



# Protecting the House: Trade Secret Risks in Online Casino Gaming, Sportsbooks & Prediction Markets

April 1, 2026



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# Agenda

- 1 | **What is Online Casino Gaming, Sportsbooks and Prediction Markets**
- 2 | **Trade Secret Implications for Online Gambling and Prediction Markets**
- 3 | **Regulatory Landscape**
- 4 | **Artificial Intelligence and Implications**
- 5 | **Trade Secret Litigation and Best Practices**



# Industry Overview

# Comparing and Explaining Markets, Gaming and Sportsbooks



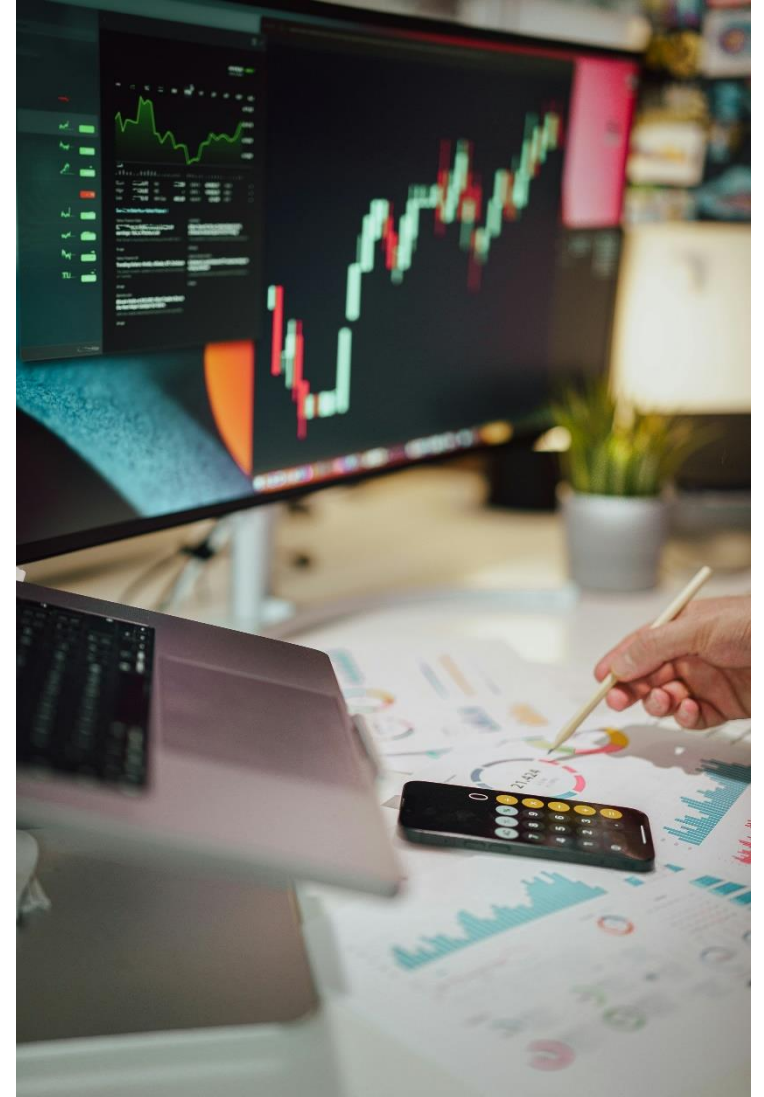


# What is Online Gambling and Prediction Markets?

# Prediction Markets

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- Event-based contracts referencing real-world outcomes (sports and non-sports)
- Prices determined through participant trading activity and access to information
- Operator facilitates the market and collects transaction fees
- Core economic function: information aggregation and forecasting



# Online Casino Gaming

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- Digital versions of traditional casino games (slots, blackjack, roulette)
- Outcomes generated by certified random number generators (RNGs)
- Operator designs the game and bears direct financial risk as the house
- Core economic function: entertainment gambling



# Online Sportsbooks

- Wagering on outcomes of sporting events
- Odds established unilaterally by the operator (bookmaker)
- Operator serves as counterparty to all wagers and bears payout risk
- Core economic function: sports wagering



# Side-by-Side Functional Comparison

<b>Modality</b>	<b>Prediction Markets</b>	<b>Online Casino Gaming</b>	<b>Online Sportsbooks</b>
Pricing Mechanism	Market-driven	Operator-controlled	Operator-set odds
Competing Entity	Other participants	Operator (house)	Operator (bookmaker)
Source of Outcome	Virtually any real-world events	Random number generation	Sporting events
Operator Risk	Minimal	Direct financial risk	Direct financial risk

# Who Regulates Prediction Markets?

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- Commodity Futures Trading Commission (CFTC)
  - The CFTC is the principal federal regulator asserting jurisdiction over prediction markets in the U.S.
  - It regulates prediction markets as commodity derivatives, specifically “event contracts”, under the Commodity Exchange Act (CEA).
  - Platforms typically must register as:
    - Designated Contract Markets (DCMs) or
    - Operate under other CFTC-recognized structures
  - The CFTC has repeatedly stated it has exclusive jurisdiction over prediction markets, even where contracts reference sports or political outcomes.
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# Who Regulates Gaming and Sportsbooks?

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- State Gaming Commissions or Regulators
- State Boards express they regulate gambling which includes prediction markets as they claim they act like gaming or sportsbooks taking risk on the outcome of these games and events
- States have initiated criminal cases and cease and desist proceedings under authority to issue licenses and protect consumers from gambling

# What Information is at Risk?

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In short: Across online gaming, sportsbooks, and prediction markets, trade secrets at risk include proprietary systems, customer information, pricing and risk models, integrity controls, analytics, confidential corporate and government information, and any non-public data that can be monetized through informed participation.







**Confidential,  
Proprietary,  
Trade Secret  
Information**



# Prediction markets reward people for being right-having information

*Incentive to use confidential and/or trade secret information to gain an edge.*

*Prediction markets can monetize confidential information quickly and harder to track.*

## Examples

- Unreleased products
- Financial forecasts
- Supply chain issues
- Contract negotiations
- Regulatory issues
- Clinical trial results



# Confidential, Proprietary, Trade Secrets

- **Odds-Making & Pricing Algorithms**
    - Proprietary formulas for setting player proposition lines and gam odds.
    - Real-time adjustment engines respond to betting volume
    - Risk-Management models (liability-driving pricing).
  - **Player & Behavioral Data Systems**
    - User segmentation and lifetime value models.
    - Behavioral tracking: bet patterns, deposit frequency, session data.
    - Churn-prediction and retention algorithms
  - **Brand and Strategic Documents**
    - Multi-year projects and market expansion
    - Competitive analysis and partnership terms sheets
    - Marketing spend and customer acquisition information.
  - **Technological Infrastructure**
    - Platform Structure
    - Third-party data and licensing agreements.
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# Artificial Intelligence— New Frontier of Trade Secrets

# Artificial Intelligence and the Legal Risks

## Odds Setting & Real-Time Pricing

- To protect this information, how is the data utilized documented? What is the background driving the AI?

## Behavioral Analytics

- This is based on individual behaviors and as a result potentially involves sensitive information requiring compliance with state and federal laws including the CCPA, etc.

## Fraud Detection

- Disclosure of this information requires careful consideration and protection should litigation arise.

## Player Risk ID

- How does the gaming industry protect against risk while fulfilling the likely onslaught of requirements regarding transparency, etc?



# The Regulatory Landscape



# Online Gaming and Sports Books

- ***Murphy v. National Collegiate Athletic Association*** (2018): U.S. Supreme Court decision allowing states to legalize sports betting
- **Widespread state adoption:** 39 states and Washington, D.C. have legalized sports betting and/or online gambling in some form
- **Continued expansion:** several additional states are actively considering online sports betting legislation
- **Ongoing federal oversight:** the Wire Act (1961); the *SAFE Bet Act* (introduced)



# Prediction Markets

- **Federal Regulation**

- Commodity Futures Trading Commission oversight
- *Prediction Markets Are Gaming Act* (introduced)
- *STOP Corrupt Bets Act* (introduced)
- *Public Integrity in Financial Prediction Markets Act* (introduced)

- **State Regulation**

- Enforcement actions, including judicial proceedings and cease-and-desist letters
- Proposed statutory and regulatory frameworks



# Trade Secret Litigation

- **Trade secrets owned by wagering platforms**
  - *Resorts World Las Vegas LLC v. Rock Fuel Media, Inc.* (D. Nev. Mar. 12, 2026)
  - *DraftKings Inc. v. Hermalyn* (D. Mass. Apr. 30, 2024)
- **Misuse of confidential or non-public information to inform wagers in predictive markets**
  - Emerging area of risk
  - Potential expansion of trade secret litigation into predictive and event-based wagering



# In the News



- Illustrative case of misuse: OpenAI
- Criminal enforcement approaches to regulating predictive markets: Arizona's criminal charges against Kalshi
- CFTC proposed rulemaking



# Best Practices

# Protecting Confidential and Trade Secret Information

## Employment & Contractual Safeguards

- Mandatory confidentiality and non-disclosure agreements
- Targeted non-solicitation provisions for clients and partners
- Clear internal policies on prediction market participation

## Access Controls & Technical Protections

- Role-based access limited to business necessity
- Multi-factor authentication, encryption, and firewalls
- Routine access audits and immediate termination controls

# Operational Governance and Enforcement Readiness

## AI & Data Governance

- Document proprietary data use in AI/ML systems
- Restrict use of public generative AI tools
- Preserve audit trails for pricing and behavioral models

## Monitoring & Incident Response

- Monitor prediction market activity tied to corporate events
- Pre-defined response protocol for suspected misuse
- Proactive engagement with CFTC and state regulators

# *thank you*

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**Michael Wexler**

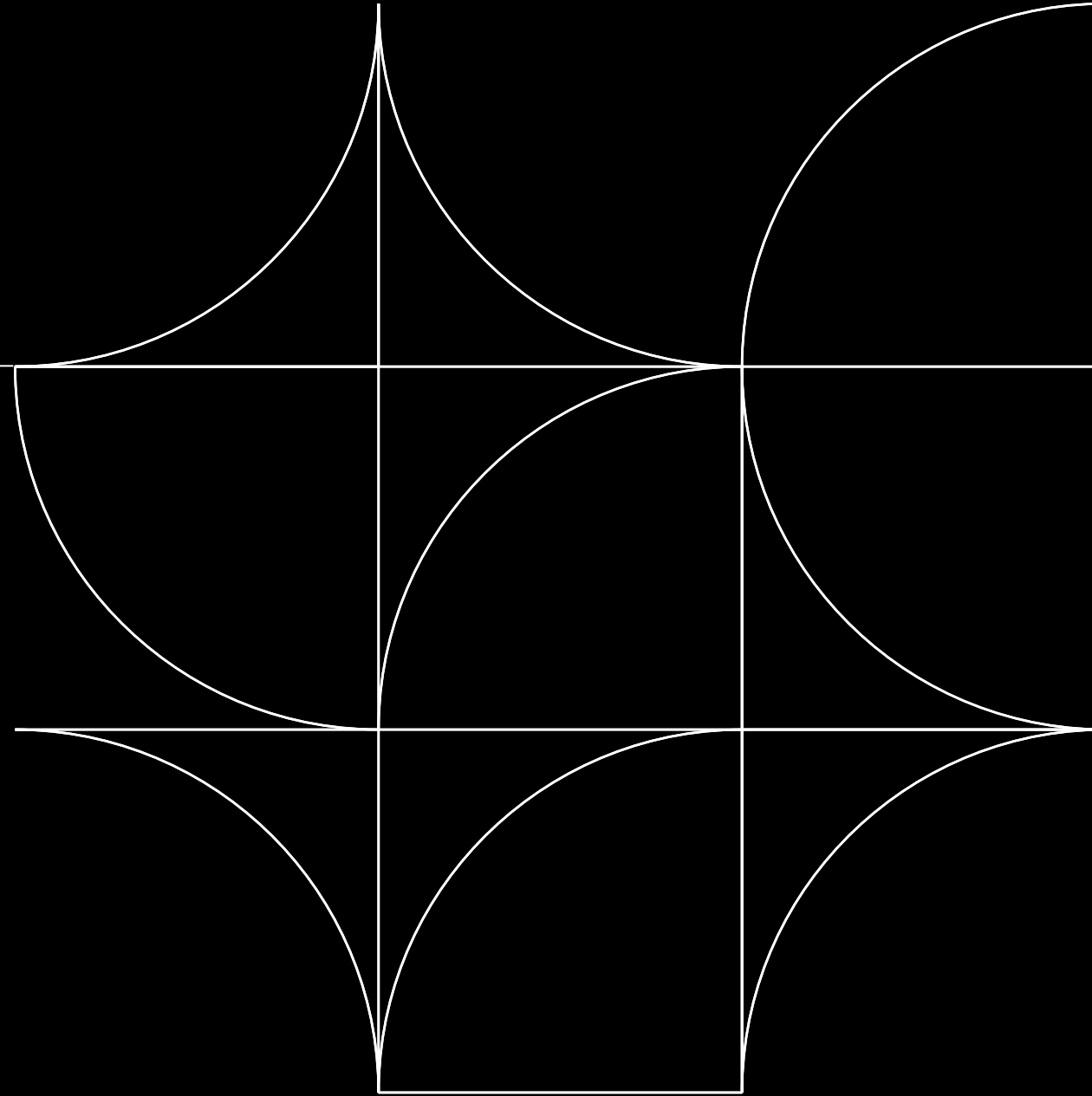
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