

Corporate & Financial Weekly Digest

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Civil RICO Complaint Based on Alleged Diamond Scheme Dismissed

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The U.S. District Court for the Southern District of Florida dismissed a civil Racketeer Influenced and Corrupt Organizations Act complaint based on a series of investments made with a group of India-based companies.

Plaintiffs made 35 investments with two corporations related to the defendants between May 2007 and March 2009. According to the plaintiffs, the corporate defendants were created to hide money originally stolen from them through a series of sham transactions. Plaintiffs alleged that the companies pretended to purchase diamonds from Indian diamond merchants, reflected in fake invoices, as part of a complicated scheme to legitimize the stolen funds. Plaintiffs included invoices, details about specific wire transfers and a flow chart to support their allegations. The court held that the plaintiffs' allegations that the diamond sales and related paperwork were "fake" and that the transferred funds were "embezzled" and "converted" were "conclusory" because "[t]hey are simply unsupported statements of plaintiffs' belief as to the origin of the funds" rather than actual facts supporting their claims. Accordingly, the case was dismissed. (Rajput v. City Trading, LLC et al., 10-Civ.-21654, 2010 WL 4259955 (S.D.Fla. Oct. 25, 2010))

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