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WLF Tells High Court that RICO Act Cannot Remedy Economic Injuries Suffered Overseas (*Yegiazaryan v. Smagin*)

“In an era of ever-increasing globalization, it’s more important than ever to adhere to the longstanding bar against the extraterritorial application of U.S. law.”

—Cory Andrews, WLF General Counsel & Vice President of Litigation

WASHINGTON, DC—Washington Legal Foundation (WLF) today urged the U.S. Supreme Court to overturn a decision of the U.S. Court of Appeals for the Ninth Circuit that creates a circuit split on what constitutes a “domestic injury” under the Racketeer Influenced and Corrupt Organizations Act (RICO). The case is a follow-on to the Supreme Court’s 2016 decision in *RJR Nabisco v. European Community*, which clarified that private plaintiffs suing under civil RICO may sue for only domestic injuries. Because *RJR Nabisco* had no occasion to define a domestic versus a foreign injury under RICO, the Court granted review last December to decide that question here.

The case arises from a failed Moscow real-estate venture between two Russian investors, Ashot Yegiazaryan and Vitaly Smagin. When their deal fell apart, the parties arbitrated their dispute in the London Court of International Arbitration, where Smagin was awarded \$84 million. After Yegiazaryan fled the Russian government for California, Smagin filed suit in the Central District of California and confirmed the arbitration award. Smagin then brought a civil-RICO suit alleging that Yegiazaryan schemed to evade collection efforts on the California judgment by shuffling his assets among foreign banks. The district court dismissed the suit under *RJR Nabisco*’s foreign-injury bar, but the Ninth Circuit reversed.

In its amicus brief supporting reversal, WLF showed that because Smagin’s alleged injury was suffered abroad, it has no private remedy under RICO. WLF emphasized the damage to both the rule of law and our civil-justice system that would occur were the Court to affirm the Ninth Circuit’s unwarranted dilution of RICO’s domestic-injury requirement. Allowing foreign plaintiffs to “domesticate” foreign injuries by simply confirming foreign awards in the United States as the basis for civil RICO claims would amplify the burden on the federal courts, impose higher litigation costs on multi-national businesses, and force defendants into coercive settlements.

Celebrating its 46th year, WLF is America’s premier public-interest law firm and policy center advocating for free-market principles, limited government, individual liberty, and the rule of law.

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