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Catania Gaming Consultants

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**We hope everyone in North America is enjoying the summer season. As we approach the Labor Day holiday in the U.S., we also welcome you to another edition of our Newsletter.**

**Please contact us with any licensing and gaming compliance needs. Our law firm, Catania & Ehrlich, is also available for any of your gaming law needs.**

**- Catania Gaming Consultants**

## **Could Movie Revive Interest in Federal Internet Gaming Regulation?**

Just when the prospects for federal legislation seemed all but dead, could they be revived by a fictional Hollywood movie? That is actually the hope of the American Gaming Association (AGA) and other groups and individuals that have advocated federal regulation of Internet gaming in the US.

In an email to AGA's Board of Directors last week, new AGA President Geoff Freeman said the October 4 release of "Runner Runner" presents the Washington-based lobbying group an opportunity to state its case for Congress to pass regulations governing Internet gaming in the United States.

The movie, which stars Ben Affleck and Justin Timberlake, centers on illegal offshore Internet poker and the cheating of

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US gamblers. According to the plot summary on IMDb.com, Affleck portrays an online gambling tycoon in Costa Rica who is confronted by Timberlake's Princeton graduate school student who believes he's been swindled by the website.

"This film provides our industry with an opportunity that the AGA will capitalize upon," Freeman said. "The AGA will leverage the certain coverage this film will receive to raise awareness about the need for proper regulation of online gaming."

Of course, no one is against the proper regulation of online gaming. But the AGA position is somewhat misleading in suggesting that the choice is between a federal bill and an unregulated "wild west" online.

While that may have been true several years ago, the fact is that Nevada, New Jersey, and Delaware, either have or soon will have some form of well-regulated online gaming, and other states may follow suit. It is also true that many European operators have been offering well-regulated and safe Internet gaming for years.

The real agenda of the AGA and its allies has always been to secure federal - as opposed to state -regulation of online gaming in the US, because that would favor their constituents. While there is nothing wrong with that, the state/federal debate is entirely separate from any regulation/non-regulation debate, and the fortuitous production of a movie should not allow the two to become conflated.

## **NV/NJ Online Gambling Compact in 2014?**

MGM Resorts CEO Jim Murren has stated publicly that MGM is working with Nevada officials, discussing the possibility of compacting with New Jersey to create a joint online gaming market, "I think it's likely that in 2014 we'll see a compact between New Jersey and Nevada," Murren said following the company's second-quarter earnings call.

Nevada became the first state to go live with online gambling in April when Station Casinos launched the first offering known as UltimatePoker.com. New Jersey and Delaware are expected to follow suit soon.

A.G. Burnett, Chairman of the Nevada Gaming Control

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Board, also indicated that he shares Murren's optimism. "Nevada is striving to do what it can in regards to compacts. We do not jump into the fire without having done a lot of cautious research and study into the particulars of such agreements, and that phase is nearing completion," he said.

"New Jersey is currently focused on working with its existing casinos to attain successful Internet gaming opportunities in this state," said David Rebeck, head of the state's Division of Gaming Enforcement. He added the state anticipates "future opportunities for growth and development with other jurisdictions..."

In addition to creating larger markets, compacts between states would also help create a more uniform regulatory landscape and enable states to share resources for identifying the location of gamblers, guarding against under-age gambling, stolen identities and credit card fraud.

## **Internet Gaming Brings Steve Wynn Back to New Jersey**

Steve Wynn's long-time on-and-off relationship with New Jersey appears to be on again, after Wynn Interactive LLC filed an application with the New Jersey Division of Gaming Enforcement for a license to participate in Internet gaming.

In the 1980s, Wynn successfully operated the Golden Nugget casino, now known as the Atlantic Club. Wynn's 1987 sale of the Golden Nugget was a springboard for Wynn's move to Las Vegas, where he became one of the casino industry's most prominent figures. In subsequent years, Wynn proposed various Atlantic City casino projects which never materialized.

Currently, Wynn Resorts operates Wynn Las Vegas and the Encore in Las Vegas as well as Wynn Macau. The company also has proposed projects in Pennsylvania and Massachusetts. Details about the organizational structure of Wynn Interactive have been sealed at the company's request. Its specific plans for New Jersey, including any partnership with an existing casino for the conduct of Internet gaming, also remain unclear at this point.

## **More Legal Trouble for PokerStars in NJ**

PokerStars' attempts to enter the online gaming market in

*Our goal is to provide clients with the information, experience, and contacts necessary to develop, regulate and operate both casinos and ancillary companies. The governments for which CGC has previously provided assistance in drafting gaming regulations and establishing gaming regulatory structures include the following: The Mohawk Territory of Kahnawake, located just outside Montreal; the United States Virgin Islands; Antigua and Barbuda; the Philippines; and the Canadian Provinces of Prince Edward Island and Nova Scotia.*

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New Jersey have had more than their share of legal troubles. Powerful lobbying groups like the American Gaming Association have asked the Division of Gaming Enforcement (DGE) to deny a license to the online poker company.

The company was also forced to abandon its pursuit of the Atlantic Club Casino Hotel in Atlantic City, but is still seeking to recover an advance of \$11 million it gave to the casino. PokerStars has since teamed with Resorts Casino Hotel to launch that casino's online offerings.

Now Kelly Sonnenberg, an Illinois resident, is causing more trouble. Sonnenberg, individually and on behalf of a group of others, filed a lawsuit in 2012 in Illinois against Isai Scheinberg, Paul Tate and other founders of PokerStars. Sonnenberg represents a group of players that deposited money in accounts with the online site, only to lose those funds after the company was shut down by the US Department of Justice in 2011 as part of a wide-spread crackdown on international poker sites targeting American players.

Sonnenberg recently filed a subpoena on the DGE for the documents submitted by PokerStars in connection with its New Jersey license application. In response to the subpoena, PokerStars' parent company, Rational, filed a motion to have it quashed. The company was previously granted a "stay of discovery" by a US Magistrate Judge in a motion to dismiss the class action suit-still awaiting resolution.

Rational claims that Sonnenberg "is plainly not entitled" to view the documents, as these were submitted to the DGE under regulatory conditions. Such conditions ensure the confidentiality of personal, private and restricted information pertaining to the Rational Group and to PokerStars, as well as all other persons and entities associated with the companies.

The matter is awaiting determination.

## **Gamblers Sue Revel Over Money-Back Ad Promise**

As we reported last month, Revel, the Atlantic City Casino project that recently went bankrupt, attempted a new

promotion this summer, seemingly offering to refund all slot losses for the month of July. But the promotion, heavily advertised in New Jersey and neighboring states, drew criticism from consumers and consumer law experts who felt that the conditions and disclaimers made the casino's apparent promise misleading. Now, the inevitable has happened.

Two New Jersey gamblers have filed a lawsuit against Revel seeking more than \$35 million in damages, claiming the casino "lured" patrons to its Atlantic City slot machines in July with a false promise to refund all losses. The class action suit, filed on behalf of "tens of thousands" of slot players, accuses Revel of breach of contract, unjust enrichment and violating state consumer-protection laws. According to the complaint, "[t]his deceptive business scheme . . . result[ed] in the first-ever profitable period since [Revel's] opening 18 months ago."

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Sincerely,

**Frank Catania, Gary Ehrlich, Toni Cowen, Professor Joe Kelly and Keith Furlong**  
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