

**DATABASE RIGHT AFTER BHB V WILLIAM HILL:  
ENACT AND REPENT AT LEISURE**

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## DATABASE RIGHT AFTER BHB V WILLIAM HILL: ENACT AND REPENT AT LEISURE<sup>1</sup>

### A. INTRODUCTION

1. **The Story Continues.** Eighteen years on from when it was first a glimmer in the European Commission's eye<sup>2</sup>, database right continues to vex rightholders, legislators and legal practitioners alike. This article takes up the story from the end of the previous chapter of the saga, the series of judgments handed down by the European Court of Justice on November 2004<sup>3</sup>, and briefly overviews the follow up case law so far and the Commission's Evaluation of the Database Directive currently in progress.

2. **Abstract.** The ECJ having given its November 2004 judgment<sup>4</sup> on the initial referral from the UK Court of Appeal, the matter came back to that Court who applied the ECJ's ruling by a judgment<sup>5</sup> on 13 July 2005 and not surprisingly found against the Board<sup>6</sup>. The ECJ's judgments have also now been followed in a number of cases in other EU countries<sup>7</sup>. Meanwhile, the UK BHB litigation spawned a number of follow on cases here in the UK, including *Victor Chandler*<sup>8</sup> (Section D) and *Attheraces*<sup>9</sup> (Section E). The Commission's Evaluation, which was launched in December 2005, is reviewed at Section F.

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<sup>2</sup> The database right took ten years to become UK law. In its 1988 Green Paper on Copyright and the Challenge of Technology (1988 (COM (88) 172 final), the Commission observed that copyright might not be adequate to protecting database producers. In spite of an initial lack of support for a "sui generis" approach – see e.g. the Commission Follow-up to the Green Paper (COM (90) 584 final) – its initial proposal for a specific database right was put to the Council on 13 May 1992 (OJ C 156/1992 4). After a perplexing passage (see Prelex on the Europa website: <http://tinyurl.com/eojws>), Directive 96/9 on the legal protection of databases (the 'Database Directive') was passed on 11 March 1996 (OJ L 20/1996 20 - <http://tinyurl.com/h5ru6>). The Database Directive was implemented into English law by the Copyright and Database Right Regulations, SI 1997/3032, (the 'CDRR') which entered into force in the UK on 1<sup>st</sup> January 1998; see <http://www.opsi.gov.uk/si/si1997/19973032.htm>. Commission DG Internal Market launched the first evaluation of the Database Directive on 12 December 2005 (the 'Evaluation'), with a closing date for submissions extended to 31 March 2006.

<sup>3</sup> See 'Database right and the ECJ judgment in 'BHB v. William Hill: Dark horse or non-starter?', Kemp, Gibbons, 21 CLSR 108 – 118, footnote 2.

<sup>4</sup> Case C-203/02, *The British Horseracing Board Ltd and Others v The William Hill Organization Ltd* (<http://tinyurl.com/5784h>)

<sup>5</sup> *The British Horseracing Board Limited and Others v The William Hill Organization Limited* [2005] EWCA (Civ) 863 (<http://tinyurl.com/7ju4w>)

<sup>6</sup> Section B below.

<sup>7</sup> Section C below.

<sup>8</sup> *BHB Enterprises v Victor Chandler (International) Limited* [2005] EWHC 1074 (Ch). For the full case see <http://tinyurl.com/jh4yc>.

<sup>9</sup> *Attheraces v The British Horse Racing Board* [2005] EWHC 3015 (Ch). For the full case see <http://tinyurl.com/jkpd8>.

## B. BHB AND WILLIAM HILL: BACK IN THE UK COURT OF APPEAL

3. **BHB v Wm Hill: Reprise.** It will be recalled that the genesis of the ECJ's judgment in William Hill was the reference from the UK Court of Appeal in July 2001 under Article 234 EU Treaty of 11 questions about the meaning of the Database Directive<sup>10</sup>. The ECJ adopted a restrictive interpretation in relation to many of the new terms introduced by the Database Directive, holding in particular that "*the expression 'investment in ... the obtaining ... of the contents' of a database [in the Database Directive, Article 7(1)] must be understood to refer to the resources used to seek out existing independent materials ... not the creation of materials*"<sup>11</sup>, with a similar interpretation given to the requirement of 'verification' under the Database Directive.

4. **Back in the Court of Appeal.** Back in the UK Court of Appeal to apply the ECJ judgment, both sides claimed victory. William Hill on the strength of the ECJ's statement above; BHB on more protracted reasoning: it argued the ECJ had the law right but had misunderstood the facts. Amending its claim, BHB adduced evidence to show its data collection methodology *was* the seeking out of existing independent materials. The recording of the intention of owners to submit horses to run in races etc. simply reflected an existing fact – and was not a creation of information. As such, it argued, the BHB database qualified for protection.

5. **Judgment in the CoA.** The court rejected BHB's argument. In a brief judgment on 13 July 2005<sup>12</sup> it found only that the ECJ had made no misunderstanding, and that BHB's new argument was based on an unacceptable deconstruction of the ultimate database. The materials that BHB gathered in prior to inclusion were altered by their inclusion in the database, which marked the data with "*BHB's stamp of authority*" and made it "*official*"; the data in the database was therefore "*unique*" and could not be said to be collected from pre-existing materials. BHB *had* created them, the Court continued, and since its investment was in this creation, not in the requisite obtaining, verifying and presenting, the database was out of scope of the right. On this basis, the court ruled, BHB's claim failed: if there is no database right, there can be no infringement. (Accordingly, there was no need to consider the points of extraction or re-utilisation considered in the ECJ's judgment).

## C. OTHER EXAMPLES OF POST-ECJ BHB CASES ELSEWHERE IN THE EU

6. **Judgments Followed across the EU.** The restrictive interpretation handed down in the ECJ's judgments and followed in the UK has since also been followed elsewhere in the EU. Two examples from the real estate agency world are illustrative.

7. **Denmark: *Bolig.ofir.dk v Home.dk*.** In the Danish case of *Bolig.ofir.dk v Home.dk*<sup>13</sup>, Bolig.ofir.dk, an internet property search portal, deep linked to internet property advertisements from Danish estate agencies, including Home.dk, the market leader, which sued claiming

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<sup>10</sup> See also the article at 21 CLSR 108, Section E, cited above.

<sup>11</sup> §38 of the ECJ judgment cited at paragraph 15 of the UK Court of Appeal judgment. For the full ECJ judgment see the ECJ's website at <http://tinyurl.com/jxndu>.

<sup>12</sup> For the full Court of Appeal judgment see <http://www.bailii.org/ew/cases/EWCA/Civ/2005/863.html>.

<sup>13</sup> Judgment of the Danish Maritime and Commercial Court of 24 February 2006 (<http://www.domstol.dk/media/-300011/files/v010899.pdf>) cited on most useful Database Right file on the website of the Institute for Information Law at the University of Amsterdam: <http://www.ivir.nl/files/database/index.html>.

(among other things) infringement of database right in its advertisement database. The Court held that the internet database was derived from its main estate agency business and so consisted of collected, already existing material outside the scope of the right.

8. **Netherlands: Zoekallehuizen.nl v NVM.** The Dutch case of Zoekallehuizen<sup>14</sup>.nl v NVM<sup>15</sup> involved similar facts. The plaintiff's internet search business allowed users to search on a daily basis for residential properties for sale in the Netherlands, presenting the search findings as deep links. The Defendant was the Dutch association of estate agents who sought an injunction, among other things, for database right infringement. In rejecting the injunction application, the Court held that individual estate agents' websites did not show sufficient substantial investment to qualify for database right.

#### D. VICTOR CHANDLER

9. **Follow on Cases in the UK Courts.** The November 2004 ECJ judgment heralded the start of a busy time for the BHB, which led to two reported UK cases and press reports of a settled legal action in the Republic of Ireland in 2005. The two UK decisions are Victor Chandler<sup>16</sup> (a bookmaker in Gibraltar) and Attheraces (a racing media outlet in the UK).

10. **Fact patterns in Victor Chandler and Attheraces.** The facts in each case are similar: both companies participated in BHB's 'dual agreement' structure, holding a data licence with the BHB direct for pre-race data, and a services contract with Press Association ('PA', as owner of an electronic distribution network) for delivery of that data. Each believed that as a consequence of the ECJ judgments, the data licence was void and ceased payment. BHB threatened to instruct PA to terminate the supply of the pre-race data (as permitted under the master BHB/PA agreement), and both sued, claiming competition abuses under Chapter II and Article 82, seeking a declaration that BHB was not lawfully entitled to require them to subscribe to a data licence, and asking the court for an injunction to restrain the BHB from effecting a cut-off of the pre-race data. In effect, the parties' arguments were that the pre-race data had too little value to be protectable by law, so the data should be free, but enough value that they would still want to receive it, and must do so, as if they didn't, they would suffer loss.

11. **Laddie J in Victor Chandler.** Laddie J in his judgment Victor Chandler delivered on 27 May 2005<sup>17</sup> gave short-ish shrift to the bookmaker. He noted the "*startling consequences*" of this argument, saying that it "*does not make commercial sense*". He then dispatched Victor Chandler's demand to receive the data without a licence with reference to a clause in the PA/VCI agreement which stated<sup>18</sup>: "*The Customer acknowledges that...any intellectual property rights...in the [pre-race data]...[are] the property of [the BHB], and...if required, the Customer will enter into...[a licence]...and such provision is, in any event, subject to any restrictions or prohibitions imposed by the owner(s) of such information...*" (our emphasis).

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<sup>14</sup> In English, 'search all houses'.

<sup>15</sup> Judgment of the Arnhem District Court of 16 March 2006: <http://tinyurl.com/gn3sf>

<sup>16</sup> BHB Enterprises v Victor Chandler (International) Limited [2005] EWHC 1074 (Ch). For the full case see <http://tinyurl.com/jh4yc>

<sup>17</sup> Some six weeks before the judgment of the Court of Appeal in William Hill. Laddie J it will be recalled gave a robust first instance judgment in William Hill in favour of the BHB.

<sup>18</sup> At paragraph 12(b) of Schedule 1, quoted at § 25 of the judgment.

12. **Judgment of Laddie J.** The judge upheld the validity of this clause, saying that (i) no court would construe “*if required*” to only mean “if required by law” (i.e. because there was an underlying proprietary right), and that “*as a matter of contract*” the parties had accepted this term and the BHB had a valid right to assert it; and (ii) the owner of information had a right to restrict or prohibit to whom the information was provide even without an entitlement “*as a matter of law*” (i.e. again, an underlying proprietary right) to do so.

E. **ATTHERACES**

13. **Facts in Attheraces.** Whilst Laddie J gave even shorter shrift to Victor Chandler’s competition law claims, these were considered much more extensively, and with different results, in Attheraces<sup>19</sup>. The facts here are similar to the Victor Chandler case and based on the same business model and contract structure. Here it was not disputed that BHB has the contractual right to prevent further supply by the Press Association<sup>20</sup>.

14. **Question for Decision.** The question at issue was rather whether BHB could exercise that right without breaching applicable competition law, where Attheraces grounded its claim, familiarly enough, as both an unjustified refusal to continue dealing and discriminatory pricing treatment by an organisation in a dominant position; less familiarly, but perhaps more importantly, Attheraces also claimed that BHB’s action amounted to excessive pricing abuse by a dominant company. Our discussion which started out in the IP area on database right therefore now branches off into competition law.

15. **Applicable Competition Law: Article 82EU/Chapter II CA 98.** Before considering the competition law issues that arose in Attheraces, a brief digression about the Article 82/Chapter II issues they involved. Very briefly, the applicable competition law regime in the UK<sup>21</sup> operates two major prohibitions, first against anti-competitive agreements and concerted practices<sup>22</sup> and secondly against an organisation in a dominant position from abusing its position<sup>23</sup>. Attheraces was not concerned with the Chapter I/Article 81 prohibition (against bi- or multi-lateral contractual or other behaviour) but with BHB’s unilateral behaviour in relation to Attheraces, which made a successful contention of market dominance essential. The Chapter II prohibition in the Competition Act 1998 provides that “...*any conduct on the part of one or*

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<sup>19</sup> Attheraces v The British Horse Racing Board [2005] EWHC 3015 (Ch). For the full case see <http://tinyurl.com/jkpd8>.

<sup>20</sup> In paragraph 285 of the judgment, Etherton J said: “I agree with BHB that it is entitled, in principle, to impose a charge for use of its pre-race data by, and for the benefit of, overseas bookmakers, whether or not BHB has IP rights in respect of the data, and, in particular, database rights under the Databases Directive and the Databases Regulations or copyright, and irrespective of the extent of any such rights. *BHB has, in the data, a valuable commodity, for which it is entitled to charge. There is no authority to the contrary, including the William Hill case*” (emphasis added). This statement points up that the old wireline cases (see footnote 72 the article at 21 CLSR 108, cited above) remain good law and shows the importance in database cases of looking at all avenues of protection. It was also jumped on by the BHB in their press release about the judgment, where the BHB CEO said: “We nevertheless note that Justice Etherton has explicitly said that, irrespective of any intellectual property, database or other rights, “BHB has, in the data, a valuable commodity for which it is entitled to charge” ”. (<http://tinyurl.com/ly8wn>).

<sup>21</sup> Although the regime operates at two levels – EU and UK – in effect the UK regime mirrors the EU rules.

<sup>22</sup> Chapter I of the Competition Act 1998 (<http://www.opsi.gov.uk/acts/acts1998/19980041.htm>) and Article 81 of the Treaty Establishing the European Community.

<sup>23</sup> Chapter II and Article 82 EC.

*more undertakings which amounts to the abuse of a dominant position in a market is prohibited if it may affect trade within the United Kingdom.*<sup>24</sup>

16. **Dominance and Article 82/Chapter II.** Dominance is therefore a pre-requisite to any Article 82/Chapter II claim and the definition of a dominant position which has been applied in European case law<sup>25</sup> was given in the *United Brands* case<sup>26</sup> where the ECJ stated that a dominant position is: “*a position of economic strength enjoyed by an undertaking which enables it to prevent effective competition being maintained on the relevant market by affording it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of its consumers*”. Whether an entity is dominant – where it is able to act without normal competitive pressures, i.e. independently of them – requires analysis of the particular market that entity operates in.

17. **Market Analysis and the Relevant Market.** In order to assess market share<sup>27</sup> and so market power it is necessary to analyse and identify the relevant market. Although competition authorities generally agree on how the analysis should be carried out and the UK Office of Fair Trading (‘OFT’ – the UK line regulator) has produced a helpful guidance note on the subject<sup>28</sup>, precise market definition is difficult even where detailed data are available. In general terms, it is necessary to identify the group of products with which the products at issue compete and the geographical area within which they compete. These product and geographical dimensions are identified by applying what is called the “hypothetical monopolist” test<sup>29</sup>.

18. **Excessive Pricing as Abusive Behaviour.** If having applied this test, you are not dominant, Article 82/Chapter II will not apply. If however you are, then you must not abuse that position. The concept of abuse of a dominant position covers a range of behaviour and Article 82/Chapter II includes a list of examples of the types of behaviour concerned. Generally speaking, it is relatively settled law that a dominant undertaking cannot without objective

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<sup>24</sup> Section 18(1) - <http://www.opsi.gov.uk/acts/acts1998/80041--c.htm#18>. The only significant difference between this provision and the EU level prohibition in Article 82 is that Article 82 refers to a dominant position “...*within the common market or in a substantial part of it*” and requires an effect on trade between Member States. Under domestic UK law, a dominant position means a dominant position within the UK or part of it (Section 18(3)).

<sup>25</sup> and will, by virtue of section 60 CA 98, be applied under the CA 98. Section 60 effectively requires that the domestic provisions are to be interpreted in line with European law.

<sup>26</sup> Case 27/76 *United Brands v Commission* [1978] ECR 207 at 277.

<sup>27</sup> It is a broad rule of thumb that an undertaking holding a market share of less than 40% would not be considered dominant, although this is only a tool and will be subject to factors to do with market evolution and structure, etc.

<sup>28</sup> OFT Guideline 403 on Market Definition - <http://tinyurl.com/ma74a>.

<sup>29</sup> This test is sometimes referred to as the “SSNIP” test – Small but Significant, Non-transitory Increase in Price. The test works as follows: you define the smallest group of products/geographical area which, if controlled by a single (hypothetical) company, would allow that company to raise prices by a small but significant amount (5-10%) for the foreseeable future. You run the test on a small set of products or services. If the hypothetical monopolist can raise prices by 10% for the foreseeable future, that means that consumers do not consider other products to be substitutes for the products concerned (demand-side substitution); and new suppliers would not enter the market to produce the products which the reference company controls (supply-side substitution). If consumers could switch to other products then the hypothetical monopolist could not sustain higher prices and maintain his profits that way; similarly, if new suppliers could enter the market, the new suppliers could charge lower prices and again the hypothetical monopolist could not impose prices 10% above competitive levels. In those circumstances, the small set of products you tested would constitute a relevant market. If on the other hand you conclude that a price rise was not sustainable, you run the test on an ever wider group of products until you get a positive result.

justification discontinue dealing with a trading partner or engage in discriminatory pricing – that is, selling to two customers in a similar position at different prices. Those two heads of claim are not considered further here. What *Attheraces* did consider at greater length was the claim of excessive pricing, one of the most obvious forms of abusive behaviour on the list of examples. By ‘excessive pricing’ is meant that prices are excessively high where they are above the prices which would be charged by undertakings if the market was competitive. Although easily formulated, excessive pricing has long been one of the hardest forms of abuse to prove. However, in three cases over the last five years, of which *Attheraces* is the most recent, it has become increasingly important.

19. **Excessive Pricing: OFT Guidance.**<sup>30</sup> The OFT’s approach to excessive pricing has been summarised as follows: *[t]he charging of excessive selling prices...by a dominant undertaking may be an infringement of the Chapter II prohibition. ... An important area where excessive prices might be viewed as an abuse is where a dominant undertaking is exploiting its ownership of an essential facility, an important network facility which is unlikely to face competition in the foreseeable future. In addition to having no relation to the economic value of the product supplied, such excessive prices might make it more difficult for undertakings (that require the product as an input) to enter and compete in related markets. ... An undertaking's prices in a particular market can be regarded as excessive if they allow the undertaking to sustain profits higher than it could expect to earn in a competitive market (in this guideline called supra-normal profits). ... [S]upra-normal profits are profits earned in a particular market which are sustained at a level in excess of the risk-adjusted cost of capital for investment in the business serving that market.*<sup>31</sup>

20. **Excessive Pricing: *Napp Pharmaceuticals* (2002)**<sup>32</sup>. This OFT guidance was noted<sup>33</sup> in *Napp Pharmaceuticals* where the Competition Appeal Tribunal (the specialist competition court in the UK) stated: “Measuring whether a price is above the level that would exist in a competitive market is rarely an easy task. The fact that the exercise is difficult is not, however, a reason for not attempting it. In the present case, the methods used by the [OFT] are various comparisons of (i) Napp’s prices with Napp’s costs, (ii) Napp’s prices with the costs of its next most profitable competitor, (iii) Napp’s prices with those of its competitors and (iv) Napp’s prices with prices charged by Napp in other markets. Those methods seem to us to be among the approaches that may reasonably be used to establish excessive prices, although there are, no doubt, other methods...” In that case, the first in the UK where a fine was imposed, the CAT concluded that Napp was in a dominant position and had charged excessive prices<sup>34</sup>.

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<sup>30</sup>See OFT Guideline 414a on Assessment of Conduct - <http://tinyurl.com/mobhb> - part 2, Excessive Pricing, pages 2 to 9.

<sup>31</sup> Cited in *Attheraces*, paragraph 297, quoting OFT Guideline 414, the predecessor to 414a in this respect.

<sup>32</sup> *Napp Pharmaceuticals Ltd v Director General of Fair Trading* [2002] CAT 1 - <http://tinyurl.com/p5jem>

<sup>33</sup> *Attheraces*, paragraph 298.

<sup>34</sup> The second case where excessive pricing has been considered was by the OFT in relation to issuer fees charged by the London Stock Exchange plc (‘LSE’) in its March 2004 Report ‘*London Stock Exchange – Issuer Fees*’ (OFT713: <http://tinyurl.com/lvc8d>). Here, the OFT indicated that it would have found a 2002/03 price increases in main LSE market fees of between 41% and 115% to have been excessive had they not been reduced in 2004/05 in circumstances where the LSE undertook not to increase them for a further two years. In effect, the resulting (net) price increase of 35% was held to be unobjectionable where the LSE also undertook not to increase prices further for two years. Note that the LSE in its press release of 27 November 2003 expressly stated that it did not agree with the OFT’s conclusions on that investigation. Although the legal grounds for the OFT’s investigation were under the sector-specific competition scrutiny provisions of at section 304(1) Financial Service and Markets Act 2000

21. **Excessive pricing: Attheraces (2005).** This was the background to the developing law on excessive pricing as it stood when Etherton J gave judgment in the High Court on 21 December 2005. Attheraces, whilst it accepted BHB had the contractual right to prevent the Press Association from supplying it with the pre-race data concerned, had contended BHB could not exercise that right without abusing its dominant position and that it had no objective justification in requiring further payment. The judge found broadly for Attheraces on the competition law points and concluded<sup>35</sup>, having gone through and analysed the product, the market and pricing:

- that the product supplied by BHB was UK pre-race data;
- having applied the hypothetical monopolist test, that the relevant market was the supply of UK pre-race data to the horseracing industry;
- that BHB was dominant in that market;
- BHB's prices were excessive, and so an abuse of BHB's dominant position in the market, because they were "significantly in excess of the economic value of BHB's pre-race data and not otherwise justified". The economic value of the data is to be measured, on the facts of the case, by the cost to BHB of producing its Database (about £5m) together with a reasonable return on that cost. BHB's proposed charges to ATR were so far in excess of any justifiable allocation to ATR of that amount as to be plainly excessive;
- BHB had abused its market dominance by threatening without justification to discontinue the supply of pre-race data to Attheraces, even though Attheraces was an existing customer of BHB and pre-race data was an essential facility controlled by BHB, without which ATR would have been eliminated from the market; and
- BHB's prices were also discriminatory and abusive of its dominant position because they were substantially in excess of BHB's normal charges for comparable customers without objective justification.

22. **Attheraces on Appeal: Current Status.** What is rather striking about the Attheraces decision is that there does not appear to have been carried out a significant economic analysis on market definition, dominance assessment or pricing additionally to the legal analysis of the judge. It was therefore not surprising that his decision has been appealed in the Court of Appeal, which heard the parties' arguments in the week of 17 July 2006, with judgment expected in the autumn.

23. **Database Right Debate: the Crucible for Competition Law Development.** Two further points before turning to the Commission's Evaluation of database right. First, it is ironic that the battlefield of racing data and football fixtures where database right suffered what on any view is a defeat should also be the crucible for what could well become an even more important issue in the online world – what is a reasonable economic price and value to charge and put on digital data when digital information can in theory be copied infinitely without significant

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(where the OFT has a statutory duty to keep under review 'the regulatory provisions and practices' of the LSE as a recognized body) and so were materially different from those in an Article 82/Chapter II claim or investigation, the OFT stated that 'in assessing whether there is or is likely to be an adverse effect on competition or a significantly adverse effect on competition, the OFT will apply principles of economic analysis that are also applied in CA 1998 cases'.

<sup>35</sup> See Summary of analysis and conclusions at paragraph 14. The analysis is at paragraphs 120 to 331.

incremental cost, and when the economic rewards are potentially so high but the chances of durable economic success so low<sup>36</sup>.

24. **BHB in Republic of Ireland.** Secondly, the settlement reported in the sporting press in November 2005 of a court action in the Republic of Ireland by the Irish bookmaking industry against BHB whereby BHB retained its income from licence agreements with Irish bookmakers between April 2002 and late 2005 on terms including the termination of the licence agreements, a one-off payment of Euro 300,000 from the 59 Irish bookmakers party to the action, and no order as to costs.

## F. THE COMMISSION EVALUATION OF THE DATABASE DIRECTIVE

25. **Evaluation Launched in December 2005.** On 12 December 2005, nine days before Etherton J gave judgment in *Attheraces* on 21 December 2005, the Commission launched its first evaluation of the Database Directive<sup>37</sup> “to assess whether the policy goals of the [Database Directive] have been achieved and, in particular, whether the creation of a special “*sui generis*” right has had adverse effects on competition”<sup>38</sup>.

26. **Questions Addressed in the Evaluation.** In an objective twenty-five page assessment, the Commission considered the aims of and measures taken by the directive (sections 2 and 3) before considering its impact by reference to four questions:

- Has the directive eliminated the differences that existed between Member States in the legal protection of databases? Here the Commission concluded that ‘*the “sui generis” provisions have caused considerable uncertainty*’, noting that the ECJ 9 November 2004 judgments ‘*severely curtailed*’ the scope of the provision and ‘*at least for [database producers] that “create” the data and information that comprises their databases, decreased the protection for “non-original” databases*’.
- Has the provision of uniform database protection in all Member States stimulated investment into the creation of databases? Unproven, said the Commission: ‘*the “sui generis” protection has had no proven impact on the production of databases*’.
- Has the balance between the legitimate interests of manufacturers and lawful users of databases been safeguarded? Rightholders are OK with this, users (particularly academic and scientific users) are confused, said the Commission.
- Has the EU database production increased as compared to the USA<sup>39</sup>? On the one hand database right has helped the EU to catch up with the USA ‘*in terms of investment*’

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<sup>36</sup> In the OFT Economic Discussion Paper 377 “Innovation and Competition policy” of March 2002, (<http://tinyurl.com/6f2hm>) Charles River Associates state (at paragraph 1.20 on page 5): “*Measuring profitability is a poor way of conducting competition policy in standard industries. It is likely to be even worse in high technology industries. The very high ex ante risks of failure mean that the returns to ‘winners’ in high technology markets should be very high.*”. See also the full discussion on excessive pricing at paragraphs 5.121 to 5.127, pages 102 to 104

<sup>37</sup> <http://tinyurl.com/nso73>

<sup>38</sup> §1.1, page 3.

<sup>39</sup> For a brief summary of the US law position see footnote 11 of the article at 21 CLSR 108 cited above. The US legislative process has considered two proposed Acts which proceed on the basis of protection against misappropriation rather than as a property right: see in the 108th Congress (2003-2004) the “Database and Collections of Information Misappropriation Act” (H.R. 3261), introduced in the House of Representatives in late 2003 and the “Consumer Access to Information Act” of 2004 (H.R. 3872). Neither bill was taken forward to a vote. To date, the 109th Congress has not produced any bills for the protection of databases.

(although ‘*the economic gap with the US has not been reduced*’) but on the other hand it didn’t help ‘*to significantly improve the global competitiveness of the European database sector*’.

27. **Section 5 of the Evaluation.** Section 5 points up the analysis that database right is ‘*difficult to understand*’, ‘*comes close to protecting data as property*’ – noting the ‘*longstanding principle that copyright should not be extended to cover basic information or “raw” data*<sup>40</sup> – and of ‘*unproven economic impact*’.

Finally, Section 6 offers four rather stark policy options:

- Option 1: Repeal the whole Directive;
- Option 2: Withdraw the “sui generis” right;
- Option 3: Amend the “sui generis” provisions; and
- Option 4: Maintaining the status quo.

28. **The Public Consultation.** Public consultation was initially open until 12 March 2006, but extended to 31 March 2006. According to the Commission Internal Market and Services DG website<sup>41</sup>, 55 contributions were received<sup>42</sup>, with 31 contributors identified as producers (e.g. database producing companies, associations of database publishers, publishers and press), 13 as academic (including individual contributors and library associations) and 8 as users (mainly consumer associations and betting companies). The French Government also submitted observations. The Commission noted that “8 contributions support Option 1, 3 contributions support Option 2, 26 support Option 3 and 26 support Option 4. (Since some of the contributions support more than one option the numbers exceed the number of contributions received). Within the group in support of Option 3, 13 contributors ask for a broader definition of the right (mainly in reaction to the ECJ) and 10 for more exceptions to the sui generis right.”

29. **Present Difficulties.** Given that under the scheme of EU law, the directive – the chosen tool for the Commission’s lawmaking in the whole intellectual property area – expressly leaves open to the Member States the means by national legislation (in the UK, by statutory instrument) to achieve the objective in view, any option other than Option 4 – the ‘do nothing’ option – will be complicated. On the other hand, when the instrument is irremediably broken, ‘do nothing’ is particularly unattractive. Two more factors complicate the issue further. First, reconciling the US and the EU approaches to database protection generally; and secondly, the issues that were not assessed in the Evaluation – like extension to database right of copyright-type fair dealing exceptions and the still-thorny issues of infringement. Clearly, the Commission has some work to do to get the database protection, whether or not by database right, right.

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<sup>40</sup> See for example Article 10 of the TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights Annex 1(c) to the WTO Uruguay Round Final Act, April 1994 - [http://www.wto.org/english/docs\\_e/legal\\_e/27-trips\\_01\\_e.htm](http://www.wto.org/english/docs_e/legal_e/27-trips_01_e.htm)) where Article 10(2) provides that “Compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations shall be protected as such. Such protection, *which shall not extend to the data or material itself*, shall be without prejudice to any copyright subsisting in the data or material itself” (emphasis added).

<sup>41</sup> [http://ec.europa.eu/internal\\_market/copyright/prot-databases/prot-databases\\_en.htm](http://ec.europa.eu/internal_market/copyright/prot-databases/prot-databases_en.htm).

<sup>42</sup> <http://tinyurl.com/oe4lm>. All submissions are accessible as pdfs.