

Kalshi's fight with state regulators is often described as a clash between the Third Circuit and the Ninth Circuit. That shorthand captures a real divide in how the disputes have unfolded, but it can also overstate what the courts have decided. The key question is whether there is a settled **circuit split on prediction markets**—two federal appeals courts reaching directly opposite answers to the same legal question—or a collection of different cases, procedural stages, and records that have produced different outcomes so far.

The distinction matters. A court may temporarily block enforcement without deciding the whole case. Another may allow a state's action to proceed without ruling that every event contract is illegal gambling. And a lawsuit about a particular sports contract may not resolve how courts should treat election, economic, or other event contracts.



At the center is a jurisdiction fight: do Kalshi's event contracts fall under federal derivatives law, administered by the Commodity Futures Trading Commission (CFTC), or can states regulate them under gambling laws? That question has drawn cease-and-desist orders, subpoenas and enforcement campaigns—and left businesses and customers facing uncertainty.

First, what is—and isn't—a “bet” here?

Kalshi offers event contracts: instruments whose payouts depend on whether a specified event occurs. A customer might buy a contract tied to a sporting result or a political outcome. Kalshi argues that its products are swaps or other derivatives traded on a CFTC-regulated exchange, rather than wagers offered by a state-licensed sportsbook.

That is the legal theory, not a universal conclusion about every contract on the platform. States argue that certain sports-related contracts function like sports wagers and fall within state gambling rules. The same product can therefore be described in different ways depending on the legal framework being applied.

One distinction is especially important: **contracts traded are not the same thing as dollars wagered**. The number of contracts <https://www.thecoinrepublic.com/2026/09/24/sports-bettings-three-way-legal-battle-crypto-quietly-maneuvers-between-the-lines/> bought or sold measures trading activity; it does not, by itself, tell you how much money customers staked, what they stood to lose, or how much revenue a platform earned. Headlines that

treat those measures as interchangeable can make a market look larger—or more like conventional sportsbook betting—than the underlying data supports.

Three businesses, three regulatory pictures

Business model Typical regulatory position Why it matters to the Kalshi dispute State-licensed sportsbook Offers sports wagering under applicable state licenses and rules. States point to these laws when they argue sports event contracts are gambling products. Offshore operator May operate outside the state licensing system; legal access and consumer protections can vary. It is not a useful shortcut to assume a federally regulated exchange is legally identical to an offshore betting site. Prediction market or event-contract exchange May claim federal derivatives oversight, while states dispute whether particular contracts are gambling. The core fight is which regulator has authority over the product and what rules apply.

These categories are not interchangeable. State-licensed sportsbooks typically operate under state gaming statutes and licensing conditions. Offshore operators raise different questions about location, licensing, and enforcement. Prediction markets invoke federal commodities law and exchange regulation. Calling all three “sports betting” may be convenient in a headline, but it skips the legal hook that is actually being contested.

The jurisdiction fight: state gambling law versus federal derivatives law

Kalshi’s federal-law argument centers on the Commodity Exchange Act and the CFTC’s authority over designated contract markets and derivatives. In broad terms, Kalshi says that when it lists contracts through a federally regulated exchange, states cannot simply reclassify those contracts as unlicensed gambling and shut them down. It also points to the CFTC’s authority to review or prohibit certain event contracts.

State regulators answer that federal oversight does not automatically displace state gambling laws in every circumstance. They argue that sports contracts can amount to wagering within their borders and that states retain power to protect consumers and enforce licensing requirements. The dispute is not just about which agency has a stronger argument in the abstract. It is about how the statutes fit together, what the contract actually does, and whether Congress meant federal derivatives rules to preempt the particular state action.

There is also a practical question: what exactly is the state trying to regulate? A state may target a platform’s offering of contracts to residents, investigate its marketing, or seek information from companies that help distribute or process a product. Those steps can raise distinct jurisdictional and procedural issues.

Why the Third Circuit and Ninth Circuit are discussed together

The phrase “**third circuit Kalshi**” often refers to litigation in which Kalshi has sought federal-court protection from state enforcement, arguing that federal commodities law controls. The Ninth Circuit discussion is closely associated with Nevada’s efforts to apply its gaming laws to event-contract activity. Those cases are frequently compared because they involve the same broad tension: federal exchange regulation against state gambling enforcement.

But “the Third Circuit ruled one way and the Ninth Circuit ruled the other” can be misleading unless it identifies the specific opinions and the exact issues decided. Courts can reach different results at the preliminary-injunction stage without establishing opposite rules of law. A preliminary injunction is a temporary remedy, generally based on factors such as the likelihood of success, irreparable harm, the balance of equities, and the public interest. It is not a final judgment after a complete record.

Procedural posture can change the result. One case may involve an emergency request to pause a cease-and-desist order; another may concern whether a state subpoena is enforceable. One judge may be weighing a developed administrative record, while another is deciding whether to preserve the status quo before discovery. Different states may also have different laws and enforcement theories.

What would count as a true circuit split?

A formal circuit split usually means that federal appeals courts have issued conflicting, precedential decisions on the same controlling legal question. For example, one circuit might hold that the Commodity Exchange Act preempts a state’s attempt to regulate a particular category of exchange-listed sports contracts, while another holds that the state may enforce its gambling law against the same kind of product.

Different interim orders do not necessarily meet that test. Nor does a district-court ruling in one state conflict with a federal appeals-court opinion in another. The exact contract, the government action, the governing statutes, and the stage of the case all matter. So, while “circuit split prediction markets” is a useful search phrase, readers should check whether the cited decisions are final appellate rulings or temporary orders in separate disputes.

Nevada enforcement and the Ninth Circuit

The phrase “**ninth circuit Nevada enforcement**” points to the stakes of Nevada’s approach. Nevada has a mature gaming-regulation system, and its regulators have argued that sports event contracts offered to state residents may fall within that system. Kalshi, in turn, has asserted that federal commodities law limits or displaces the state’s enforcement power over contracts listed on its exchange.

A Nevada cease-and-desist demand or enforcement step is significant even before a final appellate ruling. It can affect whether a platform offers contracts to residents, how it handles accounts, and whether commercial partners want to work with it. But the existence of an enforcement action is not itself proof that the state’s legal theory will prevail. Likewise, a temporary court order restraining enforcement does not necessarily establish that the state lacks authority in every case.



States have also used investigative tools, including subpoenas and information requests. In Connecticut, for example, information requests have referenced app stores as part of the inquiry into how event-contract products are distributed to consumers. A request for information is not the same as a finding that an app store violated

gambling law, and it does not settle who has jurisdiction over the underlying contracts. It does show that regulators may examine the surrounding distribution and business ecosystem, not just the exchange operator.

Robinhood, Crypto.com, and the infrastructure question

The legal debate reaches beyond Kalshi. Robinhood has been associated with exchange infrastructure routing event contracts, illustrating why a customer-facing app and the regulated market plumbing behind it should not be treated as the same thing. A brokerage interface can connect users to products handled through exchange infrastructure; that does not automatically make the brokerage a sportsbook or resolve whether the contracts are lawful in every state.

Crypto.com is another company that has entered the event-contract conversation. Its presence, alongside Robinhood and Kalshi, reflects the broader commercial interest in offering event-based products through financial platforms. But company names do not answer the legal question. The relevant facts include which entity lists the contract, which entity routes or intermediates the transaction, what the customer is actually buying, and which regulator claims authority.

That is also why marketing language deserves scrutiny. Calling a product “regulated” may refer to one part of its structure, such as exchange registration or federal oversight. It does not necessarily mean every state has approved it, every contract has been cleared by the CFTC, or every customer-protection issue has been resolved.

What the courts are really being asked to decide

Across the cases, courts may need to answer several questions that are related but not identical:

- Does the Commodity Exchange Act give the CFTC exclusive or primary authority over the particular event contracts at issue?
- Does federal law preempt a state’s attempt to apply its gambling laws to those contracts?
- Does the contract qualify as a prohibited or reviewable event contract under the relevant federal provisions?
- Can a state investigate or subpoena a company while the federal-law dispute is unresolved?
- What remedy is appropriate before a full trial—especially when a platform says enforcement will cause immediate business harm?

These questions can produce a patchwork of outcomes. A court might protect an exchange from one enforcement measure while allowing an investigation to continue. It might distinguish sports contracts from contracts tied to other events. Or it might decide that the federal court is not yet positioned to resolve the merits because the dispute is at an early stage.

What to watch next

For businesses, customers, and compliance teams, the practical issue is not merely whether a headline says Kalshi “won” or “lost.” The useful questions are: Was the ruling issued by an appeals court or a trial court? Is it final or preliminary? Does it address sports contracts specifically? Does it bind other states, or only the parties before the court? And did the court decide federal preemption, or only whether enforcement should pause temporarily?

1. **Read the order, not just the headline.** A preliminary injunction is not a final ruling on the merits.
2. **Identify the regulator and statute.** State gaming agencies, the CFTC, and federal courts have different roles.
3. **Separate the product from its distribution.** An exchange, app, payment provider, and retailer may face different questions.

4. **Keep activity measures straight.** Contracts traded, dollars wagered, customer losses, and platform revenue are distinct figures.

Bottom line

The apparent Third Circuit–Ninth Circuit disagreement is best understood as a sign of unresolved legal boundaries, not a simple scoreboard. Courts are evaluating disputes shaped by different state laws, different enforcement tools, and different procedural records. Until appellate courts squarely answer the same federal-preemption question in conflicting precedential decisions, calling it a definitive circuit split risks getting ahead of the law.

Fact: Kalshi and other event-contract businesses face state challenges grounded in gambling law while invoking federal derivatives regulation. States have used tools such as cease-and-desist demands, subpoenas, and information requests. **Inference:** Conflicting interim outcomes may eventually push the Supreme Court or Congress to clarify the boundary. For now, the boundary remains contested—and whether a particular contract is treated as a derivative or as gambling can depend on the product, the state, and the court reviewing it.