Legal update

ECJ rules on protection afforded by database right

Received: 24th December, 2004

Ewan Nettleton

is a solicitor in the Intellectual Property Department at Bristows. He specialises in intellectual property law. He has an MA in chemistry and a doctorate in protein chemistry.

Harjinder Obhi

is a solicitor in the Intellectual Property Department at Bristows. He holds a PhD in physics and has a special interest in matters involving IT and electronics.

Abstract In March 2004, a hearing took place at the European Court of Justice (ECJ) concerning database right and interpretation of the Database Directive.¹ Questions had been referred by the national courts of the UK, Finland, Greece and Sweden that had wide-ranging implications for the protection that databases receive in Europe. As described previously in this journal,^{2,3} the UK questions were referred from the Court of Appeal in the UK's leading database right case, *British Horseracing Board (BHB) v William Hill*. This concerned alleged infringement of database right in BHB's horseracing database by William Hill's use of racing information on its internet betting site. Other UK actions involved the databases of football fixtures owned by Fixtures Marketing Ltd.

INTRODUCTION

In June 2004, Advocate General Stix-Hackl provided opinions on the cases that very much favoured database owners — and which, if followed by the ECJ, would have confirmed strong protection for databases in Europe.⁴ However, the ECJ did not follow the Advocate General's opinions on some key issues.⁵ In particular, the ECJ decided that the investment in the creation of materials which make up a database's contents does not count as investment in the 'obtaining' of the contents of the database for the purposes of database right. This means that database creators will need to demonstrate investment in the database independently of the resources used to

create the data. It would seem, therefore, that the so-called 'spin-off defence' may still have teeth in database right infringement cases as discussed below. The ECJ's assessment of what constitutes a substantial part of a database, in terms of its quantity and/or quality, is also important. This paper describes the position taken by the ECJ on these and other important issues, and assesses how the ruling will affect database owners and, in particular, those involved in database marketing.

IMPORTANT ISSUES ADDRESSED BY THE ECJ

Of the four judgments, the ECJ's decision in *BHB v William Hill* was the

Ewan Nettleton
Bristows, 3 Lincoln's Inn
Fields, London WC2A 3AA,
UK.

Tel: +44 (0)20 7400 8000;
Fax: +44 (0)20 7400 8050;
e-mail: ewan.nettleton
@bristows.com

most comprehensive and aspects of it were largely mirrored in the decisions in the Fixtures Marketing cases. The ECJ's findings on some of the key issues are in the following sections.

'Spin-off' arguments

The interpretation of 'obtaining' in the context of the Database Directive has implications for so called 'spin-off' arguments raised by defendants. This is because it is relevant to the amount and types of investment that are needed before a database can enjoy database right protection. The 'spin-off' argument is used by defendants to suggest that databases created in the normal course of a business' commercial activities should not be protected.

The Advocate General had suggested that, although the Directive does not cover the mere generation of data, there should be protection where production coincides with data collection and screening. She suggested that the question in the William Hill case on the meaning of 'obtaining' should be answered by stating that the term includes creation of data by the maker where the creation took place at the same time as the data were processed and was inseparable from it. She also argued that the intention of the maker and purpose of the database were not criteria to be used for determining protection; for those reasons, she thought that 'spin off' arguments could not apply.

The ECJ, however, took a different view. It decided that 'obtaining' must be understood to refer to the resources used to seek out existing independent materials and collect them together in a database, and not to the resources used for the creation of the independent materials themselves. It acknowledged that the fact that the principal activity of

a database owner involves the creation of data for its database does not as such preclude that database owner from claiming protection from database right. The ECJ made clear, however, that such protection would only be available where the database owner establishes that the investment in obtaining the data, their verification or their presentation in the database (as opposed to their actual generation) was sufficient for protection in and of itself. The ECJ took a similar view on whether investment in verifying the contents of a database at the point at which the data are created is relevant to database right.

Although the Advocate General had suggested the ECJ should confine itself to interpreting the Community Law referred to it rather than applying the law to the specific facts, the Court went on to consider the implications for the parties in the William Hill case. It suggested that the BHB's investment in the selection of horses for races relates to the creation of data used to generate the racing information which appears in the BHB database. The ECJ considered that this investment by the BHB did not constitute investment that was relevant to assessing the extent of protection by database right.

'Substantial' and 'insubstantial' parts

As well as deciding what counted as relevant investment in a database, as described above, the ECJ also considered the meaning of the two 'thresholds' (for investment and infringement) which must be overcome for protection to apply. In summary, database right confers protection where either (i) a substantial part of the protected database (assessed either quantitatively or qualitatively) is taken or, in more limited circumstances, (ii) insubstantial parts of the database are taken on a repeated and systematic basis.

The levels of these thresholds therefore determine the degree of protection database owners enjoy.

A part is 'substantial' when it is evaluated as such either quantitatively or qualitatively, and both means of assessment were therefore considered by the ECJ. Uncontroversially, the Advocate General had concluded that quantitative assessment should be made in relative terms — the quantity of the data in the part affected relative to the database as a whole — and the ECJ agreed with the Advocate General on that point. Differences emerged when it came to qualitative assessments however. In order that owners of large databases should not be prejudiced, the Advocate General had suggested that qualitative assessment should take into account the technical and economic value of the part affected so that an important part of a database could still be deemed substantial even if it was small in relative terms. Her opinion appeared to favour the BHB, because, although William Hill was only using a small proportion of the BHB database (meaning it was unlikely to be substantial on the quantitative assessment), it was using the most up-to-date information from the database which, economically, was the most valuable part.

The ECJ, however, decided that it was not the economic output value of the information that had been taken which should be considered — that was a function of the intrinsic value of the individual data themselves (such as the most up-to-date racing information in the BHB's database). Only the investment in obtaining, verification or presentation of the contents of the part affected could be relevant to the qualitative assessment. The ECJ explained that this was because the Directive did not give rise to the creation of any new right in the words, data or other

materials themselves which make up a database. Once again, the ECJ decided to apply these principles to the facts and concluded that William Hill had not extracted substantial parts of the BHB database. This was because, although each time the information taken was the most important part of the database in terms of its intrinsic value, it was not substantial in terms of the investment the BHB had put into creating that particular part of the database.

Turning to the meaning of an insubstantial part, the ECJ followed the Advocate General in holding that the lower limit for substantial parts forms the upper threshold of what is meant by insubstantial ones. Anything which does not satisfy the definition of a substantial part must therefore be classed as 'insubstantial'. The ECJ also looked at the purpose of the provisions protecting against repeated extraction of insubstantial parts of a database. The ECJ considered that the provision had been created to prevent infringers from getting around the primary prohibition of taking substantial parts of a database by repeatedly taking smaller parts. Accordingly, the ECJ concluded that there would only be infringement by such repeated taking if the insubstantial parts taken collectively added up to a substantial part of the database. This suggests that the part of a database affected — ie one part where a single part has been taken or several affected parts taken collectively where there has been repeated extraction or reutilisation — will need to be quantitatively or qualitatively substantial in order for an action for infringement to succeed.

Direct/indirect access

The ECJ also considered whether a database has to be accessed directly in order for infringement to occur. There

are two activities involving data protected by database right which are prohibited — infringement by extraction of the data and infringement by its reutilisation (ie making the data available to the public). The Advocate General drew a distinction between these two types of infringement, suggesting that whereas reutilisation could occur indirectly, infringement by extraction of data required direct access to the database. The ECJ, however, did not make this distinction. Instead it recognised that to define either of these activities as coming exhaustively from instances of extraction and reutilisation directly from the original database would risk leaving database makers without protection from unauthorised copying from a copy of their database.

The ECJ did acknowledge that where the contents of a database have already been made available to the public, the database owner cannot not use database right to restrain anyone from simply consulting the database.⁶ That said, the fact that the database information can legitimately be consulted does not mean that unauthorised persons can extract or re-utilise freely the contents of a protected database (or parts of them fulfilling the substantiality criteria). On the facts, the ECJ suggested that the data in BHB's database concerning horse races had been made accessible to the public and, although William Hill was a lawful user of a publicly accessible database, it appeared to have carried out acts of extraction and reutilisation by transferring data from the database from one medium to another and reutilising the data by then making them available to the public on its internet site. The ECJ concluded that acts such as those carried out by William Hill could be prevented by BHB by asserting its database right provided that they affected the whole or a substantial part of the contents of the

BHB database. Although this aspect of the ECJ's judgment favoured the BHB, the ECJ's finding on the assessment of substantial and insubstantial parts means that the BHB is unlikely to succeed in its infringement claim.

SOME MISSED OPPORTUNITIES

Although the ECJ dealt with the important issues described above, its findings in favour of William Hill meant that it decided not to address two other issues of great importance to database owners generally. The issues in question were (i) whether so-called 'databaseness' is a requirement for infringement and (ii) the protection of 'dynamic' databases. Unfortunately, the ECJ declined to answer the questions referred to it on those issues.

The Advocate General had come down fairly hard against so-called 'databaseness' arguments which are used to suggest that only those acts which involve an arrangement of data in as systematic, methodical and accessible a way as the protected database should be prohibited. In her view, the degree of similarity between the 'databaseness' of the parts affected and the alleged infringing database should not be a criterion for determining infringement. 'Dynamic' databases are databases which are constantly being updated and verified. The Advocate General considered that such databases should, because of Article 10(3),⁷ be considered to be one database that qualifies for a 'rolling' term of protection. This was in keeping with Laddie J's first instance decision in the English Court (which was not overturned on this point by the Court of Appeal). It suggested that such databases would be protected from the 'little and often' type of infringement, which involves taking insubstantial parts of a database, because there would only ever

be one database involved.

As previously explained, the Advocate General's opinions were in no way binding on the ECJ and, in and of themselves, carry no force of law. If only for legal certainty, database owners and users would have liked more guidance on how a database's contents can be used legitimately, and, because many commercially important databases are constantly updated and verified, clarification of the position of dynamic databases would also have been welcomed. The lack of guidance from the ECJ on these matters therefore represents a real missed opportunity. On the other hand, Laddie J's decision on the 'dynamic' databases point remains and it is likely that this point would need to be revisited by a court in the future.

IMPLICATIONS OF THE JUDGMENT

The ECJ's judgments are intended to provide guidance to the national courts of the UK, Finland Greece, and Sweden, so that they can now reach decisions on their respective cases. If the parties fight on, each of the courts will apply the ECJ's answers to the facts in order to reach a decision.⁸ The implications are far wider than that, however. After a two-year wait, some concrete guidance on some of the most fundamental aspects of the relatively new law on database right is now available. The right is not concerned with the intrinsic value of the individual data in a database, but with the investment connected with the compiling, verification and presentation of databases, and it is that investment which is protected. Insofar as that investment is sufficient, database right does confer a wide degree of protection. Data creators in particular are in a weaker position than had been suggested earlier by the Advocate General.

Owners of marketing databases will perhaps be less concerned by the ECJ's thinking on data creation, since much more of their investment would be targeted at activities such as database accessibility, presentation and verification. Likewise, the fact that one set of marketing contacts in a database will often be as important as another means that the ECJ's assessment of substantiality should not worry them unduly — would be infringers are likely to be interested in the whole or a substantial part of the contents of the databases. Database marketers can also take heart from the ECJ's affirmation of the wide scope of infringement by extraction and reutilisation.

© Bristows 2005

References

- 1 The 1996 European Directive on the legal protection of databases (96/9/EC).
- 2 Nettleton, E. and Obhi, H. (2004a) 'Legal protection of databases: A wider transatlantic divide', *Journal of Database Marketing and Customer Strategy Management*, Vol. 12, No. 1, pp. 80–86.
- 3 Obhi, H. and Nettleton, E. (2004b) 'Database right — Place your bets', *Journal of Database Marketing and Customer Strategy Management*, Vol. 11, No. 4, pp. 373–378.
- 4 Nettleton, E. and Obhi, H. (2004a) *op. cit.*
- 5 *The British Horseracing Board and Others v William Hill Organisation Ltd*, Judgment of the Court (Grand Chamber), 9 November 2004, Case C-203/02, and the associated cases involving Fixtures Marketing, C-46/02, C-444/02 and C-338/02, in which judgments were handed down on the same day.
- 6 This reflects Article 8(1) of the Directive, which states: 'The maker of a database which is made available to the public in whatever manner may not prevent a lawful user of the database from extracting and/or re-utilizing insubstantial parts of its contents, evaluated qualitatively and/or quantitatively, for any purposes whatsoever. Where the lawful user is authorized to extract and/or re-utilize only part of the database, this paragraph shall apply only to that part'.
- 7 Article 10(3) states: 'Any substantial change, evaluated qualitatively or quantitatively, to the contents of a database, including any substantial change resulting from the accumulation of successive additions, deletions or alterations, which would result in the database being

considered to be a substantial new investment, evaluated qualitatively or quantitatively, shall qualify the database resulting from that investment for its own term of protection⁷.

- 8 It is interesting that the ECJ decided to apply some of its interpretations of the Directive to the facts in the cases. As noted above, this was said by the Advocate General to be a matter for the

national courts. The English Court of Appeal confirmed this in *Arsenal Football Club Plc v Reed (No.2)* [2003] EWCA Civ 696, where it held that although the ECJ may steer the English Court towards an application of the law to the facts, the English Court can, with hesitation, conclude the case in a different way in appropriate circumstances.