

EU court prohibits Italian gambling restriction

The top European court on Tuesday prohibited Italy from prosecuting bookmakers based in other European countries, a ruling that private-sector gambling companies hailed as a milestone in their efforts to pry open European betting markets from the grip of state-run monopolies.

Online operators have used licenses from one European Union member state to try to operate in neighboring countries, arguing that such activity was permitted by the EU's single market.

But EU members like France and Germany, where national gambling monopolies provide a lucrative revenue stream, have tried to curb their activities. While stopping short of the approach in the United States, where some foreign Internet gambling executives were arrested and one was charged, they have moved against several online operators.

The decision Tuesday „will open up the European market, the German market certainly,“ said Martin Arendts, a lawyer in Grünwald, Germany, who works with a number of gambling companies.

„It's a big step further than the Gambelli decision,“ he added, referring to a 2003 case in which the European Court of Justice said European countries could not block cross-border gambling operators simply to defend state-run providers, but could do so in order to protect society from the perceived ills of gambling.

In its ruling Tuesday, the court, in Luxembourg, said Italy could not use criminal law to try to stop three people who operated local gambling shops where customers could place bets that were transferred to a British gambling company,

Stanleybet International.

The court left some gray areas, however.

The ruling applies only to sports betting, and it stops short of explicitly endorsing the idea that holders of a betting license in one EU country should be able to operate without borders, lawyers said.

The advocate general, an official who provides legal opinions for the court, had urged the court to make a decision authorizing such activity.

The German federation of state lottery systems, Deutscher Lotto- und Totoblock, said the decision vindicated its position, noting that Germany was in a different situation than Italy, where the government recently allowed some private gambling operators to set up in competition with the state-run provider.

„The situation in Italy is completely different from the one in Germany,“ said Friedhelm Repnik, head of the gambling organization in the state of Baden-Württemberg, which is part of the national grouping. „There, there is a partial opening of the market; here, a clear state monopoly, whose central justification is the protection of gamblers and the prevention of addiction.“

The decision could cast doubt over efforts by the authorized lottery operators in the individual German states to try to put in place a treaty to enshrine their monopoly status, Arendts said.

European governments have said they want to maintain control over online gambling because they can best protect consumers from possible problems linked to Internet betting, even if they do not object to gambling in principle.

But they have generally stopped short of the approach in the

United States, where President George W. Bush last year signed into law a prohibition on financial dealings with Internet gaming companies.

Amid the U.S. crackdown, executives of several online gambling companies and related businesses have been arrested during stopovers in the United States.

Most recently, the two founders of Neteller, an online payment system, Stephen Lawrence and John Lefebvre, were arrested and charged with money laundering.

The European Commission in Brussels, however, is on a track that could put it at odds not only with the U.S. approach but also with the governments of several member states.

It has warned France, Germany and Italy, among others, that they are potentially in violation of rules seeking to create a single market in goods and services across the EU, for public- and private-sector providers alike. The decision Tuesday will provide further impetus for that campaign, Stanleybet said.

„We think this is a verdict which puts a lot of pressure on the commission and member states,“ Adrian Morris, finance director of Stanleybet, told Reuters.

Some European countries have taken aggressive steps to try to stop private- sector online gambling companies from outside their borders.

Several German states have banned Bwin Interactive, based in Vienna, from taking bets within their borders. Last year, French authorities arrested two executives of Bwin as they appeared at a news conference to announce a sponsorship deal with Monaco, the soccer club.

„The kind of things that happened in France are now clearly out of the scope of European law,“ Konrad Sveceny, a spokesman for Bwin, said of the ruling. „It is clearly another big step

toward opening up the European gaming market. In the light of this judgment, state monopolies are no longer tenable.”

Shares of several online gambling companies, whose stocks have been battered in recent months after the crackdowns on Internet betting in the United States and Europe, rose sharply on the news Tuesday.

Shares of Bwin rose EUR 2, or 8 percent, to EUR 27, or USD 35.39.

Unibet, based in Sweden, rose 9 kronor, or 5.4 percent, to 177 kronor, or USD 25.04.