

That's a Big Fine, I Wager

By Reg P. Wydeven
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The Internet is an awesome tool. I use it to find allergen-free recipes for my son, Care Bears coloring pages for my daughter, and tips of the day from Oprah Winfrey for my wife. I might also peruse the web to check my Fantasy Football team stats or the occasional Star Wars or Star Trek site.

Unfortunately, the Internet also addresses less benign vices. You can download instructions to make a bomb, explore unimaginable fetishes and, of course, gamble. As a result of a recent U.S. Justice Department investigation, however, the Internet's three high rollers lost a bundle to the house.

Microsoft, Yahoo and Google agreed to a settlement with the Department where the big 3 must pay \$31.5 million as restitution for allowing online gambling websites to advertise on their search engines. Microsoft must contribute \$21 million, Yahoo \$7.5 million and Google \$3 million to fund public service announcements warning the youth of America that online gambling is illegal in the U.S. In addition, Microsoft will also contribute \$9 million to the International Center for Missing and Exploited Children.

The U.S. Attorney's office for the Eastern District of Missouri initiated the investigation into online gambling sites. The settlement resolves the Department's allegations that the Internet juggernauts profited from promoting online gambling on their websites between 1997 and 2007. According to industry analysts, of the more than \$10 billion in wagers placed online each year, \$4.2 billion came from gamblers in the United States.

In addition to the advertisers, the Justice Department also targeted the gambling websites. On top of the recent settlement, the Department recovered over \$40 million in forfeitures and back taxes from operators of the off-shore gambling sites. The investigation also resulted in federal grand juries returning numerous indictments for the online gambling operations.

Gary Stephen Kaplan, founder of BetOnSports.com, was indicted by a federal grand jury in 2006 on charges of violating anti-racketeering laws, the federal Wire Act and tax code violations. Kaplan started his sports betting career in the early 1990s in New York and Florida before moving to Antigua and Costa Rica.

Kaplan incorporated BetonSports PLC as a publicly traded holding company in the United Kingdom in 2004. In March of 2007, Kaplan was arrested in the Dominican Republic and has been ordered to remain in federal custody while awaiting trial.

BetonSports PLC CEO David Carruthers has been freed on \$1 million bond, but was ordered to be placed under electronic monitoring while he awaits trial. In May of 2007, the company itself plead guilty to a racketeering conspiracy charge and will be sentenced next summer in federal court in St. Louis.

While online gambling is illegal, legalized gambling is sometimes no safer. Gary Hoffman recently sued the Indian Sandia Resort and Casino located in New Mexico for failing to pay his apparent \$1.6 million jackpot. Hoffman was playing a "Mystical Mermaid" nickel slot machine when the device indicated he hit the jackpot. The casino refused to pay, claiming the machine malfunctioned and has a well posted maximum payout limit of \$2,500.

Hoffman may never get his day in court, as Native American tribes, as independent nations, have their own court systems and can only be sued in state courts under limited circumstances. When asked if Hoffman will prevail, most legal experts say, "Don't bet on it."

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