

The prediction-market legal fight is not simply a dispute over whether an event contract looks like a wager. It is a contest over which regulators get to decide what the product is, where it can be offered, and what rules apply. State-licensed sportsbooks, offshore operators and federally regulated prediction markets may all offer ways to take a position on an outcome, but they do not operate under the same legal framework.

For customers, platforms and investors, the next developments to watch include state enforcement actions, CFTC litigation updates, court decisions on preliminary injunctions and any move toward Supreme Court review. Those developments could clarify the boundary between state gambling law and federal derivatives law. For now, that boundary remains contested.

One distinction matters throughout: a contract traded is not the same thing as dollars wagered. A platform may report the number or notional value of contracts without that figure representing customer deposits, losses or conventional sportsbook handle. Headlines and company marketing can blur these measures, so check what a number actually counts.

Start with the Three Different Models

“Prediction market” is a broad label, not a single legal status. To understand the fight, compare the principal operating models rather than treating every sports-related contract as an ordinary bet—or assuming a federal regulatory connection settles the question.



Model Typical regulatory framework What to watch State-licensed sportsbook State gambling laws and the terms of the operator's license, with additional rules that may apply to payments, advertising and consumer protection. Whether the operator is licensed in the state where the customer is located, and whether the product is authorized there. Offshore operator Often based outside the United States or operating without the relevant state license. The legal and practical protections available to U.S. customers can be limited. Who operates the site, where it is licensed, how it handles withdrawals and whether U.S. authorities have taken action. Prediction market May rely on federal commodities regulation, commonly involving a Commodity Futures Trading Commission (CFTC)-regulated exchange, while facing state challenges over particular contracts. Whether the federal framework covers the contract at issue and whether state gambling laws can still restrict its offering.

The distinction is not just branding. A state-licensed sportsbook generally operates under a state's sports-wagering framework. An offshore operator may be beyond the reach of that licensing system, even if it accepts U.S. customers. A prediction market may argue that its contracts are derivatives traded on a federally regulated exchange, rather than bets offered by a sportsbook.

That last argument is the heart of the dispute. A federal regulatory relationship is important, but it does not automatically answer every question about the product, the states' authority or the rights of customers. The legal analysis can turn on the contract's structure, how it is offered, the applicable federal statutes and the court hearing the case.

The Core Jurisdiction Fight: State Gambling Law vs. Federal Derivatives Law

Prediction-market platforms often rely on the Commodity Exchange Act and CFTC oversight. Exchanges designated under the federal framework can list certain event contracts, subject to statutory limits and the CFTC's rules. The platforms' position is generally that federally regulated trading should not be blocked by state gambling laws simply because a contract concerns a sporting or other real-world event.

States may respond that a particular product is sports wagering under their own law, especially when it is marketed to local customers or resembles a familiar sportsbook transaction. They may argue that state licensing, consumer-protection and responsible-gambling rules apply regardless of the platform's federal status. Those arguments can raise difficult questions about federal preemption—whether federal law displaces state requirements in a particular setting.

The answer is not necessarily all-or-nothing. A court could distinguish among types of contracts, exchange practices, customer access or specific state actions. The fact that a contract is listed on an exchange does not by itself tell a customer whether a state considers the offering lawful. Nor does a state's characterization automatically decide whether federal commodities law controls.

What to Watch in State Enforcement Actions

State enforcement actions are often the most visible sign that a legal dispute is moving from theory to operations. A state regulator or attorney general may issue a cease-and-desist letter, demand that a platform stop serving residents, seek an injunction or open an investigation. The wording matters: a warning letter is not the same as a court order, and an allegation is not a final ruling.

Subpoenas and information requests can also reveal what regulators are examining. A request may seek records about product design, marketing, customer location controls, payment flows, affiliated entities or the role of outside vendors. Connecticut information requests have referenced app stores, putting distribution channels in view alongside the operator itself. That does not, by itself, establish that an app store violated a law or will face enforcement. It does show why companies that help make a product available may receive questions from investigators.

Robinhood is relevant to this wider infrastructure picture. Robinhood exchange infrastructure routing event contracts is one example of why the legal inquiry may extend beyond the name customers see on an app. Regulators and courts may look at which entity lists or routes a contract, which entity serves the customer, and how those roles fit together. Do not assume that a familiar brokerage brand means the product is legally identical to a stock trade—or that an exchange connection resolves the state-law question.

Crypto.com and Kalshi also belong in the discussion because they illustrate how different platforms and corporate structures can become part of the same jurisdictional debate. The relevant facts may differ from one company to another, and a claim made in one proceeding should not be treated as a finding about every platform.

Read the Enforcement Document, Not Just the Headline

- **Identify the sender.** Is it a state gaming regulator, attorney general, federal agency or court?
- **Check the legal instrument.** A subpoena requests information; a cease-and-desist letter states a regulator's position; an injunction is a court order.
- **Separate allegations from findings.** An agency complaint or press release presents a case, not necessarily a final decision.
- **Look at the requested remedy.** Is the state seeking to block a product, obtain records, impose a penalty or clarify the operator's conduct?
- **Note the geographic scope.** A state action may concern access by residents of that state, not a nationwide prohibition.

Follow CFTC Litigation Updates and the Court Calendar

For anyone tracking cftc litigation updates, the key question is not only what the agency says about a contract. It is also how a federal court treats the relationship between the exchange's federal status and a state's effort to regulate access or conduct. Watch for court orders that address jurisdiction, preemption, statutory interpretation and the practical limits of a state's authority.

Preliminary injunctions deserve particular attention. A court considering one may weigh whether a party is likely to succeed, whether it faces irreparable harm and how the balance of harms and public interest cuts. A platform's request for an injunction—or a state's request to block an offering—is not a final resolution of the merits. The order may preserve the status quo while a case proceeds, and its scope may be narrow.

Read the order itself. Ask what conduct it covers, which parties it binds, whether it applies only in one state and whether it is temporary. A headline saying a platform "wins" may refer only to short-term relief. A headline saying a state "bans" a product may describe a demand or preliminary ruling rather than a final <https://www.thecoinrepublic.com/2026/09/24/sports-bettings-three-way-legal-battle-crypto-quietly-maneuvers-between-the-lines/> judgment.

Also track appeals. An appellate court can affirm, reverse or narrow a lower-court ruling. Different outcomes in different federal appellate courts could produce a genuine circuit split—a disagreement among circuits on an important legal question. A scattered set of district-court rulings, however, is not by itself a circuit split. Until appellate decisions squarely conflict, it is more accurate to describe the law as unsettled or developing.

Could the Supreme Court Review the Fight?

Supreme Court review is a possibility to monitor, not an outcome to presume. The Court generally does not hear a case simply because an issue is high-profile or commercially important. A party must seek review, and the justices choose which cases to take. A mature conflict among federal appellate courts, a significant federal question or a need to resolve uncertainty could strengthen the case for review; none guarantees it.



Before treating Supreme Court review as imminent, check whether an appellate judgment exists, whether a petition for certiorari has been filed and whether the Court has acted on it. A request for review is not acceptance. If the Court declines to hear a case, that does not necessarily endorse the lower court's reasoning; it leaves that judgment in place for the parties and jurisdiction involved.

In the meantime, the practical legal map may remain uneven. One state could pursue enforcement while a federal court considers a challenge. Another state may take a different approach. Businesses may respond by changing geolocation controls, pausing certain contracts or limiting access while litigation continues.

Keep Fact and Inference Separate

Fast-moving legal coverage often blends confirmed events with predictions. A useful habit is to keep two lists: what has happened and what someone thinks may happen next.

Facts to verify

- The date and text of a regulator's letter, subpoena, complaint or court order.
- The specific company, product, contract and state involved.
- Whether a court granted temporary relief, denied it or made a final merits ruling.
- Whether an appellate court has issued a decision and whether it conflicts with another circuit.
- What a reported trading figure measures: contracts, notional value, fees, deposits or dollars wagered.

Inferences to label clearly

- That an investigation means an enforcement case will follow.
- That a platform will leave a state or change its product nationwide.
- That a preliminary injunction predicts the final result.
- That one company's legal theory or outcome applies to every prediction market.
- That a reported number of contracts represents an equivalent amount of customer cash at risk.

A Practical Watchlist for the Next Phase

1. **New state actions:** Look for cease-and-desist demands, subpoenas, lawsuits and coordinated enforcement campaigns—and distinguish each from a final legal determination.
2. **What regulators request:** Information about marketing, customer access, app distribution, payment arrangements and corporate roles can show where investigators are focusing.
3. **Preliminary-injunction rulings:** Read the reasoning and geographic scope, then watch for appeals and any change in the status quo.
4. **CFTC litigation updates:** Follow how federal courts address exchange oversight, the contracts at issue and state attempts to apply gambling law.
5. **Appellate disagreements:** A real circuit split could make Supreme Court review more plausible, but first confirm that appellate courts have actually reached conflicting conclusions.
6. **Product and access changes:** A company's decision to restrict a market or change geofencing may be a compliance response, a business choice or both—not proof that a court has ruled against it.
7. **Clearer disclosures:** Watch whether platforms explain who operates the market, what the contract represents, how settlement works and what customer protections apply.

Bottom Line

The next chapter will be shaped by concrete legal documents more than by bold product announcements. State-licensed sportsbooks, offshore operators and prediction markets occupy different regulatory positions, even when their products can look similar to customers. The central question is whether, and how, federal derivatives law limits state gambling enforcement when event contracts are offered through regulated exchanges.

For now, the safest reading is cautious: state enforcement actions can signal pressure without settling the law; preliminary injunctions can change the near-term picture without deciding the merits; and Supreme Court review remains a possibility, not a forecast. Track the regulator, statute, court, order and product involved—and keep contracts traded separate from dollars wagered. That is the most reliable way to follow the prediction-market legal fight without mistaking a marketing claim, an investigation or an interim ruling for the final word.