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Firms Bet on Online Gambling

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A growing number of companies are racing to develop new gambling technologies, betting that online wagering will soon be legalized in the U.S. Some are launching their devices first in Europe, where online gambling has already taken hold.

Las Vegas entrepreneur Fabrizio Boccardi has hired Seattle game-developer Lithtech to help him develop a hand-held online gambling device. The idea is to build up his King Midas World gambling brand globally prior to developing a casino in his hometown. He boasts that his device, which he hopes to begin marketing in two years, will allow gamblers to "bet on anything—you can bet if Bin Laden is still in Tora Bora."

Barry Mindes, chairman of Interactive Systems Worldwide Inc., is also working on a hand-held gambling device. His West Paterson, N.J.-based company hopes to introduce an online "contest" concept in the U.S. based on a system for interactive-television betting that the company has designed for German media company Kirch Group.

Interactive Systems has licensed software that Kirch is launching to allow European sports fans to bet via interactive television from their own living rooms. The system is designed to handle 5,000 wagers a second, made by 50 million users in 32 regions around the world, and Mr. Mindes expects it will be available for this year's soccer World Cup.

Under current U.S. laws, American television viewers couldn't bet money, but they could play in contests, winning prizes such as kitchenware or a car. Mr. Mindes envisions people playing with credits that

they would earn by answering online questions from advertisers—creating advertising revenue for his enterprise. Interactive television isn't as big in the U.S. as in Europe, so he plans to offer the U.S. version via the Internet, hand-held devices or cellphones.

It's not at all clear that online gambling will be legalized in the U.S. anytime soon, or that such a device would be approved, even within the narrow confines of Las Vegas. Currently, U.S. laws are interpreted to ban the passing of wagers on telephone lines over state borders. Congress has tussled annually over proposals to legalize some forms of Internet gambling, but the controversial approvals haven't passed.

The holy grail for all this, of course, is the massive wagering potential of Americans. Online betting has been around for years, with offshore based Internet casinos creating a cacophony on the Web. But in the past year, a number of major U.S. and European casinos, including Las Vegas-based MGM Mirage, have begun investing in online gambling.

For the time being, though, these casinos must decline to take bets from the U.S. if they want to avoid legal problems here.

Still, even the city of Las Vegas is considering cashing in on the possibilities. At the urging of Las Vegas Mayor Oscar Goodman, city officials are studying plans to license the city's name and seal to Internet gambling sites. VirtGame Technologies Inc., San Diego, has already submitted a "memorandum of understanding" to the city outlining the structure of one possible deal to develop online gambling products with the gambling mecca's seal of approval.

—Lisa Gubernick in New York
contributed to this article.