



New German State Law May Pave Way for Expansion of Internet Gaming

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Will the German state of Schleswig-Holstein become the “Las Vegas of the North,” as some are already calling it?

Last month, [Schleswig-Holstein passed new online gambling legislation](#) that will allow for online gaming beginning next year. The move will bring legal online gaming to one of Europe’s biggest and previously most closed markets.

Schleswig-Holstein’s law allows for an unlimited number of web-gambling licenses, as well as a more favorable tax structure that would take a 20 percent tax on gross profit. The 15 other German states have proposed rules that would only allow seven license holders and would place a 17 percent tax on individual betting stakes. Companies had argued that the tax on individual betting stakes would make it impossible for them to operate.

Under current German law, the federal government has a monopoly on sports betting and lotteries. The treaty under which these rules operate will expire at the end of 2011, allowing the new Schleswig-Holstein law to come into effect on January 1, 2012. Licenses will become valid on March 1, 2012.

A spokesman for an Internet betting company based in Schleswig-Holstein has been quoted in *Bloomberg BusinessWeek* as saying his company plans to offer Web-based sports betting, poker and casino games to all of Germany from the country’s northernmost state starting March 1.

The impetus for the new gaming laws in Germany was a 2011 ruling by the European Court of Justice that the country’s national monopoly on gambling violated the European Union’s (EU) free trade laws because it was too aggressively protecting the state’s monopolies. The Schleswig-Holstein laws have been approved by the European Union Commission.

Other German states may now feel compelled to follow suit and pass laws more suitable to online gaming or risk losing their business to Schleswig-Holstein. The opening of a new market for online gaming is very good news for online poker companies because it allows them to quickly tap into one of the larger markets in



Europe. It is also possible that the increasing openness of the European market to online gaming will continue to put pressure on U.S. lawmakers to permit legal online gaming.

At the same time, we are also seeing a move toward uniformity in EU gambling laws, which currently vary from relatively open markets to complete bans.

The absence of EU legislation has led to several European Court of Justice rulings on online gambling, requiring member nations to comply with Article 49 of the EU Treaty, which guarantees the free movement of services.

[Both policymakers and gaming operators have expressed support for EU-wide legislation](#) to govern the online gambling market, but there is some disagreement about what the level of regulation should be. Some member states contend that they should be free to decide how to regulate online gambling within their own jurisdiction. Some in the industry fear that there may not be sufficient regulators capable of regulating the gambling market in Europe, which represented 45 percent of the world share of the online market in 2010. Other industry participants note that the various nations need to impose common standards rather than conflicting ones.

We see the new Schleswig-Holstein law as a victory for gamers in Germany and for operators seeking to enter the German market. We hope that the competition that it brings about will lead to more legalized gaming in Germany and in Europe as a whole and that the expansion there helps create more acceptance of it in the United States.

Crime in the Suites is authored by the [Ifrac Law Firm](#), a Washington DC-based law firm specializing in the defense of government investigations and litigation. Our client base spans many regulated industries, particularly e-business, e-commerce, government contracts, gaming and healthcare.

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