Internet Gambling costs Google, Microsoft, Yahoo $31.5 million in fines

Contributed by Thomas Jensen
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Internet giants Google, Microsoft and Yahoo agreed to pay a total of $31.5 million to settle with the United States Attorney's office in St. Louis for taking ads from internet gambling websites.

"This is a very profitable business that had a lot of money to spend on marketing," stated U.S. Attorney Catherine Hanaway. "I do think it will have a major impact. Obviously these are three of the largest online organizations in the world."

As part of the agreement, Google, Microsoft and Yahoo agreed to stop accepting ads for sports wagering and other online gambling. The three internet giants already stopped taking such ads approximately 4 years ago. The settlement reached today was finalized after a year and a half of negotiations between the tech companies and federal prosecutors.

"It is a shame that the United States continues to taking such draconian measures against the internet gambling industry while they were found to be violating international law by the WTO earlier in the year," stated an executive of a US facing online sportsbook that spoke to Point-Spreads.com after the news broke of the fines. "We miss doing the PPC advertising on Google, Yahoo and Microsoft, but have already transitioned away from that sort of marketing years ago."

The entire internet gambling industry is waiting for a ruling from the World Trade Organization over what sort of sanctions and relief will be handed down to Antigua & Barbuda. The tiny island nation has asked the WTO to grant $3.4 billion in annual relief since finding that the United States ban on internet gambling is illegal under international trade laws.

Yahoo's $7.5 million share of the settlement includes a $3 million forfeiture and $4.5 million in public service ads over three years. Google is to pay $3 million, less than half its average daily profit of $11 million.

"While we did not admit any wrongdoing, the Department of Justice has advised that online gambling is illegal in the United States and ads to promote it are improper," stated Google spokesperson Jon Murchinson. "Google voluntarily discontinued running such ads, which were a very small part of our AdWords business, in April 2004."

Microsoft's $21 million portion of the settlement includes a $4.5 million forfeit, $7.5 million to be paid to the International Center for Missing and Exploited Children and $9 million in public service ads over a three-year period starting next year.

Hathaway is the same U.S. Attorney leading the prosecution of BetOnSports PLC , David Carruthers and Gary Kaplan. BetOnSports PLC pleaded guilty to federal racketeering charges while the cases against former CEO Carruthers and company Founder Gary Kaplan are still pending.