Legal update

Database right — Place your bets

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Abstract In late March 2004, a hearing took place at the European Court of Justice in Luxembourg regarding database right and the interpretation of the Database Directive.¹ Practitioners are waiting with interest to hear the Court's ruling on the questions referred to it by the national courts of Finland, Greece, Sweden and the UK. This article examines some of the issues.

BACKGROUND

The interpretation of the Database Directive is generally a matter for national courts. In certain circumstances, however, such as where the national court cannot resolve an issue of interpretation with complete confidence, it may refer questions on interpretation to the Court of Justice for a preliminary ruling.² In such cases, the action in the national court is normally suspended pending the ruling from the European Court of Justice. During 2002, questions³ were referred in this way by courts in Finland (District Court of Vantaa), Greece (Court of First Instance, Athens), Sweden (Supreme Court) and England (Court of Appeal). The English action is the UK's leading case on database right, *British Horseracing Board* ('BHB') *v* *William Hill*.⁴ At first instance, BHB claimed that database right in its database of horseracing information had been infringed by William Hill's use of data (lists of runners and riders) on its internet

betting site. The first instance decision was by the well-known judge, Mr Justice Laddie, highly experienced and respected in intellectual property and the Court of Appeal, who commented:

'If the interpretation question to which this case gives rise had to be determined without the luxury of a reference [to the Court of justice] we think it likely that we would support the conclusions of the judge for the reasons which he explains.'

The Court of Appeal then indulged in the 'luxury' of referring questions to the Court of Justice.

The other actions also involve English sports-related data, namely, the database of football fixtures in which Fixtures Marketing Ltd ('Fixtures Marketing') claims database right. Fixtures Marketing took action against various parties that organise betting and gaming activities on football results (eg 'pools'), including betting on the results of English and

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Scottish league matches. Fixtures Marketing claimed that its database of fixtures (containing data on thousands of fixtures per season) was protected by database right and the defendant's use of data from the fixtures database constituted infringement.

For convenience, the Court of Justice heard submissions on all four cases together. Apart from the claimants and defendants in each case, other interested parties, including the German, Portuguese and Belgian governments and the Commission of the EU, presented their views on the issues. The section below, entitled 'What happens next?' sets out the anticipated timetable for future events.

THE OBJECT OF PROTECTION

It is clear from the Directive and from reported cases that the aim of database right is to protect a substantial investment in obtaining, verifying or presenting the contents of a database; 'database' being defined as a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means. Defendants have used these requirements as the basis on which to make two arguments that the database right does not apply to the claimant's database. The first is the so-called 'spin-off defence' and the second is an argument that database right should protect only the 'database-ness' of the collection of data. These arguments are considered below.

THE 'SPIN-OFF DEFENCE'

This is an argument that the database is merely a 'spin-off' of the normal activities of the business concerned and the requisite investment is therefore absent. Insofar as there may be

'investment', it is not directed at obtaining, verifying or presenting the contents of the database, but rather at the other activities of running the business. So, the compilation of a fixtures list for football matches is necessary for the organisation of football league activity, but the database is a spin-off of the drawing up of the fixtures list — it does not require any special investments.

The spin-off defence has had varying degrees of success before the national courts. For example, in *NOS v De Telegraaf*,⁵ the Court of Appeal in The Hague accepted the spin-off argument and decided that the claimants — television and radio broadcasters NOS — could not rely on database right in its programme listings to prevent the De Telegraaf newspaper publishing programme schedules. On the other hand, in *Wégener and others v Hunter Select*,⁶ the Court of Appeal in Leeuwarden (also in the Netherlands) rejected a spin-off type defence on the basis that a substantial investment had been made in *presenting* the contents of a database of job advertisements.

The spin-off argument is central in the Fixtures Marketing cases before the Court of Justice, where the Finnish court has asked for clarification as to whether the investment directed at 'obtaining' includes investment directed at the determination of the dates of the matches and the match pairings themselves, and whether the drawing up of the fixtures list includes investment that is not relevant to database right. Although the spin-off defence was not explicitly raised in the William Hill case, Laddie J made some comments on the requisite investment. First, he observed that the threshold for 'substantial investment' appears to be fairly low. Secondly, referring to Art. 7(4), he thought there was a distinction between the rights in the

database and the rights in the data within the database. He stated that:

‘...the costs and effort involved in BHB fixing the date of a racing fixture does not count towards the relevant investment to which database right is directed. On the other hand, the efforts which go into gathering all the data together, including the dates of fixtures, is relevant. Such activities constitute ‘obtaining’ the data...in practice where one person both creates the underlying data and gathers it together, as BHB does, it may be difficult to draw a sharp dividing line between the two activities.’

In the proceedings currently before the Court of Justice, the European Commission argues that (1) ‘obtaining’ should cover both the acquisition and the creation of data and (2) there is nothing in the Directive to indicate that a database should be deprived of protection solely because its content is generated by its maker rather than being collated from external sources.⁷ In other words, why should ‘data creators’ be in a worse position than ‘data collators’? A database maker may expend significant investment presenting the contents of its database, and this may of itself constitute sufficient investment. In addition, the investment in verifying the contents must not to be overlooked — if there are changes to the information the database must be rapidly updated and the presentation may have to be changed. Such investments, if substantial, ought to be capable of being sufficient for database right protection.

THE ‘DATABASE-NESS DEFENCE’

William Hill also put forward the argument that database right only protects the ‘database-ness’ of the collection of information. The contents are arranged in a systematic or

methodical way and are individually accessible and, therefore, any acts that do not make use of this arrangement or take any advantage of the way in which the maker has rendered the contents individually accessible cannot infringe database right. Accordingly, William Hill contended that works, data or other materials derived from the database, but which do not have the same systematic or methodical arrangement of and individual accessibility to be found in the database, cannot amount to a part of the contents of the database (whether substantial or insubstantial).

This argument was not accepted by Laddie J, who distinguished features of *form*, which are required before a database will be recognised to exist, from features of *content* or *investment* which are protected once the database is held to exist. He observed that this is similar to the requirement for a literary work to be written, spoken or sung before copyright can subsist, whilst copyright infringement is not restricted to acts of writing, speaking or singing. Recitals 38, 39 and 58 to the Directive suggest that: (i) the *form* of a database is protected by copyright, not by database right; and (ii) database right infringement cannot be avoided by taking the contents and rearranging them. If the contents were not taken in substantially the same arrangement as the claimant’s product, then taking the whole of the database would not amount to taking a ‘part’ and thus would not infringe. In Laddie J’s view, this unattractive result could not have been intended.

This view is supported by the Portuguese and Belgian governments, but not by the European Commission. The Belgian and Portuguese governments were concerned that the broader interpretation of database right would impinge on fundamental freedoms such as freedom of information, and create a

monopoly over the data in a protected database, especially one that is publicly available. The BHB and the European Commission have pointed out, however, that others are free to invest in and make a competing database and the duration of protection is much shorter than copyright. They argue further that Art. 7(5) of the Directive (setting out infringement by repeated extraction or re-utilisation of insubstantial parts of the contents of the database), contradicts the argument that only specific characteristics of the database should be protected.

OTHER ISSUES RAISED

In addition to the 'defences' set out above, the questions referred to the Court of Justice also involve consideration of three other significant issues which are discussed below.

Substantial part

Database right is a right 'to prevent extraction and/or re-utilisation of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of the database' (Art. 7(1)). William Hill and the defendants in the Fixtures Marketing cases have questioned the meaning of this provision. In the Finnish Fixtures Marketing case, the defendant took the fixtures information for only one week at a time. In the UK case, William Hill pointed out that the data that it used, the lists of runners and riders, constituted less than 0.1% of the database and was not a substantial part on any (quantitative and/or qualitative) basis. Laddie J held that this data was the 'ultimate and crucial', 'most recent and core' information within the database, however, and it was a substantial part. In his view, substantiality must be assessed by comparing what was taken or used with what was in the database, and it is

not necessary to consider the quality of what was taken separately from the quantity.

It is noteworthy that the German government disagrees with Mr Justice Laddie's judgment and considers that William Hill used only an insubstantial part. BHB argues that a part is substantial if its unauthorised extraction or re-utilisation could have an appreciable effect on the value of the maker's investment in obtaining, verification or presentation. It contends that it is for the national courts to decide whether a substantial part has been extracted or re-utilised on any particular occasion. The European Commission suggests that a substantial part evaluated qualitatively means a part of the database which represents an 'essential portion of the commercial value' of the database, whereas a substantial part evaluated quantitatively means a part of the database which is 'significant in terms of its size'.

While the European Commission's suggestions are helpful, it may not be beneficial to import words into, or depart from, the wording of the Directive. Further, when considering substantiality, Laddie J suggested that it may not be appropriate to look at database right 'through copyright eyes' (in the words of Laddie J). The impact that the extraction or re-utilisation has on the maker's investment is clearly important (recital 42):

'...the special right to prevent unauthorised extraction and/or re-utilisation relates to acts by the user which go beyond his legitimate rights and thereby *harm the investment* ... the right to prohibit extraction and/or re-utilisation of all or a substantial part of the contents relates not only to the manufacture of a parasitical competing product but also to any user who, through his acts, *causes significant detriment, evaluated qualitatively or quantitatively, to the investment*' (emphasis added).

Consider, for example, a database of weather information that contains readings such as temperature, pressure, wind etc gathered from thousands of weather stations. The data is input into a supercomputer to calculate the predicted weather for the next few days. Assume that, among other things, the computer produces a general weather forecast and records it in the same database. The forecast information represents a tiny fraction of all the data in the database. Compare this with another situation where the weather forecast is output to another separate, smaller database in which the weather forecast forms a major proportion of the contents. Should the unauthorised extraction or re-utilisation of the weather forecast from the smaller database infringe but not if it was taken from the larger database?

Direct/indirect extraction and re-utilisation

In copyright law, copying directly or indirectly can amount to infringement.⁸ William Hill and the defendants in the *Fixtures Marketing* cases contend that in relation to database right, extraction or re-utilisation requires direct access to the database for there to be infringement, a view which the Portuguese government supports. BHB argues that 'extraction' or 're-utilisation' are capable of including the transfer and the making available to the public (respectively) of materials that are derived indirectly from the database without direct access to the database. In support of this, BHB refers to the words 'by any means' and 'any form' in Arts 7(2)(a) and (b). The European Commission takes the middle ground, suggesting that extraction requires direct access, but that the definition of re-utilisation is wider and can include the making available to the public of materials which are derived indirectly

from the database without direct access.

This is a difficult issue that requires a balance to be struck between the need for clarity on the scope of infringement and the level of protection that the database maker deserves. It will be interesting to see how the Court of Justice tackles the issue.

Dynamic databases

William Hill pointed out that, under Art. 10(3), the frequent modification and verification of the BHB database resulted in a new database coming into existence each week, or perhaps each day. On this basis, William Hill made a non-infringement argument in relation to Art. 7(5) that material had been obtained from a sequence of different (though related) databases, and not from *one* database as required. Laddie J took the view that the BHB database was 'dynamic' in the sense that it was constantly being updated and verified and that treating such a database as a series of discrete databases would lead to difficulties in interpreting the Directive. He suggested that it might be virtually impossible to determine when a new database came into existence within the meaning of Art. 10(3). Laddie J also relied on factual evidence that witnesses regarded the BHB database as one database. He held that it was a single database in a state of constant revision. As new data were added, the database's term was constantly renewed. He thought that there was nothing in the Directive to suggest that it did not apply to dynamic databases as it applies to those that are built and modified in discrete, well defined steps.

The Belgian government supports William Hill's view. The Portuguese government takes the view that where there is a sufficiently substantial change for the database to qualify for a new

period of protection under Art. 10(3), that database must be considered a new, separate database, except for the purposes of Art. 7(5). This is because Art. 7(5) refers to insubstantial parts of the database, which are of themselves insufficient to give rise to a substantial change in the contents of the database. The Commission suggests that Art. 7(5) must relate to the contents of a single database and it is up to the national courts to decide the moment from which a new database is 'born'.

A problem noted by Laddie J was the difficulty in assessing when a new term of protection should commence. As Laddie J asked:

'...are the steps to be measured in seconds, hours, weeks or months? How many of the 800,000 entries made in [the database] each year create a new database?'

He went on to comment that if William Hill's argument was correct, then Art. 7(5)⁹ would have no application in most, if not all, cases. This appears to be a debatable point, however, and clarification of the meaning of Art. 7(5) from the Court of Justice would be helpful.

WHAT HAPPENS NEXT?

Shortly after hearing the cases, the Court of Justice broke up for a three-week judicial holiday. When the Court resumes, the next step will be for the Advocate General to provide a preliminary opinion on the cases, which ultimately may or may not be followed by the Court. Unfortunately, prior to the

Court's recess, the Advocate General did not provide an indication of when the opinion would be ready and likewise no information was given on whether a single opinion would be produced or whether each case would be addressed in a separate opinion. The next event anticipated is an announcement by the Advocate General in late April/early May, which will hopefully clarify these points. Based on the progress of similar cases before the Court, the opinion is likely to be ready sometime between June and October 2004, with a final judgment of the Court likely to follow in a further three to six months. This timetable could be delayed by the upheavals involved in enlarging the European Union in May 2004, however.

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References

- 1 Directive 96/9/EC of the European Parliament and of the Council of 11th March, 1996 on the legal protection of databases.
- 2 Under Article 234 of the Treaty establishing the European Community.
- 3 Cases C-46/02 OJ C109 of 4th May, 2002 at p. 27; C-203/02 OJ C180 of 27th July, 2002 at p. 14; C-338/02 OJ C274 of 9th November, 2002 at p. 23; and C-444/02 OJ C31 of 8th February, 2003 at p. 12.
- 4 *British Horseracing Board and others v William Hill* [2001] RPC 31 (Laddie J), [2001] EWCA Civ 1268 (Court of Appeal).
- 5 *NOS v De Telegraaf*, Court of Appeal (The Hague), the Netherlands, January 2001.
- 6 *Wegener and others v Hunter Select*, Court of Appeal (Leeuwarden), the Netherlands, November 2002.
- 7 Report for the Hearing in case C-203/02, available from the Court of Justice.
- 8 See, for example, section 16(3) of the Copyright, Designs and Patents Act 1988.
- 9 Although Laddie J's judgment refers to Article 7(3), this appears to be a typographical error.