Neutral Citation Number: [2005] EWCA (Civ) 863

Case No: A3/2001/0632

IN THE SUPREME COURT OF JUDICATURE
COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM HIGH COURT OF JUSTICE
CHANCERY DIVISION
The Hon Mr Justice Laddie
HC 2000/1335

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 13/07/2005

Before :

LORD JUSTICE PILL
LORD JUSTICE CLARKE
and
LORD JUSTICE JACOB

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Between :

(1) The British Horseracing Board Limited **(2) The Jockey Club** **(3) Weatherbys Group Limited** **- and -** **William Hill Organization Limited**	**Claimants/ Respond-ents** **Defendant/ Appellant**

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Peter Prescott QC and **Lindsay Lane** (instructed by **Addleshaw Goddard**) for the Claimants/Respondents
Mark Platts-Mills QC and **James Abrahams** (instructed by **S J Berwin**) for the Defendant/Appellant

Hearing date : 28 June 2005

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Judgment

Lord Justice Jacob (giving the first judgment at the request of Lord Justice Pill):

1. This is the final determination of the appeal by William Hill from a decision of Laddie J of 9th February 2001 ([2001] RPC 31, [2001] EWHC 516 (Pat.) The appeal came before this court (Peter Gibson, Clarke and Kay LJJ) in July 2001. By a judgment of 31st July 2001 ([2001] EWCA Civ 1268) this court indicated in [45] that it was inclined to support the judgment but that since questions of interpretation of European law were involved, the right course was to refer questions to the ECJ pursuant to Art.234 of the Amended Treaty of Rome.

2. Questions were duly referred and the ECJ (the Grand Chamber) delivered its response by a Judgment of 9th November 2004 (Case C-203/02, [2005] RPC 260). We must now apply that ruling.

3. Each side says that, properly understood, the ruling means that they have won. Or, rather than the other side winning, there is some doubt about what the ECJ meant and there should be another reference.

The primary facts

4. This court summarised the facts about the BHB database and how it is compiled and checked as follows:

> "4. BHB is the governing authority for the British horseracing industry. Its members (the Jockey Club, the Racecourse Association Ltd., the Racehorse Owners Association and the Industry Committee (Horseracing) Ltd.) are organisations representing various aspects of horseracing. It was set up in June 1993 to take over some of the administrative functions of the Jockey Club, but leaving the Jockey Club retaining the principal regulatory function within British horseracing. BHB is concerned with the creation of the fixture list for each year's racing, weight adding and handicapping, supervision of race programmes, producing various racing publications and stakesbooks and compiling data related to horseracing. In 2000 there were 1209 race meetings scheduled to be held at 59 racecourses on 327 days of the year with 7,800 races. That year there were 175,000 entries for races and 80,000 declarations to run and declarations of riders. At any one time there are 15,000 horses in training, 9,000 active owners and 1,000 trainers. Each owner must have registered unique racing colours in which his horses will run. In 1985 Weatherbys on behalf of the Jockey Club started to compile an electronic database of racing information comprising (amongst other things) details of registered horses, their owners and trainers, their handicap ratings, details of jockeys, information concerning fixture lists comprising venues, dates, times, race conditions and entries and runners. Since June 1993 the task of maintaining and developing the database has been carried out by Weatherbys on behalf of BHB in consequence of various assignments and agreements.
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> 5. The database is constantly updated with the latest information, and the scale and complexity of the data kept by

> BHB have grown with time. The judge said that there was no substantial challenge to the pleaded assertions by BHB that the establishment of the database, at considerable cost, has involved, and its maintenance and development continue to involve, extensive work including the collection of raw data, the design of the database, the selection and verification of data for inclusion in the database and the insertion and arrangement of selected data in the database, the annual cost of continuing to obtain, verify and present its contents being approximately £4,000,000 and involving approximately 80 employees and extensive computer software and hardware.
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> 6. There is a huge amount of data accumulated over the years in the database, including details of over one million horses. The database contains pre-race information for each race, covering the place and date on which the meeting is to be held, the distance over which it is to be run, the criteria for eligibility to enter the race, the date by which entries are to be made, the entry fee payable, the initial name of the race and the like. Close to the day of a race, that information is expanded to include the time at which the race is provisionally scheduled to start, the final name of the race, the list of horses entered, the owners and trainers and the weight each horse has been allotted to carry. The final stage of the pre-race information contained in the database includes the list of declared runners, their jockeys, the weight each will carry (which may differ from the allotted weight for a number of reasons), its saddlecloth number, the stall from which it will start and the owner's racing colours. After the race, details of the outcome are recorded. An estimated total of 800,000 new records or changes to existing records are made each year.
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> 7. A painstaking process of verification of the pre-race information is undertaken to ensure its complete accuracy and reliability. Thus in the case of declarations made by trainers by telephone, the conversations are tape-recorded and replayed and checked by an operator other than the one who took the call against an audit report produced by the computer.
>
> 8. The cost of running the database is a little over 25% of BHB's total annual expenditure of £15,000,000. BHB is self-funding. Part of its income is derived from fees charged to third parties for use of information contained in the database, currently yielding an annual income of £1.2 million. Thus only a little over one third of the cost of maintaining the database is recouped by fees."

5. Mr Peter Prescott QC for the BHB summarised the manner in which the final database from which William Hill takes the runners and riders in a series of steps. They take place against a background of a pre-existing race programme, e.g. 7 races at Uttoxeter on such a day. [The BHB make no claim to any right in that pre-existing programme. Since it is one essentially created by the BHB it seems clear from the ECJ that none could.] But, says Mr Prescott, if one focuses on the series of steps by which that

"blank" programme is filled in with runners and riders, there is a database right in the database so produced.

6. The steps are as follows

i. Owners phone in to BHB to say they want their horse X to run in race Y in race Z;

ii. BHB's staff enter this information into the computer. It is subsequently checked for accuracy by another member of staff listening to the tape;

iii. Offline checks are run against other information in the computer to ensure that the horse is entitled to go in for the race concerned (e.g. it is not a 3-year old going in for a race for 2-year olds);

iv. That produces a provisional list. In practice less than 1% of horses are eliminated at this stage as not qualifying for the race. And the elimination process is essentially mechanical in the sense that it happens by operation of the pre-set rules for entry in the race concerned. There is nothing "creative" about the operation;

v. The next stage is for the owner to confirm that he really wants to the horse to run in that race. This is called a "declaration".

vi. The declared list of horses will normally be the actual final list. But checks have to be run, particularly for instance if the number of declared horses is too many for the race concerned. If that happens then either the race is split into two, or some horses are eliminated. The process by which this is done is again purely mechanical, involving no element of discretion or choice – merely the application of pre-existing rules. Only in a small proportion of cases is there splitting or elimination

vii. When the final list of declared horses for each race has been finalised, normally by about 12 noon on the day before the race, the list is published as that of the official runners.

7. William Hill takes its information from that final list, and not (save in the case of some very large races) from any pre-existing version. In the case of very large races (e.g. The Derby) bets may be accepted much earlier in the race, in which case William Hill would be using the list of entries, i.e. the list before horses are finally declared.

Art 7(1) and the First ECJ Ruling

8. Art. 7 of Directive 96/9 is the basis of the UK legislation. The parties and courts have worked directly from this, without bothering with the UK legislation – as generally happens in all IP cases involving rights created pursuant to a Treaty. [It makes one wonder, yet again, why the legislators bother with a re-write].

9. Art 7(1) provides:

> "Member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents to prevent extraction

> and/or re-utilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database."

So there has to be a substantial investment "in either [sic] the obtaining verification or presentation of the contents of the database."

10. Now the ECJ said at the end of its first ruling:

> "The resources used to draw up a list of horses in a race and to carry out checks in that connection do not constitute investment in the obtaining and verification of the contents of the database in which that list appears."

11. That at least appears to be saying that BHB's database, so far as it consists of official lists of riders and runners in races, is outside the scope of the right. Mr Mark Platts-Mills QC for William Hill says it means just that.

BHB's Contentions

12. Mr Prescott submits that the ECJ in saying this was acting under a "misunderstanding" of the facts and that when its reasoning is applied to the actual facts, what his clients do is to create and maintain a database within the meaning of Art.7(1). Hence it is the subject of the right.

13. To reinforce his point based on the actual facts Mr Prescott sought permission to amend BHB's Particulars of Claim and to adduce further evidence. The amendment would be to plead a "further" database, namely "The Entries Database" (i.e. that before declarations). The further evidence is a second statement of Mr Khan which elaborates the process in more detail. Mr Platts-Mills objected to both, saying it was too late and that the evidence would involve further disclosure and cross-examination before it could be accepted. In the end we did not think it necessary to rule on these applications because, even supposing they were allowed, we think the ECJ ruling would cover the position.

14. Mr Prescott asked us to consider the "normal" case, i.e. one where the list of horses initially entered turned out to be the same as the list of official declared runners. He submitted that what the BHB was in substance doing was no more than gathering information, namely that of the owners' intention to enter the race provisionally, and subsequently his confirmed (declared) intention. That gathering and checking exercise involved a substantial investment. It followed that the ruling of the ECJ applied in BHB's favour.

15. That ruling is contained in the main part of the first ruling:

> "The expression 'investment in … the obtaining … of the contents' of a database in Article 7(1) of Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases must be understood to refer to the resources used to seek out existing independent materials and collect them in the database. It does not cover the resources used for the creation of materials which make up the contents of a database.

> The expression 'investment in … the … verification … of the contents' of a database in Article 7(1) of Directive 96/9 must be understood to refer to the resources used, with a view to ensuring the reliability of the information contained in that database, to monitor the accuracy of the materials collected when the database was created and during its operation. The resources used for verification during the stage of creation of materials which are subsequently collected in a database do not fall within that definition."

16. Broadly, Mr Prescott submitted, that divided the investment which could go into a database into two kinds – that which was essentially a gathering, recording and verifying of pre-existing data and that which was itself creative. He submitted that essentially all of what BHB did was of the former variety. And even if not all, at the very least there was a substantial investment in gathering, recording and verifying such "external" data.

17. So, taking his "normal"case, all that the BHB were doing was gathering and verifying existing independent materials, namely the intentions of the owners, provisional and declared. Consider he said, the list at the moment before it is published. It merely consists of gathered in and verified material. So under the main ruling there was a relevant seeking out of existing information. He submitted it made no difference that the owners contacted the BHB with the information rather than the BHB phoning the owners to find out. The list would be the same either way: it is a list of pre-existing information collected and verified by the BHB.

18. Of course, he accepted, there was also a check to see that the information satisfied the criteria for the race – but that operation was purely mechanical and involved nothing by way of a creative selection process. And besides, he observed, any database must have criteria for inclusion or exclusion. He instanced a database consisting of plumbers in Ealing. You would have to have criteria as to what counted as Ealing, and what counted as a plumber, even though the work of compiling the database would consist of gathering in pre-existing information.

19. Thus, submitted Mr Prescott, the unpublished lists of runners and riders satisfied the ECJ's main ruling as wholly gathered in and checked information. And so those unpublished lists would fall within Art. 7(1). If that be so, why, he asked, should the same list when published not also satisfy it? What makes the fact of publication change what is a protected database into one which is not?

20. Mr Prescott submitted that the ECJ had misunderstood the facts, that the ECJ is in any event an arbiter of law and not fact, and if one applied the heart of the ruling to the facts, the BHB database was not one made by creation, but by gathering and checking independent materials. Hence it was within Art.7(1).

My opinion

21. I am unable to accept these submissions, elegant though they are. There are two reasons why. First I do not accept that the ECJ misunderstood the primary facts or itself indulged in an illegitimate fact-finding exercise. Secondly, and more fundamentally, I think they involve a process of deconstruction of the nature of the ultimate database which has been rejected by the ECJ.

Misunderstanding of primary fact?

22. Mr Prescott pointed out that the function of the ECJ was to interpret the Directive, not give a ruling on the facts in the main proceedings. He cited *Traunfellner* [2003] ECR I-000 paragraphs 21-24. So much was not in dispute. But, as Mr Platts-Mills pointed out, it is legitimate for the ECJ to rule on the legal consequences of given primary facts – what the court calls "the legal characterisation of the facts". This Court explained the position in *Arsenal v Reed* [2003] RPC 39, EWCA Civ 696 at [25]. There is no point in rehearsing this uncontroversial matter further here.

23. So the real question is whether the conclusion at the end of the first ruling is based on a misapprehension of the facts. Mr Prescott says it is, because what the BHB do is not to "create" the information in its database, but merely to gather it in. He suggested that the ECJ may have fallen into error because it was also dealing with three other references about sporting fixtures (*Fixtures Marketing v OPAP* Case C-444/02, [2005] IP&T 453, *Fixtures Marketing v Oy Veikkaus* Case C-46/02, [2005] IP&T 490 and *Fixtures Marketing v Svenska Spel* Case C-338/02, [2005] IP&T 520). These involved football fixture lists. Such lists, submitted Mr Prescott, were inherently different from BHB's lists of runners and riders. This is because they were actually created by the relevant football authority. The exercise was quite different from that which is involved in the production of BHB's lists.

24. He suggested that the main judgment itself left some room for doubt on the facts, pointing to paragraph 80:

> "The resources deployed by BHB to establish, for the purposes of organising horse races, the date, the time, the place and/or name of the race, and the horses running in it, represent an investment in the creation of materials contained in the BHB database. Consequently, *and if, as the order for reference appears to indicate, the materials extracted and re-utilised by William Hill did not require BHB and others to put in investment independent of the resources required for their creation,* it must be held that those materials do not represent a substantial part, in qualitative terms, of the BHB database. "

He relied on the words I have italicised to say that the Court was here indicating that it was not sure of its understanding of the facts.

25. I do not think that will do. For the passage does not set out primary facts at all. It is based on the material in the order for reference – which I set out above. Moreover the ECJ set out the heart of BHB's activities at the outset. In paragraph 14 it said:

> "Third, it compiles the lists of horses running in the races. This activity is carried out by its own call centre, manned by about 30 operators. They record telephone calls entering horses in each race organised. The identity and status of the person entering the horse and whether the characteristics of the horse meet the criteria for entry to the race are then checked. Following those checks the entries are published provisionally. To take part in the race, the trainer must confirm the horse's participation by telephone by declaring it the day before the race at the latest. The operators must then ascertain whether the horse can be authorised to run the race in the light of the number of declarations already recorded. A central computer then allocates a saddle cloth number to each horse and

> determines the stall from which it will start. The final list of runners is published the day before the race. The BHB database contains essential information not only for those directly involved in horse racing but also for radio and television broadcasters and for bookmakers and their clients."

26. There is nothing relevantly wrong with that [the bit about checking whether the horse is authorised to run is in fact done by the computer, rather than manually]. And it encapsulates the step-wise process relied upon Mr Prescott to say that what the BHB makes is within Art.7(1).

27. Accordingly I would reject Mr Prescott's submission that the Court gave its ruling on the basis of an erroneous assumption of fact. I would only add this; the submission suggests the Court made an enormous blunder. Moreover it is not one that could readily be made – for the BHB process is broadly just what you would expect – how could you get a list of runners and riders otherwise than by gathering in the information as to their desire for their horses to run from the owners? Much more would be required to establish such a blunder.

Deconstruction

28. I now turn to what I think is the flaw in Mr Prescott's reasoning. He starts from the beginning of the process, working down to the final, officially published, list of riders and runners. By a series of steps he says Art 7(1) databases are created by a process of gathering in and checking.

29. But the Court has, I think, implicitly rejected that approach. It focussed on the final database – that which is eventually published. What marks that out from anything that has gone before is the BHB's stamp of authority on it. Only the BHB can provide such an official list. Only from that list can you know the accepted declared entries. Only the BHB can provide such a list. No one else could go through a similar process to produce the official list

30. So if one asks whether the BHB published database is one consisting of "existing *independent* materials" the answer is no. The database contains unique information – the official list of riders and runners. The nature of the information changes with the stamp of official approval. It becomes something different from a mere database of existing material.

31. It is only on this basis that one can understand the crucial paragraphs in the ECJ's reasoning. These read:

> "[37] In the case in the main proceedings, the referring court seeks to know whether the investments described in paragraph 14 of this judgment can be considered to amount to investment in obtaining the contents of the BHB database. The plaintiffs in the main proceedings stress, in that connection, the substantial nature of the above investment.
>
> [38] However, investment in the selection, for the purpose of organising horse racing, of the horses admitted to run in the race concerned relates to the creation of the data which make up the lists for those races which appear in the BHB database. It does not constitute investment in obtaining the contents of

> the database. It cannot, therefore, be taken into account in assessing whether the investment in the creation of the database was substantial.
>
> [39] Admittedly, the process of entering a horse on a list for a race requires a number of prior checks as to the identity of the person making the entry, the characteristics of the horse and the classification of the horse, its owner and the jockey.
>
> [40] However, such prior checks are made at the stage of creating the list for the race in question. They thus constitute investment in the creation of data and not in the verification of the contents of the database.
>
> [41] It follows that the resources used to draw up a list of horses in a race and to carry out checks in that connection do not represent investment in the obtaining and verification of the contents of the database in which that list appears."

32. It may be noted that this reasoning begins by reference to the facts set out in paragraph 14 – thus reinforcing the conclusion that no error of fact was made.

33. In paragraph [80] the Court uses the word *establish* [the information] to describe what BHB does. That is indeed so. One would not use *establish* for the work of a mere information gatherer.

34. It is true that in paragraph 38 the word "selection" is used. Out of context that might be taken to mean something like "creative choice" but in context it clearly does not have that meaning. Other language versions of the judgment (particularly the French *determination*) do not have the nuance of creative choice.

35. It follows that despite all Mr Prescott's ingenuity, the answer from the Court is clear. So far as BHB's database consists of the officially identified names of riders and runners, it is not within the *sui generis* right of Art.7(1) of the Directive. And I think the same reasoning applies in those cases (big races) where the BHB publishes a list of provisional runners prior to final declarations. Again what is published is different in character from a mere list of gathered in information. It is a list of the horses BHB have accepted as qualifying to race – as properly and actually entered.

36. And so the appeal must be allowed. It is not necessary to go into the detail of the further questions of whether or not William Hill's activities fall within the meaning of *extraction .. of a substantial part, evaluated qualitatively and/or quantitatively of the contents of that database.* Likewise the question under Art.7(5) as to whether illegitimate "small but regular helpings" were being taken does not arise.

Lord Justice Clarke:

37. I agree. I am conscious that in doing so I have agreed to allowing an appeal against a decision which I was inclined to think was correct when the case was last before the Court of Appeal in July 2001. The reason for my change of view is of course the decision and reasoning of the ECJ. The whole point of a reference to the ECJ was to ensure, so far as possible, that the relevant directive is construed in the same way throughout the European Union.

38. I agree that the appeal should be allowed both for the reasons given by Jacob LJ and for the reasons given by Pill LJ, whose judgment I have seen in draft.

Lord Justice Pill:

39. The huge amount of information accumulated in the BHB database was described by Laddie J in paragraphs 4 to 8 of his judgment of 9 February 2001, cited by Jacob LJ in paragraph 4 of his judgment.

40. The database is used, as well as for other purposes, in the process by which lists of the horses running in the very many horse races held annually in the United Kingdom are compiled. The procedure for compiling the lists is described in paragraph 14 of the judgment of the ECJ dated 9 November 2004, set out at paragraph 25 of the judgment of Jacob LJ.

41. For BHB, Mr Prescott QC submits that the listing of declared runners has involved a substantial investment by BHB in "obtaining" and "in verification of" the contents of the lists within the meaning of these terms in Article 7 of Directive 96/9/EC and that activity is protected by the sui generis right provided in the Article.

42. An expensive call-centre is maintained at which 30 people are employed. Calls are recorded and incoming information checked back with owners seeking to enter horses for races. The work is that of obtaining and verifying information and not creating it, it is submitted. In their ruling numbered 1 at I-19 and I-20 of their judgment, the ECJ, Mr Prescott submits, have misunderstood the task being performed which is unlike that when fixtures are arranged by governing bodies in other sports.

43. The domestic courts are the fact-finding tribunal, he submits. Applying the principles stated by the ECJ to the true facts produces the result that the declared lists are protected by Article 7.

44. I am not able to accept that submission. The summary of the facts at paragraph 14 of the ECJ's judgment is succinct but the Court had before it most detailed information about the procedure followed. We have been referred to the BHB's submissions to the ECJ which reveal that the points now taken were fully put.

45. A distinction is drawn by the ECJ between 'obtaining' and 'verification' of material, on the one hand, and 'creating' it, on the other (paragraphs 31 to 35 of ECJ judgment). I have some difficult in understanding the use to which the word 'create' is put in the judgment and, with respect, whether it is used consistently. For example, we have been supplied, for a different purpose, with the French version of paragraph 38 of the judgment. Paragraph 38 provides:

> "However, investment in the selection, for the purpose of organising horse racing, of the horses admitted to run in the race concerned relates to the creation of the data which make up the lists for those races which appear in the BHB database. It does not constitute investment in obtaining the contents of the database. It cannot, therefore, be taken into account in assessing whether the investment in the creation of the database was substantial."

46. In the French version, the first 'the creation' appears as 'la création' but the second, 'creation of the database' as 'la constitution de cette base". (I agree with Jacob LJ's comment at paragraph 34 about the use of the word 'selection' in paragraph 38.)

47. However, the distinction I understand the ECJ to be making in their judgment is that between, on the one hand, the "database as such" (paragraph 30) and the contents of the database (paragraphs 33,37 and 40) and, on the other hand, the creation of lists of entries (paragraph 40) which are independent materials created subsequently. The distinction is made in paragraph 31:

> "Against that background, the expression 'investment in … the obtaining … of the contents' of a database must, as William Hill and the Belgian, German and Portuguese Governments point out, be understood to refer to the resources used to seek out existing independent materials and collect them in the database, and not to the resources used for the creation as such of independent materials. The purpose of the protection of the sui generis right provided for by the directive is to promote the establishment of storage and processing systems for existing information and not the creation of materials capable of being collected subsequently in a database."

48. Resources used for creating, which includes checking, the lists of entries are not, and I paraphrase paragraph 40, used in obtaining or verifying the contents of the data base within the meaning of Article 7. On that approach, the Court's conclusion at paragraph 41 follows logically and inevitably:

> "It follows that the resources used to draw up a list of horses in a race and to carry out checks in that connection do not represent investment in the obtaining and verification of the contents of the database in which that list appears."

That conclusion is repeated almost word for word in Ruling 1 at I-21.

49. Even if I am wrong about the reasoning process followed, the conclusion of the court is plainly stated and was made after the court had received a full statement of the facts and full submissions from the parties. The conclusion should be applied in this court.

50. For those reasons, and those given by Jacob LJ, I agree that the appeal should be allowed.