The Court of Appeal rules in BHB v. William Hill

The database right (introduced in 1998), has brought new opportunities for those businesses which invest in the gathering of information. However, that has been accompanied by a considerable degree of uncertainty for those using such information, particularly given the wide definition of databases.

To a large extent, that uncertainty was clarified by the November 2004 ruling of the European Court of Justice ("ECJ") in the long-standing dispute between the British Horseracing Board Ltd ("BHB") and the William Hill Organization Ltd ("William Hill"). The case had been referred to the ECJ by the Court of Appeal ("CA") because it raised difficult questions on the interpretation of the Database Directive (96/9/EC). The ECJ’s ruling provided much needed clarification of the directive and, to some extent, a narrowing of the right, focussing protection on those databases where the real investment is made in the creation of the database rather than its content.

All that was left was for the CA to apply the ECJ’s ruling to the dispute between the BHB and William Hill. In the end, their four year long courtroom race was very far from being a photo-finish, as William Hill found itself comfortably in the winners’ enclosure after a unanimous decision of the CA, given on 13 July 2005, that the BHB owned no database right in the horse racing data used by William Hill (and most of the horse racing data used by William Hill (and most of the horse racing industry).

This long-awaited CA decision, together with the ECJ’s ruling, provides a valuable framework for understanding what databases are protected by the database right and important guidance on infringement. In particular, they address what is an “investment” for the purposes of creating a database right, what amounts to a “substantial” part of such a database and what constitutes unauthorised “extraction” or “re-utilisation” for the purposes of infringement.

The rulings have wide-ranging implications for both information users and database owners and are likely to remain the definitive decisions on the database right for many years to come.

Background

The BHB is the administrative authority for British horse racing. It was set up in 1993 to take over that function from the Jockey Club (which remained the regulatory authority for the industry and was a co-claimant in the case).

One of the BHB’s functions is the creation, maintenance and publication of a database containing the UK annual horse racing fixture list and other horse racing information concerning “runners and riders”, trainers, owners, race fixtures and race entrants (the “BHB Database”).

Direct responsibility for compiling, maintaining and updating the data from which the fixture list is produced was outsourced by the BHB to Weatherbys Group Ltd (another co-claimant with the BHB) which, in turn, compiled the BHB Database.

The BHB Database contained a very wide range of information including details of horses, owners, trainers and jockeys and of horse-race venues, dates, conditions and entrants (largely supplied to the BHB by horse owners, trainers and racecourses). The annual cost to the BHB of running the database was about £4 million (of which about £1.2 million was recouped by charging for use of the data).
An overview of the database right

The database right is, in legal terms, a new right which was introduced across the EU, was brought in force in the UK by the Copyright and Rights in Databases Regulations 1997 (SI 1997/3032 – the “Regulations”).

Database right arises automatically (without registration or other formality) in a database if there has been a substantial investment in obtaining, verifying or presenting the contents of that database (Regulation 13).

The right only protects databases made by individuals or organisations resident in an EEA state. Non-EEA database makers do not benefit from database right (Regulation 18).

However both EEA and non-EEA database makers remain able to obtain copyright protection for databases (as well as database right for EEA residents) if the selection or arrangement of the database is the creator’s original “intellectual creation”. Such copyright will protect that original selection or arrangement in accordance with the usual principles of copyright law.

Database right lasts for 15 years from the end of the calendar year in which the protected database is made. However, if the database is made available to the public before the end of that initial 15 year period, an additional 15 year period of protection is granted (Regulation 17).

The owner of the database right in a data base has the exclusive right to extract (essentially transfer to another medium) and re-utilise (essentially make available to the public) the contents of the database. A third party will infringe the database right if it extracts or re-utilises a substantial part of those contents. If the part which is misused is not substantial, there may still be infringement if the act is repeated and systematic (Regulation 16).

The question as to whether any particular extraction or re-utilisation is “substantial” is judged by reference to the quality and quantity of the contents taken; accordingly, a small but very important part of the contents could be substantial even if a larger but less important part were not.

William Hill used information from the BHB Database in its high-street licensed betting offices (“LBOs”) and for telephone betting services, pursuant to data supply arrangements both with Weatherbys and authorised licenses of the BHB’s Database. No objection was made to William Hill’s use of such information in its LBOs and for telephone betting services.

Since May, 1999, William Hill has been offering horse racing betting services over the internet. In order to quote odds for betting it listed horserace venues, times and the horses running in those races on its web site. Neither SIS nor Weatherbys licensed William Hill to use data for that purpose. The BHB objected to William Hill’s use of its data for internet betting, claiming that that use infringed its database right.

In March 2000 the BHB sued William Hill alleging that BHB owned a database right in the BHB Database and that William Hill infringed it by using that horse-race information (obtained from the previous day’s newspapers and from a data supply originating from the BHB) in its on-line betting services. The BHB successfully obtained injunctive relief in High Court proceedings against William Hill. However, on appeal, the Court of Appeal acknowledged that the legislation was unclear and referred questions concerning its interpretation to the ECJ (under Article 234 of The Treaty of Rome).

The ECJ’s rulings

The ECJ’s key ruling for the purposes of the CA’s decision was that the database right protects only the investment in putting a database together, or in presenting or in verifying the accuracy of the assembled data, not the cost of creating that data in the first place.

In other words, investment does not “count towards” database right protection if it is investment in the creation of the data contained in the database.

Therefore, although in principle a list of runners and riders for horse-racing events was a legally protectable database, the ECJ’s view was that the BHB Database was not protected because the BHB’s expenditure was made in drawing up a list of horses in a race not in gathering data for the database.

In relation to infringement, the ECJ confirmed that indirect extraction of data (i.e. extraction from a source which itself derived from a protected database, whether or not that derivative source was in the same format) as well as the re-use of “just” data (i.e. using data from a database in a way which does not copy the structure of that database) would amount to infringement, if a substantial amount of data was taken. The ECJ also clarified that infringement should be judged by reference to whether the investment made in the database was prejudiced by the potentially infringing extraction or re-utilisation of the data.
More information on the ECJ's ruling can be found in our earlier article (“IP PLUS (2)” in the November/December 2004 issue of IP Plus issue 22).

The CA's decision

The BHB and William Hill accepted that the ECJ's ruling that, as a matter of law, investment in the creation of data did not constitute the investment in the obtaining, verification or presentation of the database required to establish a database right.

However, the BHB argued that the ECJ was wrong to have held that the BHB's activities did not amount to investment for the purpose of generating a database right in the BHB Database. The BHB claimed that the ECJ had misunderstood the facts and that, in receiving entries and declarations from horse-owners and carrying out checks of those entries, it was doing no more than gathering and checking information; in so doing, it argued, it satisfied the ECJ's test for investment in obtaining and verifying data, rather than the creation of data.

The CA found that the ECJ had not misunderstood the facts, as in fact they had been aware of all the steps taken by the BHB and still reached the conclusion that the BHB's investment did not qualify for database right.

In a judgment notable for its concision and clarity even by his own standards, Jacob LJ explained the reasoning underlying the CA's position, noting that the ECJ had focused on the final database, and not on the many preparatory steps taken to arrive at it (some of which involved investment in collecting and verifying existing data). The importance of this is that the BHB Database, in its final form as published to the racing world, was an official list.

As Jacob LJ noted, only the BHB can provide such a list and the whole of the BHB's process of collecting and verifying data is directed to the creation of that official list. The database which results is uniquely official and therefore different from a mere collection of existing data gathered together and verified: the difference is that the BHB's imprimatur is on it.

Conclusion

The ECJ's ruling made clear that the breadth of protection conferred on databases by the database right is a good deal narrower than many database owners had believed.

In particular it is now clear that the database right protects investment in the making of a database, not investment in the creation of the data itself. This means that database right will not subsist in a database merely because the data it contains was expensive to create or verify. It must be the act of creating the database (e.g. collecting the data that are comprised within it) that involves significant investment for a database to qualify.

The impact will be particularly pronounced in industries where data is created by a single "official" source which then supplies it commercially but not confidentially. Bodies that regulate sports are clearly a very common example. The creator of such data will often create a database of such data, but for that database to be protectable by database right it would have to prove it made a substantial investment in compiling a database from information it already possessed (a task which may not obviously require any substantial effort at all).

For those who actually collect valuable information, the database right remains a potentially valuable source of protection (rather than simply create) and licensing revenue. Organisations conducting audits of intellectual property assets should consider the value of the databases they generate. It will be more important than ever to ensure that careful records are kept of the creation of a database which may be relied on as a basis for claiming database right, in particular to show the

What is a database?

A "database" is defined (in Section 3A of the Copyright, Designs Patents Act 1988) to mean "a selection of independent works, data or other materials which:

(a) are arranged in a systematic or methodical way, and
(b) are individually accessible by electronic or other means”.

It is clear that this definition is extremely wide and would include, for example, a telephone directory.

There are four conditions which something must satisfy to be a database:

(i) there must be a collection;
(ii) of independent works, data or other materials;
(iii) arranged in a systematic or methodical way; and
(iv) which are individually accessible.
level of financial, human or technical investment employed by it at each stage. Such databases now extend well beyond traditional electronic databases (see boxed text “What is a database?”).

While creators of data may regret the narrowing of the purported scope of the databases right, they will surely welcome the additional clarity provided by these landmark rulings. For users of their products, the rulings are even more welcome.

**Where now for racing?**

As to what might happen next, the CA declined to refer any further questions to the ECJ but there is still the possibility of an appeal by the BHB to the House of Lords (who may in turn refer questions to the ECJ). Also, the question of whether the BHB Database might still be protectable by copyright has not been addressed in this case. Laddie J suggested in a recent case brought by Victor Chandler against the BHB (*BHB Enterprise Plc v Victor Chandler (International) Ltd [2005] EWHC 1074*) that this copyright issue should be explored by the courts.

It had been hoped by the BHB and some others within the world of horse racing that the CA would distinguish the BHB’s position from that of a “mere” creator of data, so as to leave the BHB with enforceable rights in the BHB Database and hence a clear basis to charge fees for its activities running horse racing: such fees were seen as a practical commercial replacement for the statutory levy system (the “Levy”) under which UK bookmakers have funded horse racing to date. An alternative means of funding horse racing is needed because the government is committed to abolishing the Levy by 2009.

From 2002, bookmakers in the UK and overseas entered into licences with the BHB pending the outcome of the William Hill case. UK bookmakers have, for the most part, been paying little or no fees under these licences (because they are entitled to set off the payments they make under these licences against those fees). However overseas bookmakers (to whom the Levy does not apply) have been paying substantial sums and a group of Irish bookmakers are currently suing the BHB in the Irish courts for the return of an estimated £30 million in licence fees paid for the BHB’s data.

Clearly, in the race to put firm financial ground beneath the hooves of UK horse racing, there is still some distance left to run.