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Robert Ivers

*University of Arkansas, Fayetteville*

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**Internet Gambling: Safe Bet or Risky Wager?**

**by**

**Robert Bryan Ivers**

**Advisor: Mr. John M. Norwood**

**An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of  
Science in Business Administration in Finance**

**Sam M. Walton College of Business  
University of Arkansas  
Fayetteville, AR**

**December 17, 2011**

## **Introduction:**

The act of gambling is one of the oldest known pastimes in the world, and one that is continually evolving as technology changes and allows for greater access to gambling activities of various kinds. Historically, individuals wanting to participate in any sort of gambling activity, whether it be sports betting, casino games, poker, or a myriad of other activities, had to travel to access venues in which they could participate in these games of chance. However, centralized gambling is becoming less and less the norm and more and more people can gamble from the comfort of their own homes. Gambling over the Internet has become increasingly popular and at the same time increasingly accessible. With the ease of accessibility, Internet gambling is more than likely something that will continue to grow both now and into the future.

Internet Gambling was introduced to the world on August 18, 1995 when Interactive Casino, Inc. began accepting Internet wagers. Entrepreneurs across the world quickly became aware of this exciting new industry, and by 2000 there were approximately 300 companies operating more than 1,800 websites offering consumers access to Internet gambling. Because of multiple U.S. laws that courts have chosen to interpret as outlawing Internet gambling, a large majority of these companies set up operations overseas to avoid potential litigation in the U.S.

The act of Internet gambling has always been quite simple. To participate, an individual must set up an account with an Internet gambling website. The individual then deposits money to the site through a variety of deposit options and receives an equivalent amount in virtual chips that can be wagered on any number of games, from Texas Hold'Em to Blackjack (Brief History of Internet Gambling, 2006). When individuals decide that they are ready to obtain winnings, they can "cash out" their chips for physical cash. The cash is generally sent via check to the individual or direct-deposited in the individual's bank account. Internet gambling companies generally use third party payment-processors to facilitate these transactions, especially in the United States where legislation prohibits financial institutions from engaging in transactions with Internet gambling companies.

As the popularity of Internet gambling grows so does the controversy involved with it. Advocates and opponents of the activity continue to voice opinions on the issue and the debate on the topic is becoming increasingly heated and visible. Multiple court cases have dealt with the subject and the topic of whether gambling through on line means should be legal. This has also become a hot topic within the United States Senate and House of Representatives. Several bills have been proposed over the years in the House and the Senate, but these bills have seen only limited success.

In 2006, Congress passed the Unlawful Internet Gambling Enforcement Act ("UIGEA") to prevent financial institutions from conducting business with Internet gambling companies. Though the UIGEA prohibits financial institutions from processing transactions with Internet gambling companies, it does not explicitly make Internet gambling illegal. The effectiveness of the UIGEA will be examined later in this paper.

This paper is an attempt to trace the legal nature of Internet gambling, the popularity of Internet gambling in the United States, and the potential for future regulation of the industry

within the United States. After analyzing these aspects of Internet gambling, this paper will attempt to analyze the popularity and scope of Internet gambling among students at the University of Arkansas, particularly within the Walton College of Business, and the potential economic impact of future regulation within the United States.

### **Legality of Internet Gambling:**

The legal nature of Internet gambling is a tricky one and something that cannot be easily explained by one single law or court case. Complicating this lack of jurisprudence is the fact that the enforcement and regulatory challenges involved with Internet gambling are next to impossible to control. The issue of whether Internet gambling is illegal or should be legislated is a complicated one, and there are arguments to be made on both sides of the issue. Several federal court cases have specifically addressed the issue and the World Trade Organization has even taken a stance on Internet gambling, particularly on the United States' efforts to eradicate it. The remainder of this section will discuss laws that have been deemed relevant in regards to Internet gambling and court cases that have attempted to handle the subject. The World Trade Organization's efforts to prevent the United States from completely banning Internet gambling in the United States will also be discussed.

In the United States, the regulation of gambling generally lies within each individual state's power. Each state is able to take its own stance toward the subject and create laws and regulations that reflect these varying stances. However, due to the nature of Internet gambling and the fact that Internet gambling transactions usually cross state and sometimes international borders, the lines on which states' laws govern can become blurred. This combined with the fact that Internet gambling often takes place from the convenience of home makes the regulation and enforcement of gambling laws particularly hard.

State laws regarding traditional forms of gambling in the United States cover a wide range of subjects. While Utah and Hawaii are the only states that completely ban all forms of gambling, most states allow some forms of gambling while very few states (Iowa, Louisiana, Michigan) prohibit no forms of gambling. Forty-three states participate in some form of lottery, and as of November 2008 approximately 30 states allow casinos. Not only does each state have different laws regarding gambling, many of the laws treat similar forms of gambling completely different ("State-by-State," 2008). For instance, though between 30 and 35 states allow casinos, each state has its own restrictions on where casinos can be located, what kind of gambling these casinos can participate in, and even who can own these casinos. Arkansas has long been one of the more conservative states and has only within the last few years passed legislation allowing a state lottery. Gambling within the state of Arkansas is addressed by Arkansas statutes § 5-66-101 through 5-66-119. The introduction to these statutes states:

"In their construction of the statutes prohibiting gaming, the judges of the several courts in this state shall construe the statutes liberally, with a view of preventing persons from evading the penalty of the law by changing of the name or the invention of new names or devices that now are, or may hereafter be, brought into

practice, in any and in all kinds of gaming, and all general terms of descriptions shall be so construed as to have effect, and include all such games and devices as are not specially named. In all cases in which construction is necessary, the construction shall be in favor of the prohibition and against the offender” (2011).

Though these statutes do not expressly prohibit Internet gambling, it can be reasonably assumed that they restrict Arkansas residents from participating in Internet gambling.

While there are certain states that have laws specifically addressing Internet gambling, the topic is one that is not generally covered by most state laws. Due to this fact, the remainder of this report will focus primarily on federal laws that could be regarded as applicable to Internet gambling. According to Article 1, Section 8, Clause 3 of the United States Constitution, the federal government has the power “to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.” In other words, Congress has the power to regulate interstate commerce and all signs seem to indicate that Congress considers Internet gambling be a form of interstate commerce.

<b>Relevant United States Federal Laws</b>	
31 USC § 5361	(Unlawful Internet Gambling Enforcement Act)
18 USC § 1084	(Interstate Wire Act of 1961)
18 USC § 1952	(Travel Act)
18 USC § 1953	(Interstate Transportation of Wagering Paraphernalia Act)
28 USC § 3702	(Professional and Amateur Sports Protection Act)
18 USC § 1955	(Organized Crime Control Act of 1970)
18 USC § 1956	(Money Laundering Statute)
18 USC § 2	(Aiding and Abetting Statute)

Until late 2006, the most applicable federal law in regards to Internet gambling was the Interstate Wire Act of 1961, or 18 USC § 1084. The most pertinent section of this law states:

“Whoever being engaged in the business of betting or wagering knowingly uses a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers or information assisting in the placing of bets or wagers on any sporting event or contest, or for the transmission of a wire communication which entitles the recipient to receive money or credit as a result of bets or wagers, or for information assisting in the placing of bets or wagers, shall be fined under this title or imprisoned not more than two years, or both” (2011).

While this section of the law appears to conclusively outlaw Internet gambling in the United States, the timing of the law must be considered when determining the applicability of the law to the subject. While the terms “wire communication facility” and “transmission of a wire communication” could be interpreted to apply to the use of the Internet for gambling, it is more reasonable to assume that, due to the timing of the law, the law was intended to prevent the

placing of bets and wagers via the telephone. However, the government has historically chosen to take the stance that this law can be applied to present-day Internet gambling.

In addition to the Interstate Wire Act of 1961, other pieces of legislation could be interpreted to apply to Internet gambling. The most relevant of these is 18 USC § 1952, also known as the Travel Act. The law provides as follows:

“(a) Whoever travels in interstate or foreign commerce or uses the mail or any Facility in interstate or foreign commerce, with intent to—  
(1) distribute the proceeds of any unlawful activity; or  
(2) commit any crime of violence to further any unlawful activity; or  
(3) otherwise promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on, of any unlawful activity” (2011).

Though it is unclear whether this particular statute could be applied to Internet gambling websites themselves or individual gamblers, the wording of the law makes it seem as though the doer of illegal activity would be the websites rather than the individuals. Though the law is similar to the Interstate Wire Act of 1961, it is not limited to just sports betting and could be reasonably interpreted to cover any form of Internet Gambling.

Of the remaining laws mentioned in the table above, the Money Laundering Statute would be of most concern to Internet gambling companies. The United States government pays special attention to money laundering and routinely prosecutes harshly those that are involved in it. The United States Department of Justice tends to believe that Internet gambling creates a strong likelihood of money laundering. The most applicable section of the law, Part (a)(1) of 18 USC § 1956 makes it illegal for,

“Whoever knowing that the property involved in a financial transaction represents the proceeds of some form of unlawful activity, conducts or attempts to conduct such a financial transaction which in fact involves the proceeds of specified unlawful activity...with the intent to promote the carrying on of specified unlawful activity” (2011).

Under this reading, violation of the Wire Act would be considered an unlawful activity. The punishment for violating the Money Laundering Statute includes mandatory jail time and repayment of the money involved in the activity. The other laws mentioned in the table above could be interpreted to cover Internet gambling but in a much broader sense and are not relevant for the purpose of this paper.

In 2006, the United States Congress passed a law that expressly dealt with the subject of Internet gambling, but even this law did not make it clear whether or not Internet gambling is legal or illegal. The law, 31 USC § 5361, is known as the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA) and was signed into law by President George W. Bush on October 13, 2006. The law was passed as an eleventh-hour addition to the SAFE Port Act and dealt with the prohibition of financial institutions to be involved in any kind of financial transactions with Internet gambling businesses. The law reads as follows:

“No person engaged in the business of betting or wagering may knowingly accept, in connection with the participation of another person in unlawful Internet gambling - credit, or the proceeds of credit, extended to or on behalf of such other person (including credit extended through the use of a credit card); an electronic fund transfer, or funds transmitted by or through a money transmitting business, or the proceeds of an electronic fund transfer or money transmitting service, from or on behalf of such other person; any check, draft, or similar instrument which is drawn by or on behalf of such other person and is drawn on or payable at or through any financial institution; or the proceeds of any other form of financial transaction, as the Secretary and the Board of Governors of the Federal Reserve System may jointly prescribe by regulation, which involves a financial institution as a payor or financial intermediary on behalf of or for the benefit of such other person” (2011).

Later on in this paper, we will compare the UIGEA to a number of proposed pieces of legislation in an attempt to determine where the future of Internet gambling legislation might be headed.

#### **Unlawful Internet Gambling Enforcement Act of 2006:**

The Internet completely changed the way in which millions of Americans gambled, and since the first Internet gambling site was created in 1995, the United States Department of Justice has looked for ways to prevent individuals from participating in Internet gambling. Generally, the Department of Justice has turned to gambling laws that were passed long before the Internet became a part of society. Therefore, it is often hard to enforce these laws and apply them to a society that revolves heavily around the use of the Internet for many of our everyday activities. Until 2006, there was no United States law that explicitly outlawed or legalized Internet gambling. That all changed with the passing of the UIGEA. This law prohibits United States financial institutions from processing fund transfers to known Internet gambling companies. The law did not actually outlaw Internet gambling, but by making it illegal for financial institutions to be involved in transactions with Internet gambling companies the law essentially cut off all American funding.

Though the law was meant to prevent individuals within the United States from participating in Internet gambling, it was not entirely effective. For one, the writing of the law makes it so that the financial institutions are responsible for policing these potential fund transfers with Internet gambling companies and with the high level of activity that financial institutions are usually involved in, this is sometimes impossible. If Congress was looking to explicitly make Internet gambling illegal, it would have been much more effective to include language in the law saying so. However, no such language is present. Additionally, because of the fact that the law placed the burden on financial institutions, Internet gambling companies were still able to contract with third-party payment-processors. When an individual in the United States wanted to deposit money onto an Internet gambling website, the gambling companies passed the transactions through these payment-processors who would then pass the

payments on to the financial institutions. The financial institutions would therefore not be aware that the transactions involved Internet gambling and would not be able to prevent them from going through.

Much controversy has occurred as a result of the passing of the UIGEA, and a significant amount of this controversy centers around the timing with which the bill was passed. The law was added as Title VIII of the Safe Port Act (31 U.S.C. §§ 5361–5367), a bill that generally dealt with United States Port Security. If the attachment of the UIGEA to the Safe Port Act does not seem strange enough, the provision was added to the bill at the very last minute and members of Congress reportedly did not even have enough time to read through the final wording of the provision. Though the Safe Port Act was signed into law in 2006, due to a period of debate and creation of regulations for the act the UIGEA did not officially take effect until January 19, 2009.

### **Case Law Regarding Internet Gambling:**

Though each of the aforementioned laws could apply or could be loosely interpreted to apply to Internet gambling, there have been relatively few cases regarding the subject. Of the few cases that have come about, several have been settled prior to trial and therefore there is limited information on these particular cases. One of the potential reasons for such a small amount of case law regarding Internet gambling is the fact that criminal prosecutions have been kept to a minimum due to the fact that a large majority of Internet gambling companies run their operations outside of the United States, making it difficult for the United States to prosecute the individuals involved. Furthermore, due to the large number of individuals who have historically participated in Internet gambling and the fact that these activities can be done in a largely anonymous manner, it seems unlikely that the United States government will begin prosecuting individual gamblers. And with no law expressly outlawing Internet gambling, this possibility seems even more likely. However, there have been a select number of cases that have pertained to Internet gambling and one high-profile case, particularly regarding Internet poker, that is currently being pursued by the United States Department of Justice. The three main cases this paper will review are *In Re: MasterCard*, *United States v. BetonSports PLC*, and *Humphrey v. Viacom, Inc.* This paper will also comment on the background of an ongoing criminal case regarding the prosecution of individuals accused of running Internet gambling sites.

The first case, *In Re: MasterCard*, is a case from the Eastern District of Louisiana from March 2000 in which the plaintiffs, Larry Thompson and Lawrence Bradley, alleged that MasterCard and other financial institutions were involved in illegal Internet gambling and therefore their gambling debts to these companies should be erased. The plaintiffs stated in their case that these companies worked with certain Internet casinos to create a “worldwide gambling enterprise” and that the companies were in violation of the Racketeer Influence and Corrupt Organizations Act (RICO) (*In Re: MASTERCARD INTERNATIONAL*, 2002). The section of this law, 18 U.S.C. §§ 1961-1968, that most directly applies to *In Re: MasterCard* reads as follows:



"it shall be unlawful for any person employed by or associated with any enterprise engaged in, or the activities of which effect, interstate or foreign commerce, to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity or collection of unlawful debt" (2011).

The plaintiffs argued that by working with the online casinos, the financial institutions involved in the case had engaged in such an action and therefore their debts should be considered unlawful.

As justification for their claim that Internet gambling was illegal, the plaintiffs cited the Interstate Wire Act of 1961. They claimed that the Wire Act prohibited Internet gambling due to the fact that this type of gambling involves some sort of "wire communication facility." However, in its ruling, the Court stated that "Internet gambling on a game of chance is not prohibited conduct under [the Wire Act]." In stating this, the court was expressing its belief that the plaintiffs failed to prove that the financial institutions were in violation of RICO and therefore the plaintiffs should not be relieved of their gambling debts. The ruling in *In Re: MasterCard* was thus a big success for Internet gambling casinos. The Court further stated in its ruling that the defendants in the case did not violate the Wire Act because the Wire Act is interpreted solely to apply to wagering on sports events or contests (Walters). This interpretation gave support to the Internet casinos' assertion that Internet gambling was not illegal and shielded the Internet gambling companies from civil or criminal prosecution, at least for the time being.

The second case, *United States v. BetonSports*, was a 2006 case filed in the Eastern District of Missouri. In the case, the United States of America brought forth an indictment against several individuals associated with the Internet gambling site BetonSports PLC. The defendants were accused of, among other things, violating the provisions of RICO, mail fraud, wire fraud, and money laundering (*United States v. BETONSPORTS PLC*, 2006). The defendants were accused of running multiple Internet gambling websites that accepted wagers from a large number of United States citizen on sporting events and other forms of gambling. In ruling on the case, the Court referred to *In Re: MasterCard* and the newly passed UIGEA as reasoning for not dismissing the case. The Court stated in its ruling that "This court respectfully disagrees with the *MasterCard* cases," and that they further believed that the Wire Act could be applied to all forms of Internet gambling, not just sports betting. The Court went on to discuss the impact of the UIGEA and concluded that the UIGEA' definition of "bet or wager" indicated that Congress intended non-sports wagering to also be considered unlawful (Walters). However, this ruling could be questioned because of the fact that the UIGEA expressly states that a "bet or wager" should be considered unlawful "under any applicable Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received, or otherwise made." Because a majority of states do not have laws expressly prohibiting Internet gambling, the Courts interpretation in the case may be a little off.

The third case, *Humphrey v. Viacom, Inc.*, was a June 2007 case filed in the District of New Jersey. In the case, plaintiff Charles E. Humphrey, Jr. filed suit against Viacom, Inc. and

several other defendants (including CBS, Disney, and ESPN) for “alleged violations of anti-gambling laws of New Jersey and several other states.” The plaintiff argued that the sites operated “pay-for-play fantasy sports sites” that were in violation of gambling loss-recovery laws in several states (*Humphrey v. Viacom, Inc.*, 2011). These laws, known as *qui tam* statutes, authorize gambling losers to sue to recover losses incurred via a number of different types of gambling. *Qui tam* statutes vary by state and the plaintiff argued in his filing that the defendants in question violated the statutes of the District of Columbia, Georgia, Illinois, Kentucky, New Jersey, Ohio and South Carolina. The plaintiff argued that registration and entry fees paid by fantasy sports leagues participants could be considered as bets or wagers and those individuals who paid these fees should be entitled to recover losses. The Court eventually dismissed the case at the request of the defendants. In dismissing the case, the Court ruled that the plaintiff failed to prove that the defendants violated the *qui tam* statutes of the involved states and that the entry fee paid to the sites did not constitute a wager but rather was a payment for the use of the services that the websites were providing.

Outside of these cases, there is one particular ongoing criminal case that has already had and could continue to have a particularly large effect on Internet gambling companies hoping to operate within the United States. The indictment brought forth in the case, *United States v. Schienberg, et al.*, was unsealed on April 15, 2011, a date that has become colloquially known as “Black Friday” within the Internet poker community. Filed by Preet Bharara, the United States attorney for the Southern District of New York, the indictment alleges that the founders of the three largest Internet poker companies (Full Tilt Poker, Pokerstars, and Absolute Poker/Ultimate Bet) violated the provisions of the UIGEA and also were involved in bank fraud and money laundering (*United States v. Schienberg, et al.*, 2011). As part of the indictment, the United States Department of Justice seized the domain names of the Internet gambling companies involved and forced them to cease operations within the United States. The case was amended on September 20, 2011 to include claims that Full Tilt Poker was running a global Ponzi scheme (Caruso, 2011). Though it remains to be seen what the results of this case will be, the ruling will undoubtedly set a precedent for potential future cases brought against Internet gambling companies and have a profound impact on the landscape of Internet gambling within the United States.

### **Survey Results:**

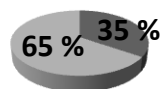
In order to gather information regarding Internet gambling activity among college students, a simple survey of 270 students at the University of Arkansas was taken. The complete survey is attached as an appendix at the end of this paper. The surveys, entirely anonymous and randomly distributed, were conducted in a number of different classrooms with the hope of gaining exposure to students of different ages and genders. Particular interest should be paid to those students aged 18-20 years old (typically freshmen and sophomores) that do not typically have access to gambling except through on line means. During the survey, valid results were obtained from 269 of the 270 students surveyed. As the final question of the survey reveals,

these results included 85 freshmen, 41 sophomores, 55 juniors, 28 seniors, and 60 graduate students. Furthermore, as the fifth question of the survey reveals, 58 percent of the respondents were male and 42 percent were female. Certain questions on the survey mirror questions posed by a May 2005 study performed by Brandice N. Wells with the assistance of John M. Norwood. Where applicable, results from the current study will be compared with the results from Ms. Wells' study to determine any changes in Internet gambling activity among college students from 2005 to 2011.

The main purpose of the survey was to identify the level at which college students participate in Internet gambling. Furthermore, the survey was conducted with the hopes that it would reveal to some extent the familiarity of college students with Internet gambling laws and how much students react to these laws. Questions were asked to determine whether or not individuals thought Internet gambling was illegal and if the illegality of the activity would prevent an individual from participating in any sort of Internet gambling. A question was also asked to determine the types of Internet gambling that college students have traditionally participated in. The questions regarding previous gambling activity, the legality of Internet gambling, and if this legality or lack thereof would affect the decision to gamble were also asked by Ms. Wells in 2005 and differences between the 2011 survey and 2005 survey will be discussed in the appropriate section.

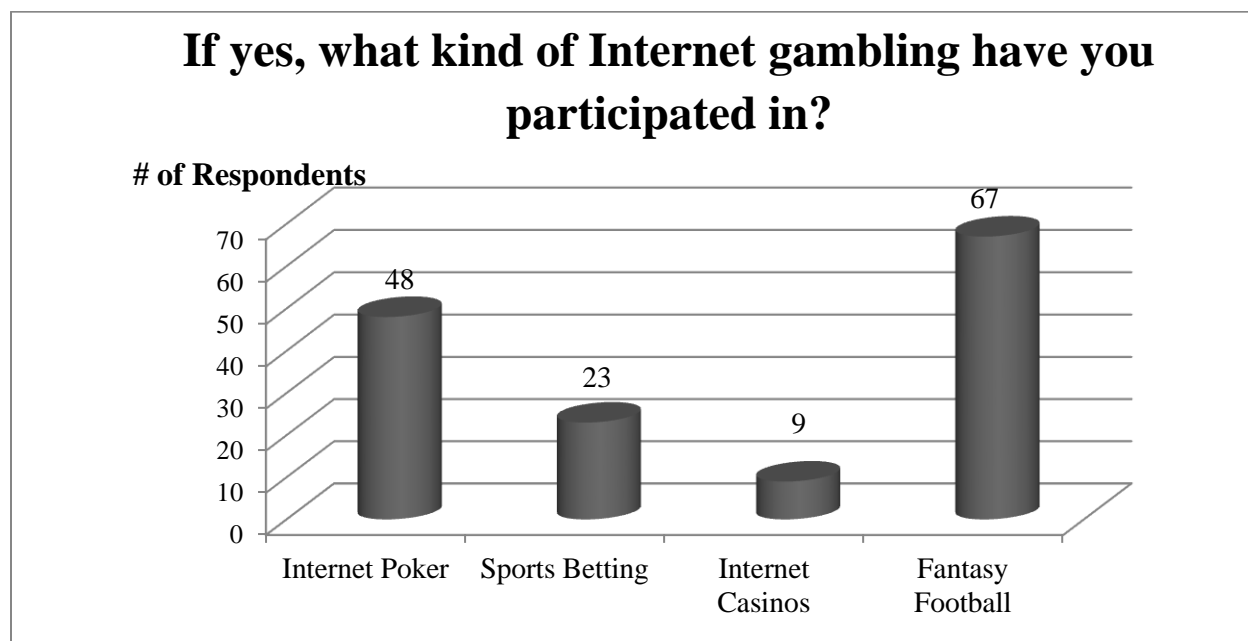
The first question asked on the survey was, "Have you ever participated in any kind of Internet Gambling activity?" Of the 269 respondents, 65 percent (176 people) answered "No," while the remaining 35 percent (93 people) answered "Yes." The results to this question show that while some students have gambled on the Internet in the past, a majority of students do not appear to be doing so. However, in comparison to Ms. Wells' survey in 2005, it appears that the number of students who are participating in Internet gambling has grown significantly since 2005. In Ms. Wells' survey, 84 percent of students surveyed stated that they had never participated in Internet gambling while 16 percent stated they had. It appears as if on a percentage basis the number of students who have participated in Internet gambling has more than doubled in the last six years, a fact that could be alarming. When you look into these results even further, 32 freshmen out of 85 surveyed and 15 sophomores out of 41 surveyed revealed that they had participated in Internet gambling. At 38 percent of freshmen and 36 percent of sophomores, it appears as if a significant amount of "underage" students are now gambling. These underage students generally have no other methods with which to gamble and therefore turn to the Internet.

### **Have you ever participated in any kind of Internet Gambling Activity?**



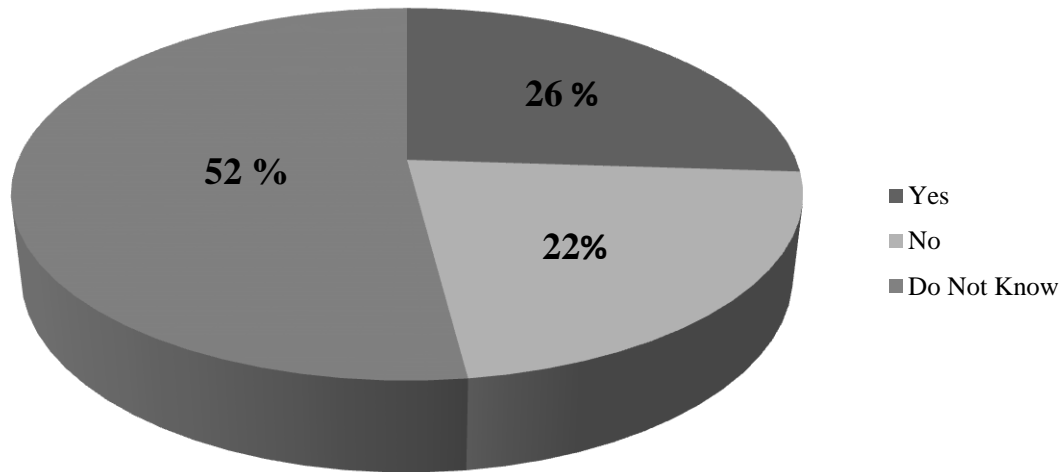
■ Yes  
■ No

The next question was specific to students who replied “Yes” to the first question. The question stated, “If yes, what kind of Internet Gambling have you participated in?” and gave students the option to choose between “Internet Poker,” “Sports Betting,” “Internet Casinos,” “Fantasy Football where bets were placed,” and “Other.” Of these, the most frequent response was “Fantasy Football where bets were placed.” 72 percent (67 people) of the students who answered “Yes” to Question One indicated that they had participated in fantasy football on the Internet. The second most frequent response was “Internet poker,” in which 52 percent (48 people) said they had participated. The third most frequent response was “Sports Betting,” in which 25 percent (23 people) said they had participated. Interestingly, only 10 percent (9 people) of individuals who answered “Yes” to Question One stated that they had gambled using Internet Casinos.



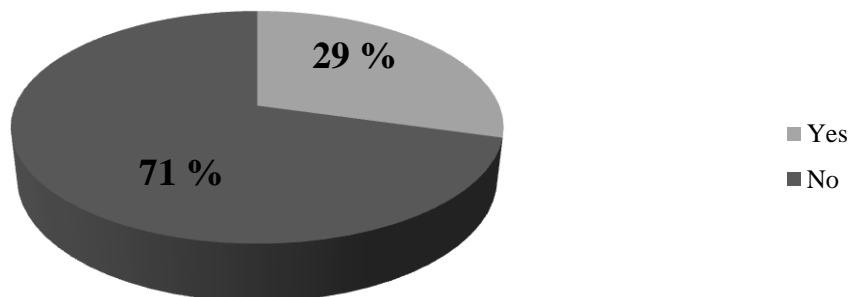
The third question on the survey involved the legality of Internet gambling and read, “Is Internet gambling in the United States legal?” In response to the question, 26 percent (70 people) of all respondents replied “Yes.” 52 percent (140 people) were not sure and the remaining 22 percent (59 people) said “No.” These results clearly show the lack of knowledge of laws regarding Internet gambling within the United States. While the results were spread across the board, it is astounding that 52 percent of respondents stated that they did not know if Internet gambling was illegal. This question was also asked by Ms. Wells’ survey and showed differing results from 2005. During Ms. Well’s survey, 62 percent of all respondents stated that gambling was legal, 24 percent were not sure, and 14 percent believe that it was not legal. Clearly, since 2005 college students have become more confused on whether or not Internet gambling is expressly legal or illegal.

## Is Internet gambling in the United States legal?



The fourth question of the survey asked students “Would you participate in Internet gambling even if you thought it was illegal?” Interestingly enough, 29 percent (79 people) stated that they would participate even if gambling was illegal and 71 percent (190 people) stated that they would not participate if gambling was illegal. Ms. Wells’ survey also included this question but included an additional answer choice of “Not Sure” so it is hard to confirm exactly to what degree responses to this question have changed in the last six years. However, Ms. Well’s survey indicated that 74 percent of respondents would not participate if Internet gambling was illegal while only 10 percent of respondents would participate even if Internet gambling was illegal. This seems to give at least a slight indication that current college students do not seem to take the legal nature of Internet gambling into account as much as past students when deciding whether or not to participate.

## Would you participate in Internet gambling even if you thought it was illegal?



The results of this survey were very interesting. While a minority of respondents stated that they had participated in some form of Internet gambling, it appears that the popularity of Internet gambling by college students is on the rise since Ms. Wells' survey. However, it should be considered when reviewing the results of this survey that students may not have wanted to admit their participation in Internet gambling or may not have accurately completed the survey. Overall, the survey clearly illustrates that Internet gambling has a presence in the life of a growing number of college students and that the laws regarding the subject are increasingly unclear to college students.

### **Potential Regulation and Future Legal Environment:**

The issue of potential Internet gambling regulation has become a hot topic in today's society. The United States Congress has attempted to tackle the issue but these efforts have met with limited success. However, the arguments provided for regulation of Internet gambling are becoming stronger and support is growing for future regulation. Despite these strong arguments, opponents of the potential regulations still strongly voice their opinions. Though nobody knows for certain where the future of Internet gambling is headed, one thing is almost guaranteed: more legislation will be passed. The controversial nature of the subject almost ensures that at some point a definitive legal answer must be given. However, future legal actions could come not only at the federal level, but also at the state level. Even if a federal bill is passed to regulate Internet gambling, states would still have the option to outlaw Internet gambling within their jurisdictions. Several states currently have laws expressly prohibiting any form of gambling so this potential state regulation regarding Internet gambling is not at all outside the realm of possibility. The remainder of this section will discuss the pros and cons of potential regulation.

One of the most vocal individuals in the fight to regulate Internet gambling within the United States has been Barney Frank, Representative-Massachusetts. Representative Frank has introduced several bills before Congress and was a strong advocate in delaying the implementation of the UIGEA until June 1, 2010 in order to give financial institutions more time to prepare for the changes. Though Representative Frank is reportedly not a gambler himself, he has gained strong praise from the gambling industry for his efforts to provide a framework for regulation of Internet gambling. Representative Frank was opposed to the UIGEA and has proposed several pieces of legislation since in an attempt to revoke the terms of the law and regulate the industry. In 2007, Representative Frank sponsored H.R. 2046, known as the Internet Gambling Regulation and Enforcement Act, as an attempt to provide for the licensing and regulation of Internet gambling sites within the United States (Frank, 2007). Furthermore, in 2009, Representative Frank sponsored H.R. 2267, known as the Internet Gambling Regulation, Consumer Protection, and Enforcement Act (Frank, 2009). Though Representative Frank was not able to push through any of these pieces of legislation, he has gained bi-partisan support and even got the House Financial Services Committee to back the 2009 bill. However, Representative Frank has recently announced that he will not seek reelection when his term

expires in 2012 (Silverleib, 2011). It remains to be seen what effect, if any, Representative Frank's retirement will have on regulation and legalization efforts. Furthermore, Joe Barton, Representative-Texas, introduced a bill in June of 2011 to heavily regulate the industry (Barton, 2011). This bill is still in its infancy stages.

Though it remains to be seen what will happen, it appears that at some point in the future a framework will be created to regulate Internet gambling within the United States. However, what remains to be seen is what this framework will consist of and if it will involve any sort of repeal of the UIGEA. It appears more likely that regulations will provide methods for Internet gambling companies to obtain licenses within the United States while still keeping the UIGEA intact for the prohibition of unlicensed and foreign Internet gambling sites. One fact that cannot be argued: regulating Internet gambling would certainly provide a new source of tax revenue to the United States government. And in an economy where the national debt and budget deficit is becoming exponentially larger, revenue potential of all sorts will undoubtedly be assessed.

### **Conclusion:**

Internet gambling has truly become a “buzz” word in the United States, especially since the acts of what the Internet gambling community has come to know as “Black Friday.” Though it is one of the more popular subjects in today’s culture, it is also one of the most ambiguous legal topics in the United States. Though there are many laws which can be interpreted to prohibit Internet gambling, only the UIGEA has any sort of express terms regarding Internet gambling and even it does not completely outlaw Internet gambling. Because of the increasing debate regarding the subject, Congress will more than likely have to step in at some point and pass firm legislation either regulating or prohibiting Internet gambling. However, even if some kind of federal law is passed, Congress may still allow states to choose their own stances on Internet gambling. Though this potential disparity between states would allow for each state to maintain current laws on the subject, it could also cause a headache for regulators and companies wishing to enter the Internet gambling market upon legalization and regulation.

This paper has discussed the current legal environment regarding Internet gambling within the United States and examined both potentially applicable laws and judicial cases regarding the subject. A survey of University of Arkansas students was also presented and analyzed to determine the participation in Internet gambling by college-age students. Though the legal nature of Internet gambling remains somewhat ambiguous, it appears that at least some individuals are willing to participate in Internet gambling regardless of the laws that apply to the subject.

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## Appendix 1

This survey is to assist Robert Ivers in his senior honors thesis project entitled *Internet Gambling: Safe Bet or Risky Wager*. The thesis is designed to study the legality of Internet Gambling and its potential involvement in the lives of college students, particularly University of Arkansas Students. Your completion of this survey constitutes your consent to use the data collected in the research project. All information collected will remain private and be used only for the purpose of the thesis project.

1. Have you ever participated in any kind of Internet Gambling Activity?

- Yes  
 No

2. If yes, what kind of Internet Gambling have you participated in?

- Internet Poker  
 Sports Betting  
 Internet Casinos  
 Fantasy Football where bets were placed  
 Other

3. Is Internet Gambling in the United States legal?

- Yes  
 No  
 Do not know

4. Would you participate in Internet Gambling even if you thought it was illegal?

- Yes  
 No

5. What is your class standing?

- Freshman  
 Sophomore  
 Junior  
 Senior  
 Graduate Student

6. What is your gender?

- Male  
 Female