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IMGL CONFERENCE HIGHLIGHTS FUTURE GAMING TRENDS

by Robert W. Stocker II

The top ten gaming panel observations at the two-day International Masters of Gaming Law conference held in Vienna, Austria, last week were as follows:

1. Merger and acquisition activity in the gaming equipment manufacturing and related software development industry will pick up in 2012.
2. The impact of the internet on the gaming business is massive and needs to be fully understood and addressed by the regulators in a logical, common sense fashion. The technological revolution and its impact on enforcement issues present significant challenges for the regulators and the industry.
3. Internet gaming is expanding rapidly in Europe, with Italy leading the way. State monopolies are gradually fading away in favor of an open, competitive, commercial internet gaming market that emphasizes commercial transparency. The challenge is to properly protect the public from phony operators and protect player accounts. The European Parliament is awaiting a green paper on online gaming (pegged as the "Creutzmann Report" in honor of its author) which will be forthcoming in October and will serve as the basis for the European Parliament's development of online gaming policies. The focus of the recommendations will be minimum standards, transparent reporting, and financial transaction regulation designed to block illegal operators.
4. Eastern European countries continue to suffer from significant decreases in the number of gaming establishments and consequently a continuing decrease in gaming revenues. This is prompting Eastern European countries to update their gaming legislation to include internet gaming and establishment of gaming environments that encourage the expansion of gaming and related increases in revenue.
5. There is a disconnect between legislative bodies and the reality of the marketplace conduct of compulsive gamblers. This

disconnect begs for scientific studies of proposed policies and systems. Such studies will enable regulators to identify and treat compulsive gamblers in manners that are effective rather than merely adopting feel good policies that either have no impact at all or that actually have the impact of encouraging additional compulsive gambling or adverse side effects such as domestic violence. This requires much greater dialogue between the regulators and the gaming industry backed by substantive scientific studies.

6. Battle lines are developing on the issue of how to tax online gambling. There are substantive differences between land-based gaming and online gaming that need to be taken into account in determining an appropriate tax structure for online gaming.
7. The American Gaming Association is working on a white paper for industry regulators addressing substantive ways to improve effective regulation of the industry.
8. The globalization of gaming is producing a boom in the international markets.
9. The upcoming generation of gamblers is demanding new and more interesting games, and the industry is working diligently to respond to this demand.
10. The substantive dialogue between regulators, independent gaming laboratories, and gaming equipment suppliers needs to increase substantially in light of the rapid changes that are occurring in the gaming industry.

U.S. PROSECUTORS TAKE AIM AT FULL TILT POKER IN THE AMERICAN WAR ON I-POKER

by Peter J. Kulick

The United States Department of Justice again set its sights on Full Tilt Poker when the Department of Justice filed an amended civil complaint on Tuesday, September 20, 2011. The Verified First Amended Complaint ("Amended Complaint") alleges that Full Tilt defrauded its players by withdrawing funds on deposit in the players' accounts. The Amended Complaint alleges that Full Tilt distributed the funds it withdrew from the player accounts to insiders. The Amended Complaint requests that money judgments be entered against Full Tilt insiders Raymond Bitar, Howard Lederer, Christopher Ferguson, and Rafael Furst, ranging from \$40 million to \$11 million.

The Department of Justice allegations center on representations Full Tilt is purported to have made to its online players that their funds "were secure and segregated from operating funds." The Amended Complaint alleges that Full Tilt, contrary to its representations, actually commingled player deposits with operating funds and then distributed the commingled funds. Interestingly, the Amended Complaint alleges

that Full Tilt continued to engage in this pattern of activity after its April 15, 2011, criminal indictment in the U.S.

As the litigation evolves, there will doubtlessly be several interesting issues raised arising from the allegations set forth in the Amended Complaint. Full Tilt may point to the U.S. Department of Justice's actions of freezing funds in Full Tilt's bank accounts and seizing its website domain as justifying the use of player deposits for other purposes. Whether such a reason is legally justifiable, if raised, may ultimately be left for the courts to decide.

The filing of the Amended Complaint is yet another of the continuing setbacks Full Tilt has experienced in the past six months. The legal impediments for Full Tilt began on April 15 when U.S. prosecutors criminally indicted Full Tilt by alleging that accepting wagers from within the U.S. from its i-poker site violated several U.S. criminal laws. Full Tilt's legal and business challenges were exacerbated more recently when the Alderney Casino Control Commission, the regulatory body that licenses Full Tilt, suspended its gaming license. The ACCC held closed hearings this week concerning Full Tilt. No details concerning the ACCC's regulatory actions have been released publicly.

The mounting legal troubles for Full Tilt come at a time when several interests are renewing legislative efforts to authorize some form of i-gaming in the U.S. The venerable American Gaming Association has recently pushed Congress to adopt legislation authorizing i-gaming. The AGA also released this week a Code of Conduct that lists six principles it proposes should be required for U.S. i-gaming operators. Additionally, efforts in state legislatures to authorize i-gaming continue.

DETROIT CASINOS' AUGUST REVENUES INCREASE FROM SAME MONTH LAST YEAR: MICHIGAN GAMING CONTROL BOARD RELEASES AUGUST 2011 REVENUE DATA

by Ryan M. Shannon*

The Michigan Gaming Control Board ("MGCB") released the revenue and wagering tax data for August 2011 for the three Detroit, Michigan, commercial casinos. The three Detroit commercial casinos posted a collective 1.9% increase in gaming revenues compared to the same month in 2010. Aggregate gross gaming revenue for the Detroit commercial casinos decreased, however, by approximately 4.2% compared to July 2011 revenue figures, continuing the trend of a similar decrease in revenues between July and August in prior years.

MGM Grand Detroit posted positive gaming revenue results for August 2011 as compared to the same month in 2010, with gaming revenue increasing by slightly less than 3.2%. MGM Grand Detroit continued to maintain the largest market share among the three Detroit commercial casinos and had total gaming revenue in August 2011 of approximately \$49.6 million. MotorCity Casino had monthly gaming revenue exceeding \$38 million and posted an 8.5% improvement

in August 2011 over its August 2010 revenues. Greektown Casino posted a negative gaming revenue result in August 2011 compared to August 2010, with an 8.1% decrease in total revenues. Greektown had gaming revenue of slightly less than \$27.5 million for August 2011.

The revenue data released by the MGCB also includes the total wagering tax payments made by the casinos to the State of Michigan. The gaming revenue and wagering tax payments for MGM Grand Detroit, MotorCity Casino, and Greektown Casino for August 2011 were:

Casino	Gaming Revenue	State Wagering Tax Payments
MGM Grand Detroit	\$49,579,309.45	\$4,015,924.07
MotorCity Casino	\$38,037,787.80	\$3,081,060.81
Greektown Casino	\$27,470,288.34	\$2,225,093.36
Totals	\$115,087,385.59	\$9,322,078.24

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