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Internet Gambling: Overview of Federal Criminal Law

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Summary

This a brief summary of the federal criminal status implicated by conducting illegal gambling using the Internet. It also discusses some of the constitutional issues associated with prosecuting illegal Internet gambling.

Gambling is primarily a matter of state law, reinforced by federal law in instances where the presence of an interstate or foreign element might otherwise frustrate the enforcement policies of state law. State officials and others have expressed concern that the Internet may be used to bring illegal into their jurisdictions.

Illicit Internet gambling implicates at least six federal criminal statutes. It is a federal crime to (1) conduct an illegal gambling business, 18 U.S.C. 1955; (2) use the telephone or telecommunications to conduct an illegal gambling business, 18 U.S.C. 1084; (3) use the facilities of interstate commerce to conduct an illegal gambling business, 18 U.S.C. 1952; (4) conduct the activities of an illegal gambling business involving either the collection of an unlawful debt or a pattern of gambling offenses, 18 U.S.C. 1962; (5) launder the proceeds from an illegal gambling business or to plow them back into the business, 18 U.S.C. 1956; or (6) spend more than $10,000 of the proceeds from an illegal gambling operation at any one time and place, 18 U.S.C. 1957.

There have been suggestions that enforcement of these provisions against illegal Internet gambling raises constitutional issues under the Commerce Clause, the First Amendment's guarantee of free speech, and the Due Process Clause. The commercial nature of a gambling business and the reliance of the Internet on telephone communications seems to satisfy doubts under the Commerce Clause. The fact that illegal activities enjoy no First Amendment protection appears to quell free speech objections. The due process arguments raised in contemplation of federal prosecution of offshore Internet gambling operations suffer when financial transactions with individuals in the United States are involved.

A bibliography, citations to state and federal gambling laws, and the text of the statutes cited above are appended. This report appears in abridged form, without footnotes, full citations, or appendices, as CRS Report RS21984, *Internet Gambling: An Abridged Overview of Federal Criminal Law*. Alse see CRS Report RS21487, *Internet Gambling: A Sketch of Legislative Proposals in the 108th Congress*.

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Internet Gambling: Overview of Federal Criminal Law

Introduction

This is examination of some of the federal criminal laws implicated by Internet gambling and of a few of the constitutional questions associated with their application.

American law has always reflected our ambivalence towards gambling. Anti-gambling laws were common in colonial America, yet even in the Northeast where they were perhaps most numerous the lottery was a popular form of public finance.[1] A majority of states continue to outlaw most forms of gambling, but most also continue to employ a lottery as a means of public finance and to allow several other forms of gambling as well. In fact, at least forty-six states permit charitable bingo; forty-three allow parimutuel betting; thirty-seven have lotteries; twenty-nine have Indian gambling establishments; and thirteen allow casino or riverboat gambling.[2] Americans spend almost $73 billion a year on legalized gambling.[3] Estimates on the amount Americans spend on illegal gambling vary widely, ranging from over $30 billion to over $380 billion a year.[4]

There are many federal gambling laws, most enacted to prevent unwelcome intrusions of interstate or international gambling into states where the activity in question has been outlawed.[5] They generally deal with lotteries, "numbers" or

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[1] For a detailed history of gambling at common law and colonial America, *see* CORNELL UNIVERSITY LAW SCHOOL, THE DEVELOPMENT OF THE LAW OF GAMBLING: 1776-1976 (1977).

[2] General Accounting Office [now the Government Accountability Office], *Money Laundering: Rapid Growth of Casinos Makes Them Vulnerable* 38 (GAO/GGD-96-28)(January 1996); citations to the various state anti-gambling statutes are appended; an examination of their content is beyond the scope of this report.

[3] Christiansen Capital Advisors, GROSS ANNUAL WAGER OF THE UNITED STATES, Table 4, *2003 Gross Gambling Revenues by Industry and Change from 2002 (Dollars in Millions)*, available on Nov. 15, 2004, at www.cca-i.com.

[4] *Blackjack or Bust: Can U.S. Law Stop Internet Gambling?*, 16 LOYOLA OF LOS ANGELES ENTERTAINMENT LAW JOURNAL 667, 668 n.9 (1996); *The Offshore Quandary: The Impact of Domestic Regulation on Licensed Offshore Gambling Companies*, 25 WHITTIER LAW REVIEW 989, 989 (2004). The estimates for illegal gambling are necessarily speculative and consequently creditable estimates may vary considerably.

[5] Citations to federal gambling statutes are appended.

betting on races and other sporting events, but several were written with sufficient breadth to cover casino or other kinds of gambling.

Then there is Internet gambling. The Internet is a worldwide network, made up of thousands of individual computer networks that enables millions of individual computer users to "visit" a virtually unlimited number of "locations."[6] The Internet is tied together by telephone communications. Access to the Internet is ordinarily accomplished through a large computer or series of computers supplied by a "service provider." There are commercial service providers, such as America OnLine, that provide access to the Internet and other computer services for a fee, and there are government entities, universities, corporations, and some private groups that provide access for those associated with them.

In some cases, Internet gambling is not much different than gambling by telephone – a bettor places his bet with a bookie using his computer and e-mail rather than using just his telephone. But the sophistication of modern computer technology permits another kind of Internet gambling. The Gambling Commission reported that by mid-1999 there were "over 250 on-line casinos, 64 lotteries, 20 bingo games, and 139 sports books providing gambling over the Internet."[7] Today, an estimated 1800 Internet gambling sites probably now realize somewhere between $4 billion and $4.2 billion in operating revenue.[8]

Four obstacles initially stood in the way of Internet gambling becoming a multibillion dollar endeavor: the limits of available technology;[9] an efficient financing mechanism (to eliminate credit approval delays);[10] credibility among the gambling public;[11] and greater clarity as to its legal status.[12] Many of the technical challenges seem to have been overcome. The status of the other impediments is more uncertain. Volume may be the best evidence of consumer acceptance, but as noted earlier reliable statistics are somewhat elusive.[13] Finance problems may be

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[6] For a more complete description of the Internet and related matters than appears here see *ACLU v. Reno*, 929 F.Supp. 824, 830-44 (E.D.Pa. 1996), or *Shea v. Reno*, 930 F.Supp. 916, 925-30 (S.D.N.Y. 1996).

[7] *The National Gambling Impact Study Commission, Final Report*, 2-16 (1999).

[8] S.RepNo. 108-173, at 2 (2003); H.Rep.No. 108-51, Pt. 2, at 7 (2003).

[9] Kanaley, *Technical Matters Hinder Internet Gambling*, ARIZONA REPUBLIC/ PHOENIX GAZETTE E1 (Jan. 6, 1997).

[10] *Growth of Internet-Based Gambling Raises Questions for Bank Systems*, BNA'S ELECTRONIC INFORMATION POLICY & LAW REPORT (Feb. 28, 1997).

[11] Horvitz, *Cyber Gambling Proves Dicey for Bettors, Regulators Alike*, WASHINGTON TIMES 42 (Nov. 11, 1996).

[12] Kanamine, *Gamblers Stake Out the 'Net*, USA TODAY 1A (Nov. 17, 1995).

[13] The Gambling Commission cited to the Sebastian Sinclair (Christiansen/Cummings Associates) estimated world-wide revenues of $300 million for 1997 and $651 million for 1998, *The National Gambling Impact Study Commission, Final Report*, 2-15 (1999). Media accounts refer to estimates by Sinclair and others of revenues of $651 million for 1998, $1.2 billion for 1999, and $3 billion by 2002, Thompson, *Who Is Gambling Online?,* CNN.COMM

aggravated by the determination of that the gambling is unlawful. Credit cards could prove a boon to online gambling, and more and more sites are configured to encourage their use. Historically, the courts would not enforce gambling debts,[14] however, and federal law precludes financial institution involvement with certain forms of gambling.[15] Moreover, major credit card issuers and associations have acted to block use their credit cards for Internet gambling purposes, and at least one economic transfer service, PayPal, has taken similar action.[16]

Gamblers have introduced features like proxy gambling, gambling for credit, and at least the claim of gambling in a virtual offshore gambling locale to induce bettors to believe they have overcome legal prohibitions. In fact, they have not. Nevertheless, enforcement may be uncertain. Internet gambling cannot be raided in a traditional sense, and gambling is rarely a high law enforcement priority even without the complications that the Internet can bring to the table. It is likewise uncertain whether Internet gambling – like many types of gambling in a few states – will be legalized with regulations put in place to reassure both investors and the gambling public.[17] However that may be, using the Internet to conduct a gambling business, either involving betting on sporting events or involving a form of gambling

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(June 29, 1999); Schouten, *Betting Is "Virtual" But Debt Is All Too Real*, USA TODAY (Dec. 27, 1999). Whether the estimated revenues for 2002 were a withdrawal from earlier estimates of $10 billion, *Online Gambling Goes Global*, TIME MAGAZINE (Sept. 27, 1999) or are simply a more conservative estimate is remains to be seen. One author indicates it may be both, Kelly, *Internet Gambling Law*, 26 WILLIAM MITCHELL LAW REVIEW 117, 119-20 (2000) ("Observers disagree about the projected growth of Internet gambling. One reporter predicted that by 2000 it might be a $60 billion per year business. The Chicago Crime Commission . . . predicted that Internet gaming would be a $25 billion annual business by 2000. Jason Ader . . . suggested it could soon become a $10 billion per year industry. By contrast, Sebastian Sinclair . . . downgraded Internet gaming projections for the year 2000 from $8.661 billion (1997) to $6.163 billion (1998). . . . By 1999, Sinclair estimated actual Internet gaming revenues in 2000 would be $1.52 billion. Frost and Sullivan . . . estimates online gaming revenues will be $2.617 billion by 2000 and $11 billion by 2005"). Christiansen Capital Advisors estimated US. online betting at $ 4 billion for 2002 and almost $5.7 billion for 2003, *supra* n.3.

[14] *Gambling,* 38 AM.JUR.2D §210 (1999), citing, *Pearce v. Rice*, 142 U.S. 28 (1891), inter alia. Enforcing obligations that grew out of illegal conduct was thought contrary to sound public policy.

[15] 12 U.S.C. 25a (participation by national banks in lotteries and related activities); 12 U.S.C. 339 (participation by state member banks in lotteries and related activities); 12 U.S.C. 1463(e)(participation by savings associations in lotteries and related activities); 12 U.S.C. 1829a (participation by state nonmember insured banks in lotteries and related activities).

[16] *Prosecutors, Plaintiffs Aim to Curb Internet Gambling*, 40 TRIAL 14 (Aug. 2004); S.Rep.No. 108-173, at 4 (2003); *American Banker*, 1 (April 2, 2003).

[17] Pending adjustments in federal law, at least two American jurisdictions stand poised to regulate legalized Internet gambling, NEV.REV.STAT. §§463.759 to 463.780; V.I.CODE ANN. tit.32, §§601-645. On the other hand, a few states have supplemented their general anti-gambling laws with specific Internet gambling proscriptions, *e.g.*, LA.REV.STAT.ANN. §14:90.3; ORE.REV.STAT. §167.109; S.D.COD.LAWS ANN. §§22-25A-1 to 22-25A-15.

illegal under the laws of the state in which any of the players are located, will almost certainly involve the violation of one or more federal criminal laws.

Federal Criminal Law

It is a federal crime to:

- use telecommunications to conduct a gambling business, 18 U.S.C. 1084;
- conduct a gambling business in violation of state law, 18 U.S.C. 1955
- travel interstate or overseas, or to use any other facility of interstate or foreign commerce, to facilitate the operation of an illegal gambling business, 18 U.S.C. 1952;
- systematically commit these crimes in order to acquire or operate a commercial enterprise, 18 U.S.C. 1962;
- launder the proceeds of an illegal gambling business or to plow them back into the business, 18 U.S.C. 1956;
- spend or deposit more than $10,000 of the proceeds of illegal gambling in any manner, 18 U.S.C. 1957; or
- conspire with others, or to aid and abet them, in their violation of any of these federal laws, 18 U.S.C. 371, 2.

The Wire Act

Commentators most often mention the Wire Act, 18 U.S.C. 1084, when discussing federal criminal laws that outlaw Internet gambling in one form or another.[18] Early federal prosecutions of Internet gambling generally charged violations of the Wire Act.[19] In fact, perhaps the most widely known of federal

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[18] Keller, *The Game's the Same: Why Gambling in Cyberspace Violates Federal Law*, 108 YALE LAW JOURNAL 1569, 1580 (1999)("It is the breadth of the Wire Wager Act that has attracted the most attention in the Internet gambling context because notwithstanding the possible applicability of other federal laws, it directly prohibits the use of a wire transmission facility to foster a gambling business"); Gottfried, *The Federal Framework for Internet Gambling*, 10 RICHMOND JOURNAL OF LAW AND TECHNOLOGY 26, 46 (2004)("the Wire Act . . . is the federal act most often applied in efforts to prosecute Internet gambling. . . ."); *Do Not Bet on Unilateral Prohibition of Internet Gambling to Eliminate Cyber-Casinos*, 1999 UNIVERSITY OF ILLINOIS LAW REVIEW 1045, 1057; *Gambling On-Line: For a Hundred Dollars, I Bet You Government Regulation Will Not Stop the Newest Form of Gambling*, 22 UNIVERSITY OF DAYTON LAW REVIEW 163, 180 (1996); Goldstein, *On-Line Gambling: Down to the Wire?* 8 MARQUETTE SPORTS LAW JOURNAL 1, 18 (1997); General Accounting Office [now the Government Accountability Office], *Internet Gambling: An Overview of the Issues* 11 (Dec. 2002).

[19] *United States v. Ross*, 1999 WL 782749 (S.D.N.Y. Sept. 16, 1999)(denying a motion to dismiss a four count indictment charging violations of 18 U.S.C. 1084 and 18 U.S.C. 371 (conspiracy) in connection with Internet gambling business operated out of Curacao in the Netherlands Antilles); *see also, People v. World Interactive Gaming Corporation*, 1999 WL 591995 (N.Y.S.Ct. July 22, 1999)(noting in dicta violations of the Wire Act in connection

Internet gambling prosecutions, *United States v. Cohen*, 260 F.3d 68 (2d Cir. 2001), involved the conviction, upheld on appeal, of the operator of an offshore, online sports book under the Wire Act.

In general terms, the Act outlaws the use of interstate telephone facilities by those in the gambling business to transmit bets or gambling-related information. Offenders are subject to imprisonment for not more than two years and/or a fine of the greater of not more than twice the gain or loss associated with the offense or $250,000 (not more than $500,000 for organizations), 18 U.S.C. 1084(a), 3571(b),(d). They may also have their telephone service canceled at law enforcement request,[20] and a violation of section 1084 may help provide the basis for a prosecution under 18 U.S.C. 1952 (Travel Act), 1955 (illegal gambling business), 1956 and 1957 (money laundering), and/or 1961-63 (RICO).[21] The elements of section 1084 extend to anyone who:

1. being engaged in the business of betting or wagering
2. knowingly
3. uses a wire communication facility
4. A. for the transmission in interstate or foreign commerce
    1. of bets or wagers or
    2. information assisting in the placing of bets or wagers

on any sporting event or contest, or

B. for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or

C. for information assisting in the placing of bets or wagers. . . . 18 U.S.C. 1084(a).

As a general matter, the Wire Act has been more sparingly used than some of the other federal gambling statutes, and as a consequence it lacks some of interpretative benefits which a more extensive caselaw might bring. The Act is

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with an offshore Internet casino that accepted wagers from bettors in New York); *cf., United States v. D'Ambrosia.*, 313 F.3d 987, 987-89 (7th Cir. 2002)(resolution of sentencing issues associated with Wire Act conviction of the operators "of an offshore internet-based sports bookmaking operation"); *United States v. Tedder*, 2003 WL 23204848 (W.D.Wis. Aug. 22, 2003)(construction of 18 U.S.C. 1084 involving the same parties and circumstances as *D'Ambrosia*).

[20] "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," 18 U.S.C. 1084(d).

[21] Each of these statutes is discussed, *infra*, and the text of each is appended.

addressed to those "engaged in the business of betting or wagering" and therefore apparently cannot be used to prosecute simple bettors.[22]

The government must prove that the defendant was aware of the fact he was using a wire facility to transmit a bet or gambling-related information; it need not prove that he knew that such use was unlawful.[23] The courts have also rejected the contention that the prohibition applies only to those who transmit, concluding that "use for transmission" embraces both those who send and those who receive the transmission.[24]

Grammatically, interstate transmission appears as a feature of only half of the elements (compare, "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," (4.A.1 & 2. above), with, "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," (4.B. & C. above). Nevertheless, virtually every court to consider the question has concluded that a knowing, interstate or foreign transmission is an indispensable element of any 1084 prosecution.[25]

The execution of a similar interpretative exercise might lead to the conclusion that the section applies only to cases involving gambling on sporting events (compare 4.A.1 & 2. with 4.B. & C. again). The vast majority of prosecutions involve sports gambling, but cases involving other forms of gambling under section 1084 are not

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[22] *United States v. Scavo*, 593 F.2d 837, 843 (8th Cir. 1979)("If an individual performs only an occasional or nonessential service or is a mere bettor or customer, he cannot property be said to engage in the business"); *see also, Rewis v. United States*, 401 U.S. 808, 810-11 (1971)(noting that the absence of a Congressional intent to include "mere bettors" among those who, by operation of 18 U.S.C. 2, might be convicted of aiding or abetting a violation of the Travel Act, 18 U.S.C. 1952 (relating to interstate travel to carry on a gambling business, inter alia), *but see, United States v. Southard*, 700 F.2d 1, 20 n.24 (1st Cir. 1983) ("The district court held that the statute did not prohibit the activities of 'mere bettors.' We take no position on this ruling except to point out that the legislative history is ambiguous on this point at best").

[23] *United States v. Blair*, 54 F.3d 639, 642-43 (10th Cir. 1995); *United States v. Ross*, 1999 LW 7832749, Slip at 8-9 (S.D.N.Y. Sept. 16, 1999); *cf., United States v. Cohen*, 260 F.3d 68, 71-3 (2d Cir. 2001)(conviction for conspiracy to engage in conduct in violation the Wire Act does not require proof that the defendant knew that the conduct was unlawful); *contra, Cohen v. United States*, 378 F.2d 751, 756-57 (9th Cir. 1967).

[24] *United States v. Pezzino*, 535 F.2d 483, 484 (9th Cir. 1976). *United States v. Sellers*, 483 F.2d 37, 44-5 (5th Cir. 1973); *United States v. Tomeo*, 459 F.2d 445, 447 (10th Cir. 1972); *Sagansky v. United States*, 358 F.2d 195, 200 (1st Cir. 1966); *contra*, *United States v. Stonehouse,* 452 F.2d 455 (7th Cir. 1971).

[25] *United States v. Southard*, 700 F.2d 1, 24 (1st Cir. 1983), citing *inter alia*, *Sagansky v. United States*, 358 F.2d 195, 199 n.4 (1st Cir. 1966); *United States v. Barone*, 467 F.2d 247, 249 (2d Cir. 1972); *Cohen v. United States*, 378 F.2d 751, 754 (9th Cir. 1967); *contra, United States v. Swank*, 441 F.2d 264, 265 (9th Cir. 1971).

unknown,[26] and the limitation is contrary to a literal reading of the statute. Nevertheless at least one federal appellate panel has concluded that the Wire Act applies only to sports gambling.[27]

Construction of the Act is further complicated by the defense available under subsection 1084(b).[28] Read casually it might suggest a general defense, but the district court in the Internet gambling case in the Southern District of New York has highlighted its more restrictive scope, "the §1084(b) exemption by its terms applies only to the transmission of information assisting in the placing of bets, not to the other acts prohibited in §1084(a), *i.e.*, transmission of (1) bets or wages or (2) wire communications entitling the recipient to money or credit as a result of bets or wagers. With regard to transmissions of information assisting in the placing of bets, the exemption is further narrowed by its requirement that the betting at issue be legal in both jurisdictions in which the transmission occurs. No exemption applies to the other wire communications proscribed in §1084(a) even if the betting at issue is legal in both jurisdictions. *See United States v. McDonough*, 835 F.2d 1103, 1105 (5th Cir. 1988)."[29] The Second Circuit panel in *Cohen*, endorsed the court's construction.[30]

An accomplice who aids and abets another in the commission of a federal crime may be treated as if he had committed the crime himself.[31] The classic definition from *Nye & Nissen v. United States*, 336 U.S. 613, 619 (1949) explains that liability for aiding and abetting attaches when one "in some sort associates himself with the venture, participates in it as in something that he wishes to bring about, [and] seeks

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[26] *E.g., AT&T Corp. v. Coeur d'Alene Tribe*, 45 F.Supp.2d 995 (D.Idaho 1998) (lottery); *United States v. Smith*, 390 F.2d 420, 421 (4th Cir. 1968); *United States v. Chase*, 372 F.2d 453, 457 (4th Cir. 1967). *Smith* and *Chase* both involved "numbers" and seem to have arisen under the same facts. None of these cases specifically reject, or even mention, a "sporting event" limitation.

[27] *In re MasterCard International Inc.*, 313 F.3d 257, 262 (5th Cir. 2002)("The district court concluded that the Wire Act concerns gambling on sporting events or contests and that the [RICO] plaintiffs had failed to allege that they had engaged in internet sports gambling. We agree. . .").

[28] "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," 18 U.S.C. 1084(b).

[29] *United States v. Ross*, 1999 WL 782749 (S.D.N.Y. Sept. 16, 1999).

[30] 260 F.3d at 73 (emphasis added) ("Cohen appeals the district court for instructing the jury to disregard the safe harbor provision contained in §1084(b). That subsection provides a safe harbor for transmissions that occur under *both* of the following two conditions: (1) betting is legal in both the place of origin and the destination of the transmission; *and* (2) the transmission is limited to mere information that assists in the placing of bets, as opposed to including the bets themselves").

[31] "Whoever commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal," 18 U.S.C. 2(a).

by his action to make it succeed."[32] The Department of Justice advised the National Association of Broadcasters that its members risked prosecution for aiding and abetting when they provided advertising for the online gambling operations.[33]

In addition to such accomplice liability, a conspirator who contrives with another for the commission of a federal crime is likewise liable for the underlying crime and for any additional, foreseeable offense committed by a confederate in furtherance of the common scheme.[34]

Illegal Gambling Businesses

On the face of it, an illegal gambling business conducting its activities by way of the Internet seems to come within the reach of section 1955. The limited commentary on the point appears to concur.[35] Dicta in an early federal appellate decision likewise strongly suggested the applicability of section 1995:

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[32] *United States v. Frampton* , 382 F.3d 213, 223 (2d Cir. 2004); *United States v. Delgado-Uribe*, 363 F.3d 1077, 1084 (10th Cir. 2004).

[33] *Advertising for Internet Gambling and Offshore Sportsbook Operations*, Letter from United States Deputy Attorney General John G. Malcolm to the National Association of Broadcasters dated June 11, 2003, filed as Exhibit A with the complaint in *Casino City, Inc. v. United States Department of Justice*, Civil Action No. 04-557-B-M3 (M.D.La.).

In other related developments, U.S. marshals are reported to have seized $3.2 million that Discovery Communications had accepted for ads from Tropical Paradise, a Web casino operation based in Costa Rica, *The Wall Street Journal - Europe*, A5 (Aug. 2, 2004), and the federal prosecutors apparently warned PayPal, a money transfer service, that it risked prosecution under 18 U.S.C. 1960 (transmission of funds intended to be used to promote or support unlawful activity) by providing services to online gambling operations, *American Banker*, 1 (April 2, 2003).

[34] *Pinkerton v. United States,* 328 U.S. 640, 645-48 (1946); *Salinas v. United States*, 522 U.S. 52, 62-3 (1997)("The partners in the criminal plan must agree to pursue the same criminal objective and may divide up the work, yet each is responsible for the acts of each other"). The conspiratorial agreement is itself a separate crime under 18 U.S.C. 371 ("If two or more persons conspire either to commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined under this title or imprisoned not more than five years, or both. If, however, the offense, the commission of which is the object of the conspiracy, is a misdemeanor only, the punishment for such conspiracy shall not exceed the maximum punishment provided for such misdemeanor"); *United States v. Bruno*, 383 F.3d 65, 89 (2d Cir. 2004); *United States v. Hanhardt*, 361 F.3d 382, 392 (7th Cir. 2004).

[35] Gottfried, *The Federal Framework for Internet Gambling*, 10 RICHMOND JOURNAL OF LAW AND TECHNOLOGY 26, 53 (2004)("While section 1955 has yet to be successfully used to prosecute an Internet gaming operation, its minimal requirements may make it a likely candidate for future use"); General Accounting Office [now the Government Accountability Office], *Internet Gambling: An Overview of the Issues* 11 (Dec. 2002); *Blackjack or Bust: Can U.S. Law Stop Internet Gambling?* 16 LOYOLA OF LOST ANGELES ENTERTAINMENT LAW JOURNAL 667, 675-77 (1996).

> [U]nder §1955, it is quite obvious that bettors should not be held criminal liable either under the statute or under §2 and that local merchants who sell the accounting paper or the computers on which bets are registered are not sufficiently connected to the enterprise to be included even if they know that their goods will be used in connection with the work of the business. On the other hand, it seems similarly obvious that the seller of computer hardware or software who is fully knowledgeable about the nature and scope of the gambling business would be liable under §2 if he installs the computer, electronic equipment and cables necessary to operate a "wire shop" or a parimutuel betting parlor, configures the software programs to process betting information and instructs the owners of the gambling business on how to use the equipment to make the illegal business more profitable and efficient. Such actions would probably be sufficient proof that the seller intended to further the criminal enterprise.[36]

Violations of section 1955 are punishable by imprisonment for not more than 5 years and/or fines of the greater of not more than twice the gain or loss associated with the offense or $250,000 ($500,000 for an organization), 18 U.S.C. 1955(a), 3571(d). Moreover, the federal government may confiscate any money or other property used in violation of the section, 18 U.S.C. 1955(d). The offense may also provide the foundation for a prosecution under the Travel Act, 18 U.S.C. 1952, the money laundering statutes, 18 U.S.C. 1956 and 1957, and RICO, 18 U.S.C. 1961-1963.

The elements of section 1955 apply to anyone who:

1. A. conducts,
   B. finances,
   C. manages,
   D. supervises,
   E. directs, or
   F. owns
2. all or part of an illegal gambling business that
3. A. is a violation of the law of a State or political subdivision in which it is conducted;
   B. involves five or more persons who conduct, finance, manage, supervise, direct, or own all or part of such business; and
   C. 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.

"[N]umberous cases have recognized that 18 U.S.C. 1955 proscribes any degree of participation in an illegal gambling business except participation as a mere bettor."[37] Or as more recently described, "`[c]onductors' extends to those on lower

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[36] *United States v. Hill*, 55 F.3d 1197, 1200 (6th Cir. 1995).

[37] *Sanabria v. United States*, 437 U.S. 54, 70-1 n.26 (1978).

echelons, but with a function at their level necessary to the illegal gambling operation."[38]

The section bars only those activities that involve illegal gambling under applicable state law and that meet the statutory definition of a business. Illegal gambling is at the threshold of any prosecution under the section, and cannot to be pursued if the underlying state law is unenforceable under either the United States Constitution,[39] or the operative state constitution.[40]

The business element can be satisfied (for any endeavor involving five or more participants) either by continuity ("has been or remains in substantially continuous operation for period in excess of thirty days") or by volume ("has a gross revenue of $2,000 in any single day").[41] The volume prong is fairly self-explanatory and the courts have been fairly generous in their assessment of continuity.[42] They are divided, however, on the question of whether the jurisdictional five and continuity/volume features must coincide.[43]

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[38] *United States v. O'Brien*, 131 F.3d 1428, 1431 (10th Cir. 1997). Perceptions of necessity are not always particularly demanding, *see e.g., United States v. Heacock*, 31 F.3d 249, 252-53 (5th Cir. 1994)(may include "everyone from layoff bettors and line services to waitresses who serve drinks"); *United States v. Grey*, 56 F.3d 1219, 1221 (10th Cir. 1995)(bartenders and managers of establishments where the defendant placed his video poker machines and who recording winnings, made payoffs, and reset the machines were properly counted as conductors of the defendant's gambling business); *United States v. Mick*, 263 F.3d 553, 568-69 (6th Cir. 2001)("layoff bettors may be considered part of the requisite five members, so long as their dealings with the gambling business are regular and not just based on one contact"); *United States v. Febus*, 218 F.3d 784, 797 (7th Cir. 2000)(emphasis added) (conduct for purposes of section 1955 extends to the performance of "any act, function or duty which is necessary to *or helpful* in the ordinary operation of the business" including the owner of a bar who knowingly allowed gamblers to use the bar as a collection site); *United States v. Chance*, 306 F.3d 356, 379-80 (6th Cir. 2002)("regularly helpful or necessary to the operation of the gambling enterprise"); *Requirement of 18 U.S.C. §1955, Prohibiting Illegal Gambling Business, That Such Business Involve Five or More Persons*, 55 ALR FED. 778 (1981 & 2004 Supp.).

[39] *Cf., United States v. Hill*, 167 F.3d 1055, 1063-64 (6th Cir. 1999).

[40] *Cf., United States v. Ford*, 184 F.3d 566, 582-83 (6th Cir. 1999).

[41] *Sikes v. Teleline, Inc.*, 281 F.3d 1350, 1366-367 (11th Cir. 2002).

[42] *E.g., United States v. Trupiano*, 11 F.3d 769, 773-74 (8th Cir. 1993)("Congress did not purport to require absolute or total continuity in gambling operations. Consistent with this, substantially continuous has been read not to mean every day. The operation, rather, must be one that was conducted upon a schedule of regularity sufficient to take it out of the casual nonbusiness category").

[43] *Compare, United States v. Nicolaou*, 180 F.3d 565, 568 (4th Cir. 1999)("the five-person requirement must be satisfied in conjunction with the third element. That is . . . section 1955 covers only those gambling operations that involve at all times during some thirty day period at least five persons . . . or that involve at least five persons on any single day on which it had gross revenues of $2,000"), *with, United States v. Boyd*, 149 F.3d 1062, 1064-65 (10th Cir. 1998)("the government is not required to demonstrate the involvement of five or more persons for a continuous period of more than thirty days to support a conviction under §1955, but rather need only demonstrate that the operation operated for a continuous period

There is no such diversity of opinion on the question of whether section 1955 lies within the scope of Congress' legislative authority under the Commerce Clause. The Supreme Court's decision in *United States v. Lopez*, 514 U.S. 549 (1996), finding the Gun Free School Zone Act (18 U.S.C. 922(q)) beyond the bounds of Congress' Commerce Clause power, stimulated a host of appellate decisions here and elsewhere. In the case of section 1955, *Lopez* challenges have been rejected with the observation that, unlike the statute in *Lopez*, section 1955 (a) involves the regulation of a commercial activity (a gambling business), (b) comes with jurisdictional elements selected to reserve prosecution to those endeavors likely to substantially affect interstate commerce (five participants in a substantial gambling undertaking), and (c) was preceded by Congressional findings evidencing the impact of substantial gambling operations upon interstate commerce.[44]

The accomplice and conspiratorial provisions attend violations of section 1955 as they do violations of the Wire Act. Although frequently difficult to distinguish in a given case, the difference is essentially a matter of depth of involvement. "[T]o be guilty of aiding and abetting a section 1955 illegal gambling business . . . the defendant must have knowledge of the general scope and nature of the illegal gambling business and awareness of the general facts concerning the venture . . . [and he] must take action which materially assists in 'conducting, financing, managing, supervising, directing or owning' the business for the purpose of making the business succeed," *United States v. Hill*, 55 F.3d 1197, 1201-202 (6th Cir. 1995). Unlike conspiracy, one may only be prosecuted for aiding and abetting the commission of a completed crime; "before a defendant can be found guilty of aiding and abetting a violation of section 1955 a violation of section 1955 must exist . . . [and] aiders and abettors cannot be counted as one of the statutorily required five persons," *id.* at 1204.

As a general rule, a federal conspiracy exists when two or more individuals agree to commit a federal crime and one of them commits some overt act in furtherance of their common scheme.[45] "A conspiracy may exist even if a conspirator does not agree to commit or facilitate each and every part of the substantive offense. The partners in the criminal plan must agree to pursue the same criminal objective and may divide up the work, yet each is responsible for acts of each other. If the conspirators have a plan which calls for some conspirators to perpetrate the crime and

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of thirty days and involved five or more persons at some relevant time").

[44] *E.g., United States v. Riddle*, 249 F.3d 529, 538-39 (6th Cir. 2001); *United States v. Lee,* 173 F.3d 809, 810-11 (11th Cir. 1999); *United States v. Threadgill*, 172 F.3d 357, 371-72 & n.12 (5th Cir. 1999); *United States v. Ables*, 167 F.3d 1021, 1026-28 (6th Cir. 1999)(also rejecting the suggestion that section 1955 exceeded the reach of Congress under the Commerce Clause because it intruded into an area traditionally reserved to the states); *United States v. Boyd*, 149 F.3d 1062, 1066 (10th Cir. 1998); *United States v. Zizzo*, 120 F.3d 1338, 1350 (7th Cir. 1998); *United States v. Wall*, 912 F.3d 1444, 1445-452 (6th Cir. 1996).

[45] *United States v. Falcone*, 311 U.S. 205, 210 (1941); *United States v. Edwards*, 188 F.3d 230, 234 (4th Cir. 1999); *United States v. Lage*, 183 F.3d 374, 382 (5th Cir. 1999); *United States v. Svoboda*, 347 F.3d 471, 476 (2d Cir. 2003).

others to provide support, the supporters are as guilty as the perpetrators."[46] Conspiracy is a separate crime and thus conspirators may be convicted of both substantive violations of section 1955 and conspiracy to commit those violations.[47] In fact, under the *Pinkerton* doctrine, coconspirators are liable for conspiracy, the crime which is the object of the conspiracy (when it is committed), and any other reasonably foreseeable crimes of their confederates committed in furtherance of the conspiracy.[48]

The application of section 1955 to offshore gambling operations that take wagers from bettors in the United States involves two questions. First, does state law proscribing the gambling in question apply when some of the elements of the offense are committed outside its jurisdiction? Second, did Congress intend section 1955 to apply beyond the confines of the United States?

Section 1955 can only apply overseas when based on an allegation that the gambling in question is illegal under a state law whose reach straddles jurisdictional lines. For example, a statute that prohibits recording bets (bookmaking) in Texas cannot be used against a gambling business which records bets only in Jamaica or Dominican Republic even if the bets are called in from Texas, *United States v. Truesdale*, 152 F.3d 443, 446-49 (5th Cir. 1998) (rejecting the argument that the gambling was illegal under a provision of Texas law not mentioned in indictment or the jury charge). On the other hand, an overseas gambling business may find itself in violation of section 1955 if it accepts wagers from bettors in New York, because New York law considers the gambling to have occurred where the bets are made, inter alia.[49]

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[46] *Salinas v. United States*, 522 U.S. 52, 63-4 (1997).

[47] *Iannelli v. United States*, 420 U.S. 770 (1975); *United States v. Jimenez Recio*, 537 U.S. 270, 274 (2003).

[48] *Pinkerton v. United States,* 328 U.S. 640, 645-48 (1946); *United States v. Escobar-DeJesus*, 187 F.3d 148, 174-75 (1st Cir. 1999); *United States v. Castillo*, 179 F.3d 321, 324-25 (5th Cir. 1999).

[49] *People v. World Interactive Gaming Corp.*, 1999 WL 591995, slip at 5 (N.Y.S.Ct.)(July 22, 1999)("Respondents argue that the Court lacks subject matter jurisdiction, and that Internet gambling falls outside the scope of New York state gambling prohibitions, because the gambling occurs outside of New York state. However, under New York Penal Law, if the person engaged in gambling is located in New York, then New York is the location where the gambling occurred (See Penal Law §225.02(2)). Here, some or all of those funds in an Antiguan bank account are staked every time the New York user enters betting information into the computer. It is irrelevant that Internet gambling is legal in Antigua. The act of entering the bet and transmitting the information from New York via the Internet is adequate to constitute gambling activity within New York state").

Whether a federal applies overseas is a matter of Congressional intent.[50] The intent is most obvious where Congress has expressly stated that a provision shall have extraterritorial application, *e.g.,* 18 U.S.C. 2381 (relating to treason committed in the United States "or elsewhere").

In the absence of an explicit statement, the courts use various construction aids to divine Congressional intent. Unless some clearer indication appears, Congress is presumed to have intended its laws to apply only within the United States.[51] The courts have recognized contrary indications under several circumstances. Congress will be thought to have intended a criminal proscription to apply outside the United States where one of the elements of the offense, like the commission of an overt act in furtherance of a conspiracy, occurs in the United States.[52] Similarly, Congress will be thought to have intended to outlaw overseas crimes calculated to have an impact in the United States, for example, false statements made abroad in order to gain entry into the United States.[53] Finally, Congress will be thought to have intended extraterritorial application for a criminal statute where its purpose in enacting the statute would otherwise be frustrated, for instance, the theft of United States property overseas.[54]

There is a countervailing presumption interwoven among these interpretive devices. Congress is presumed not to have intended any extraterritorial application

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[50] *EEOC v. Arabian American Oil Co.*, 499 U.S. 244, 248 (1991)("Congress has the authority to enforce its laws beyond the territorial boundaries of the United States. Whether Congress has in fact exercised that authority . . . is a matter of statutory construction"); *Foley Brothers v. Filardo*, 336 U.S. 281, 284-85 (1949) ("The question . . is not the power of Congress to extend the . . . law to . . . foreign countries. Petitioners concede that such power exists. The question is rather whether Congress intended to make the law applicable"); *In re Simon*, 153 F.3d 991, 995 (9th Cir. 1998); *United States v. Delgado-Garcia*, 374 F.3d 1337, 1345 (D.C.Cir. 2004).

[51] *Sale v. Haitian Centers Council, Inc.*, 509 U.S. 155, 174 (1993); *Steele v. Bulova Watch Co.*, 344 U.S. 280, 285 (1952).

[52] *United States v. MacAllister*, 160 F.3d 1304, 1308 (11th Cir. 1998).

[53] *Ford v. United States*, 273 U.S. 593, 620-21 (1927)("Acts done outside a jurisdiction, but intended to produce and producing detrimental effects within it, justify a State in punishing the cause of the harm as if he had been present at the effect"); *United States v. Larsen*, 952 F.2d 1099, 1100-101 (9th Cir. 1991); *United States v. Hill*, 279 F.3d 731, 739-40 (9th Cir. 2002).

[54] *United States v. Bowman*, 260 U.S. 94, 98 (1922)("Other [crimes] are such that to limit their *locus* to the strictly territorial jurisdiction would be greatly to curtail the scope and usefulness of the statute and leave open a large immunity for frauds as easily committed by citizens . . . in foreign countries as at home. In such cases, Congress has not thought it necessary to make specific provision in the law that the *locus* shall include . . . foreign countries, but allows it to be inferred from the nature of the offense"); *Blackmer v. United States*, 284 U.S. 421, 438 (1932)("The jurisdiction of the United States over its absent citizen, so far as the binding effect of its legislation is concerned, is a jurisdictional *in personam*, as he is personally bound to take notice of the laws that are applicable to him and to obey them"); *United States v. Vasquez-Velasco*, 15 F.3d 833, 839 (9th Cir. 1994); *United States v. Delgado-Garcia*, 374 F.3d 1337, 1345-347 (D.C.Cir. 2004).

that would be contrary to international law.[55] International law in the area is a matter of reasonableness, of minimal contacts,[56] traditionally described as permitting geographical application of a nation's laws under five principles: a country's laws may be applied within its own territory (territorial principal); a country's laws may be applied against its own nationals wherever they are located (nationality principle); a country's laws may be applied to protect it from threats to its national security (protective principle); a country's laws may be applied to protect its citizens overseas (passive personality principle); and a country's laws may be applied against crimes repugnant to the law of nations such as piracy (universal principle).[57]

Section 1955 does not say whether it applies overseas. Yet an offshore illegal gambling business whose customers where located in the United States seems within the section's domain because of the effect of the misconduct within the United States.

Travel Act

The operation of an illegal gambling business using the Internet may easily involve violations of the Travel Act, 18 U.S.C. 1952, as several writers have noted.[58] Like section 1955, Travel Act convictions result in imprisonment for not more than 5 years and/or fines of the greater of not more than twice the gain or loss associated with the offense or $250,000 ($500,000 for an organization), 18 U.S.C. 1955(a), 3571(d). The Act may serve as the foundation for a prosecution under the money laundering statutes, 18 U.S.C. 1956 and 1957, and RICO, 18 U.S.C. 1961-1963. It has neither the service termination features of the Wire Act nor the forfeiture features of section 1955.

The Travel Act's elements cover anyone who:

1.A. travels in interstate or foreign commerce, or
  B. uses any facility in interstate or foreign commerce, or
  C. uses the mail
2. with intent
  A. to distribute the proceeds of

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[55] *Weinberger v. Rossi*, 456 U.S. 25, 32 (1982)("It has been a maxim of statutory construction since the decision in *Murray v. the Charming Betsy*, that an act of Congress ought never to be construed to violate the law of nations, if any other possible construction remains"); *United States v. Dawn*, 129 U.S. 878, 882 (7th Cir. 1997); *United States v. Yousef*, 327 F.3d 56, 96 (2d Cir. 2003).

[56] RESTATEMENT (THIRD) OF THE FOREIGN RELATIONS LAW OF THE UNITED STATES §§401 to 423 (1986 & 2004 Supp.).

[57] *Jurisdiction with Respect to Crime*, 29 AMERICAN JOURNAL OF INTERNATIONAL LAW (SUPP.) 439, 445 (1935).

[58] *Do Not Bet on Unilateral Prohibition of Internet Gambling to Eliminate Cyber-Casinos*, 1999 UNIVERSITY OF ILLINOIS LAW REVIEW 1045, 1057; Schwartz, *The Internet Gambling Fallacy Craps Out*, 14 BERKELEY TECHNOLOGY LAW JOURNAL 1021, 1028-29 (1999); Gottfried, *The Federal Framework for Internet Gambling*, 10 RICHMOND JOURNAL OF LAW AND TECHNOLOGY 26, 52 (2004); General Accounting Office [now the Government Accountability Office], *Internet Gambling: An Overview of the Issues* 11 (Dec. 2002).

i. any business enterprise involving unlawful activities (including gambling) in violation of the laws in which it is conducted or of the laws of the United States; or

ii. any act which is indictable as money laundering; or

B. to otherwise

i. promote,

ii. manage,

iii. establish,

iv. carry on, or

v. facilitate the promotion, management, establishment, or carrying on, of any business enterprise involving unlawful activities (including gambling) in violation of the laws in which it is conducted or of the laws of the United States, or any act which is indictable as money laundering; and

3. thereafter so

A. distributes the proceeds from any business enterprise involving gambling or from any act indictable as money laundering, or

B. promotes, manages, establishes, carries on, or facilitates the promotion, management, establishment, or carrying on of any business enterprise involving unlawful activities (including unlawful gambling) or any act indictable as money laundering.

The courts often abbreviate their statement of the elements: "The government must prove (1) interstate travel or use of an interstate facility; (2) with the intent to . . . promote . . . an unlawful activity and (3) followed by performance or attempted performance of acts in furtherance of the unlawful activity."[59]

The Supreme Court determined some time ago that the Travel Act does not apply to the simple customers of an illegal gambling business, *Rewis v. United States*, 401 U.S. 808, 811 (1971), although interstate solicitation of those customers may certainly be covered, 401 U.S. at 811.[60]

When the Act's jurisdictional element involves mail or facilities in interstate or foreign commerce, rather than interstate travel, evidence that a telephone was used,[61]

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[59] *United States v. Escobar-de-Jesus*, 187 F.3d 148, 177 (1st Cir. 1999); *United States v. Bankston*, 182 F.3d 296, 315 (5th Cir. 1999); *United States v. Montford*, 27 F.3d 137, 138 n.1 (5th Cir. 1994); *United States v. Xiong*, 262 F.3d 672, 676 (7th Cir. 2001); *United States v. Burns*, 298 F.3d 523, 537 (6th Cir. 2002); *United States v. Welch*, 327F.3d 1081, 1090(10th Cir. 2003).

[60] Unlike 18 U.S.C. 1953 (interstate transportation of certain gambling paraphernalia), section 1952 does not exclude the interstate or foreign shipment of newspapers (whether soliciting customers or otherwise) from the activities that may trigger the section's jurisdictional element, *see e.g.*, *Erlenbaugh v. United States*, 409 U.S. 239 (1972)(upholding a conviction for violation of section 1952 which took the form of interstate delivery newspapers "scratch sheets" to out of state bookies).

[61] *United States v. Baker*, 227 F.3d 955, 962 (7th Cir. 2000); *United States v. Jenkins*, 943 F.2d 167, 172 (2d Cir. 1991); *United States v. Graham*, 856 F.2d 756, 760-61 & n.1 (6th Cir. 1988).

or an ATM,[62] or the facilitates of an interstate banking chain[63] will suffice.[64] The government is not required to show that the defendant used the facilities himself or that the use was critical to the success of the criminal venture. It is enough that he caused them to be used[65] and that their employment was useful for his purposes.[66]

A criminal business enterprise, as understood in the Travel Act, "contemplates a continuous course of business – one that already exists at the time of the overt act or is intended thereafter. Evidence of an isolated criminal act, or even sporadic acts, will not suffice,"[67] and it must be shown to be involved in an unlawful activity outlawed by a specifically identified state or federal statute.[68] Finally, the government must establish some overt after in furtherance of the illicit business committed after the interstate travel or the use of the interstate facility.[69]

Accomplice and coconspirator liability, discussed earlier, apply with equal force to the Travel Act.[70]

In the case of Internet gambling, the jurisdictional element of the Travel Act might be established at a minimum either by reference to the telecommunications component of the Internet, to shipments in interstate or foreign commerce (in or from the United States) associated with establishing operations on the Internet, to any

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[62] *United States v. Baker*, 82 F.3d 273, 275 (8th Cir. 1996).

[63] *United States v. Auerbach*, 913 F.2d 407, 410 (7th Cir. 1990).

[64] Of course, interstate travel will also suffice, *United States v. Xiong*, 262 F.3d 672, 676 (7th Cir. 2001).

[65] *United States v. Baker*, 82 F.3d at 275; *United States v. Auerbach*, 913 F.2d at 410.

[66] *United States v. Baker*, 82 F.3d at 275-76; *United States v. McNeal*, 77 F.3d 938, 944 (7th Cir. 1996); *United States v. Houlihan*, 92 F.3d 1271, 1292 (1st Cir. 1996).

[67] *United States v. Roberson* 6 F.3d 1088, 1094 (5th Cir. 1993); *see also*, *United States v. James*, 210 F.3d 1342, 1345 (11th Cir. 2000); *United States v. Saget*, 991 F.2d 702, 712 (11th Cir. 1993)("If the defendant engages in a continuous course of cocaine distribution rather than a sporadic or casual course of conduct, then the statutory requirement of a business enterprise involving narcotics is satisfied"); *United States v. Iennaco*, 893 F.2d 394, 398 (D.C.Cir. 1990).

[68] *United States v. Griffin*, 85 F.3d 284, 287-88 (7th Cir. 1996); *United States v. Campione*, 942 F.2d 429, 433-36 (7th Cir. 1991); *United States v. Jones*, 909 F.2d 533, 536-39 (D.C.Cir. 1990).

[69] *United States v. Jenkins*, 943 F.2d 167, 173 (2d Cir. 1991); *United States v. Admon*, 940 F.2d 1121, 1125 (8th Cir. 1991); *United States v. Burns*, 298 F.3d 523, 537-38 (6th Cir. 2002); *United States v. Nishnianidze*, 342 F.3d 6, 15 (1st Cir. 2003).

[70] *United States v. Childress*, 58 F.3d at 721 (D.C.Cir. 1995)(citing the *Pinkerton* principle of coconspirator liability); *see also*, *United States v. Auerbach*, 913 F.2d at 410 (7th Cir. 1990) (coconspirator liability); *United States v. Lee*, 359 F.3d 194, 209 (3d Cir. 2004)(aiding and abetting); *United States v. Stott*, 245 F.3d 890, 909 (7th Cir. 2001)(aiding and abetting); *United States v. Pardue*, 983 F.2d 943, 945-46 (8th Cir. 1993)(aiding and abetting); *United States v. Dischner*, 974 F.2d 1502, 1521 (9th Cir. 1992)(aiding and abetting).

interstate or foreign nexus to the payment of the debts resulting from the gambling, or to any interstate or foreign distribution of the proceeds of such gambling.

The Act would only apply to "business enterprises" involved in illegal gaming, so that e-mail gambling between individuals would likely not be covered. And *Rewis*, *supra,* seems to bar prosecution of an Internet gambling enterprise's customers as long as they remain mere customers.[71] But an Internet gambling venture that constitutes an illegal gambling business for purposes of section 1955, *supra*, and is engaged in some form of interstate or foreign commercial activity in furtherance of the business will almost inevitably have included a Travel Act violation.

Racketeer Influenced and Corrupt Organizations (RICO)

Illegal gambling may trigger the application of RICO provisions. Section 1955, the Wire Act, the Travel Act, and any state gambling felony are all RICO predicate offenses, which expose offenders to imprisonment for not more than twenty years and/or a fine of greater of not more than $250,000 (not more than $500,000 for an organization) or twice the gain or loss associated with the offense, 18 U.S.C. 1963, 3571. An offender's crime-tainted property may be confiscated, and he may be liable to his victims for triple damages and subject to other sanctions upon the petition of the government, 18 U.S.C. 1964. RICO makes it a federal crime for any person to:

1. conduct or participate, directly or indirectly, in the conduct of
2. the affairs of an enterprise
3. engaged in or the activities of which affect, interstate or foreign commerce
4. A. through the collection of an unlawful debt, or
   B. through a pattern of racketeering activity, defined to include:
      i. any act of gambling which is chargeable under State law and punishable by imprisonment or more than 1 year;
      ii. any act which is indictable under 18 U.S.C. 1084 (Wire Act);
      iii. any act which is indictable under 18 U.S.C. 1952 (Travel Act);
      iv. any act which is indictable under 18 U.S.C. 1955 (relating to conducting an illegal gambling business, 18 U.S.C. 1962(c).[72]

"To establish the elements of a substantive RICO offense, the government must prove (1) that an enterprise existed; (2) that the enterprise affected interstate or foreign commerce; (3) that the defendant associated with the enterprise; (4) that the defendant participated, directly or indirectly, in the conduct of the affairs of the enterprise; and (5) that the defendant participated in the enterprise through a pattern

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[71] Contra, *Blackjack or Bust: Can U.S. Law Stop Internet Gambling?* 16 LOYOLA OF LOS ANGELES ENTERTAINMENT LAW JOURNAL at 675 ("The Travel Act applies not only to Internet casinos, but it also seems to apply to players who use interstate facilities for the transportation of unlawful activities [i.e., their wagers]")(the JOURNAL article does not discuss *Rewis*).

[72] Other subsections of 18 U.S.C. 1962 outlaw acquire or maintaining control of a commercial enterprise through collection of an unlawful debt or pattern of racketeering and proscribe conspiracy to commit a RICO offense, 18 U.S.C. 1962(a),(b),(d).

of racketeering activity by committing at least two racketeering (predicate) acts [*e.g.*, 18 U.S.C. 1084 (Wire Act), 18 U.S.C. 1952 (Travel Act), 18 U.S.C. 1955 (illegal gambling business)]. To establish the charge of conspiracy to violate the RICO statute, the government must prove, in addition to elements one, two and three described immediately above, that the defendant objectively manifested an agreement to participate . . . in the affairs of the enterprise."[73] This statement of the elements addresses the more common RICO prosecution involving a pattern of racketeering activity (*i.e.*, predicate offenses), but the government is under no obligation to prove pattern if the underlying misconduct is "the collection of an unlawful debt."[74]

The "person" who commits a RICO offense need not be a human being, but may be "any individual or entity capable of holding a legal or beneficial interest in property," 18 U.S.C. 1961(3). The "enterprise" element is defined with comparable breath, embracing "any individual, partnership, corporation, association, or other legal entity, and any union or group of individuals associated in fact although not a legal entity," 18 U.S.C. 1961(4). In spite of their sweeping scope, the elements are distinct and a single defendant may not be simultaneously charged as both the "person" and the "enterprise" under 18 U.S.C. 1962(c).[75] Subject to this limitation, however, a RICO enterprise may be formal or informal, legal or illegal. In order for a group associated in fact to constitute a RICO enterprise, it must be characterized by "an ongoing organization . . . and . . . evidence that [its] various associates function as a continuing unit."[76]

The interstate commerce element of the RICO offense may be established either by evidence that the enterprise has conducted its affairs in interstate commerce or

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[73] *United States v. Darden*, 70 F.3d 1507, 1518 (8th Cir. 1995); *see also*, *United States v. Parise*, 159 F.3d 790, 794 (3d Cir. 1998); *Cofacredit, S.A. v. Windsor Plumbing Supply Co., Inc.*, 187 F.3d 229, 242 (2d Cir. 1999); *United States v. Pipkins*, 378 F.3d 1281, 1288 (11th Cir. 2004).

[74] *United States v. Tocco*, 200 F.3d 401, 426 (6th Cir. 2000)(indictment based on the collection of illegal gambling proceeds). Although the "collection of unlawful debts" may clearly include loan sharking (18 U.S.C. 891-896 relating to extortionate credit transactions), the collection of an unlawful debt need not involve the violence or the threat of violence required of extortionate credit transactions.

[75] *Wagh v. Metris Direct, Inc.*, 363 F.3d 821, 830 (9th Cir. 2003); *Whalen v. Winchester Production Co.,* 319 F.3d 225, 229 (5th Cir. 2003); *United States v. Fairchild*, 189 F.3d 769, 777 (8th Cir. 1999); *Anatian v. Coutts Bank (Switzerland) Ltd.*, 193 F.3d 85, 88-9 (2d Cir. 1999); *Cedric Kushner Promotions, Ltd. v. King*, 533 U.S. 158, 161 (2001)(holding, however, that the "person" and the individual through whom a corporate enterprises acts may be the same and need not be distinct).

[76] *United States v. Lee*, 374 F.3d 637, 647 (8th Cir. 2004); *United States v.Pipkins*, 378 F.3d 1281, 1289 (11th Cir. 2004); *United States v. Morales*, 185 F.3d 74, 80 (2d Cir. 1999), quoting, *United States v. Turkette*, 452 U.S. 576, 583 (1981); *see also, United States v. Torres*, 191 F.2d 799, 805-6 (7th Cir. 1999)("A RICO enterprise is an ongoing structure of persons associated thought time, joined in purpose, and organized in a manner amenable to hierarchical or consensual decision-making . . . The continuity of an informal enterprise and the differentiation among roles can provide the requisite structure to prove the elements of the enterprise"); *United States v. Richardson*, 167 F.3d 621, 625 (D.C.Cir. 1999).

foreign commerce or has engaged in activities that affect interstate commerce or foreign commerce.[77]

The "pattern of racketeering activity" element demands the commission of at least two predicate offenses, 18 U.S.C. 1961(5), which must be of sufficient relationship and continuity to be described as a "pattern."[78] Related crimes, for pattern purposes, are marked by "the same or similar purposes, results, participants, victims, or methods of commission, or otherwise are interrelated by distinguishing characteristics and are not isolated events."[79]

The "continuity" of predicate offenses may be shown in two ways, either by prove of the regular occurrences related misconduct over a period of time in the past (closed ended) or by evidence of circumstances suggesting that if not stopped by authorities they would have continued in the future (open ended).[80]

The courts have been reluctant to find the continuity required for a RICO pattern for closed ended enterprises (those with no threat of future predicate offenses) unless the enterprise's activities spanned a fairly long period of time.[81] Open-ended

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[77] *United States v. Robertson*, 514 U.S. 669, 671 (1995); proof of even a de minimis effect on interstate commerce is sufficient where the enterprise is engaged in economic activity, *Waucaush v. Untied States*, 380 F.3d 251, 256 (6th Cir. 2004); *United States v. Cianci*, 378 F.3d 71,83 (1st Cir. 2004); *United States v. Rodriguez*, 360 F.3d 949, 955 (9th Cir. 2004); *United States v. Gray*, 137 F.3d 765, 773 (4th Cir. 1998).

[78] "A pattern is not formed by sporadic activity. . . . [A] person cannot be subjected to the sanctions [of RICO] simply for committing two widely separate and isolated criminal offenses. Instead, the term `pattern' itself requires the showing of a relationship between the predicates and of the threat of continuing activity. It is this factor of *continuity plus relationship* which combines to produce a pattern," *H.J., Inc.* v. *Northwestern Bell Telephone Co.*, 492 U.S.229, 239 (1989)(emphasis of the Court); *United States v. Polanco*, 145 F.3d 536, 541 (2d Cir. 1998); *United States v. Cianci*, 378 F.3d 71, 88 (1st Cir. 2004). Prior conviction of a predicate offense, however, is not required or even usual, *BancOklahoma Mortgage Corp. v. Capital Title Co.*, 194 F.3d 1089, 1102 (10th Cir. 1999); *cf., Sedima, S.P.R.L. v. Imrex Co., Inc.*, 473 U.S. 479, 488-93 (1985)(a private cause of action under RICO does not require the prior conviction of a defendant).

[79] *H.J., Inc. v. Northwestern Bell Telephone Co.,* 492 U.S. at 240, quoting 18 U.S.C. 3575(e); *United States v. Keltner*, 147 F3.d 662, 669 (8th Cir. 1998); *United States v. Torres*, 191 F.3d 799, 806 (7th Cir. 1999); *United States v. Bruno*, 383 F.3d 65, 83-4 (2d Cir. 2004).

[80] *H.J.,Inc. v. Northwestern Bell Tel.Co.*, 492 U.S. 229, 241 (1988)("continuity "is both a closed- and open-ended concept, referring either to a closed end period of repeated conduct, or to past conduct that by its nature projects into the future with a threat of repetition"); *First Capital Asset Management v. Satinwood, Inc.*, 358 F.3d 159, 180 (2d Cir. 2004); *Turner v. Cook*, 362 F.3d 1219, 1229 (9th Cir. 2004).

[81] *First Capital Asset Management v. Satinwood, Inc.*, 358 F.3d at 181-82 (2d Cir. 2004)(this Court has never found a closed-ended pattern where the predicate acts spanned fewer than two years"); *Primary Care Investors, Seven v. PHP Healthcare Corp.*, 986 F.2d 1208, 1215 (8th Cir. 1993)(holding predicate offenses over 10-11 months insufficient and citing cases finding several years sufficient but several periods of less than a year insufficient).

continuity (found where there is a threat of future predicate offenses) is nowhere near as time sensitive and is often found where the predicates consist of murder, drug dealing or other law-ignoring crimes or is part of the enterprise's regular way of doing business.[82]

The RICO conspiracy and accomplice branches of the law are notable for at least two reasons. RICO conspiracies are outlawed in a subsection of section 1962, 18 U.S.C. 1962(d), that imposes no overt act requirement. The crime is complete upon the agreement to commit a RICO offense.[83] Second, at least in some circuits, RICO accomplices are not subject to RICO tort liability.[84]

Money Laundering

Congress has enacted several statutes to deal with money laundering. It would be difficult for an illegal Internet gambling business to avoid either of two of the more prominent, 18 U.S.C. 1956 and 1957, both of which involve financial disposition of the proceeds of various state and federal crimes, including violation of 18 U.S.C. 1084 (Wire Act), 18 U.S.C. 1955 (illegal gambling business), 18 U.S.C. 1952 (Travel Act), or any state gambling law (if punishable by imprisonment for more than one year), 18 U.S.C. 1956(7)(A), 1957(f)(3), 1961(1). In fact, the courts have frequently upheld money laundering convictions predicated upon various gambling offenses.[85] The crimes under section 1956 are punishable by imprisonment

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[82] *United States v. Torres*, 191 F.3d 799, 808 (7th Cir. 1999)("As other courts of appeals have noted, in cases where the acts of the defendant or the enterprise were inherently unlawful, such as murder or obstruction of justice, and where in pursuit of inherently unlawful goals, such as narcotics trafficking or embezzlement, the courts generally have concluded that the requisite threat of continuity was adequately established by the nature of the activity, even though the period spanned by the racketeering activity was short"). Open ended continuity may also be found where the evidence suggests that only the intervention of law enforcement authorities closed down the enterprise, *United States v. Richardson*, 167 F.3d 621, 626-27 (D.C.Cir. 1999); *Jackson v. Bellsouth Telecommunications*, 372 F.3d 1250, 1267 (11th Cir. 2004); *United States v. Connolly*, 341 F.3d 16, 30 (1st Cir. 2003).

[83] *Salinas v. United States*, 522 U.S. 52, 63 (1997).

[84] *Rolo v. City Investing Co. Liquidating Trust*, 155 F.3d 644, 656-68 (3d Cir. 1998); *Jubelirer v. MasterCard International, Inc.*, 68 F.Supp. 1049, 1053-54 (D.Wis. 1999) (dismissing RICO claim against credit card company, bank and Internet casino on the grounds, among others, that there is no RICO civil liability for those who aid and abet a RICO violation); *In re MasterCard Internaitonal Inc., Internet Gambling Litigation*, 132 F.supp.2d 468, 493-95 (E.D.La. 2001)(same), *aff'd*, 313 F.3d 257 (5th Cir. 2002); *but see, American Automotive Accessories, Inc. v. Fishman*, 991 F.Supp. 987, 993 (N.D.Ill. 1998)("to be held liable as an aider and abettor, a person must in some sort associate himself with the venture, participate in it as something he wishes to bring about, and seek by his action to make it succeed")(noting that the Seventh Circuit has yet to "comment on the possibility of aiding and abetting liability in civil RICO actions"); *Simon v. Weaver*, 327 F.Supp.2d 258, 262 (S.D.N.Y. 2004)("In order to properly allege a claim for aiding and abetting [a RICO violation], plaintiffs must show . . .").

[85] *E.g.*, *United States v. Mick*, 263 F.3d 553 (6th Cir. 2001)(upholding convictions under 18 U.S.C. 1952, 1955, 1956, and 1957); *United States v. Ables*, 167 F.3d 1021 (6th Cir. 1999)(upholding convictions under 18 U.S.C. 1955, 1956, and 1957); *United States v. Hill*,

for not more than twenty years or a fine of the greater of not more than twice value of the property involved in the transaction or not more than $500,000, 18 U.S.C. 1956(a); those under section 1957 carry a prison term of not more than ten years or a fine of the greater of twice the amount involved in the offense or not more than $250,000 (not more than $500,000 for an organization), 18 U.S.C. 1957(b), 3571. Any property involved in a violation of either section is subject to the civil and criminal forfeiture provisions of 18 U.S.C. 981, 982.

Laundering the Proceeds

Section 1956 is really several distinct crimes: (1) laundering with intent to promote an illicit activity such as an unlawful gambling business; (2) laundering to evade taxes; (3) laundering to conceal or disguise; (4) structuring financial transactions (smurfing) to avoid reporting requirements; (5) international laundering; and (5) "laundering" conduct by those caught in a law enforcement sting.

Promotion. In its most basic form the promotion offense essentially involves plowing the proceeds of crime back into an illegal enterprise. Like most of the crimes under section 1956, the elements of the promotion offense begin with a financial transaction and the knowledge that the proceeds involved flow from a predicate offense like illegal gambling:

1. knowing
    A. that the property involved in a financial transaction,
    B. represents the proceeds of some form of unlawful activity,
2. A. conducts or
    B. attempts to conduct

such a financial transaction

3. which in fact involves the proceeds of specified unlawful activity (A)(i)
4. with the intent to promote the carrying on of specified unlawful activity.

(18 U.S.C. 1956(a)(1)(A)(i)).

The knowledge element is the subject to special definition which allows a conviction without the necessity of proving that the defendant know the exact particulars of the underlying offense or even its nature.[86] The "proceeds" may be

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167 F.3d 1055 (6th Cir. 1999)(same); *United States v. Owens*, 159 F.3d 221 (6th Cir. 1998) (upholding convictions under 18 U.S.C. 1952, 1955, and 1956); *United States v. Boyd*, 149 F.3d 1062 (10th Cir. 1998)(upholding convictions under 18 U.S.C. 1955 and 1956); *see also, United States v. Iacaboni*, 363 F.3d 1 (1st Cir. 2004)(affirming in part and reversing in part a lower court forfeiture decision based upon the defendant's plea to violations of 18 U.S.C. 1955 and 1956). For a more extensive discussion of section 1956 *see, Eighteenth Survey of White Collar Crime: Money Laundering*, 40 AMERICAN CRIMINAL LAW REVIEW 847 (2003); *Validity, Construction, and Application of 18 USCS §1956, Which Criminalizes Money Laundering*, 121 ALR FED 525 (1994 & 2004 Supp.).

[86] "The term 'knowing that the property involved in a financial transaction represents the proceeds of some form of unlawful activity' means that the person knew the property involved in the transaction represented proceeds from some form, though not necessarily which form, of activity that constitutes a felony under State, Federal, or foreign law, regardless of whether or not such activity is specified in paragraph (7)," 18 U.S.C.

tangible or intangible, *e.g.*, cash or debt, things of value or things with no intrinsic value, *e.g.*, checks written on depleted accounts.[87]

"Financial transaction" for purposes of section 1956 make take virtually any shape that involves the disposition of something represent the proceeds of an underlying crime,[88] including disposition as informal has handing cash over to someone else.[89]

The jurisdictional requirements of the section may be satisfied in two ways — with a transaction which affects commerce or with a financial institution whose activities affect commerce. In either case, the effect on interstate or foreign commerce need be no more than de minimis to satisfy the jurisdictional requirement.[90]

The "promotion" element of the offense can be satisfied by proof that the defendant used the proceeds to continue a pattern of criminal activity[91] or to enhance

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1956(c)(1); *United States v. Rivera-Rodriguez*, 318 F.3d 268, 271-72 (1st Cir. 2003); *United States v. Hill*, 167 F.3d 1055, 1065-68 (6th Cir. 1999).

[87] *United States v. Akintonbi*, 159 F.3d 401, 403 (9th Cir. 1998). There is some dispute over whether the term includes revenues, or only profits, or something in between, *United States v. Grasso*, 381 F.3d, 160, 166-69 (3d Cir. 2004)(citing cases reflecting conflicting views).

[88] "The term 'financial transaction' means (A) a transaction which in any way or degree affects interstate or foreign commerce (i) involving the movement of funds by wire or other means or (ii) involving one or more monetary instruments, or (iii) involving the transfer of title to any real property, vehicle, vessel, or aircraft, or (B) a transaction involving the use of a financial institution which is engaged in, or the activities of which affect, interstate or foreign commerce in any way or degree," 18 U.S.C. 1956(c)(4).

"The term 'transaction' includes a purchase, sale, loan, pledge, gift, transfer, delivery, or other disposition, and with respect to a financial institution includes a deposit, withdrawal, transfer between accounts, exchange of currency, loan, extension of credit, purchase or sale of any stock, bond, certificate of deposit, or other monetary instrument, use of a safe deposit box, or any other payment, transfer, or delivery by, through, or to a financial institution, by whatever means effected," 18 U.S.C. 1956(c)(3).

[89] *United States v. Gough*, 152 F.3d 1172, 1173 (9th Cir. 1998); *United States v. Garcia Abrego*, 141 F.3d 142, 160 (5th Cir. 1998); *United States v. Roy*, 375 F.3d 21, 23-4 (1st Cir. 2004)(exchange between individuals of $100 bills for currency of smaller denominations to facilitate drug trafficking).

[90] *United States v. Ables*, 167 F.3d 1021, 1029 (6th Cir. 1999); *United States v. Owens*, 167 F.3d 739, 755 (1st Cir. 1999); *United States v. Bollin*, 264 F.3d 391, 408 (4th Cir. 2001); *United States v. Sabbeth*, 262 F.3d 207, 218-19 (2d Cir. 2001).

[91] *United States v. Masten*, 170 F.3d 790, 797-98 (7th Cir. 1999)(payments to early victims of a pyramid scheme kept the scheme alive and enabled the defendant to ensnare subsequent victims); *United States v. Parker*, 364 F.3d 934, 947-50 (8th Cir. 2004)(payment for surplus instrumental as part of an ongoing fraud); *United States v. Miles*, 360 F.3d 472, 478 (5th Cir. 2004)(adding the observation that when an enterprise is as a whole illegitimate even otherwise ordinary and lawful expenditures may support a promotion money laundering charge).

the prospect of future criminal activity.[92]

Concealment. The "concealment" offense shares several common elements with the other offenses in section 1956.[93] The courts have made it clear that conviction for the concealment offense requires proof of something more than simply spending the proceedings of a predicate offense.[94] That having been said, the line between innocent spending and criminal laundering is not always easily discerned. "Evidence that may be considered when determining whether a transaction was designed to conceal includes: [deceptive] statements by a defendant probative of intent to conceal; unusual secrecy surrounding the transactions; structuring the transaction to avoid attention; depositing illegal profits in the bank account of a legitimate business; highly irregular features of the transaction; using third parties to conceal the real owner; a series of unusual financial moves cumulating in the transaction; and expert testimony on practices of criminals."[95]

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[92] *United States v. King*, 169 F.3d 1035, 1040 (6th Cir. 1999)(drug dealer's payment for past shipments preserved the defendant's opportunity to acquire additional shipments); *United States v. Williamson*, 339 F.3d 1295, 1302 (11th Cir. 2003).

[93] Concealment occurs when anyone:

1. knowing
A. that the property involved in a financial transaction
B. represents the proceeds of some form of unlawful activity,
2. A. conducts or
B. attempts to conduct
such a financial transaction
3. which in fact involves the proceeds of specified unlawful activity (A)(i)
4. knowing that the transaction is designed in whole or in part
to conceal or disguise the nature, location, the source, the ownership, or the control of the proceed of specified unlawful activity. 18 U.S.C. 1956(a)(1)(B)(i) (common elements in italics); *United States v. Frank*, 354 F.3d 910, 919 (8th Cir. 2004)("The money-laundering statute required the government to prove that each of the defendants conducted or attempted to conduct a financial transaction, knowing that the property involved in the transaction represented the proceeds of unlawful activity, and knowing the transaction was designed to conceal or disguise the nature, location, source, ownership, or control of the proceeds of the unlawful activity").

[94] *United States v. Anderson*, 189 F.3d 1201, 1209 (10th Cir. 1999); *United States v. Stephenson*, 183 F.3d 110, 121 (2d Cir. 1999).

[95] *United States v. Burns*, 162 F.3d 840, 848-49 (5th Cir. 1998), quoting, *United States v. Garcia-Emanuel*, 14 F.3d 1469, 1475-476 (10th Cir. 1994).

Tax evasion, smurfing and international laundering. The tax evasion[96] and structured transactions ("smurfing") offenses[97] shadow the promotion and concealment offenses. A tax evasion, laundering prosecution requires the government to show that the defendant acted intentionally rather than inadvertently, but not that the defendant knew that his conduct violated the tax laws.[98] Similarly, conviction for the smurfing offense does not require a showing that the defendant knew that his conduct was criminal as long as the government establishes that the defendant acted with the intent to frustrate a reporting requirement.[99] The international laundering crime replicates the elements of the promotion, concealment and smurfing offenses (but not the tax evasion offense) and adds an international transportation element.[100] Of course, the proof the transportation element alone is

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[96] "*1. knowing*
A. that the property involved in a financial transaction
B. represents the proceeds of some form of unlawful activity,
2. A. conducts or
B. attempts to conduct
such a financial transaction
3. which in fact involves the proceeds of specified unlawful activity (A)(i)
4. with intent to engage in conduct constituting a violation of section 7201 or 7206 of the Internal Revenue Code of 1986," 18 U.S.C. 1956(a)(1)(A)(ii)(elements in common with the promotion offense in italics).

[97] *1. knowing*
A. that the property involved in a financial transaction
B. represents the proceeds of some form of unlawful activity,
2. A. conducts or
B. attempts to conduct
such a financial transaction
3. which in fact involves the proceeds of specified unlawful activity (A)(i)
4. knowing that the transaction is designed in whole or in part to avoid a transaction reporting requirement under State or Federal law", 18 U.S.C. 1956(a)(1)(B)(ii)(elements shared with the concealment offense in italics).

[98] *United States v. Zanghi*, 189 F.3d 71, 77-8 (1st Cir. 1999).

[99] *United States v. Hill*, 167 F.3d 1055, 1070 (6th Cir. 1999); *United States v. Morales*, 108 F.3d 1213, 1221 (10th Cir. 1997); *United States v. Bowman*, 235 F.3d 1113, 1117-119 (8th Cir. 2000).

[100] The prohibition applies to anyone who:
1. A. transports,
B. transmits, or
C. transfers, or
D. attempts to transport, transmit, or transfer
2. a monetary instrument or funds
3. from a place in the United States to or through a place outside the United States or to a place in the United States from or through a place outside the United States
A. with the intent to promote the carrying on of specified unlawful activity; or
B. knowing that the monetary instrument or funds involved in the transportation, transmission, or transfer represent the proceeds of some form of unlawful activity and knowing that such transportation, transmission, or transfer is designed in whole or in part
i. to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity; or

insufficient without the evidence of an intent to promote, conceal or smurf.[101]

The final crime found in section 1956 is a "sting" offense, the proscription drafted to permit the prosecution of money launderers taken in by under cover officers claiming have proceeds in need of cleansing from illegal gambling or other predicate offenses.

Spending the Proceeds. Section 1956 does not make spending tainted money a crime, but section 1957 does. Using most of the same definitions as section 1956, the elements of 1957 cover anyone who:

1. A. in the United States,
   B. in the special maritime or territorial jurisdiction of the United States, or
   C. outside the United States if the defendant is an American,
2. knowingly
3. A. engages or
   B. attempts to engage in
4. a monetary transaction[102]
5. [in or affecting interstate commerce]
6. in criminally derived property that

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ii. to avoid a transaction reporting requirement under State or Federal law. 18 U.S.C. 1956(a)(2); *United States v. Bieganowski*, 313 F.3d 264, 279 (5th Cir. 2002)("An offense under section 1956(a)(2)(B)(i) is almost identical [to an offense under section 1956(a)(1)(B)(i)], with the exception that the transaction in question must be from a place in the United States to a place outside the United States"); *United States v. Caplinger*, 339 F.3d 226, 232-33 (4th Cir. 2003)(citing authority under the domestic provisions of section 1956(a)(1) in its construction of the international provisions of section 1956(a)(2)).

[101] *United States v. Pitt*, 193 F.3d 751, 762 (3d Cir. 1999).

[102] "[T]he term 'monetary transaction' means the deposit, withdrawal, transfer, or exchange, in or affecting interstate or foreign commerce, of funds or a monetary instrument (as defined in section 1956(c)(5) of this title)* by, through, or to a financial institution (as defined in section 1956 of this title),** including any transaction that would be a financial transaction under section 1956(c)(4)(B) of this title,*** but such term does not include any transaction necessary to preserve a person's right to representation as guaranteed by the sixth amendment to the Constitution," 18 U.S.C. 1957(f)(1).

* "[T]he term 'monetary instruments' means (i) coin or currency of the United States or of any other country, travelers' checks, personal checks, bank checks, and money orders, or (ii) investment securities or negotiable instruments, in bearer form or otherwise in such form that title thereto passes upon delivery," 18 U.S.C. 1956(c)(5).

** "[T]he term 'financial institution' has the definition given that term in section 5312(a)(2) of title 31, United States Code, or the regulations promulgated thereunder," 18 U.S.C. 1956(c)(6). The title 31 definition quoted, *supra*, includes banks, car dealers, jewelers, real estate agents, brick and mortar casinos and most other institutions likely to be involved in a transaction involve more than $10,000.

*** "[T]he term 'financial transaction' means . . . (B) a transaction involving the use of a financial institution which is engaged in, or the activities of which affect, interstate or foreign commerce in any way or degree," 18 U.S.C. 1956(c)(4)(B).

A. is of a greater value than $10,000 and
B. is derived from specified unlawful activity. 18 U.S.C. 1957(a),(d),(f).

The government's jurisdictional burden is the same one it must bear for section 1956 and therefore is minimal.[103] The knowledge requirement receives similar treatment. Thus, the government must prove that the defendant knew the monetary instrument came from some criminal activity,[104] but not that the defendant knew that the underlying crime was a money laundering predicate.[105]

Constitutional Considerations

There have been suggestions that prosecution of illegal Internet gambling raises various constitutional issues. Principal among these are questions as to legislative power under the Commerce Clause, restrictions imposed by the First Amendment's guarantee of free speech, and due process concerns about the regulation of activities occurring at least in part overseas.

Commerce Clause

Congress possesses no legislative power that cannot be traced to the Constitution, U.S.Const. Amends. IX, X. Among its Constitutionally enumerated powers, Congress enjoys the authority "To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes . . . [and] To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers . . . ." U.S.Const. Art. I, §8, cls.3, 18. Over the years, the Supreme Court regularly confirmed the enormous breath of Congress's legislative prerogatives under the Commerce Clause. Within the last decade, however, it has announced a series of decisions pointed out that Congress' Commerce power is not without limit.

United States v. Lopez, 514 U.S. 549 (1995), and *United States v. Morrison*, are perhaps the best know of these. *Lopez* held that the Congress lacked the authority under the Commerce Clause to enact the Gun-Free School Zones Act, 18 U.S.C. 922(q)(1988 ed., Supp. II), which outlawed possession of a firearm within 1000 feet of a school, 514 U.S. at 551. In doing so, *Lopez* mapped Congress' Commerce Clause powers:

> First, Congress may regulate the use of the channels of interstate commerce. . . . *Heart of Atlanta Motel,* [*Inc. v. United States*, 379 U.S. 241, 256 (1964)]("`[T]he authority of Congress to keep the channels of interstate

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[103] *United States v. Ables*, 167 F.3d 1021, 1030-31 (6th Cir. 1999).

[104] *United States v. Diamond*, 378 F.3d 720, 728 (7th Cir. 2004)("In order to find Diamond guilty of this offense [under section 1957], the government needed to prove that she derived property from a specified unlawful activity and that she engaged in a monetary transaction").

[105] "In a prosecution for an offense under this section, the Government is not required to prove the defendant knew that the offense from which the criminally deprived property was derived was specified unlawful activity," 18 U.S.C. 1957(c); *United States v. Hawkey*, 148 F.3d 920, 925 (8th Cir. 1998); *United States v. Carucci*, 364 F.3d 339, 343 (1st Cir. 2004).

> commerce free from immoral and injurious uses has been frequently sustained and is no longer open to question.'").
>
> Second, Congress is empowered to regulate and protect the instrumentalities of interstate commerce, or persons or things in interstate commerce, even through the threat may come only from intrastate activities. See. *e.g.*, . . . *Perez [v. United States*, 402 U.S. 146, 150 (1971)] ("[F]or example, the destruction of an aircraft (18 U.S.C. §32), or . . . thefts from interstate shipments (18 U.S.C. §659").
>
> Finally, Congress' commerce authority includes the power to regulate those activities having a substantial relation to interstate commerce, *i.e.*, those activities that substantially affect interstate commerce. 514 U.S. at 558-59 (several citations of the Court omitted).

Since the School Zone Act addressed neither the channels nor the content of commerce, it had to find coverage under the power to regulate matters that "substantially affect" interstate or foreign commerce. This it could not do. It was devoid of any economic component and so could claim no kinship to earlier cases approving Congressional regulation of various forms of intrastate economic activity that substantially affected interstate commerce, such as, "regulation of intrastate coal mining, intrastate extortionate credit transactions [loan sharking], restaurants utilizing substantial interstate supplies, inns and hotels catering to interstate guests, and production and consumption of homegrown wheat," 514 U.S. at 559-60.

Moreover, the Act lacked the kind of explicit restraints or guidelines that might have confined its application to instances more clearly within the Commerce power. Its criminal proscription contained no "commerce" element; it did not, for example, outlaw possession of a firearm, *which had been transported in interstate commerce*, within 1000 feet of a school. Its enactment occurred without the accompaniment of legislative findings or declarations of purpose that might have guided appropriate enforcement limitations. The Act's overreaching was all the more troubling because it sought to bring federal regulation to school activities, an area where the states "historically have been sovereign."[106]

Morrison echoed *Lopez*, quoting it extensively in the course of an opinion that found that the Commerce Clause did not empower Congress to create a federal civil remedy for the victims of gender-motivated violence, 529 U.S. at 607-19. Other opinions confirm that the Commerce Clause must be read in light of the principles of federalism reflected in the Tenth Amendment. The Clause does not empower Congress to compel the states to exercise their sovereign legislative or executive powers to implement a federal regulatory scheme.[107]

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[106] 514 U.S. at 64; 514 U.S. at 83 (Kennedy & O'Connor, JJ., concurring)("The statute now before us forecloses the States from experimenting and exercising their own judgment in an area to which States lay claim by right of history and expertise, and it does so by regulating an activity beyond the realm of commerce in the ordinary and usual sense of that term").

[107] *New York v. United States*, 505 U.S. 144, 188 (1992)("The Federal Government may not compel the States to enact or administer a federal regulatory program"); *Printz v. United States*, 521 U.S. 898, 935 (1997)("The Federal Government may neither issue directives requiring the states to address particular problems, nor command the States' officers, or

These limitations, notwithstanding, the federal appellate courts have concluded, thus far, that the federal gambling statutes, directed as they are against an economic activity, come safely within Congress' legislative authority under the Commerce Clause.[108]

First Amendment

Gambling implicates First Amendment free speech concerns on two levels. Gambling is communicative by nature. Gambling also relies on advertising and a wide range of auxiliary communication services. Historically, gambling itself has been considered a vice and consequently beyond the protection of the First Amendment. There is every reason to believe that illegal gambling remains beyond the shield of the First Amendment. Gone, however, is the notion that the power to outlaw a vice includes the power to outlaw auxiliary speech when the underlying vice remains unregulated.[109] The Supreme Court made this readily apparent when it approved an advertising ban on gambling illegal at the point of broadcast,[110] but invalidated an advertising ban on gambling lawful at the point of broadcast[111]

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those of their political subdivisions, to administer or enforce a federal regulatory program"). This does not mean that the states are beyond federal regulation when they engage in interstate, or interstate-impacting, commercial activity, *Reno v. Condon*, 528 U.S. 141, 148-51 (2000).

[108] *United States v. Lee*, 173 F.3d 809, 810-11 (11th Cir. 1999)(18 U.S.C. 1955) (limiting proscriptions to gambling *businesses* provides the nexus to interstate commerce impact); *United States v. Zizzo*, 120 F.3d 1338, 1350 (7th Cir. 1997) (same); *United States v. Wall*, 92 F.3d 1444, 1449 (6th Cir. 1996) (same); *United States v. Riddle*, 249 F.3d 529, 537 (6th Cir. 2001)(18 U.S.C. 1955, 1962)(conduct of a commercial activity, a gambling business, precludes a successful *Lopez* challenge); *United States v. Boyd*, 149 F.3d 1062, 1065-66 (10th Cir. 1998)(18 U.S.C. 1955) (the statute regulates a commercial activity (gambling), comes with Congressional findings concerning the activity's impact on interstate commerce, and contains elements that weed out run of the mill, low level gambling cases — all factors absent in *Lopez*).

[109] *Greater New Orleans Broadcasting Ass'n, Inc. v. United States*, 527 U. S. at 182 noting that *44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484 (1996), "rejected the argument that the power to restrict speech about certain socially harmful activities was as broad as the power to prohibit such conduct."

[110] *United States v. Edge Broadcasting Co.* 509 U.S. 418 (1993).

[111] *Greater New Orleans Broadcasting Ass'n, Inc. v. United States*, 527 U.S. 173 (1999). *Greater New Orleans* adopted the *Central Hudson* test, quoted above in part, "At the outset, we must determine whether the expression is protected by the First Amendment. For commercial speech to come within that provision, it at least must concern lawful activity and not be misleading. Next, we ask whether the asserted governmental interest is substantial. If both inquiries yield positive answers, we must determine whether the regulation directly advances the governmental interest asserted, and whether it is not more extensive than is necessary to serve that interest," *Greater New Orleans Broadcasting Ass'n, Inc. v. United States*, 527 U.S. at 183.

Although the Court's decisions acknowledges the ambivalence of American gambling policies,[112] they do not appear to threaten the basic premise that the First Amendment permits Congress to outlaw gambling in any form and to ban any speech incidental to illegal gambling.

Due Process

Commentators have suggested two possible due process issues triggered by application of federal criminal law to off shore Internet gambling. They point to the due process limitations on the exercise of personal jurisdiction over the defendant or subject matter jurisdiction over the gambling activity.[113]

Personal jurisdiction. Questions of personal jurisdiction are the more familiar of the two. They revolve around issues, often addressed in civil cases, concerning the reach of a state's long arm statute. The Supreme Court has explained that:

> The Due Process Clause protects an individual's liberty interest in not being subject to the binding judgments of a forum with which he has established no meaningful 'contacts, ties, or relations.' *International Shoe Co. v. Washington*, 326 U.S. [310], at 319. By requiring that individuals have fair warning that a particular activity may subject them to the jurisdiction of a foreign sovereign, the Due Process Clause gives a degree of predictability to the legal system that allows potential defendants to structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit,' *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980) . . . .
>
> [T]he constitutional touchstone remains whether the defendant purposefully established minimum contacts in the forum State. Although it has been argued that foreseeability of causing injury in another State should be sufficient to establish such contacts there when policy considerations so require, the Court has consistently held that this kind of foreseeability is not a sufficient benchmark for exercising personal jurisdiction. Instead, the foreseeability that is critical to due process analysis . . . is that the defendant's conduct and connection with the forum State are such that he should reasonably anticipate being haled into court there. *Burger King Corp. v. Rudzewicz*, 472 U.S. 462, 471-74 (1985)(some internal quotation marks and citations omitted).

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[112] "The operation of [18 U.S.C.] 1304 and its attendant regulatory regime is so pierced by exemptions and inconsistencies that the Government cannot hope to exonerate it," 527 U.S. at 190.

[113] Schwartz, *The Internet Gambling Fallacy Craps Out*, 14 BERKELEY TECHNOLOGY LAW JOURNAL 1021, 1039-46 (1999); *Do Not Bet on Unilateral Prohibition of Internet Gambling to Eliminate Cyber-Casinos*, 1999 UNIVERSITY OF ILLINOIS LAW REVIEW 1045, 1062-65; Keller, *The Game's the Same: Why Gambling in Cyberspace Violates Federal Law*, 108 YALE LAW JOURNAL 1569, 1596-1602 (1999); *World Wide Wager: The Feasibility of Internet Gambling Regulation*, 8 SETON HALL CONSTITUTIONAL LAW JOURNAL 815, 827-48 (1998).

The federal appellate courts, called upon to apply these principles in Internet commercial litigation, have concluded that suing nonresident parties doing business on the Internet where their customers are found does not offend due process requirements. Yet, more than a passive Internet site is required; the critical test is the level of commercial activity associated with the website.[114]

Subject matter jurisdiction. Subject matter, although raised less often, is closely related. It involves the question of when, in fairness, nonresidents can be bound by local law for conduct they committed elsewhere. Due process aside, the overseas application of federal criminal law applies overseas is a matter of Congressional choice rather than constitutional requirement.[115] Sometimes Congress has said when a statute is to apply abroad, the money launder statutes for example, 18 U.S.C. 1956(f), 1957(d).[116] Where Congress enacts a statute in the exercise of authority to regulate foreign commerce, it may be applied to those aspects of the foreign commerce of the United States that occur overseas, for example, gambling involving this country and any other.[117] Even where a statute itself is silent as to overseas application, under some circumstances the courts will assume Congress intended the law to have extraterritorial application.[118]

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[114] *Gator.Com Corp. v. L.L.Bean, Inc.*, 341 F.3d 1072, 1081 (9th Cir. 2003); *Carefirst of Maryland, Inc. v. Carefirst Pregnancy Centers, Inc.*, 334 F.3d 390, 398-99 (4th Cir. 2003); *Soma Medical International v. Standard Chartered Bank*, 196 F.3d 1292, 1296 (10th Cir. 1999); *Mink v. AAAA Development LLC*, 190 F.3d 333, 336-37 (5th Cir. 1999); *Alitalia-Linee Aeree Italiane v. Casinoalitalia.Com.*, 128 F.Supp.2d 340, 349-50 (E.D.Va. 2001); *see also, State v. Granite Gate Resorts, Inc.*, 568 N.W.2d 715, 718 (Minn.App. 1997), *aff'd*, 576 N.W.2d 747 (Minn. 1998).

[115] *United States v. Yousef*, 327 F.3d 56, 86 (2d Cir. 2003); *United States v. Neil*, 312 F.3d 419, 421 (9th Cir. 2002); cf., *EEOC v. Arabian American Oil Co.*, 499 U.S. 244, 248 (1991); but see, *United States v. Columba-Colella*, 604 F.2d 3546, 360 (5th Cir. 1979).

[116] "There is extraterritorial jurisdiction over the conduct prohibited by this section if – (1) the conduct is by a United States citizen or, in the case of a non-United States citizen, the conduct occurs in part in the United States; and (2) the transaction or series of related transactions involves funds or monetary instruments of a value exceeding $10,000," 18 U.S.C. 1956(f); section 1957 establishes extraterritorial jurisdiction when "the offense under this section takes place outside the United States and such special jurisdiction, but the defendant is a United States person (as defined in section 3077 of this title, but excluding the class described in paragraph (2)(D) of such section)."

[117] *United States v. Ross*, 1999 WL 782749 (S.D.N.Y. Sept. 16, 1999)(refusal to dismiss an indictment charging violations of 18 U.S.C. 1084 arising out of operation of an Internet gambling operation centered in Curacao but accepting wagers from the United States).

[118] *United States v. Bowman*, 260 U.S. 74 (1922); *United States v. Ford*, 273 U.S. 593 (1927). To do so, the courts must overcome the natural assumption that a nation's laws apply within and only within its boundaries and that the laws of no other nation apply there. To determine if Congress enacted a particular statute with a contrary intent, the courts will look to the purpose for the statute, the language used in it, and whether international law provides a principle that will support extraterritorial application. For a more extensive discussion see, *Extraterritorial Application of American Criminal Law*, CRS REP. No. 94-166 (Sept. 2, 2002).

The authority of Congress to establish extraterritorial jurisdiction is limited by due process,[119] but only a few lower court cases have attempted to explain the boundaries. Those cases suggest that due process insists that the offshore application of federal criminal law be limited to those instances where there is some nexus to the United States, some factor to alert an individual overseas of the need to avoid the conduct condemned in our law.[120]

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[119] *United States v. Yousef*, 327 F.3d 56, 111 (2d Cir. 2003); *United States v. Medjuck*, 48 F.3d 1107, 1110-111 (9th Cir. 1995); *United States v. Martinez-Hidalgo*, 993 F.2d 1052, 1056 (3d Cir. 1993); *United States v. Robinson*, 843 F.2d 1, 6-7 (1st Cir. 1998); *United States v. Columba-Corella*, 604 F.2d 356, 358-61 (5th Cir. 1979).

[120] *United States v. Davis*, 905 F.2d 245, 249 n.2 (9th Cir. 1990) ("International law principles may be useful as a rough guide of whether a sufficient nexus exists between the defendant and the United States so that application of the statute in question would not violate due process"). Whether notice is sufficient and how much process is due will depend upon the circumstances of a given case, *United States v. Martinez-Hidalgo*, 993 F.2d 1052, 1056-57 (3d Cir. 1993) (noting that the prosecution of universally condemned conduct does not offend due process even in absence of a nexus to the United States); *United States v. Juda*, 46 F.3d 961, 966-67 (9th Cir. 1995)(due process does not require proof of a nexus to the United States for misconduct committed aboard a "stateless" vessel since by failing to claim registry under the laws of a specific country the vessel is known under international law to have subjected itself to the laws of every nation); *United States v. Suerte*, 291 F.3d 366, 370-71 (5th Cir. 2002)(due process does not require a nexus between a foreign citizen and the United States when the misconduct has occurred aboard a vessel whose nation of registry as consented to the application of U.S. law).

Appendices

I. State Anti-Gambling Laws: Citations

ALA.CODE §§13A-12-20 to 13A-12-92;
ALASKA STAT. §§11.66.200 to 11.66.280;
ARIZ. REV.STAT.ANN. §§13-3301 to 13-3312;
ARK.CODE ANN. §§5-66-101 to 5-66-119;
CAL.PENAL CODE §§319 to 337z;

COLO.REV.STAT.ANN. §§18-10-101 to 18-10-108;
CONN.GEN.STAT.ANN. §§53-278a to 53-278g;
DEL.CODE ANN. tit.11 §§1410 to 1432;
FLA.STAT.ANN. §§849.01 to 849.46;
GA.CODE ANN. §§16-12-20 to 16-12-62;

HAW.REV.STAT. §§712-1220 to 712-1231;
IDAHO CODE §§18-3801 to 18-3810;
ILL.COMP.LAWS ANN. ch.720 §§5/28-1 to 5/28-9;
IND.CODE ANN. §§35-45-5-1 to 35-45-5-10;
IOWA CODE ANN. §§727.5 to 725.16;

KAN.STAT.ANN. §21-4302 to 21-4308;
KY.REV.STAT.ANN. §§528.010 to 528.120;
LA.REV.STAT.ANN. §§14:90 to 14:90.4;
ME.REV.STAT.ANN. tit.17-A §§951 to 961;
MD.CRIM.CODE ANN. §§12-101 to 12-307;

MASS.GEN.LAWS ANN. ch.271 §§1 to 50;
MICH.COMP.LAWS ANN. §§750.301 to 750.315a, 759.330 to 750.331, 750.372 to 750.376a;
MINN.STAT.ANN. §§609.75 to 609.763.
MISS.CODE ANN.§§97-33-1 to 97-33-49;
MO.ANN.STAT. §§572.010 to 572.125;

MONT.CODE ANN. §§23-5-110 to 23-5-810;
NEB.REV.STAT. §§28-1101 to 28-1117;
NEV.REV.STAT. §§462.250 to 462.330;
N.H.REV.STAT.ANN. §§647:1 to 647:2;
N.J.STAT.ANN. §§2C:37-1 to 2C:37-9;

N.M.STAT.ANN. §§30-19-1 to 30-19-7.2;
N.Y.PENAL LAW §§225.00 to 225.40;
N.C.GEN.STAT. §§14-289 to 14-309.20;
N.D.CENT.CODE §§12.1-28-01 to 12.1-28-02;
OHIO REV.CODE ANN. §§2915.01 to 2915.13;

OKLA.STAT.ANN. tit.21 §§941 to 996.3;
ORE.REV.STAT. §§167.108 to 167.167;
PA.STAT.ANN. tit.18 §§5512 to 5514;
R.I.GEN.LAWS §§11-19-1 to 11-19-45; 11-51-1 to 11-51-2;
S.C.CODE ANN. §§16-19-10 to 16-19-160;

S.D.COD.LAWS ANN. §§22-25-1 to 22-25-51; 22-25A-1 to 22-25A-15;
TENN.CODE ANN. §§39-17-501 to 39-17-610;
TEX.PENAL CODE ANN. arts. 47.01 to 47.10;
UTAH CODE ANN. §§76-10-1101 to 76-10-1109;
VT.STAT.ANN. tit.13 §§2101 to 2177;

VA.CODE ANN. §§18.2-325 to 18.2-340.38;
WASH.REV.CODE ANN. §§9.46.10 to 9.46.903;
W.VA.CODE §§61-10-1 to 61-10-31;
WIS.STAT.ANN. §§945.01 to 945.13;
WYO.STAT. §§6-7-101 to 6-7-104.

II. Federal Anti-Gambling Laws: Citations

8 U.S.C. 1101(a)(43)(D),(J)(definition of aggravated felony (grounds for deportation of an alien) includes violations of 18 U.S.C. 1956 & 1957 (money laundering) and 18 U.S.C. 1084(interstate transmission of gambling information), 1955 (gambling business), 1962 (RICO))
8 U.S.C. 1101(f)(4),(5)(no one whose income is derived from gambling and no one with 2 or more gambling convictions can be consider of good moral character)(grounds to deny entry into the U.S.)
8 U.S.C. 1182(a)(2)(D)(iii)(excludable aliens include those coming to the U.S. to engage in commercialized vice)(grounds for denying entry and for deportation of aliens who were excludable at the time of entry)

12 U.S.C. 25a (national banks may not participate in lotteries or related activities)
12 U.S.C. 339 (state member banks (members of Federal Reserve) may not participate in lotteries or related activities)
12 U.S.C. 1463 (federal savings associations may not participate in lotteries or related activities)
12 U.S.C. 1829a (state nonmember but federally insured banks may not participate in lotteries or related activities)

15 U.S.C. 1171 to 1178 (unlawful interstate or international transportation of gambling devices)
15 U.S.C. 3001 to 3007 (Interstate Horseracing Act)

18 U.S.C. 224 (bribery with intent to influence the outcome of a sporting event)
18 U.S.C. 1081 to 1083 (gambling ships)
18 U.S.C. 1084 (interstate or international transmission of wagering information)
18 U.S.C. 1301 (interstate or international transportation of lottery tickets)
18 U.S.C. 1302 (mailing lottery tickets or related matter)

18 U.S.C. 1303 (postal officials acting as lottery agents)
18 U.S.C. 1304 (broadcasting lottery information)
18 U.S.C. 1305 (fishing contests exempted)
18 U.S.C. 1306 (penalties for violating 12 U.S.C. 25a, 339, and 1829a)
18 U.S.C. 1307 (exemptions for state-run lotteries)
18 U.S.C. 1511 (obstructing state or local law enforcement officials to facilitate an illegal gambling business)

18 U.S.C. 1952 (interstate or foreign travel or use of the mails to facilitate illegal activities defined to include business enterprises involving gambling)
18 U.S.C. 1953 (interstate or foreign transportation of wagering paraphernalia)
18 U.S.C. 1955 (engaging in an illegal gambling business)
18 U.S.C. 1956 (money laundering of funds associated with any of a list of predicate offenses which includes), by way of 18 U.S.C. 1961, 18 U.S.C. 1955)

18 U.S.C. 1957 (engaging in financial transactions involving funds derived from any of the crimes in the money laundering predicate list, e.g., 18 U.S.C. 1955)
18 U.S.C. 1959 (violent crimes in aid of racketeering defined to include 18 U.S.C. 1955, again by way of 18 U.S.C. 1961)
18 U.S.C. 1961-1965 (racketeer influenced and corrupt organizations (RICO) prohibits patterned use of predicate crimes to acquire or operate an enterprise affecting interstate or foreign commerce; predicate crime list includes 18 U.S.C. 1955)
19 U.S.C. 1305 (prohibits the importation of lottery tickets or advertisements for lotteries, inter alia)

25 U.S.C. 2701 to 2721 (regulation of Indian gaming)
26 U.S.C. 4401 to 4405 (federal taxes on wagers)
26 U.S.C. 4411 to 4424 (gambling occupation tax)
26 U.S.C. 5723 (tobacco products manufactured in or imported into the U.S. may not include lottery tickets)
28 U.S.C. 3701 to 3704 (protection of professional and amateur sports from gambling)
39 U.S.C. 3005 (restrictions on mailing lottery-related)

III. Selected Federal Anti-Gambling Laws: Text

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.

18 U.S.C. 1955. Prohibition of illegal gambling businesses

(a) Whoever conducts, finances, manages, supervises, directs, or owns all or part of an illegal gambling business shall be fined under this title 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.

(2) "gambling" includes but is not limited to pool-selling, bookmaking, maintaining slot machines, roulette wheels or dice tables, and conducting lotteries, policy, bolita or numbers games, or selling chances therein.

(3) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

(c) If five or more persons conduct, finance, manage, supervise, direct, or own all or part of a gambling business and such business operates for two or more successive days, then, for the purpose of obtaining warrants for arrests, interceptions, and other searches and seizures, probable cause that the business receives gross revenue in excess of $2,000 in any single day shall be deemed to have been established.

(d) Any property, including money, used in violation of the provisions of this section may be seized and forfeited to the United States. All provisions of law relating to the seizure, summary, and judicial forfeiture procedures, and condemnation of vessels, vehicles, merchandise, and baggage for violation of the customs laws; the disposition of such vessels, vehicles, merchandise, and baggage or the proceeds from such sale; the remission or mitigation of such forfeitures; and the compromise of claims and the award of compensation to informers in respect of such forfeitures shall apply to seizures and forfeitures incurred or alleged to have been incurred under the provisions of this section, insofar as applicable and not inconsistent with such provisions. Such duties as are imposed upon the collector of customs or any other person in respect to the seizure and forfeiture of vessels, vehicles, merchandise, and baggage under the customs laws shall be performed with respect to seizures and forfeitures of property used or intended for use in violation of this section by such officers, agents, or other persons as may be designated for that purpose by the Attorney General.

(e) This section shall not apply to any bingo game, lottery, or similar game of chance conducted by an organization exempt from tax under paragraph (3) of subsection (c) of section 501 of the Internal Revenue Code of 1954, as amended, if no part of the gross receipts derived from such activity inures to the benefit of any private shareholder, member, or employee of such organization except as compensation for actual expenses incurred by him in the conduct of such activity.

18 U.S.C. 1952. Interstate and foreign travel or transportation in aid of racketeering enterprises

(a) Whoever travels in interstate or foreign commerce or uses the mail or any facility in interstate or foreign commerce, with intent to–

(1) distribute the proceeds of any unlawful activity; or

(2) commit any crime of violence to further any unlawful activity; or

(3) otherwise promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on, of any unlawful activity,

and thereafter performs or attempts to perform–

(A) an act described in paragraph (1) or (3) shall be fined under this title, imprisoned not more than 5 years, or both; or

(B) an act described in paragraph (2) shall be fined under this title, imprisoned for not more than 20 years, or both, and if death results shall be imprisoned for any term of years or for life.

(b) As used in this section (i) "unlawful activity" means (1) any business enterprise involving gambling, liquor on which the Federal excise tax has not been paid, narcotics or controlled substances (as defined in section 102(6) of the Controlled Substances Act), or prostitution offenses in violation of the laws of the State in which they are committed or of the United States, (2) extortion, bribery, or arson in violation of the laws of the State in which committed or of the United States, or (3) any act which is indictable under subchapter II of chapter 53 of title 31, United States Code, or under section 1956 or 1957 of this title and (ii) the term "State" includes a State of the United States, the District of Columbia, and any commonwealth, territory, or possession of the United States.

(c) Investigations of violations under this section involving liquor shall be conducted under the supervision of the Attorney General.

18 U.S.C. 1962. Prohibited activities

(a) It shall be unlawful for any person who has received any income derived, directly or indirectly, from a pattern of racketeering activity or through collection of an unlawful debt in which such person has participated as a principal within the meaning of section 2, title 18, United States Code, to use or invest, directly or indirectly, any part of such income, or the proceeds of such income, in acquisition of any interest in, or the establishment or operation of, any enterprise which is engaged in, or the activities of which affect, interstate or foreign commerce. A purchase of securities on the open market for purposes of investment, and without the intention of controlling or participating in the control of the issuer, or of assisting another to do so, shall not be unlawful under this subsection if the securities of the issuer held by the purchaser, the members of his immediate family, and his or their accomplices in any pattern or racketeering activity or the collection of an unlawful debt after such purchase do not amount in the aggregate to one percent of the outstanding securities of any one class, and do not confer, either in law or in fact, the power to elect one or more directors of the issuer.

(b) It shall be unlawful for any person through a pattern of racketeering activity or through collection of an unlawful debt to acquire or maintain, directly or indirectly, any interest in or control of any enterprise which is engaged in, or the activities of which affect, interstate or foreign commerce.

(c) It shall be unlawful for any person employed by or associated with any enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity or collection of unlawful debt.

(d) It shall be unlawful for any person to conspire to violate any of the provisions of subsection (a), (b), or (c) of this section.

18 U.S.C. 1961. Definitions

As used in this chapter–

(1) "racketeering activity" means (A) any act or threat involving murder, kidnapping, gambling, arson, robbery, bribery, extortion, dealing in obscene matter, or dealing in a controlled substance or listed chemical (as defined in section 102 of the Controlled Substances Act), which is chargeable under State law and punishable by imprisonment for more than one year; (B) any act which is indictable under any of the following provisions of title 18, United States Code: Section 201 (relating to bribery), section 224 (relating to sports bribery), sections 471, 472, and 473 (relating to counterfeiting), section 659 (relating to theft from interstate shipment) if the act indictable under section 659 is felonious, section 664 (relating to embezzlement from pension and welfare funds), sections 891-894 (relating to extortionate credit transactions), section 1028 (relating to fraud and related activity in connection with identification documents), section 1029 (relating to fraud and related activity in connection with access devices), section 1084 (relating to the transmission of gambling information), section 1341 (relating to mail fraud), section 1343 (relating to wire fraud), section 1344 (relating to financial institution fraud), section 1425 (relating to the procurement of citizenship or nationalization unlawfully), section 1426 (relating to the reproduction of naturalization or citizenship papers), section 1427 (relating to the sale of naturalization or citizenship papers), sections 1461-1465 (relating to obscene matter), section 1503 (relating to obstruction of justice), section 1510 (relating to obstruction of criminal investigations), section 1511 (relating to the obstruction of State or local law enforcement), section 1512 (relating to tampering with a witness, victim, or an informant), section 1513 (relating to retaliating against a witness, victim, or an informant), section 1542 (relating to false statement in application and use of passport), section 1543 (relating to forgery or false use of passport), section 1544 (relating to misuse of passport), section 1546 (relating to fraud and misuse of visas, permits, and other documents), sections 1581-1591 (relating to peonage, slavery, and trafficking in persons), section 1951 (relating to interference with commerce, robbery, or extortion), section 1952 (relating to racketeering), section 1953 (relating to interstate transportation of wagering paraphernalia), section 1954 (relating to unlawful welfare fund payments), section 1955 (relating to the prohibition of illegal gambling businesses), section 1956 (relating to the laundering of monetary instruments), section 1957 (relating to engaging in monetary transactions in property derived from specified unlawful activity), section 1958 (relating to use of interstate commerce facilities in the commission of murder-for-hire), sections 2251, 2251A, 2252, and 2260 (relating to sexual exploitation of children), sections 2312 and 2313 (relating to interstate transportation of stolen motor vehicles), sections 2314 and 2315 (relating to interstate transportation of stolen property), section 2318 (relating to trafficking in counterfeit labels for phonorecords, computer programs or computer program documentation or packaging and copies of motion pictures or other audiovisual works), section 2319 (relating to criminal infringement of a copyright), section 2319A (relating to unauthorized fixation of and trafficking in sound recordings and music videos of live musical performances), section 2320 (relating to trafficking in goods or services bearing counterfeit marks), section 2321 (relating to trafficking in certain motor vehicles or motor vehicle parts), sections 2341-2346 (relating to trafficking in contraband cigarettes), sections 2421-24 (relating to white slave traffic), (C) any act which is indictable under title 29, United States Code, section 186 (dealing with restrictions on payments and loans to labor organizations) or section 501(c) (relating to embezzlement from union funds), (D) any offense involving fraud connected with a case under title 11 (except a case under section 157 of this title), fraud in the sale of securities, or the felonious manufacture, importation, receiving, concealment, buying, selling, or otherwise dealing in a controlled substance or listed chemical (as defined in section 102 of the Controlled Substances Act), punishable under any law of the United States, (E) any act which is indictable under the Currency and Foreign Transactions Reporting Act, (F) any act which is indictable under the Immigration and Nationality Act, section 274 (relating to bringing in and harboring certain aliens), section 277 (relating to aiding or

assisting certain aliens to enter the United States), or section 278 (relating to importation of alien for immoral purpose) if the act indictable under such section of such Act was committed for the purpose of financial gain, or (G) any act that is indictable under any provision listed in section 2332b(g)(5)(B);

(2) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, any political subdivision, or any department, agency, or instrumentality thereof;

(3) "person" includes any individual or entity capable of holding a legal or beneficial interest in property;

(4) "enterprise" includes any individual, partnership, corporation, association, or other legal entity, and any union or group of individuals associated in fact although not a legal entity;

(5) "pattern of racketeering activity" requires at least two acts of racketeering activity, one of which occurred after the effective date of this chapter and the last of which occurred within ten years (excluding any period of imprisonment) after the commission of a prior act of racketeering activity;

(6) "unlawful debt" means a debt (A) incurred or contracted in gambling activity which was in violation of the law of the United States, a State or political subdivision thereof, or which is unenforceable under State or Federal law in whole or in part as to principal or interest because of the laws relating to usury, and (B) which was incurred in connection with the business of gambling in violation of the law of the United States, a State or political subdivision thereof, or the business of lending money or a thing of value at a rate usurious under State or Federal law, where the usurious rate is at least twice the enforceable rate;

(7) "racketeering investigator" means any attorney or investigator so designated by the Attorney General and charged with the duty of enforcing or carrying into effect this chapter;

(8) "racketeering investigation" means any inquiry conducted by any racketeering investigator for the purpose of ascertaining whether any person has been involved in any violation of this chapter or of any final order, judgment, or decree of any court of the United States, duly entered in any case or proceeding arising under this chapter;

(9) "documentary material" includes any book, paper, document, record, recording, or other material; and

(10) "Attorney General" includes the Attorney General of the United States, the Deputy Attorney General of the United States, the Associate Attorney General of the United States, any Assistant Attorney General of the United States, or any employee of the Department of Justice or any employee of any department or agency of the United States so designated by the Attorney General to carry out the powers conferred on the Attorney General by this chapter. Any department or agency so designated may use in investigations authorized by this chapter either the investigative provisions of this chapter or the investigative power of such department or agency otherwise conferred by law.

U.S.C. 1956. Laundering of monetary instruments

(a)(1) Whoever, knowing that the property involved in a financial transaction represents the proceeds of some form of unlawful activity, conducts or attempts to conduct such a financial transaction which in fact involves the proceeds of specified unlawful activity–

(A)(i) with the intent to promote the carrying on of specified unlawful activity; or

(ii) with intent to engage in conduct constituting a violation of section 7201 or 7206 of the Internal Revenue Code of 1986; or

(B) knowing that the transaction is designed in whole or in part–

(i) to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity; or

(ii) to avoid a transaction reporting requirement under State or Federal law,

shall be sentenced to a fine of not more than $500,000 or twice the value of the property involved in the transaction, whichever is greater, or imprisonment for not more than twenty years, or both.

(2) Whoever transports, transmits, or transfers, or attempts to transport, transmit, or transfer a monetary instrument or funds from a place in the United States to or through a place outside the United States or to a place in the United States from or through a place outside the United States–

(A) with the intent to promote the carrying on of specified unlawful activity; or

(B) knowing that the monetary instrument or funds involved in the transportation, transmission, or transfer represent the proceeds of some form of unlawful activity and knowing that such transportation, transmission, or transfer is designed in whole or in part–

(i) to conceal or disguise the nature, the location, the source, the ownership, or the control of the proceeds of specified unlawful activity; or

(ii) to avoid a transaction reporting requirement under State or Federal law,

shall be sentenced to a fine of not more than $500,000 or twice the value of the monetary instrument or funds involved in the transportation, transmission, or transfer whichever is greater, or imprisonment for not more than twenty years, or both. For the purpose of the offense described in subparagraph (B), the defendant's knowledge may be established by proof that a law enforcement officer represented the matter specified in subparagraph (B) as true, and the defendant's subsequent statements or actions indicate that the defendant believed such representations to be true.

(3) Whoever, with the intent–

(A) to promote the carrying on of specified unlawful activity;

(B) to conceal or disguise the nature, location, source, ownership, or control of property believed to be the proceeds of specified unlawful activity; or

(C) to avoid a transaction reporting requirement under State or Federal law,

conducts or attempts to conduct a financial transaction involving property represented to be the proceeds of specified unlawful activity, or property used to conduct or facilitate specified unlawful activity, shall be fined under this title or imprisoned for not more than 20 years, or both. For purposes of this paragraph and paragraph (2), the term "represented" means any representation made by a law enforcement officer or by another person at the direction of, or with the approval of, a Federal official authorized to investigate or prosecute violations of this section.

(b) Penalties.–

(1) In general.– Whoever conducts or attempts to conduct a transaction described in subsection (a)(1) or (a)(3), or section 1957, or a transportation, transmission, or transfer described in subsection (a)(2), is liable to the United States for a civil penalty of not more than the greater of--

(A) the value of the property, funds, or monetary instruments involved in the transaction; or

(B) $10,000.

(2) Jurisdiction over foreign persons.--For purposes of adjudicating an action filed or enforcing a penalty ordered under this section, the district courts shall have jurisdiction over any foreign person, including any financial institution authorized under the laws of a foreign country, against whom the action is brought, if service of process upon the foreign person is made under the Federal Rules of Civil Procedure or the laws of the country in which the foreign person is found, and–

(A) the foreign person commits an offense under subsection (a) involving a financial transaction that occurs in whole or in part in the United States;

(B) the foreign person converts, to his or her own use, property in which the United States has an ownership interest by virtue of the entry of an order of forfeiture by a court of the United States; or

(C) the foreign person is a financial institution that maintains a bank account at a financial institution in the United States.

(3) Court authority over assets.– A court described in paragraph (2) may issue a pretrial restraining order or take any other action necessary to ensure that any bank account or other property held by the defendant in the United States is available to satisfy a judgment under this section.

(4) Federal receiver.–

(A) In general.– A court described in paragraph (2) may appoint a Federal Receiver, in accordance with subparagraph(B) of this paragraph, to collect, marshal, and take custody, control, and possession of all assets of the defendant, wherever located, to satisfy a civil judgment under this subsection, a forfeiture judgment under section 981 or 982, or a criminal sentence under section 1957 or subsection (a) of this section, including an order of restitution to any victim of a specified unlawful activity.

(B) Appointment and authority.– A Federal Receiver described in subparagraph (A)–

(i) may be appointed upon application of a Federal prosecutor or a Federal or State regulator, by the court having jurisdiction over the defendant in the case;

(ii) shall be an officer of the court, and the powers of the Federal Receiver shall include the powers set out in section 754 of title 28, United States Code; and

(iii) shall have standing equivalent to that of a Federal prosecutor for the purpose of submitting requests to obtain information regarding the assets of the defendant–

(I) from the Financial Crimes Enforcement Network of the Department of the Treasury; or

(II) from a foreign country pursuant to a mutual legal assistance treaty, multilateral agreement, or other arrangement for international law enforcement assistance, provided that such requests are in accordance with the policies and procedures of the Attorney General.

(c) As used in this section–

(1) the term "knowing that the property involved in a financial transaction represents the proceeds of some form of unlawful activity" means that the person knew the property involved in the transaction represented proceeds from some form, though not necessarily which form, of activity that constitutes a felony under State, Federal, or foreign law, regardless of whether or not such activity is specified in paragraph (7);

(2) the term "conducts" includes initiating, concluding, or participating in initiating, or concluding a transaction;

(3) the term "transaction" includes a purchase, sale, loan, pledge, gift, transfer, delivery, or other disposition, and with respect to a financial institution includes a deposit, withdrawal, transfer between accounts, exchange of currency, loan, extension of credit, purchase or sale of any stock, bond, certificate of deposit, or other monetary instrument, use of a safe deposit box, or any other payment, transfer, or delivery by, through, or to a financial institution, by whatever means effected;

(4) the term "financial transaction" means (A) a transaction which in any way or degree affects interstate or foreign commerce (i) involving the movement of funds by wire or other means or (ii) involving one or more monetary instruments, or (iii) involving the transfer of title to any real property, vehicle, vessel, or aircraft, or (B) a transaction involving the use of a financial institution which is engaged in, or the activities of which affect, interstate or foreign commerce in any way or degree;

(5) the term "monetary instruments" means (i) coin or currency of the United States or of any other country, travelers' checks, personal checks, bank checks, and money orders, or (ii) investment securities or negotiable instruments, in bearer form or otherwise in such form that title thereto passes upon delivery;

(6) the term "financial institution" includes–

(A) any financial institution, as defined in section 5312(a)(2) of title 31, United States Code, or the regulations promulgated thereunder; and

(B) any foreign bank, as defined in section 1 of the International Banking Act of 1978 (12 U.S.C. 3101);

(7) the term "specified unlawful activity" means–

(A) any act or activity constituting an offense listed in section 1961(1) of this title except an act which is indictable under subchapter II of chapter 53 of title 31;

(B) with respect to a financial transaction occurring in whole or in part in the United States, an offense against a foreign nation involving–

(i) the manufacture, importation, sale, or distribution of a controlled substance (as such term is defined for the purposes of the Controlled Substances Act);

(ii) murder, kidnapping, robbery, extortion, destruction of property by means of explosive or fire, or a crime of violence (as defined in section 16);

(iii) fraud, or any scheme or attempt to defraud, by or against a foreign bank (as defined in paragraph 7 of section 1(b) of the International Banking Act of 1978));

(iv) bribery of a public official, or the misappropriation, theft, or embezzlement of public funds by or for the benefit of a public official;

(v) smuggling or export control violations involving–

(I) an item controlled on the United States Munitions List established under section 38 of the Arms Export Control Act (22 U.S.C. 2778); or

(II) an item controlled under regulations under the Export Administration Regulations (15 C.F.R. Parts 730-774); or

(vi) an offense with respect to which the United States would be obligated by a multilateral treaty, either to extradite the alleged offender or to submit the case for prosecution, if the offender were found within the territory of the United States;

(C) any act or acts constituting a continuing criminal enterprise, as that term is defined in section 408 of the Controlled Substances Act (21 U.S.C. 848);

(D) an offense under section 32 (relating to the destruction of aircraft), section 37 (relating to violence at international airports), section 115 (relating to influencing, impeding, or retaliating against a Federal official by threatening or injuring a family member), section 152 (relating to concealment of assets; false oaths and claims; bribery), section 215 (relating to commissions or gifts for procuring loans), section 351 (relating to congressional or Cabinet officer assassination), any of sections 500 through 503 (relating to certain counterfeiting offenses), section 513 (relating to securities of States and private entities), section 541 (relating to goods falsely classified), section 542 (relating to entry of goods by means of false statements), section 545 (relating to smuggling goods into the United States), section 549 (relating to removing goods from Customs custody), section 641 (relating to public money, property, or records), section 656 (relating to theft, embezzlement, or misapplication by bank officer or employee), section 657 (relating to lending, credit, and insurance institutions), section 658

(relating to property mortgaged or pledged to farm credit agencies), section 666 (relating to theft or bribery concerning programs receiving Federal funds), section 793, 794, or 798 (relating to espionage), section 831 (relating to prohibited transactions involving nuclear materials), section 844(f) or (i) (relating to destruction by explosives or fire of Government property or property affecting interstate or foreign commerce), section 875 (relating to interstate communications), section 922(1) (relating to the unlawful importation of firearms), section 924(n) (relating to firearms trafficking), section 956 (relating to conspiracy to kill, kidnap, maim, or injure certain property in a foreign country), section 1005 (relating to fraudulent bank entries), 1006 (relating to fraudulent Federal credit institution entries), 1007 (relating to fraudulent Federal Deposit Insurance transactions), 1014 (relating to fraudulent loan or credit applications), section 1030 (relating to computer fraud and abuse), 1032 (relating to concealment of assets from conservator, receiver, or liquidating agent of financial institution), section 1111 (relating to murder), section 1114 (relating to murder of United States law enforcement officials), section 1116 (relating to murder of foreign officials, official guests, or internationally protected persons), section 1201 (relating to kidnaping), section 1203 (relating to hostage taking), section 1361 (relating to willful injury of Government property), section 1363 (relating to destruction of property within the special maritime and territorial jurisdiction), section 1708 (theft from the mail), section 1751 (relating to Presidential assassination), section 2113 or 2114 (relating to bank and postal robbery and theft), section 2280 (relating to violence against maritime navigation), section 2281 (relating to violence against maritime fixed platforms), section 2319 (relating to copyright infringement), section 2320 (relating to trafficking in counterfeit goods and services), section 2332 (relating to terrorist acts abroad against United States nationals), section 2332a (relating to use of weapons of mass destruction), section 2332b (relating to international terrorist acts transcending national boundaries), or section 2339A or 2339B (relating to providing material support to terrorists) of this title, section 46502 of title 49, United States Code, a felony violation of the Chemical Diversion and Trafficking Act of 1988 (relating to precursor and essential chemicals), section 590 of the Tariff Act of 1930 (19 U.S.C. 1590) (relating to aviation smuggling), section 422 of the Controlled Substances Act (relating to transportation of drug paraphernalia), section 38(c) (relating to criminal violations) of the Arms Export Control Act, section 11 (relating to violations) of the Export Administration Act of 1979, section 206 (relating to penalties) of the International Emergency Economic Powers Act, section 16 (relating to offenses and punishment) of the Trading with the Enemy Act, any felony violation of section 15 of the Food Stamp Act of 1977 [7 U.S.C.A. 2024] (relating to food stamp fraud) involving a quantity of coupons having a value of not less than $5,000, any violation of section 543(a)(1) of the Housing Act of 1949 [42 U.S.C. 1490s(a)(1)] (relating to equity skimming), any felony violation of the Foreign Agents Registration Act of 1938, or any felony violation of the Foreign Corrupt Practices Act;

(E) a felony violation of the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.), the Ocean Dumping Act (33 U.S.C. 1401 et seq.), the Act to Prevent Pollution from Ships (33 U.S.C. 1901 et seq.), the Safe Drinking Water Act (42 U.S.C. 300f et seq.), or the Resources Conservation and Recovery Act (42 U.S.C. 6901 et seq.); or

(F) any act or activity constituting an offense involving a Federal health care offense;

(8) the term "State" includes a State of the United States, the District of Columbia, and any commonwealth, territory, or possession of the United States.

(d) Nothing in this section shall supersede any provision of Federal, State, or other law imposing criminal penalties or affording civil remedies in addition to those provided for in this section.

(e) Violations of this section may be investigated by such components of the Department of Justice as the Attorney General may direct, and by such components of the Department of the Treasury as the Secretary of the Treasury may direct, as appropriate and, with respect to offenses over which the United States Postal Service has jurisdiction, by the Postal Service. Such authority of the Secretary of the Treasury and the Postal Service shall be exercised in accordance with an agreement which shall be entered into by the Secretary of the Treasury, the Postal Service, and the Attorney General. Violations of this section involving offenses described in paragraph (c)(7)(E) may be investigated by such components of the Department of Justice as the Attorney General may direct, and the National Enforcement Investigations Center of the Environmental Protection Agency.

(f) There is extraterritorial jurisdiction over the conduct prohibited by this section if–

(1) the conduct is by a United States citizen or, in the case of a non-United States citizen, the conduct occurs in part in the United States; and

(2) the transaction or series of related transactions involves funds or monetary instruments of a value exceeding $10,000.

(g) Notice of conviction of financial institutions.– If any financial institution or any officer, director, or employee of any financial institution has been found guilty of an offense under this section, section 1957 or 1960 of this title, or section 5322 or 5324 of title 31, the Attorney General shall provide written notice of such fact to the appropriate regulatory agency for the financial institution.

(h) Any person who conspires to commit any offense defined in this section or section 1957 shall be subject to the same penalties as those prescribed for the offense the commission of which was the object of the conspiracy.

(i) Venue.– (1) Except as provided in paragraph (2), a prosecution for an offense under this section or section 1957 may be brought in–

(A) any district in which the financial or monetary transaction is conducted; or

(B) any district where a prosecution for the underlying specified unlawful activity could be brought, if the defendant participated in the transfer of the proceeds of the specified unlawful activity from that district to the district where the financial or monetary transaction is conducted.

(2) A prosecution for an attempt or conspiracy offense under this section or section 1957 may be brought in the district where venue would lie for the completed offense under paragraph (1), or in any other district where an act in furtherance of the attempt or conspiracy took place.

(3) For purposes of this section, a transfer of funds from 1 place to another, by wire or any other means, shall constitute a single, continuing transaction. Any person who conducts (as that term is defined in subsection (c)(2)) any portion of the transaction may be charged in any district in which the transaction takes place.

18 U.S.C. 1957. Engaging in monetary transactions in property derived from specified unlawful activity

(a) Whoever, in any of the circumstances set forth in subsection (d), knowingly engages or attempts to engage in a monetary transaction in criminally derived property that is of a value greater than $10,000 and is derived from specified unlawful activity, shall be punished as provided in subsection (b).

(b)(1) Except as provided in paragraph (2), the punishment for an offense under this section is a fine under title 18, United States Code, or imprisonment for not more than ten years or both.

(2) The court may impose an alternate fine to that imposable under paragraph (1) of not more than twice the amount of the criminally derived property involved in the transaction.

(c) In a prosecution for an offense under this section, the Government is not required to prove the defendant knew that the offense from which the criminally derived property was derived was specified unlawful activity.

(d) The circumstances referred to in subsection (a) are –

(1) that the offense under this section takes place in the United States or in the special maritime and territorial jurisdiction of the United States; or

(2) that the offense under this section takes place outside the United States and such special jurisdiction, but the defendant is a United States person (as defined in section 3077 of this title, but excluding the class described in paragraph (2)(D) of such section).

(e) Violations of this section may be investigated by such components of the Department of Justice as the Attorney General may direct, and by such components of the Department of the Treasury as the Secretary of the Treasury may direct, as appropriate and, with respect to offenses over which the United States Postal Service has jurisdiction, by the Postal Service. Such authority of the Secretary of the Treasury and the Postal Service shall be exercised in accordance with an agreement which shall be entered into by the Secretary of the Treasury, the Postal Service, and the Attorney General.

(f) As used in this section–

(1) the term "monetary transaction" means the deposit, withdrawal, transfer, or exchange, in or affecting interstate or foreign commerce, of funds or a monetary instrument (as defined in section 1956(c)(5) of this title) by, through, or to a financial institution (as defined in section 1956 of this title), including any transaction that would be a financial transaction under section 1956(c)(4)(B) of this title, but such term does not include any transaction necessary to preserve a person's right to representation as guaranteed by the sixth amendment to the Constitution;

(2) the term "criminally derived property" means any property constituting, or derived from, proceeds obtained from a criminal offense; and

(3) the term "specified unlawful activity" has the meaning given that term in section 1956 of this title.

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