

Briefing

Gaming Team

DAVID CARRUTHERS ARREST- CRACKDOWN BY THE DEPARTMENT OF JUSTICE

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The recent arrest of David Carruthers, CEO of BetonSports and the list of charges levelled against him, Gary Kaplan, the founder of the company, and others involved in the operation and advertising of the business, indicate that the Department of Justice has now taken the gloves off in challenging the remote betting and gaming industries.

Carruthers has been an outspoken critic of US policy with respect to remote gaming, and recently was published in the Wall Street Journal in a debate with Representative Leach, one of the leading proponents of anti- remote gaming legislation.

The DOJ was successful a few years ago in its prosecution and conviction of Jay Cohen, an American citizen who ran a telephone and internet sports book in Antigua, but since then there been few high profile prosecutions, with the exception of the recent charges against William Scott and Jessica Davis.

There has been restraint by the DOJ in prosecutions of remote gaming operators since that time. Senior management and owners of internet betting and gambling companies have freely travelled in the U. S. Some of the charges rely on legislation, such as the Wire Act, prohibiting use of interstate telephone wires to place or take bets, that were enacted long before the advent of the internet. The Wire Act applicability to internet gaming has been subject to different interpretations, even among US federal courts.



Whether the DOJ has been waiting to see if stronger and clearer laws targeting remote gaming would be enacted to assist in prosecutions and did not want to risk losing a case using the existing law or whether it is confident it can obtain conviction with existing law and has needed all this time to gather evidence is unclear.

The House of Representatives recently passed the Leach Bill which will prohibit financial institutions from providing payment means for internet gambling. Similar

legislation has gone through the House for a number of years and stalled in the Senate. The timing of the announcement could have the effect of generating publicity and support for the legislation.

The industry will watch closely to see if Carruthers reaches a settlement with the DOJ, as happened in its prosecution of Paypal and The Sporting News, or whether he fully challenges the DOJ by going to trial. If it does go to trial, the outcome will have a huge impact on the future of remote betting and gambling operations. A conviction by the DOJ will chill the industry and encourage further aggressive prosecutions. If Carruthers is found not guilty, the DOJ may go back to being quiet on this front. The next 6-12 months will be a nervous period for the industry.

Further Information

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This briefing note is intended merely to provide a summary of the law in this area and is not a comprehensive guide. It is not intended to provide legal advice for specific cases. Note: The law and practice in this note is stated as at July 2006.

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