

# DraftKings Coup

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I've written a couple of articles recently about the debate over the legality of daily fantasy sports, such as those played on sites like FanDuel and DraftKings. The sites point to the exception in the Unlawful Internet Gambling Enforcement Act of 2006 ("UIGEA") for fantasy sports. Because of the exclusion, daily or weekly fantasy sports are not subject to government oversight.

Casinos and bookkeepers are asking for regulation, claiming daily fantasy games are the same as betting. The NCAA also claims that collegiate athletes playing fantasy sports could be violating the organization's gambling policy. Many other outfits are also monitoring the sites because of the billions of dollars involved.

But instead of just keeping their heads down, the fantasy sports sites seem to be courting government intervention.

Earlier this month, the online fantasy sports industry was rocked by a scandal many are comparing to insider trading.

Both DraftKings and FanDuel issued a joint statement in response to the discovery that their employees were participating in fantasy sports using information not available to the public.

Ethan Haskell, a midlevel content manager at DraftKings admitted that he inadvertently released data early during week 3 of the NFL season. The data, usually released after all lineups are finalized, reflected which particular players were used most on the site's Millionaire Maker contests. Having this information sooner provides a distinct advantage when making lineup decisions, especially if your opponents do not have this information.

For example, if tons of bettors put money on Aaron Rodgers playing well, it's hard to separate yourself from the pack to win big. If you knew this, so instead decide to wager on 40-year-old veteran Matt Hasselbeck, you can come out well if he tosses two touchdown passes to Andre Johnson like he did last week.

Despite DraftKings assertions of no foul play, Haskell won \$350,000 after betting on FanDuel in week 3. A spokesman for DraftKings further admitted that employees of both companies had won big jackpots playing at other daily fantasy sites this season.

The sites' joint statement said, "nothing is more important" than the "integrity of the games we offer." In reaction to the scandal, both companies implemented temporary policies precluding their employees from participating in fantasy sports on other sites. Both companies already had rules in place barring employees from betting on their own sites.

The statement went on to say that, "Both companies have strong policies in place to ensure that employees do not misuse any information at their disposal and strictly limit access to company data to only those employees who require it to do their jobs." The companies stressed that, "Employees with access to this data are rigorously monitored by internal fraud control teams, and we have no evidence that anyone has misused it."

Industry analysts believe these incidents are evidence that daily fantasy sports are too loosely regulated. As a result, if the industry is incapable of policing itself, the government may have to step in.

New Jersey Congressman Frank Pallone Jr., recently requested a hearing to explore the relationship between fantasy sports and gambling. During a recent interview about the fantasy sports sites, Pallone said, "I really think if they had to justify themselves at a hearing they wouldn't be able to."

It's a good thing these sites weren't around when Pete Rose was playing baseball.

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