



LEGAL ALERT

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New Developments in California's Internet Gaming Bill

by Harsh P. Parikh and Heidi McNeil Staudenmaier

After months of pressure, on June 4, 2012, California's online gaming bill (SB 1463) was amended with several key changes.

- **Poker Only:** The bill is now limited to only legalizing and regulating online poker; the provision whereby the legislature can phase in other games was deleted.
- **CGCC Take Over:** Application process for licenses will now be handled by the California Gambling Control Commission (CGCC) instead of the California Department of Justice (DOJ). The DOJ will still have some input throughout a license applicant's investigation.
- **Five-year License:** Licenses will last for five years, instead of 10 years.
- **Multiple Websites:** Licensees can operate multiple websites that offer online poker.
- **Fees:** The license fee remains at \$30 million. This amount will be credited against licensee's monthly fees to the state for up to five years.

License terms and fees can be modified after five years, rather than three.

- **Tribal Sovereignty:** Indian tribes are no longer forced to waive sovereign immunity to hold a license except during the application process.
- **Subsidiaries and Partnerships:** Eligible entities, which must be in “good standing” with the CGCC, can now form subsidiaries, joint ventures or consortia to apply for a license. These entities can enter into partnership agreements with subcontractors who are not bound by the three-year good standing CGCC requirement.
- **Dormant Commerce Clause:** The bill adds “legitimate state interest” language to combat any future challenge that it is unconstitutional for irrationally discriminating between in-state and out-of-state persons.

Questions remain whether these changes will be enough for Senate Bill 1463 to survive. The bill is on the June 12 agenda to be heard by the California Senate Governmental Organization Committee.

See initial recent alert [Game Changing Bill on California's Internet Gaming](#).

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