

Bets on the Net

A Niagara Falls man says his online casino is an at-home option for gamblers, but is it legal?

By KEVIN PURDY
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CHARLES LEWIS/Buffalo News Online casino entrepreneur Charles M. Haick passes out promotional fliers at Niagara Falls Boulevard and Military Road in Niagara Falls.

NIAGARA FALLS - When this city's newest gambling venture opened, there was no fanfare, no visit from Gov. George E. Pataki, no accolades from local officials, not even a single billboard.

That's because Charlie's Palace Casino employs one person, is mostly run from the Caribbean and is not expected to have any impact on the local economy.

Charles M. Haick, proprietor of what his fliers tout as a "locally owned" online casino - the servers for his site's host are located on the island of St. Martin - believes Charlie's Palace will give residents yet another gambling option, and perhaps give Seneca Niagara Casino some competition.

Whether it's legal is another matter.

"As far as I know, there are no laws in cyberspace," Haick said. "You can't keep people from logging onto the Internet, so you can't keep them from gambling."

Like hundreds of other online and offshore sites worldwide - which are expected to take in \$3 billion in profits this year - Haick's site wheels and deals in a legal gray area. The future of such sites depends on a World Trade Organization ruling, challenges to the more than 40-year-old Federal Wire Act, and whether federal and state authorities believe Haick "owns" his casino.

State Attorney General Eliot L. Spitzer's office has taken a hard stance on Internet casinos, pressuring financial institutions to halt gambling-related transactions and urging media companies - including search engines such as Google and Yahoo - not to accept casinos' advertisements.

Kenneth Dreifach, chief of the state attorney general's Internet bureau, said that Haick or anyone else involved in online gambling might be prosecuted.

"It is illegal to operate or profit from an Internet casino if it's not authorized in New York State," said Dreifach. And New York has no authorized Internet casinos, according to the state Gaming and Wagering Board.

Is Haick worried about attracting so much attention from the legal community? Not exactly.

"I hope to attract as much attention as possible," he said. "I want people to know that it's out there, I want people to know it exists, and I want people to really know that they have another alternative to going to the Seneca Niagara Casino."

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Setting up a casino

No one can say for sure how many online casinos are out there. But Haick's entry into the field came from "Big Hitters," a brochure for home-based businesses. For \$895, Haick received his own Web domain, which leads visitors into a gambling site operated by TopCatCasino.com where they can bet on sports and casino-style games.

Haick said he receives 30 percent of the profits from gambling transactions made at his site. To bring in business, he has tacked up fliers advertising "Big Payouts," "Locally Owned," and including his full name at the bottom.

Because he advertises locally, his site may violate the state's gaming and wagering laws, said Bennett Liebman, a former state racing regulator and head of the Albany Law School's program on racing and wagering law.

"In New York, the crucial issue seems to be, 'Where is the bet made?'" Liebman said. "Even if your site is run from another country where online gambling is legal, if you're working locally to attract gamblers, you could be prosecuted."

Lawrence G. Walters, a Florida-based attorney who represents a number of online gambling sites and runs the Web site GameAttorneys.com, said, however, that "referral sites" such as Haick's are no different than advertisers who are paid by performance.

"If I wanted to put up a Web site, or even put up a billboard, that said, 'Visit the brothels in Nevada,' why can't I do that?" Walters said. "What he's doing is commercial speech, advertising, and he cannot be suddenly turned into a gambler or casino operator."

Prosecution efforts

In one of the most prominent cases involving online

gambling, Jay Cohen, a former options trader who launched the Antigua-based World Sports Exchange in 1997, was convicted in 2000 of violating the 1961 Wire Wager Act and sentenced to 21 months in prison. He was released in March.

Though the judge noted weaknesses in the U.S. Department of Justice's case against Cohen, pending legislation may make it easier to prosecute online casinos. The bill, introduced by Sen. John Kyl, R-Arizona, would make certain types of online gambling illegal.

At the same time, the World Trade Organization ruled in March that U.S. policies banning online gambling violate international trade laws. If the United States loses its appeal, continuing to enforce the ban could start a trade war with casino-friendly countries like Antigua and Barbados.

Mark Balestra, vice president of publishing for the River City Group, an online gambling trade group, said that while the WTO ruling was "a major victory" for offshore-based casinos, it wouldn't lead to lesser enforcement.

"I don't think the WTO is going to prevent the U.S. from telling people they can't gamble online. No way," said Balestra. "But it's hard to say how this is going to play out. You're looking at a lot of gray areas."

When Haick launched Charlie's Palace, he said, nobody at either Big Hitters or TopCat Casino discussed the site's legality. All he saw, he said, was "the best opportunity in Niagara Falls."

"I wanted to start my own business, and I thought this area could use another casino," said Haick. "The price of gas is going up, and some of these old people in town don't want to drive to the casino. With this, you can sit at home and do it, and nobody will bother you."

But more than anything, Haick said, he felt "the Senecas shouldn't have a lock on gambling in Niagara Falls."

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Not seen as competition

Seneca Gaming head Mickey Brown said he doesn't see online gambling as competition for the Seneca Niagara Casino.

"It's the same thing as if you walked in off the street to a local bookmaker and placed an illegal bet on a sports event. It's illegal," Brown said. "So I don't consider illegal gambling to be any serious threat of competition."

Dreifach said that while the state attorney general continues to investigate the casinos, the office's strategy has been to target credit card companies, online payment brokers and other businesses that support Internet gambling, to protect residents from losses that can't be recouped.

"The most harmful edge to this occurs when people gamble on their credit cards," Dreifach said. "The people we'd heard complaints from, they were mortgaging their entire future on online gambling."

If his site's visitors have problems with slow payment or false charges, Haick said he would refer them to TopCat Casino representatives. TopCat Casino has its headquarters in San Diego and its Web servers in St. Martin, and uses a credit broker based on the Isle of Man.

Still, Haick said, he has no problems saying his site is "locally owned."

"When you go to my Web site, it says Charlie's Palace Casino," he said. "I'm Charlie; it's my casino."

e-mail: kpurdy@buffnews.com

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