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## Will Internet Poker Survive, Thrive or Wither following the Black Friday Indictments

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In his column in the Los Angeles Times on Sunday, May 1, 2011, Michael Hiltzik (<http://www.latimes.com/business/la-fi-hiltzik-20110429,0,1228884.column>) touches on some of the issues surrounding the business on internet poker, but there is more to be said. The “demand” for on-line poker has been driven in a material way by the very substantial efforts of the offshore companies. It has been estimated that the offshore companies spend in excess of \$200 million per year in marketing expenditures in the U.S. alone. That money has gone into television programming, print and online advertising, affiliate payments and lobbying. Without the marketing investments of the offshore companies, will there be the market for real money online poker. I am not sure and here why.

The incentives for players to play online are, convenience, anonymity, gaining celebrity status, absence of tax reporting among many players. The players chose specific brands like those mentioned in the column, like PokerStars and Fulltilt, and wear logo gear, much like fans who support sports teams. Now, with the indictments and the civil forfeiture case, (which seeks at least \$3 Billion) there will surely be an absence or reductions of some tv programming, elimination of some forms of print and on-line advertising and other promotions in the U.S. If regulation were to happen this session it will take 12-24 months to get the regulations in place, licenses issued and marketing campaigns rolled out. This assumes that there is a bill that can successfully navigate the California “stakeholder” differences, or the U.S. Congress. Absent offshore marketing who will promote on-line poker? The lobbying efforts were in significant part sponsored by the offshore companies. Will grass roots poker players support efforts of multinational gaming companies to secure a regulated process complete with first dollar tax reporting? The answer remains to be seen. There are and will be substitute forms of entertainment that develop during the period between now and some future date when California or the federal government legalize real money online poker. Will the “industry” of online poker disappear, though? The question that remains is will there be a market and if so, will it

Law Offices of Sanford I. Millar

Office: 310-556-3007

Fax: 310-556-3094

Address: 1801 Avenue of the Stars, Suite 600  
Los Angeles, CA. 90067

Email: [smillar@millarlaw.net](mailto:smillar@millarlaw.net)

[www.millarlawoffices.com](http://www.millarlawoffices.com)

be anywhere near the size and scale the budget forecasts predict without the offshore companies money and brand power?

In the meantime, the criminal cases will move forward along with the civil forfeiture cases, assuring that the former market makers are absent from the license competition and may be absent from business. The [IRS](#) and the FTB will surely want to see player records from the sites as part of any plea or settlement deals so that they can determine company and player tax liabilities. Additional cases may be brought, some for tax fraud and evasion, some for money laundering or both and some players will find themselves on the wrong side of enforcement actions. As an aside, now might be a good time to offer an Amnesty program for players.

In the end, we are likely to find that real money Internet gaming is a much more complex management and regulatory endeavor than anyone ever expected. So at this point it is unclear whether Internet Poker for real money will survive, thrive or wither.

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