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Growing Pains ... And Progress  
*Federal courts in Louisiana and New York review two very  
different – and very similar – gambling cases*

It was the first of times; it was the worst of times...

The month of February saw developments in two big gambling trials, which have very much – and very little – in common.

One is the very first of its kind, bursting with new issues and broad legal implications. The other is hopefully among the last of its sort, unearthing a musty reputation the gaming industry had hoped to bury long ago.

The former is being decided in New York federal court, monitored closely by Internet reporters, new media lawyers and stakeholders. The other is happening light years away in Louisiana, watched by skeptical reporters and insiders who've spent lifetimes wading through backwater politics.

Both cases are already impacting the way gambling is perceived and regulated in the U.S. And both – though this might be a stretch – might not be happening if not for telephone wires.

One case began in January, the culmination of a four-year FBI investigation of former Louisiana governor Edwin Edwards, his son Stephen and several of their friends and bedfellows. The 34-count indictment levied in 1998 charges that Edwards granted several riverboat casino licenses – and stonewalled others - in trade for cash, cars and favors.

At least five specific schemes have been outlined by federal prosecutors, all relating to Edwards' control of the defunct Louisiana Riverboat Gaming Commission and his tight ties with gaming operators during the mid-90's. During that time Edwards appointed the members of the commission (which approved riverboat licenses), as well as the head of the State Police Department (which issued them.)

By early February Edwards – who has slipped through corruption charges twice in the past - was still buoyant and defiant against hard evidence. Then he saw – or rather, heard - his shadow, in the form of past telephone conversations caught on tape.

In February the jury began listening to hundreds of hours of wiretapped conversations between Edwards, his acquaintances and riverboat casino owners. According to the transcripts, Edwards is heard making allusions to “covering up” and “hiding” certain transactions – but investigators admit most of the incriminating statements are implicit and circumstantial. Indeed, Edwards’ defenders contend all of them were taken out of context.

But unlike veiled conversations in similar cases, these particular tapes are backed by the testimony of witnesses like close family friend Ricky Shetler, one of four accused individuals who pleaded guilty in 1998. Later in the month Shetler testified unequivocally that Edwards and his son accepted more than half a million dollars in cash and property in exchange for favors from riverboat operators.

The case continues to wind on, with hours of tape and testimony to come. If convicted, Edwards could face 350 years in prison and \$7.2 million in fines. His son and alleged accomplice could be sentenced to 305 years.

Whether Edwards himself escapes the noose, the damage to Louisiana’s gaming industry has been done. When the ghastly headlines of the case became public, the validity of each license given or withheld during Edwards’ reign crumbled. Rebuilding voters’ trust in the gambling industry and its benefits will be a tremendous challenge – the onus falling mostly on the casino operators themselves. We can only hope that future legislation will not place elected officials and lawmakers so close to the industry’s regulators or purse strings.

The ugly truth arising from the Edwards case is that Louisiana’s gaming industry was never as squeaky clean as proponents claimed. Perhaps this public scrubbing will result in justice and caution in the future.

Meanwhile, in the midst of the Edwards muck a very different gambling trial has been churning in the courts of law and public opinion.

On Valentine’s Day Internet sports bookie Jay Cohen went on trial in New York for accepting online bets from U.S. citizens on his Antigua-based Web site. Cohen and partner Steve Schillinger had started the World Sports Exchange in 1996, at the start of the online betting boom.

The barrage of federal indictments in this case began in March of 1998 and eventually encompassed 21 individuals involved in nine offshore sports betting sites. Each of the sites was charged with serving – and targeting – U.S. bettors.

For all the froth and threats surrounding the offshore gaming industry, this is the first case to make trial in federal court. And of all the original targets, Cohen is the only operator fighting the case; the others have pleaded guilty, evaded regulators or escaped the charges.

The case against Cohen is based on the Interstate Wire Act of 1961, which prohibits the use of “a wire communication facility for the transmission in interstate or foreign commerce of bets or wagers.”

The telephone wires used when the law was written were certainly not feeding data to personal computers, but prosecutors say that doesn't matter. They say online gambling is precisely the type of activity the Act was meant to prevent, and that any gambling site in the world that servers U.S. customers is subject to federal prosecution.

Cohen and other online gaming entrepreneurs say the law can't possibly be transposed on the World Wide Web for political and jurisdictional reasons. His attorneys also claim that an online transaction occurs not in the home of the bettor but on the central computer, or server, hosting the particular Web site. By that token, an online wager registered in New York would actually take place in Antigua – where Cohen's site is officially licensed and legal.

Whatever the outcome, many experts say this case – like the Edwards trial – is a double-edged sword. If the Interstate Wire Act is held to apply to the Internet, a hailstorm of charges against other Internet sports books and casinos is bound to follow. Moreover, the case would set ominous precedent for all online transactions involving regulated or controversial commodities, from pharmaceuticals to free speech.

But if Cohen is vindicated, his victory could fuel support for the infamous Kyl bill to ban Internet gambling. Thwarted in Congress for years, the bill might stand a better chance if the courts held that no existing laws could accomplish its purpose.

At the time this article was submitted, the jury was still out on the Cohen trial – and still listening to titillating testimony in the Edwards case.

For the former, the impact is yet to be determined. For the latter, it is already being felt. As different as the circumstances and players may be, both are about shedding old policies and prejudices and forging a better era of honesty, communication and freedom.

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