Powerball, Mega Millions, Tri-State Lotto, and Lucky for Life. Like the in-state games, ticket sales for these games typically occur through communications between lottery terminals in New Hampshire and CGS servers in Vermont and Ohio.<sup>1</sup> For verification purposes, bets for multi-state games are then sent from those CGS locations to two independent control system servers in New Hampshire over the internet. The Lottery Commission also shares sales and transaction data with member states over the internet. Finally, once a jackpot is won, the participating lotteries transfer their portions of the jackpot to the jurisdiction that sold the winning ticket. This is typically done via a wire transfer or an automated clearing house process.

In September 2018, the Lottery Commission also began to offer e-instant and draw games, including Powerball and Mega Millions, via its internet platform or “iLottery.” NeoPollard Interactive LLC, its vendor, operates a separate CGS with servers located in New Hampshire. The system uses geo-location data from a player’s computer or mobile device to ensure the player can only make a bet or wager while physically located in New Hampshire. Although all financial transactions and bets must begin and end in New Hampshire, the Commission states that it cannot guarantee that intermediate routing of data or information ancillary to a transaction does not cross state lines.

Given the way in which these systems operate, the Lottery Commission contends that the implementation of the 2018 OLC Opinion may result in the suspension of all lottery sales by the Commission, resulting in an annual loss of over \$ 90 million in state revenue.

### **D. Lottery Systems and “iGaming” in Amici States**

The State of New Jersey, the Commonwealth of Pennsylvania, and the Michigan Bureau of State Lottery<sup>2</sup> have filed amicus briefs in support of the plaintiffs.<sup>3</sup> They describe the impact the 2018 OLC Opinion would have on their respective state-run lotteries. The lottery systems in those states are substantially similar to New Hampshire’s, including the types of games offered and their reliance on interstate wires.

In addition, New Jersey and Pennsylvania have legalized some forms of online gambling or “iGaming.” Those states permit state-licensed private companies to offer online casino and poker games to players within the state. New Jersey also has a shared agreement with Delaware and Nevada allowing online poker players from those states to play together.

## E. Procedural History

The Lottery Commission filed its complaint and a concurrent motion for summary judgment on February 15, 2019. The \*140 Commission seeks both a declaratory judgment that the **Wire Act** does not extend to state-conducted lottery activities and an order setting aside the 2018 OLC Opinion pursuant to the Administrative Procedure Act (“APA”), 5 U.S.C. § 701 *et seq.* Later that day, NeoPollard Interactive LLC, the vendor that supports New Hampshire’s iLottery system, and its 50% owner, Pollard Banknote LTD (collectively “NeoPollard”) filed a complaint and a concurrent motion for summary judgment. NeoPollard seeks a judgment declaring that the **Wire Act** is limited to gambling on sporting events. I consolidated the NeoPollard action with the Lottery Commission action on February 22, 2019.

The Government responded by filing a motion to dismiss the complaints pursuant to Rule 12(b)(1), because the plaintiffs lack standing to sue, and Rule 12(b)(6), because the complaints fail to state viable claims for relief. With the parties’ consent, I converted the Government’s request for relief pursuant to Rule 12(b)(6) into a Rule 56 motion for summary judgment.

## II. ANALYSIS

The Government has challenged the plaintiffs’ standing to sue. I address the Government’s standing argument first because a court lacks subject matter jurisdiction unless the plaintiffs have Article III standing. See [Pollard v. Law Office of Mandy L. Spaulding](#), 766 F.3d 98, 101 (1st Cir. 2014). I then turn to the parties’ cross-motions for summary judgment, which raise two issues: (1) whether the Lottery Commission’s APA claim fails because the 2018 OLC Opinion is not “final agency action,” and (2) whether the **Wire Act** is limited to sports gambling. I conclude by considering the scope of the remedy.

### A. Standing

<sup>[1]</sup>The Government argues that the plaintiffs lack standing because they do not face an imminent threat of prosecution. I disagree.

The plaintiffs, as the parties invoking the court’s jurisdiction, bear the burden of establishing standing. [Susan B. Anthony List v. Driehaus](#), 573 U.S. 149, 158, 134 S.Ct. 2334, 189 L.Ed.2d 246 (2014). The level of proof required to meet this burden depends on the stage of the proceedings. [Lujan v. Defs. of Wildlife](#), 504 U.S. 555, 561, 112 S.Ct. 2130, 119 L.Ed.2d 351 (1992). At summary judgment, the plaintiffs must support their standing with specific evidence in the record. *Id.*; accord [Clapper v. Amnesty Int’l USA](#), 568 U.S. 398, 412, 133 S.Ct. 1138, 185 L.Ed.2d 264 (2013). Because the jurisdictional facts are not in dispute in this case, the plaintiffs’ standing turns on a pure question of law.

<sup>[2]</sup>Rooted in Article III’s case-or-controversy requirement, the constitutional core of standing requires a showing that a plaintiff “(1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the defendant, and (3) that is likely to be redressed by a favorable judicial decision.” [Spokeo, Inc. v. Robins](#), — U.S. —, 136 S. Ct. 1540, 1547, 194 L.Ed.2d 635 (2016).<sup>4</sup> An injury in fact must be “concrete and particularized” and “actual or imminent, not conjectural or hypothetical.” [Lujan](#), 504 U.S. at 560, 112 S.Ct. 2130 (internal quotation marks and citations omitted). “The imminence requirement is met ‘if the threatened injury is “certainly impending” or there is a “substantial \*141 risk” that the harm will occur.’” [Massachusetts v. U.S. Dep’t of Health & Human Servs.](#), 923 F.3d 209, 222 (1st Cir. 2019) (quoting [Driehaus](#), 573 U.S. at 158, 134 S.Ct. 2334).

<sup>[3]</sup> <sup>[4]</sup> <sup>[5]</sup> <sup>[6]</sup>To establish an imminent injury in the context of a pre-enforcement challenge to a criminal statute, a plaintiff must demonstrate that he faces a threat of prosecution because of his present or intended conduct. “[J]ust how clear the threat of prosecution needs to be turns very much on the facts of the case and on a sliding-scale judgment that is very hard to calibrate.” [N.H. Hemp Council, Inc. v. Marshall](#), 203 F.3d 1, 5 (1st Cir. 2000). Courts have variably described the requisite likelihood of enforcement as “sufficiently imminent,” “credible,” “substantial,” and “realistic.” See [Driehaus](#), 573 U.S. at 159, 164, 134 S.Ct. 2334 (“sufficiently imminent,” “credible,” and “substantial”); [Holder v. Humanitarian Law Project](#), 561 U.S. 1, 15, 130 S.Ct. 2705, 177 L.Ed.2d 355 (2010) (“credible”); [Babbitt v. United Farm Workers Nat’l Union](#), 442 U.S. 289, 298, 99 S.Ct. 2301, 60 L.Ed.2d 895 (1979) (“credible” and “realistic”); [Hemp Council](#), 203 F.3d at 5 (“realistic”).<sup>5</sup>

Caselaw demonstrates where different types of pre-enforcement claims fall on the imminence spectrum. At the “clearly credible threat” end of the spectrum are pre-enforcement claims brought after an enforcer has actually threatened the plaintiff with arrest or prosecution. See, e.g., [Steffel v. Thompson](#), 415 U.S. 452, 459, 94 S.Ct. 1209, 39 L.Ed.2d 505 (1974) (protester had standing to bring pre-enforcement claim challenging constitutionality of state criminal trespass law after being warned to stop handbilling and threatened with arrest and prosecution). Further along the spectrum, but still satisfying the imminence

requirement, are cases where a plaintiff has engaged in behavior that a statute arguably makes unlawful, the plaintiff intends to continue to engage in the allegedly unlawful behavior, and though the enforcement process has not yet begun, the risk of future prosecution is substantial. See [Driehaus](#), 573 U.S. at 161-66, 134 S.Ct. 2334; see also [Humanitarian Law Project](#), 561 U.S. at 15-16, 130 S.Ct. 2705 (plaintiffs faced credible threat of prosecution where there was history of prosecution under challenged law and “Government ha[d] not argued ... that plaintiffs will not be prosecuted if they do what they say they wish to do”); [Babbitt](#), 442 U.S. at 302, 99 S.Ct. 2301 (plaintiffs’ fear of prosecution credible where, *inter alia*, “State ha[d] not disavowed any intention of invoking the criminal penalty provision” against entities that violate the statute). At the far end of the spectrum, where a threat of prosecution cannot be considered imminent, are cases in which “an unambiguous disclaimer of coverage by the prosecutor” would likely eliminate the threat of prosecution. [Hemp Council](#), 203 F.3d at 5.

The plaintiffs in this case easily satisfy the imminence requirement. First, they have openly engaged for many years in conduct that the 2018 OLC Opinion now brands as criminal, and they intend to continue their activities unless they are forced to stop because of a reasonable fear \*142 that prosecutions will otherwise ensue. Second, the risk of prosecution is substantial. After operating for years in reliance on OLC guidance that their conduct was not subject to the **Wire Act**, the plaintiffs have had to confront a sudden about-face by the Department of Justice. Even worse, they face a directive from the Deputy Attorney General to his prosecutors that they should begin enforcing the OLC’s new interpretation of the Act after the expiration of a specified grace period. Given these unusual circumstances, the plaintiffs have met their burden to establish their standing to sue.

The Government challenges this conclusion by arguing that the likelihood that the plaintiffs will face prosecution under the **Wire Act** is low, because the 2018 OLC Opinion does not explicitly conclude that state agencies, state employees, and state vendors are subject to prosecution under the Act. I reject this argument because the record tells a different story.

It is worth remembering that the 2011 OLC Opinion responded to a request from two states for an opinion as to whether they could sell lottery tickets online without violating the **Wire Act**. In concluding that the **Wire Act** did not apply to non-sports gambling such as lotteries, the 2011 Opinion did not even hint at the possibility that states would be exempt from the Act’s proscriptions. Had the OLC believed that states were excluded from the Act’s coverage, it could have responded to the states’ request by simply informing them that they were not subject to the Act. To infer from the OLC’s silence on this point that it might conclude in the future that state actors are not subject to the **Wire Act** requires an unwarranted speculative leap. This is especially true given the fact that a Department of Justice official warned the Illinois lottery in 2005 that the contemplated online sale of lottery tickets by the state would violate the **Wire Act**. See Letter from Laura H. Parsky, Deputy Assistant Attorney General, to Carolyn Adams, Illinois Lottery Superintendent (May 13, 2005), Doc. No. 57-2.

Any remaining doubt about the OLC’s view on the issue is dispelled by both the 2018 OLC Opinion itself and the Government’s actions after its issuance. In defending its decision to reinterpret the **Wire Act**, the OLC noted that “[s]ome States ... began selling lottery tickets via the Internet after the issuance of our 2011 Opinion.” See 2018 OLC Opinion at 22. The OLC deemed these reliance interests insufficient to warrant continued adherence to the 2011 Opinion. See *id.* at 22-23. After the 2018 OLC Opinion issued, the Deputy Attorney General issued the Enforcement Directive informing federal prosecutors that ensuing prosecutions should be deferred for a 90-day grace period to give entities that “relied on the 2011 OLC Opinion time to bring their operations into compliance with federal law.” See Enforcement Directive, Doc. No. 2-6. That guidance did not suggest that state entities that had relied on the 2011 Opinion would be exempt from prosecution after the grace period expired. Accordingly, nothing the Department of Justice said or did before the plaintiffs filed their complaints gave states like New Hampshire any reason to believe that state actors would not be prosecuted under the OLC’s new interpretation of the **Wire Act**. When the complaints were filed, therefore, the plaintiffs faced a sufficiently imminent threat of prosecution to give them standing to sue.

[Hemp Council](#) supports this conclusion. There, in a hearing before the New Hampshire legislature, a representative of the Drug Enforcement Administration (“DEA”) asserted that cultivating hemp plants violated federal law. See \*143 [Hemp Council](#), 203 F.3d at 3. The First Circuit reasoned that the DEA had made its position clear and there was no “reason to doubt the government’s zeal” in enforcing its position. *Id.* at 5. That position established that the plaintiffs, who were deterred from farming hemp, faced a “realistic” threat of prosecution. See *id.* So too here.

In resisting this assessment, the Government relies heavily on an April 8, 2019 memorandum issued by the Deputy Attorney General. That memorandum, which was issued after this case was well underway, states that the Department of Justice is currently reviewing whether the **Wire Act** applies to state lotteries and their vendors. See *Notice Regarding Applicability of the Wire Act*, 18 U.S.C. § 1084, to State Lotteries and Their Vendors, U.S. Dept. Just. (April 8, 2019) (“State Actor Directive”), Doc. No. 61-1 at 4. All federal prosecutors are directed to “refrain from applying section 1084(a)” to such entities during the pendency of the Department’s review and for 90 days thereafter. *Id.* Because the State Actor Directive declares that the



Department has not yet determined whether state lotteries and their vendors can be prosecuted under the **Wire Act**, the Government argues that the plaintiffs do not face a realistic threat of prosecution under the Act. I am unpersuaded by the Government's argument.

<sup>17]</sup>In a case such as this, where the defendant argues that its actions after a complaint is filed eliminate the threatened injury upon which the plaintiffs' claim to standing is based, the defendant bears the "heavy burden" of persuading the court that it is "absolutely clear that the allegedly wrongful behavior could not reasonably be expected to recur." [Friends of the Earth, Inc. v. Laidlaw Envtl. Servs. \(TOC\), Inc.](#), 528 U.S. 167, 189, 120 S.Ct. 693, 145 L.Ed.2d 610 (2000) (quoting [United States v. Concentrated Phosphate Export Ass'n](#), 393 U.S. 199, 203, 89 S.Ct. 361, 21 L.Ed.2d 344 (1968) ); accord [Already, LLC v. Nike, Inc.](#), 568 U.S. 85, 92, 133 S.Ct. 721, 184 L.Ed.2d 553 (2013); [Ramírez v. Sánchez Ramos](#), 438 F.3d 92, 100 (1st Cir. 2006).

The Government cannot satisfy this burden for two related reasons. First, at present, the State Actor Directive is nothing more than a temporary moratorium that cannot sustain a mootness claim. See [City of Los Angeles v. Lyons](#), 461 U.S. 95, 101, 103 S.Ct. 1660, 75 L.Ed.2d 675 (1983) (temporary moratorium on use of challenged policy did not moot the case). Second, to the extent that the Government holds out the possibility that the temporary moratorium might become permanent at a later date, its argument is purely speculative. The Government has rejected the only argument put forward by the Lottery Commission that states are not covered by the Act, and it has otherwise failed to identify any alternative legal theory as to why state actors might be exempt. See Doc. No. 70. Speculation that such a viable theory may exist cannot provide a sufficient foundation to moot a live controversy.

The Government's remaining standing argument is less conventional, but it too fails to persuade. It is based on the mistaken premise that a plaintiff has standing to seek pre-enforcement review only when challenging a criminal statute on constitutional grounds. The Supreme Court cases the Government cites for this proposition merely hold that constitutional challenges are susceptible to pre-enforcement review. See, e.g., [Driehaus](#), 573 U.S. at 159, 134 S.Ct. 2334; [Humanitarian Law Project](#), 561 U.S. at 15-16, 130 S.Ct. 2705; [Babbitt](#), 442 U.S. at 298, 99 S.Ct. 2301. They do not imply that a constitutional challenge is necessary. In fact, the Supreme Court has suggested that constitutional challenges are only an "example" of permissible pre-enforcement \*144 review when the Government issues a threat. See [MedImmune](#), 549 U.S. at 128-29, 127 S.Ct. 764.

This case also differs from the cases the Government cites because it involves a claim that the 2018 Opinion is an unlawful final agency action that must be set aside pursuant to the APA. In addressing a similar APA pre-enforcement claim that lacked an alleged constitutional violation, the Supreme Court held in [Abbott Labs](#) that the plaintiffs had standing to seek pre-enforcement review. See [387 U.S. at 154, 87 S.Ct. 1507](#). The Court reasoned that the challenged agency action "is directed at [the plaintiffs] in particular; it requires them to make significant changes in their everyday business practices; if they fail to observe the [agency's] rule they are quite clearly exposed to the imposition of strong sanctions." [Id.](#) The plaintiffs thus suffered an injury in fact that satisfied Article III, although they did not present a constitutional claim. See [id.](#) The same circumstances are present here and the same conclusion follows.

<sup>18]</sup>As recently as 2016, the Supreme Court reiterated that "[a]s we have long held, parties need not await enforcement proceedings before challenging final agency action where such proceedings carry the risk of 'serious criminal and civil penalties.'" [U.S. Army Corps of Eng'rs v. Hawkes Co.](#), — U.S. —, 136 S. Ct. 1807, 1815, 195 L.Ed.2d 77 (2016) (quoting [Abbott Labs.](#), 387 U.S. at 153, 87 S.Ct. 1507). Although [Hawkes](#) did not address standing, only the finality of agency action, the Court's observation supports the view that [Driehaus](#) did not engraft a constitutional requirement for pre-enforcement review of APA claims that is absent in [Abbott Labs](#).

In any event, the Government concedes that its position is at odds with the First Circuit's decision in [Hemp Council](#), which entertained a statutory challenge to the DEA's interpretation of a federal criminal statute. See [203 F.3d at 5](#). Because I am bound to follow First Circuit precedent, [Hemp Council](#) alone forecloses the argument that a constitutional challenge is needed to meet the imminence requirement.

In sum, this is no hypothetical case: The plaintiffs have demonstrated with specific record evidence that they had standing when they filed suit because a sufficiently imminent threat of enforcement loomed. The plaintiffs faced the choice between risking criminal prosecution, winding down their operations, or taking significant and costly compliance measures that may not even eliminate the threat. This choice "between abandoning [their] rights or risking prosecution ... is 'a dilemma that it was the very purpose of the Declaratory Judgment Act to ameliorate.'" [MedImmune](#), 549 U.S. at 129, 127 S.Ct. 764 (quoting [Abbott Labs.](#), 387 U.S. at 152, 87 S.Ct. 1507).

## B. Cross-Motions for Summary Judgment

The parties' cross-motions for summary judgment raise two legal questions: (1) whether the 2018 OLC Opinion is subject to review under the APA as final agency action, and (2) whether the **Wire Act** applies to non-sports gambling.<sup>6</sup> I analyze each question in turn.

### \*145 a. Final Agency Action

<sup>[9]</sup>The APA entitles an aggrieved party to judicial review of “final agency action for which there is no other adequate remedy in a court.” 5 U.S.C. §§ 702, 704. An action is final if “the agency has completed its decisionmaking process ... [and] the result of that process is one that will directly affect the parties.” [Franklin v. Massachusetts](#), 505 U.S. 788, 797, 112 S.Ct. 2767, 120 L.Ed.2d 636 (1992); [Trafalgar Capital Assocs., Inc. v. Cuomo](#), 159 F.3d 21, 35 (1st Cir. 1998). The Supreme Court has emphasized that the APA “creates a ‘basic presumption of judicial review [for] one suffering legal wrong because of agency action.’” [Weyerhaeuser Co. v. U.S. Fish & Wildlife Serv.](#), — U.S. —, 139 S. Ct. 361, 370, 202 L.Ed.2d 269 (2018) (quoting [Abbott Labs.](#), 387 U.S. at 140, 87 S.Ct. 1507).

<sup>[10]</sup> <sup>[11]</sup>The finality requirement for an APA claim is satisfied if “a decision is a ‘definitive statement of the agency’s position and [has] a direct and immediate effect on the day-to-day business’ of the complaining parties.” [Sig Sauer, Inc. v. Brandon](#), 826 F.3d 598, 600 n.1 (1st Cir. 2016) (quoting [FTC v. Standard Oil Co.](#), 449 U.S. 232, 241, 101 S.Ct. 488, 66 L.Ed.2d 416 (1980) ) (internal alterations omitted); cf. [Hawkes](#), 136 S. Ct. at 1813. The Government does not challenge the Lottery Commission’s contentions that the 2018 OLC Opinion represents the culmination of the Justice Department’s review of the **Wire Act** and is a “definitive statement of [the agency’s] position.” See [Standard Oil](#), 449 U.S. at 241, 101 S.Ct. 488. Thus, the sole issue I must address is whether the 2018 Opinion and the accompanying Enforcement Directive will also “directly affect the parties.” See [Trafalgar Capital](#), 159 F.3d at 35.

The Government argues that the 2018 OLC Opinion and the Enforcement Directive will not have a direct effect on the Lottery Commission unless and until it is indicted. I disagree. The State derives substantial revenue from its lottery operations. The final agency action requirement has not been construed to require litigants in the Commission’s position to choose between abandoning an otherwise lawful and productive activity and facing a credible threat of “serious criminal and civil penalties.” [Hawkes](#), 136 S. Ct. at 1815 (quoting [Abbott Labs.](#), 387 U.S. at 153, 87 S.Ct. 1507). Here, because the threat of prosecution the plaintiffs face is substantial, that threat alone satisfies the direct effect component of the final agency action test.

The 2018 OLC Opinion will also have an immediate adverse effect on the Commission even if no indictment issues. The 2011 OLC Opinion explicitly gave businesses engaged in non-sports gambling a “reasonable reliance” defense to prosecution under the **Wire Act**. See 2018 OLC Opinion at 23 n.19 (“An individual who reasonably relied upon our 2011 Opinion may have a defense for acts taken in violation of the **Wire Act** after the publication of that opinion and prior to the publication of this one.”) (citing [United States v. Pa. Indus. Chem. Corp.](#), 411 U.S. 655, 673-74, 93 S.Ct. 1804, 36 L.Ed.2d 567 (1973) ); cf. [United States v. Ledee](#), 772 F.3d 21, 31 (1st Cir. 2014) (observing that “criminal prosecution may be barred [where] government misled defendant on whether charged conduct was criminal”) (citing [Pa. Indus.](#), 411 U.S. at 674, 93 S.Ct. 1804). That defense will no longer be available to the Commission once the Department of Justice begins to enforce \*146 the 2018 Opinion against entities engaged in non-sports gambling. Thus, even if the Commission is not immediately indicted, its position will become far more perilous if the 2018 OLC Opinion is allowed to stand. Cf. [Hawkes](#), 136 S. Ct. at 1815 (finding final agency action because, *inter alia*, it “deprive[d] respondents of a five-year safe harbor from liability under the [statute]”).

Finally, the 2018 OLC Opinion also has an adverse effect on the Commission that does not depend upon any effort by the Department of Justice to enforce the opinion. Section 1084(d) of the **Wire Act** provides:

When any common carrier, subject to the jurisdiction of the Federal Communications Commission, is notified in writing by a Federal, State, or local law enforcement agency, acting within its jurisdiction, that any facility furnished by it is being used or will be used for the purpose of transmitting or receiving gambling information in interstate or foreign commerce in violation of Federal, State or local law, it shall discontinue or refuse, the leasing, furnishing, or maintaining of such facility, after reasonable notice to the subscriber ....

18 U.S.C. § 1084(d). In other words, once the 2018 OLC Opinion was published, any law enforcement agency could notify in writing a common carrier (such as a telephone or internet service provider) that it was providing services “used for the purpose



of transmitting or receiving gambling information” in violation of the **Wire Act**. Upon receipt of such notice, the provider would be compelled to “discontinue or refuse” that service to the offending subscriber.

The Government has not represented that it will forebear from enforcing § 1084(d). The Enforcement Directive, which instructs Department of Justice attorneys to “adhere to OLC’s [2018] interpretation,” announces that they “should refrain from applying Section 1084(a) in criminal or civil actions to persons who engaged in conduct violating the **Wire Act** in reliance on the 2011 OLC Opinion.” See Enforcement Directive, Doc. No. 2-6. It extends no such “internal exercise of prosecutorial discretion” to § 1084(d). See *id.* Before the 2018 Opinion, federal law enforcement could not invoke the **Wire Act** to disconnect the Lottery Commission from the internet. Now it can. And that is a legal consequence.

The 2018 OLC Opinion is a definitive statement concerning the Justice Department’s interpretation of the **Wire Act**, and the opinion has a direct and immediate impact on the Commission’s operations. See *Sig Sauer*, 826 F.3d at 600 n.1; see also *Standard Oil*, 449 U.S. at 242, 101 S.Ct. 488 (explaining that regulations in *Abbott Labs* had sufficient legal effect because they forced manufacturers to choose between risking criminal and civil penalties for noncompliance and drastically altering their business and investment practices) (citing *Abbott Labs.*, 387 U.S. at 152-53, 87 S.Ct. 1507). Accordingly, the opinion constitutes final agency action without an adequate alternative to APA review.<sup>7</sup>

#### \*147 b. The Wire Act

<sup>12]</sup>The plaintiffs argue that the OLC got it right when it concluded in the 2011 Opinion that the Act applies only to sports gambling. The Government defends the 2018 Opinion and claims that all but one of the Act’s prohibitions apply to any form of gambling. Each side maintains that its interpretation is compelled by the plain language of § 1084(a). I examine these arguments after first addressing the plaintiffs’ contention that controlling First Circuit precedent has already resolved the dispute.

#### 1. First Circuit Caselaw

The plaintiffs argue that the First Circuit has authoritatively ruled that the **Wire Act** applies only to sports gambling. It has not. The plaintiffs confuse the court’s dictum in *United States v. Lyons*, 740 F.3d 702 (1st Cir. 2014), with binding precedent.

The defendants in *Lyons* were convicted of two **Wire Act** violations in 2012. See *id.* at 712. At trial, the court admitted evidence suggesting that the defendants had accepted sports bets, and it instructed the jury that the **Wire Act** applied only to sports gambling. See *id.* at 718. The defendants nevertheless argued on appeal that the Government had produced insufficient evidence to support the convictions because “some evidence at trial showed that [the defendants’ business] also accepted bets on casino games and other forms of gambling not covered by the **Wire Act**.” *Id.* In rejecting this argument, the court of appeals began by declaring that “[t]he **Wire Act** applies only to ‘wagers on any sporting event or contest,’ that is sports betting.” *Id.* (quoting 18 U.S.C. § 1084(a) ). But the court did not uphold the convictions on that basis. Instead, it reasoned that because the **Wire Act** applied to sports gambling and the record included sufficient evidence to support a finding that the defendants had accepted sports bets, it did not matter that they had also accepted non-sports bets. See *id.*

The logical structure on which the court’s ruling on this point is based is self-evident. It begins with two legal propositions: (1) the **Wire Act** applies to sports gambling; and (2) the convictions stand if sufficient evidence was produced at trial to support a conclusion that the defendants accepted sports bets, even if they also accepted non-sports bets. See *id.* The court examined the record and concluded that the evidence permitted a conclusion that the defendants had accepted sports bets. See *id.* The court’s additional statement that the **Wire Act** applied only to sports gambling played no role in its decision. Therefore, that statement is mere dictum, not a holding that binds lower courts. See *Rossiter v. Potter*, 357 F.3d 26, 31 (1st Cir. 2004).

Although the First Circuit has explained that “considered dicta” is also ordinarily binding, at least where it “is of recent vintage and not enfeebled by any subsequent statement,” *McCoy v. Mass. Inst. of Tech.*, 950 F.2d 13, 19 (1st Cir. 1991), the First Circuit’s dictum in *Lyons* does not qualify as “considered.” First, the trial court instructed the jury that the **Wire Act** applied only to sports gambling. And the Government, constrained by the 2011 OLC Opinion, did not contest the trial court’s instruction at trial or on appeal. As a result, the court of appeals did not receive the benefit of briefing on the issue.

Second, because the trial court’s instruction went unchallenged, and the circuit court’s statement that the **Wire Act** applies only to sports gambling was not necessary to its decision, the court understandably did not attempt to explain how its statement resulted from the text of the **Wire Act**. Instead, it merely cited to the only circuit court decision to address the issue, \*148

which supported the trial court’s instruction. See [Lyons](#), 740 F.3d at 718 (citing [In re MasterCard Int’l Inc.](#), 313 F.3d 257, 263 (5th Cir. 2002) ). Under these circumstances, I cannot defer to the circuit court’s unconsidered dictum in [Lyons](#) without first undertaking my own independent analysis of the issue.

## 2. Ambiguity

Most statutory text can be readily understood by a careful reader. In such cases, the court’s mission is clear: It must give the statute its plain meaning. See [Schindler Elevator Corp. v. U.S. ex rel. Kirk](#), 563 U.S. 401, 412, 131 S.Ct. 1885, 179 L.Ed.2d 825 (2011). Sometimes, however, words have multiple meanings even when read in context, and legislators fail to achieve syntactic precision. See, e.g., [Graham Cty. Soil & Water Conservation Dist. v. U.S. ex rel. Wilson](#), 545 U.S. 409, 417, 125 S.Ct. 2444, 162 L.Ed.2d 390 (2005); [Jones v. R.R. Donnelley & Sons Co.](#), 541 U.S. 369, 377, 124 S.Ct. 1836, 158 L.Ed.2d 645 (2004). Even proper syntax can produce ambiguous text when it leaves a statute as a whole internally incoherent. See, e.g., [Concrete Pipe & Prods. of Cal., Inc. v. Constr. Laborers Pension Trust for S. Cal.](#), 508 U.S. 602, 624, 627, 113 S.Ct. 2264, 124 L.Ed.2d 539 (1993) (treating as ambiguous statute containing terms “inconsistent with each other on any reading”); [Harvey v. Veneman](#), 396 F.3d 28, 40 (1st Cir. 2005) (statute “lacks coherence and consistency, creating ambiguity concerning Congress’ intent”). In such cases, a court cannot blind itself to permissible sources of meaning. It must instead undertake a nuanced and comprehensive review of all relevant evidence in an attempt to give the statute as a whole a fair reading. See [Graham](#), 545 U.S. at 417-22, 125 S.Ct. 2444; [Jones](#), 541 U.S. at 377-83, 124 S.Ct. 1836; see also [Bond v. United States](#), 572 U.S. 844, 134 S. Ct. 2077, 2088, 189 L.Ed.2d 1 (2014) (employing “background principles” to construe ambiguous text). Bearing these lessons in mind, I begin by determining whether § 1084(a) is ambiguous.

Although the 2011 and 2018 OLC opinions end up in very different places, they proceed from common ground. Both agree that § 1084(a) includes two general clauses that each, in turn, prohibit two types of wire transmissions. See 18 U.S.C. § 1084(a). The first clause bars anyone engaged in the business of gambling from knowingly using the wires “for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest.” *Id.* The second clause prohibits any such person from using the wires “for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers.” *Id.*<sup>8</sup>

The limiting phrase “on any sporting event or contest” immediately follows and plainly modifies the second prohibition in \*149 the first clause, which prohibits the transmission of “information assisting in the placing of bets or wagers.” The question is whether this sports-gambling modifier also applies to the other three prohibitions. Should each reference to “bets or wagers” be interpreted to mean “bets or wagers on any sporting event or contest”? Or is the phrase “bets or wagers” in the first, third, and fourth prohibitions untethered to the sports-gambling modifier, such that those prohibitions apply to all forms of gambling? Each party contends that the plain language of § 1084(a) mandates its position. I conclude that the text does not provide an unambiguous answer to this question.

Starting with the first clause, the Government contends that the syntactic structure of the clause and the rule of the last antecedent make it plain that the sports-gambling modifier does not apply to the first prohibition (“the transmission ... of bets or wagers”). The canon of statutory construction known as the rule of the last antecedent counsels that when a qualifying phrase has multiple antecedents, the phrase ordinarily qualifies only the final antecedent, here the second prohibition.<sup>9</sup> See [Lockhart v. United States](#), — U.S. —, 136 S. Ct. 958, 962, 194 L.Ed.2d 48 (2016); 2A Norman J. Singer & J.D. Shambie Singer, [Sutherland on Statutes and Statutory Construction](#) § 47:33 (7th ed. 2014); Antonin Scalia & Bryan A. Garner, [Reading Law: The Interpretation of Legal Texts](#) 144 (2012). Although applying the rule is “quite sensible as a matter of grammar,” it “is not an absolute and can assuredly be overcome by other indicia of meaning.” [Barnhart v. Thomas](#), 540 U.S. 20, 26, 124 S.Ct. 376, 157 L.Ed.2d 333 (2003) (internal quotation marks omitted). Nor does the rule apply “in a mechanical way where it would require accepting ‘unlikely premises.’ ” [Paroline v. United States](#), 572 U.S. 434, 447, 134 S.Ct. 1710, 188 L.Ed.2d 714 (2014) (quoting [United States v. Hayes](#), 555 U.S. 415, 425, 129 S.Ct. 1079, 172 L.Ed.2d 816 (2009) ).

The plaintiffs respond with their own canon of construction. Relying on the series-qualifier canon, they argue that the sports-gambling modifier clearly applies to both prohibitions in the first clause. This canon provides that a modifier appearing at the beginning or end of a series of terms modifies the entire series where “the natural construction of the language demands that the clause be read as applicable to all.” [Paroline](#), 572 U.S. at 447, 134 S.Ct. 1710 (quoting [P.R. Railway, Light & Power Co. v. Mor](#), 253 U.S. 345, 348, 40 S.Ct. 516, 64 L.Ed. 944 (1920) ); see [United States v. Bass](#), 404 U.S. 336, 339-40, 92 S.Ct. 515, 30 L.Ed.2d 488 (1971) (applying series-qualifier canon where modifier “undeniably applies to at least one antecedent” and “makes sense with all”).

I am not persuaded that the language and syntactic structure of § 1084(a)'s first clause compels the use of either canon, because § 1084(a) lacks punctuation that would clearly signal which canon applies. See Scalia & Garner, Reading Law at 161 (“Punctuation in a legal text ... will often \*150 determine whether a modifying phrase or clause applies to all that preceded it or only to a part.”); see also 1A Sutherland on Statutory Construction § 21:15 (similar). For instance, a comma before the conjunction “or” separating the phrases “bets or wagers” and “information assisting in the placing of bets or wagers” would demonstrate that the rule of the last antecedent applies. See 1A Sutherland on Statutory Construction § 21:15 (comma separating two members of a list indicates they are to be treated separately rather than as a whole); cf. Lockhart, 136 S. Ct. at 962 (applying rule of last antecedent to statute that had commas separating each antecedent). Without it, the appropriateness of the last antecedent canon is unclear.

Conversely, a comma placed directly before the phrase “on any sporting event or contest” would confirm that the series-qualifier canon applies. See 2A Sutherland on Statutory Construction § 47:33 (“A qualifying phrase separated from antecedents by a comma is evidence that the qualifier is supposed to apply to all the antecedents instead of only to the immediately preceding one.”); Am. Int’l Grp., Inc. v. Bank of Am. Corp., 712 F.3d 775, 782 (2d Cir. 2013). In that instance, the sports-gambling modifier would plainly apply to both prohibitions in the first clause.

The absence of clarifying punctuation prevents the first clause from being a textbook application of either canon. Either reading is consistent with the syntax of the first clause, even if neither creates a perfectly wrought text. The OLC came to the same conclusion in 2011, noting that the first clause “can be read either way” because it lacks punctuation that would have made only one interpretation plausible. See 2011 OLC Opinion at 5. The phrase “on any sporting event or contest” may modify one prohibition, or both. Accordingly, the clause is ambiguous. cf. Graham, 545 U.S. at 419 n.2, 125 S.Ct. 2444 (“[The statute] is ambiguous because its text, literally read, admits of two plausible interpretations.”).

Consistent with the 2018 OLC Opinion, the Government also argues that § 1084(a)'s second clause is plainly unconstrained by the sports-gambling modifier because “[b]asic grammar compels the conclusion that [it] ... does not travel forwards to modify either prohibition of the second clause.” Doc. No. 61 at 15; accord 2018 OLC Opinion at 11. As the Government sees it, because the sports-gambling modifier does not appear anywhere in the second clause, neither of the clause’s prohibitions can possibly be subject to it.

The plaintiffs respond by pointing to an example in § 1084(a) itself that defies the “basic grammar” on which the Government’s argument is based. Section 1084(a)'s first clause is expressly limited to transmissions “in interstate or foreign commerce” but the transmissions prohibited by the second clause do not contain this limitation. Nevertheless, both OLC opinions agree that the interstate-commerce modifier is borrowed from the first clause and applied to the transmissions prohibited by the second clause. See 2011 OLC Opinion at 7; 2018 OLC Opinion at 13. Indeed, the Supreme Court has suggested as much. See Bass, 404 U.S. at 341 & n.8, 92 S.Ct. 515 (citing Wire Act for proposition that, consistent with approach in other federal statutes, “in commerce or affecting commerce” applies to all three parts of preceding phrase “receives, possesses, or transports” in Title VII of Omnibus Crime Control and Safe Streets Act). Otherwise, the second clause would sweep in purely intrastate wire communications, giving the statute “a curious reach.” See id. at 340, 92 S.Ct. 515. As the OLC concluded in 2011, the omission of the interstate-commerce \*151 modifier from the second clause “suggests that Congress used shortened phrases in the second clause to refer back to terms spelled out more completely in the first clause.” 2011 OLC Opinion at 7. I agree with the 2011 OLC Opinion that this instance of borrowing by the drafters of § 1084(a) gives textual support for similarly importing the sports-gambling modifier into the second clause.

The Government’s arguments for discounting the interpretive force of the interstate-commerce modifier fall short. According to the 2018 Opinion, the interstate-commerce modifier is different because, unlike the sports-gambling modifier, which appears “midway through the list” of the Wire Act’s prohibitions, the interstate-commerce modifier appears at the beginning of the Act’s four prohibitions. See 2018 OLC Opinion at 13. This argument is flawed. The fact that the modifier precedes the four references to “bets or wagers” is irrelevant because it does not modify “bets or wagers.” Instead, the interstate-commerce modifier immediately limits the term “transmission” in the first clause. Viewed properly, the use of the interstate-commerce modifier supports the plaintiffs’ argument. Like the statute’s use of the sports-gambling modifier, the interstate-commerce modifier follows the term it modifies in the first clause (“transmission”) and is borrowed to modify the same term in the second clause. This consistent pattern of borrowing indicates that Congress used shorthand in the second clause to refer to terms delineated “more completely in the first clause.” See 2011 OLC Opinion at 7.<sup>10</sup>

The Government also contends that the constitutional avoidance doctrine strengthens the rationale for applying the interstate-commerce modifier across the entire statute to avoid doubts about Congress’s regulatory authority. The same is obviously not

the case with the sports-gambling modifier. But the doctrine of constitutional avoidance is not the only reason to import the modifier into the second clause. The text and context provide sufficient indicia that the second clause borrows that term from the first clause. *cf.* [Bass](#), 404 U.S. at 338-47, 92 S.Ct. 515 (applying traditional canons of constructions, including coherency, to extend interstate-commerce modifier to all three statutory prohibitions while disclaiming reliance on constitutional avoidance). Thus, § 1084(a)'s second clause is ambiguous because both of its prohibitions can be read either to apply only to sports gambling or to apply broadly to all forms of gambling.

The principal problem with the 2018 OLC Opinion is that it assigns nearly controlling weight to a reading of § 1084(a) that is suggested, but not required, by the rule of the last antecedent and a general conception of what the OLC calls “basic grammar.” Other potentially relevant sources of meaning are then dismissed as inconsequential because they do not result in “patent absurdity.” 2018 OLC Opinion at 14. This is not the approach to statutory construction that Supreme Court precedent requires. *See, e.g., Lockhart*, 136 S. Ct. at 965 (“This court has long acknowledged that structural or contextual evidence may ‘rebut the last antecedent inference.’”) (quoting *Jama v. Immigration & Customs Enf’t*, 543 U.S. 335, 344 n.4, 125 S.Ct. 694, 160 L.Ed.2d 708 (2005) ); \*152 *Paroline*, 572 U.S. at 447, 134 S.Ct. 1710 (rule of last antecedent not followed because it would require acceptance of “unlikely premises”) (quoting *Hayes*, 555 U.S. at 425, 129 S.Ct. 1079). Instead, where, as here, a statute is ambiguous, a court must look at more than grammar to determine its meaning. Therefore, I now turn to the significant contextual evidence that calls the OLC’s current interpretation into question.

### 3. Context, Structure, and Coherence

In determining whether § 1084(a) is limited to sports gambling, I am guided by the rule of construction that “[s]tatutes should be interpreted ‘as a symmetrical and coherent regulatory scheme.’” *Mellouli v. Lynch*, — U.S. —, 135 S. Ct. 1980, 1989, 192 L.Ed.2d 60 (2015) (quoting *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133, 120 S.Ct. 1291, 146 L.Ed.2d 121 (2000) ). Limiting the **Wire Act** to sports gambling conforms to this rule. It avoids significant coherence problems that result from the OLC’s current interpretation and it construes the **Wire Act** in harmony with another gambling statute that Congress enacted the same day as the **Wire Act**.

The OLC’s 2018 Opinion, by contrast, produces an unlikely reading of § 1084(a) that the 2011 OLC Opinion avoids. Under the current interpretation, the section’s first clause prohibits transmissions of all bets or wagers but bars transmissions of information that assist the placement of only those bets or wagers that concern sports. The incongruous results that follow from this interpretation are problematic because, as the OLC explained in 2011 when it rejected this construction, “it is difficult to discern why Congress, having forbidden the transmission of all kinds of bets or wagers, would have wanted to prohibit only the transmission of information assisting in bets or wagers concerning sports.” *See* 2011 OLC Opinion at 5. Even in its current opinion, the OLC continues to recognize that “[t]here is a logic to this reasoning.” *See* 2018 OLC Opinion at 14. This logic, however, did not persuade the OLC in 2018 for two reasons: first, because Congress might have wanted to specifically target transmissions of information on sports bets or wagers given the special importance of such information to this form of gambling; and second, because “Congress might have been worried that an unfocused prohibition on transmitting any information that ‘assisted’ in any sort of gambling whatsoever would criminalize a range of speech-related conduct.” *Id.* at 14-15. These arguments are unpersuasive. Such speculation may show that the OLC’s 2018 interpretation is not patently absurd. But it does not establish that its reading is a better construction of an ambiguous text.

The OLC’s current construction of the second clause gives rise to an even more serious coherence problem. If, as the OLC now contends, the clause is read without the sports-gambling modifier, the two clauses of § 1084(a) cannot easily be reconciled: The second clause prohibits transmissions that enable a recipient to receive payment for information that facilitates both sports and non-sports gambling, but the first clause prohibits only transmissions of sports-related information. In other words, the OLC’s current interpretation incongruously permits information transmissions that facilitate non-sports gambling in the first clause while criminalizing transmissions that enable a person to receive payment for the same transmissions in the second clause.

The Government’s only explanation for this inconsistency is that Congress might have had a special interest in preventing gambling-related payouts via the wires, regardless of whether the money was for lawful or unlawful activities. This rationale \*153 is inadequate. It does not explain why a rational legislator would have designed a statute that prevents a lawful gambling business from sending or receiving payment for a business activity that the statute does not prohibit. It is bizarre to authorize an activity but prohibit getting paid for doing it.



Consider a vendor who contracts with an online casino to solicit players. The contract guarantees the vendor payment for every new player who bets \$ 100 at the site. The **Wire Act** permits the vendor to send emails to players enticing them and explaining the site's games. But, under the OLC's current interpretation, the Act prohibits the vendor from receiving (and the casino from sending) money transfers for supplying that information. That makes little sense. The incoherence that plagues the statute when the sports-gambling modifier is not imported into the second clause significantly undermines the OLC's current construction of § 1084(a). Limiting the entire section to sports gambling renders the statute coherent and makes the 2011 Opinion the better reading of the text.

Reading § 1084(a) to apply only to sports gambling also finds support in another gambling statute passed the same day as the **Wire Act**. *cf.* [United States v. Am. Bldg. Maint. Indus.](#), 422 U.S. 271, 277, 95 S.Ct. 2150, 45 L.Ed.2d 177 (1975) (looking to Federal Trade Commission Act to define term used in Clayton Act, in part because both statutes were passed by the same Congress and designed to deal with closely related aspects of the same problem); [Kokoszka v. Belford](#), 417 U.S. 642, 650, 94 S.Ct. 2431, 41 L.Ed.2d 374 (1974) (noting that it is relevant to consider related statutes when interpreting ambiguous text). Like the **Wire Act**, the Interstate Transportation of Wagering Paraphernalia Act was passed by Congress on August 31, 1961. *See* 107 Cong. Rec. 17,694 (1961). The Paraphernalia Act prohibits carrying paraphernalia in interstate commerce that is to be used in “(a) bookmaking; or (b) wagering pools with respect to a sporting event; or (c) in a numbers, policy, bolita, or similar game.” 18 U.S.C. § 1953(a).<sup>11</sup> On the same day the Paraphernalia Act outlawed carrying equipment for use in “numbers, policy, bolita or similar game,” Congress passed the **Wire Act** with no such reference to lottery-style games.

That these two gambling statutes were passed the same day sends a strong contextual signal concerning the **Wire Act's** scope. The Paraphernalia Act demonstrates that when Congress intended to target non-sports gambling it used clear and specific language to accomplish its goal. In other words, when Congress wished to achieve a specific result, “it knew how to say so.” [Rubin v. Islamic Republic of Iran](#), — U.S. —, 138 S. Ct. 816, 826, — L.Ed.2d — (2018). The absence of similar language in the accompanying **Wire Act** supports the plaintiffs' position that the **Wire Act** is limited to sports gambling. *cf.* [United States v. Fabrizio](#), 385 U.S. 263, 266–67, 87 S.Ct. 457, 17 L.Ed.2d 351 (1966) (interpreting scope of Paraphernalia Act by citing **Wire Act** for proposition that “[i]n companion legislation where Congress wished to restrict the applicability of a provision to a given set of individuals, it did so with clear language”).

\*154 The Government presents its own contextual arguments based on other sections of the **Wire Act**. Those arguments do not withstand scrutiny. Section 1084(b) creates a safe harbor for interstate wire communications transmitting (1) “information for use in news reporting of sporting events or contests,” and (2) “information assisting in the placing of bets or wagers on a sporting event or contest” between two states where “betting on that sporting event or contest” is legal. 18 U.S.C. § 1084(b). The Government maintains that § 1084(b) supports its contention that Congress repeated the phrase “sporting event or contest” when it wanted to apply it beyond its nearest referent. I am unpersuaded by the Government's argument. Section 1084(a) repeats the same phrase (“bets or wagers”) four times, so the question is whether Congress used that phrase as a shorthand for “bets or wagers on a sporting event or contest.” By contrast, § 1084(b) has varied formulations of phrases followed by the sports-gambling modifier. *See id.* (“news reporting of sporting events or contests,” “bets or wagers on a sporting event or contest,” and “betting on that sporting event or contest”) (emphasis added). Unlike the recurrent “bets or wagers,” those diverse phrases are not susceptible to an abridged reference. As a result, § 1084(b) requires that the modifier be repeated.

The Government also contends that because § 1084(d) is not limited to sports gambling, neither is § 1084(a). That reading misunderstands the role of § 1084(d). Section 1084(d) requires a common carrier to discontinue the operation of a wire facility if it is notified that the facility is being used “for the purpose of transmitting or receiving gambling information in interstate or foreign commerce in violation of Federal, State or local law.” 18 U.S.C. § 1084(d). The provision thus incorporates federal, state, and local gambling laws that go beyond the scope of § 1084(a). That § 1084(d) is broader in this regard tells us nothing about the scope of the prohibitions in § 1084(a).

In summary, although § 1084(a) reasonably can be read either to apply only to sports gambling, as the OLC concluded in 2011, or to apply to both sports and non-sports gambling, as the OLC concluded in 2018, a careful contextual reading of the statute supports the view that § 1084(a) applies only to sports gambling.

#### 4. Legislative History

The Government's amici argue that the **Wire Act's** legislative history supports the OLC's current interpretation of the **Wire Act**. If anything, the legislative history supports the plaintiffs' position.

The original version of § 1084(a) would have imposed criminal penalties on anyone who “leases, furnishes, or maintains any wire communication facility with intent that it be used for the transmission in interstate or foreign commerce of bets or wagers, or information assisting in the placing of bets or wagers, on any sporting event or contest, or knowingly uses such facility for any such transmission.” S. 1656, 87th Cong. § 2 (1961) (as introduced) (emphasis added) (excerpt appended to this opinion as Appendix A).<sup>12</sup> It is undisputed \*155 that the original text was unequivocally limited to sports gambling. See 2018 OLC Opinion at 16; 2011 OLC Opinion at 6.

After conducting hearings in June 1961, the Senate Judiciary Committee, in collaboration with the Department of Justice, proposed an amendment to the bill. See S. Rep. No. 87-588, at 1-2S. Rep. No. 87-588, at 1-2 (1961); Report of Proceedings: Hearing Before the S. Comm. on the Judiciary, Exec. Sess., 87th Cong. 54-55 (1961). Reflected in the enacted text, the amendment made three modifications to § 1084(a): (1) it changed the class of covered persons to those who are “engaged in the business of betting or wagering,” (2) it added a second clause prohibiting payment-related transmissions, and (3) it removed the commas before and after the phrase “or information assisting in the placing of bets or wagers” in the first clause. See S. 1656, 87th Cong. (as reported in Senate, July 24, 1961) (excerpt appended to this opinion as Appendix B). As I have explained, without those commas, it is not clear whether both prohibitions in the first clause are limited to sports gambling.

The Government’s amici contend that the legislative history shows that the removal of the commas was intended to expand the scope of § 1084(a) to cover all gambling. They principally rely on three pages from the transcript of the hearing before the Senate Committee on the Judiciary on June 20, 1961. See The Attorney General’s Program to Curb Organized Crime and Racketeering: Hearings on S. 1653, S. 1654, S. 1655, S. 1656, S. 1657, S. 1658, S. 1665 Before the S. Comm. on the Judiciary, 87th Cong. 277-79 (1961). Those pages reflect an exchange between Senator Carey Kefauver and Herbert Miller, the Assistant Attorney General in charge of the Department’s Criminal Division. See id. According to the Government’s amici, Senator Kefauver suggested three changes to the original text during the exchange: (1) changing the covered persons to those engaged in the business of gambling; (2) adding prohibitions to cover transmissions of money; and (3) expanding the scope of the bill from sports gambling to all forms of gambling. See id. The Committee’s subsequent amendment, discussed above, was intended to incorporate all three changes, the argument goes. Whereas the changed wording of the bill reflected the first two changes, punctuation purportedly accomplished the third. According to the Government’s amici, the deletion of the two commas “was an efficient way” to accommodate Senator Kefauver’s proposal for the **Wire Act** to encompass all bets and wagers, not just sports-related ones. See Doc. No. 68 at 130.

The idea that this change in punctuation was intended to broaden the scope of § 1084(a) is too speculative to carry any weight. First, the legislative record suggests, if anything, that the omission of the second comma (appearing directly before the phrase “on any sporting event or contest”) was inadvertent. In the original version of the bill, this comma carried the weight of signaling that the proposed law \*156 prohibited only transmissions related to sports gambling. See supra at 149–50. The amendment, as reported in the Senate, contained a redline version showing what was stricken from the original text. See Appendix B. That redline, however, incorrectly reports that the second comma was never a part of the original text, suggesting that its omission from the amended version of the bill was not an intentional act. Compare Appendix A, with Appendix B.

Second, in reporting on the amendment, the Senate Judiciary Committee explained that it was offered to alter the class of covered persons and expand its prohibitions to include “money or credit” communications. See S. Rep. No. 87-588, at 2S. Rep. No. 87-588, at 2 (1961). The report does not even hint that by omitting a single comma from the original bill, the Committee also intended to dramatically expand the scope of prohibited transmissions from “bets or wagers ... on any sporting event or contest” to all “bets or wagers.” See id. Adopting the argument of the Government’s amici on this point requires a speculative leap that I am unwilling to make. cf. Whitman v. Am. Trucking Ass’ns, 531 U.S. 457, 468, 121 S.Ct. 903, 149 L.Ed.2d 1 (2001) (recognizing in different context that Congress does not “hide elephants in mouseholes”).

Third, rather than guess whether the amendment’s omission of a single comma was intended to radically expand the proposed law’s scope, it makes more sense to focus on the description of the amendment that the Department of Justice provided to the Judiciary Committee while it was under consideration. In that description, Deputy Attorney General Byron White explained that, as amended:

[The **Wire Act**] is aimed now at those who use the wire communication facility for the transmission of bets or wagers in connection with a sporting event and also who use the facility for the transmission of the winnings, as suggested by Senator Kefauver.

Report of Proceedings: Hearing Before the S. Comm. on the Judiciary, Exec. Sess., 87th Cong. 55 (1961) (emphasis added). Consistent with the Committee’s report, White confirmed that the amendment incorporated Senator Kefauver’s first two proposals and suggested that, even as amended, the bill continued to be limited to sports gambling.<sup>13</sup> Compare id., with S. Rep. No. 87-588, at 2S. Rep. No. 87-588, at 2 (1961).<sup>14</sup> If the legislative history of § 1084(a) has any relevance, it tends to subvert rather than support \*157 the Government’s interpretation of the statute.

In sum, while the syntax employed by the **Wire Act’s** drafters does not suffice to answer whether § 1084(a) is limited to sports gambling, a careful contextual reading of the **Wire Act** as a whole reveals that the narrower construction proposed by the 2011 OLC Opinion represents the better reading. The Act’s legislative history, if anything, confirms this conclusion. Accordingly, I construe all four prohibitions in § 1084(a) to apply only to bets or wagers on a sporting event or contest.

### **C. Remedy**

The Lottery Commission requests relief under both the APA and the Declaratory Judgment Act, whereas NeoPollard seeks only a declaratory judgment. The plaintiffs’ amici also urge me to order nationwide injunctive relief. I briefly address the scope of the remedy available to the plaintiffs under each theory.

#### **a. Declaratory Relief**

<sup>[13]</sup> <sup>[14]</sup>The Declaratory Judgment Act provides that I “may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.” 28 U.S.C. § 2201(a). It is “an enabling Act, which confers a discretion on the courts rather than an absolute right upon the litigant.” Wilton v. Seven Falls Co., 515 U.S. 277, 287, 115 S.Ct. 2137, 132 L.Ed.2d 214 (1995) (internal quotation marks and citation omitted). Here, declaratory relief is appropriate because the plaintiffs face a credible threat of prosecution, their interests are sufficiently affected, and a judgment will resolve the dispute. See Verizon New Eng., Inc. v. Int’l Bhd. of Elec. Workers, Local No. 2322, 651 F.3d 176, 188-90 (1st Cir. 2011). As the First Circuit has explained, where an agency has made a definitive interpretation of a criminal law, the Declaratory Judgment Act provides “a way to resolve the legal correctness of [the] position without subjecting an honest businessman to criminal penalties.” See Hemp Council, 203 F.3d at 5 (citation omitted).

<sup>[15]</sup>The parties nevertheless disagree as to whether a declaratory judgment should be limited to the parties or have universal effect.<sup>15</sup> The plaintiffs maintain that declaratory relief “necessarily extends beyond the [Commission] itself.” Doc. No. 58 at 21. The Government contends that any declaratory relief must apply only to the parties to the case. I agree with the Government.

<sup>[16]</sup>Declaratory judgments do not bind non-parties. The Act allows me to “declare the rights and other legal relations of any interested party seeking such declaration.” 28 U.S.C. § 2201(a) (emphasis added). It thus limits me to declaring the rights and legal relations of the plaintiffs seeking the declaration. It “does not \*158 contain any provisions indicating that declaratory judgments are authoritative vis-à-vis nonparties to the litigation.” Mass. Delivery Ass’n v. Coakley, 671 F.3d 33, 48 n.12 (1st Cir. 2012). The idea that a declaration necessarily binds non-parties finds no support in the statute or in caselaw.<sup>16</sup> Accordingly, I decline to give my declaratory judgment the broader scope that the plaintiffs seek.

It is clear, however, that the judgment binds the parties beyond the geographic boundaries of my district. See Restatement of Judgments § 1 (1942). And such an effect is necessary here. NeoPollard’s iLottery system is currently used in Michigan and New Hampshire, and its system “has been configured according to state specifications for deployment” in Virginia. See Siver Decl., Doc. No. 10-2 at 2-3. The Lottery Commission’s operations similarly extend beyond the State. Its servers are located in Vermont, with a disaster recovery location in Ohio.

The State sells multi-jurisdictional games as a member of the Tri-State Lotto Compact along with Maine and Vermont, sells Powerball and Mega Millions through the Multi-State Lottery Association, and is a member of a consortium of 25 states and the District of Columbia that sells Lucky for Life. See McIntyre Decl., Doc. No. 2-2 at 5. The multi-jurisdictional games “involve up to 48 states and territories.” Id. at 6. My declaration thus binds the United States vis-à-vis NeoPollard and the Lottery Commission everywhere the plaintiffs operate or would be otherwise subject to prosecution.

Michigan, as an amicus, presents a somewhat more novel theory for extending the declaratory judgment to non-parties on behalf of the Lottery Commission. The argument goes like this: New Hampshire, as a member of the Multi-State Lottery Association, benefits financially from the large scale of multi-jurisdictional games such as Powerball. If another state, such as Michigan, shuttered its state lottery, then the overall revenues of Powerball would decline. If the revenues of Powerball decline, then the share of Powerball revenue that New Hampshire receives would decrease. Therefore, because I should ensure that New Hampshire not suffer any adverse financial effect, “anything short of nationwide equitable relief is hollow.” See Doc. No. 37 at 11.

New Hampshire has not advocated for this theory in its pleadings or at oral argument, and the issue is insufficiently developed factually and legally. For instance, no party has addressed whether extending relief to the Multi-State Lottery Association members would be relief for an “interested party seeking such declaration” as the Declaratory Judgment Act requires. See 28 U.S.C. § 2201(a). The Association is not a party to this litigation, and the Lottery Commission did not bring this case as a member of the Association. See Compl., Doc. No. 1. Finally, although the factual record specifies that the Commission recorded operating revenue of \$ 337.8 million \*159 for the 2018 fiscal year, see McIntyre Decl., Doc. No. 2-2 at 2, it is bereft of information detailing the sources of that revenue, much less how another state’s cessation of operations would affect its bottom line. In such a situation, granting relief on the Powerball-as-joint-venture theory would risk going “beyond the bounds of the complaint and the evidence in this case.” Diaz-Fonseca v. Puerto Rico, 451 F.3d 13, 40 (1st Cir. 2006). I decline to take up Michigan’s argument on the present record.<sup>17</sup>

#### **b. APA Relief**

<sup>17</sup>The APA directs that a “reviewing court shall ... hold unlawful and set aside agency action, findings, and conclusions found to be ... not in accordance with law.” 5 U.S.C. § 706(2)(A). Notwithstanding the mandatory “shall,” the First Circuit has explained that a reviewing court “is not required automatically to set aside [an] inadequately explained order.” Cent. Me. Power Co. v. FERC, 252 F.3d 34, 48 (1st Cir. 2001) (citation omitted). “Whether to do so rests in the sound discretion of the reviewing court; and it depends inter alia on the severity of the errors, the likelihood that they can be mended without altering the order, and on the balance of equities and public interest considerations.” Id. (citation omitted).

<sup>18</sup>When a court does not set aside an improper agency action, the typical alternative response is an order remanding the case for reconsideration by the agency in light of the court’s decision. It is not clear, however, that I have the discretion to remand instead of set aside an agency action where, as here, the defect is substantive. See Campanale & Sons, Inc. v. Evans, 311 F.3d 109, 127 (1st Cir. 2002) (Lynch, J., dissenting) (“It is in the reviewing court’s sound discretion to remand a rule to an agency to mend procedural defects without overturning it in its entirety.”) (emphasis added) (citations omitted). In any event, this is an inappropriate case for remand. The agency has not disregarded procedural requirements or inadequately explained its conclusions. Cf. Harrington v. Chao, 280 F.3d 50, 60 (1st Cir. 2002) (remanding to provide agency “an opportunity to better explain [its] position”). It has produced a capable, but mistaken, legal opinion that no additional process can cure. The proper remedy is to “set aside” the 2018 OLC Opinion.

#### **c. Injunctive Relief**

The Lottery Commission initially requested injunctive relief in its complaint and motion for summary judgment. In its summary judgment briefing, however, the Commission “reserved the right in its pleading to seek injunctive relief” in the event the defendants did not comply with this order. See Doc. No. 58 at 21. The fact that no party currently requests injunctive relief resolves the matter. See Town of Chester v. Laroe Estates, Inc., — U.S. —, 137 S. Ct. 1645, 1651, 198 L.Ed.2d 64 (2017).

<sup>19</sup>Injunctive relief would also be unnecessary. An injunction is “an extraordinary remedy never awarded as of right.” Sindi v. El-Moslimany, 896 F.3d 1, 29 (1st Cir. 2018) (quoting Winter v. Nat. Res. Def. Council, 555 U.S. 7, 24, 129 S.Ct. 365, 172 L.Ed.2d 249 (2008) ). And it is not appropriate where a party’s interests will be adequately protected by a declaratory judgment. See Wooley v. Maynard, 430 U.S. 705, 711, 97 S.Ct. 1428, 51 L.Ed.2d 752 (1977). I have no reason to believe that \*160 the Government will fail to respect my ruling that the Wire Act is limited to sports gambling. The judgment provides the Lottery Commission and NeoPollard complete relief. No more is needed.

### **III. CONCLUSION**



In summary, I deny the Government's motion to dismiss for lack of jurisdiction (Doc. No. 45) because the plaintiffs have established standing, and the Government has not met its burden to show that the case is moot. I grant the plaintiffs' motions for summary judgment (Doc. Nos. 2 & 10) and deny the Government's cross-motion for summary judgment (Doc. No. 45).

I hereby declare that § 1084(a) of the **Wire Act**, [18 U.S.C. § 1084\(a\)](#), applies only to transmissions related to bets or wagers on a sporting event or contest. The 2018 OLC Opinion is set aside.

SO ORDERED.