



### WHAT'S AT STAKE FOR OUR CLIENTS

**ONE OF THE MOST CLOSELY WATCHED CASES** of this year's U.S. Supreme Court docket is *Christie et al v. National Collegiate Athletic Association et al.* The stakes are high, as the court could open the door to allowing states to legalize wagering on sporting events, striking down a 25-year-old federal law that has essentially restricted that market to Nevada and (to a far lesser extent) Delaware. If the Supreme Court does so, as we expect it will, states looking to attract new business and enhance tax and licensing revenues will likely legalize at least some forms of sports wagering.

Studies have estimated that \$400 billion is wagered illegally on sporting events every year in the United States. But with opportunity also comes a variety of complex legal, regulatory and reputational risks, not only for the businesses that decide to engage directly in the sports wagering space but also for other stakeholders, such as professional sports leagues and colleges and universities. Leveraging specialists across an array of award-winning practice groups—including sports law, privacy & cybersecurity, business & securities litigation, and government enforcement—gives Ropes & Gray the unmatched ability to help clients identify and manage these risks.

### WHY ROPES & GRAY

From guiding clients through sports- and gaming-related state attorneys general consumer-protection investigations to helping clients implement best-in-class anti-money laundering and data privacy policies and procedures, Ropes & Gray has deep experience helping clients manage the types of risk that legalized sports wagering will present for businesses and stakeholders.

### BUSINESS OPPORTUNITIES FROM SPORTS WAGERING LEGALIZATION

Widespread legalization of sports wagering will present opportunities such as:

**LIVE WAGERING** Live wagering will not necessarily be limited to casino sports books or corner-store wagering parlors. States could allow sports bars, restaurants and hotel chains to offer sports wagering as yet another lucrative entertainment experience.

**ONLINE WAGERING** Though the Federal Wire Act might still impose some restrictions, states may choose to allow some forms of online wagering as well. This would present opportunities for a variety of businesses, including consumer technology companies, app developers, credit card processors and data privacy providers.

**LICENSING AND ROYALTY OPPORTUNITIES** Professional sports leagues own and control their product, and one key decision point for states that choose to legalize sports wagering is whether the professional sports leagues should likewise own and control the right to wager on their games. Even professional sports leagues that choose not to engage directly in the sports wagering space could derive significant new revenue from licensing and royalty deals struck with the companies that do.

**SECURITIES & FINANCE** Nevada allows and has seen a significant rise in so-called "entity betting," which is essentially when a hedge fund makes large sports wagers with money pooled from investors. Widespread legalization could take these types of hedge funds mainstream. It is also possible that wagers and wager derivatives could be traded on platforms resembling public stock exchanges, opening up a new area of finance.

## RISKS THAT BUSINESSES AND STAKEHOLDERS WILL HAVE TO MANAGE

**CONSUMER PROTECTION LAWS** State attorneys general will undoubtedly seek to use their considerable powers under broad consumer protection statutes to ensure that businesses that participate in the sports wagering space do so fairly and do not prey on vulnerable consumers. Attorneys general will likely seek to ensure that businesses do not market to or take wagers from minors, do not exploit consumers who may be addicted, and adhere to other basic standards of fairness. Attorneys general are known for their creative applications of state consumer protection statutes, so businesses that participate in the sports wagering space will need to make every effort to stay ahead of the curve.

**ANTI-MONEY LAUNDERING** Legalized sports wagering will undoubtedly present significant anti-money laundering risk. The Department of Justice and United States attorneys have made anti-money laundering laws an enforcement priority, and businesses that choose to enter the sports wagering space will need to ensure that their anti-money laundering policies and procedures follow best practices.

**DATA PRIVACY** Particularly if legalization results in an explosion in online sports wagering, hackers and data thieves will no doubt make sports wagering businesses a target of their activities. Having best-in-class data privacy protections and policies will be essential to businesses that obtain and store sensitive customer data.

**SECURITIES REGULATIONS** “Entity betting” and publicly trading wagers and wager derivatives may raise significant questions under the federal securities laws and regulations. Compliance with these laws will be absolutely paramount for hedge funds and other finance companies that choose to participate in the sports wagering space.

**ANTI-CORRUPTION RISK** For professional sports leagues, colleges and universities, the NCAA, players, and fans, the integrity of the games is sacrosanct. States that legalize sports wagering will undoubtedly seek input from these stakeholders about how to ensure that any legalized sports wagering market has the guardrails necessary to ensure that the integrity of the games are never compromised.

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