

U.S. lawsuit accuses Knights of Columbus of violating \$100M verbal contract

Jury selection has begun in a U.S. lawsuit that accuses the Knights of Columbus of violating a verbal contract with a vendor who claims that the Catholic fraternal organization inflates its membership numbers, and has destroyed his business.

The lawsuit claims that the Knights of Columbus gave a software company, UKnight Interactive, a \$100 million verbal contract to make it a designated web services vendor to K of C local and regional organizations.

UKnight alleges that its services would have provided local councils with a “complex interactive system” of linked websites designed to attract and engage members, increase fundraising, and increase sales of Knights of Columbus insurance policies.

However, the company alleges that in 2016, the Knights of Columbus “fraudulently” denied the verbal contract, and later used the company’s proprietary design elements to seek contracts with other technology companies.

UKnight claims that Knights of Columbus executives “acted...maliciously” with the “specific intent” of destroying the company.

In a 2018 court filing, the Knights of Columbus disputed that account.

“The true nature of this action is that Plaintiff is a disappointed prospective vendor that offered the Order inferior and outdated website services that the Order refused to endorse. UKnight is now trying to accomplish through this lawsuit what it could not get through product development and sales negotiations,” the Knights argued.

The Knights said that Labriola has “raised preposterous legal claims in an attempt to force the other side to pay money that is neither owed nor deserved. One of these claims is that the Order supposedly gave UKnight an oral contract in which it would, on a single day, endorse UKnight’s services and thereby confer on UKnight a \$100 million value.”

UKnight filed its lawsuit in January 2017. The suit was dismissed in July of that year, and UKnight refiled the lawsuit in January 2018.

The plaintiff, List Interactive, also known as UKnight Interactive, claims that “broken promises” by the Knights of Columbus have destroyed its business, which is owned by Colorado resident Leonard Labriola.

The Knights of Columbus say the lawsuit is over a simple business dispute that has been exaggerated for publicity.

In a February 2017 motion requesting that the suit be dismissed, the Knights argued that a “garden variety business dispute” had been “repackaged ... to extort a settlement through damaging publicity having nothing to do with the plaintiffs’ core allegations.”

UKnight and Labriola had “festooned their complaint with baseless, scandalous allegations that are designed only to inflame and attract publicity,” the Knights said.

The lawsuit, filed in U.S. District Court, seeks \$100 million in damages, and a court order invalidating the Knight’s tax-exempt status.

Among the suit’s claims is the allegation that the Knights of Columbus deceptively inflates its membership numbers in order to increase its life insurance ratings.

While Judge Brooke Jackson allowed UKnight to review membership data last year, the Knights have disputed claims that they inflate numbers.

“The Knights of Columbus has a long-standing, thoughtful, and well-conceived membership retention process in place that reflects sound practices and the values of the Order,” a spokesperson told BuzzFeed last week.

“One of those values is to ensure that members of the Knights provide mutual aid and assistance to fellow members of our organization.”

Labriola could not be reached for comment. But the plaintiff is no stranger to litigation.

In 1993, Eller Industries, a company owned by Labriola, attempted to revitalize the bankrupt Indian Motorcycle brand by purchasing the defunct company’s trademarks. Labriola signed a contract to purchase the trademarks in 1997, but a court battle began in 1998, after the brand’s legal custodian said that Eller had failed to obtain financing or meet the terms of its contract.

Eller’s contract with Indian Motorcycles was terminated by a federal judge on Dec. 7, 1998.

Labriola subsequently sued the brand’s custodian for \$2.7 million, and in the midst of the lawsuit requested that two judges recuse themselves, accusing them of “corruption, duplicity, ineptitude, hubris, and abject indifference.”

In the same motion, Labriola accused Indian Motorcycle’s legal custodian of “brazen temerity” and “outright lies and distortions.”

Before founding UKnight, Labriola founded at least three additional companies.

In 2002, he founded the Backyard Drills Foundation, which produced DVDs teaching sports skills. According to a 2007 article in BizWest, the DVD sets were marketed through revenue-sharing fundraising arrangements with youth football leagues. Backyard Drills was dissolved in 2007.

Two months after dissolving Backyard Drills, Labriola founded Quvico, a clean energy enterprise, which was dissolved less than a year after it was founded.

In September of 2007, Labriola founded Dinner Party Dot Com, LLC. The company was cited by the Colorado secretary of state for failing to file required annual reports, and was dissolved in November of 2016.

According to the Colorado secretary of state, UKnight Interactive was registered in 2011 as a trade name of List Interactive, a company founded by Labriola on the same day. In 2012 and 2015, List Interactive was cited by the Secretary of State for failing to file required periodic reports.

The UKnight lawsuit has made several allegations dismissed by the court.

Among the dismissed claims is UKnight's charge that the IRS fraudulently maintains the tax-exempt status of the Knights of Columbus, allowing the organization to commit acts of racketeering forbidden by federal law.

Also dismissed is UKnight's initial accusation that the Knights engaged in "racketeering," in violation of the *Racketeer Influenced and Corrupt Organizations Act*, known as RICO.

Jackson dismissed the suit's first filing on July 28, 2017. His order determined that the plaintiffs' RICO allegations were unfounded, and noted that the suit seemed actually to misunderstand racketeering laws.

"If plaintiffs' description of how jurisdiction under RICO works were correct it would mean that Congress could effectively override the Constitution," Jackson wrote.

Jackson also criticized UKnight and Labriola for the lawsuit's "excessively aggressive phrasing and histrionics."

Sources have told CNA that UKnight's lawsuit is partially funded through LexShares, an online platform that connects plaintiffs with investors, who buy a stake in any settlement or judgment rendered in the suit.