

## Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

**SUPREME COURT OF THE UNITED STATES**

## Syllabus

**ANZA ET AL. v. IDEAL STEEL SUPPLY CORP.**CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR  
THE SECOND CIRCUIT

No. 04-433. Argued March 27, 2006—Decided June 5, 2006

The Racketeer Influenced and Corrupt Organizations Act (RICO) prohibits certain conduct involving a “pattern of racketeering activity,” 18 U. S. C. §1962, and makes a private right of action available to “[a]ny person injured in his business or property by reason of a violation” of RICO’s substantive restrictions, §1964(c), provided that the alleged violation was the proximate cause of the injury, *Holmes v. Securities Investor Protection Corporation*, 503 U. S. 258, 268. Respondent Ideal Steel Supply Corporation (Ideal) has stores in Queens and the Bronx. Petitioner National Steel Supply, Inc. (National), owned by petitioners Joseph and Vincent Anza, has stores in the same locations and is Ideal’s principal competitor. Ideal filed suit in the District Court, claiming that National failed to charge New York’s sales tax to cash-paying customers, allowing it to reduce its prices without affecting its profit margin; and that it submitted fraudulent state tax returns to conceal the conduct, which involved committing mail and wire fraud, both forms of “racketeering activity” under RICO. Ideal alleged that the Anzas violated §1962(c), which forbids conducting or participating in the conduct of an enterprise’s affairs through a pattern of racketeering activity. It also claimed that all the petitioners violated §1962(a)—which makes it unlawful for a person “to use or invest” income derived from a pattern of racketeering activity in an enterprise engaged in or affecting interstate or foreign commerce—when they used funds generated by the fraudulent tax scheme to open National’s Bronx location, causing Ideal to lose business and market share. The District Court granted petitioners’ motion to dismiss under Federal Rule of Civil Procedure 12(b)(6), concluding that Ideal had not shown reliance on petitioners’ misrepresentations, as required in RICO mail and wire fraud claims. Vacating, the Second

## Syllabus

Circuit held, with regard to the §1962(c) claim, that a complaint alleging a pattern of racketeering activity designed to give a defendant a competitive advantage adequately pleaded probable cause even where the scheme depended on fraudulent communications made to a third party; and held that Ideal adequately pleaded its §1962(a) claim by alleging injury resulting from petitioners' use and investment of racketeering proceeds.

*Held:*

1. Ideal cannot maintain its §1962(c) claim. Under *Holmes*, proximate cause for §1964(c) purposes requires "some direct relation between the injury asserted and the injurious conduct alleged." 503 U. S., at 268. The direct victim of the alleged RICO violation is the State of New York, not Ideal. Ideal's claim is too attenuated to satisfy *Holmes'* requirement of directness. This result is confirmed by the directness requirement's underlying premises, one of which is the difficulty that can arise when a court attempts to ascertain the damages caused by some remote action. Ideal claims lost sales because of National's decreased prices, but National could have lowered prices for reasons unrelated to the asserted tax fraud, and Ideal's lost sales could have resulted from other factors as well. The attenuated connection between Ideal's injury and the Anzas' injurious conduct thus implicates fundamental concerns expressed in *Holmes*. Further illustrating the absence of proximate cause is the speculative nature of the proceedings that would follow if Ideal were permitted to maintain its claim. A court would have to calculate the portion of National's price drop attributable to the pattern of racketeering activity and then calculate the portion of lost sales attributable to the relevant part of the price drop, but *Holmes'* proximate causation element was meant to prevent such intricate, uncertain inquiries from overrunning RICO litigation. A direct causal connection is especially warranted where the immediate victims can be expected to vindicate the laws by pursuing their own claims. Contrary to the Second Circuit's rationale, a RICO plaintiff cannot circumvent the proximate-cause requirement simply by claiming that the defendant's aim was to increase market share at a competitor's expense. Because Ideal has not satisfied that requirement, this Court has no occasion to address the substantial question whether a plaintiff asserting a RICO claim predicated on mail or wire fraud must show that it relied on the defendant's misrepresentations. Pp. 4–9.

2. The Second Circuit's judgment with respect to Ideal's §1962(a) claim is vacated so that court can determine on remand whether petitioners' alleged §1962(a) violation proximately caused Ideal's asserted injuries. Pp. 9–10.

373 F. 3d 251, reversed in part, vacated in part, and remanded.

## Syllabus

KENNEDY, J., delivered the opinion of the Court, in which ROBERTS, C. J., and STEVENS, SCALIA, SOUTER, GINSBURG, and ALITO, JJ., joined, and in which THOMAS, J., joined as to Part III. SCALIA, J., filed a concurring opinion. THOMAS, J., and BREYER, J., filed opinions concurring in part and dissenting in part.