Legal update

Legal protection for databases in Europe: The vexed question of whether US businesses can benefit

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Abstract Databases created in the USA have less legal protection than those made in Europe. This is because in Europe, or more accurately, the European Economic Area (EEA), many databases will benefit from legal protection conferred by database right. This is a relatively new intellectual property right which has been enacted by individual member states pursuant to the 1996 European Directive on the legal protection of databases (96/9/EC, 'the Directive'). It aims to protect the investment in obtaining, verifying and presenting the contents of a database. The holder of database right can prevent the unauthorised extraction and re-utilisation of the contents of the database. Database right thus provides an extra level of legal protection over and above any copyright or patent protection in the database or its contents.

Increasingly, computer systems and databases around the world are being integrated via high-speed networks to provide on demand access to data-crunching capabilities and access to large numbers of external databases and functions not available to one individual or group of machines. Such 'group' systems use shared languages and protocols to allow them to interact with computing resources, such as databases, from all over the world. Fields in which such systems are currently being used to share database information include bioinformatics, integration and analysis of biomedical data; climate modelling and environmental science; fusion research, integration and analysis of astronomical data; and earthquake engineering research.

In the context of this global sharing of database information, which will often involve companies creating databases through international collaboration, an important question is: can US businesses obtain the benefit of database right protection for databases they create in Europe? This paper considers and attempts to answer this question.

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INTRODUCTION TO DATABASE RIGHT

'Database Right' came into being in the various countries of the European Economic Area (EEA) through their implementation of the 1996 European Directive on the legal protection of databases (96/9/EC, 'the Directive'). The UK, Germany, Sweden and Austria met the implementation deadline set by the Directive by introducing new national laws which provided for the right by 1st January, 1998. Most of the remaining EEA countries have since introduced similar implementing legislation. The right comes about where there is sufficient 'sweat on the brow' of the person or persons who make a database. In other words, there must have been 'substantial investment' in the database by its maker for database right to exist. If the database maker has deployed sufficient resources and/or expended enough time, effort and energy to constitute 'substantial investment', the database will benefit from the protection of database right for 15 years from the date on which it was completed. Also, if the database maker later makes 'substantial changes' to the database which involve the application of substantial new investment to revise or verify the accuracy of the database, a new 15 year term of protection will then be obtained. Thus a regularly updated database, the creation and verification of which requires substantial investment, will receive ongoing protection from database right.

The right conferred is a strong one and permits the database right owner to prevent extraction or reutilisation of the whole or a substantial part of the contents of the database. This means that the database right owner can sue if all or a substantial part of the contents of the database are reutilised

or permanently or temporarily transferred to another medium by any means or in any form. This includes downloading, copying, printing or any other form of reproduction (permanent or temporary) of such a database.

There have been several high profile cases where European companies have successfully asserted their database right. In France, for example, France Télécom in 1999 successfully sued MA Editions which had copied France Télécom's subscriber data without permission and made it available online through Minitel and over the internet.¹ In the UK, the British Horseracing Board (BHB) successfully asserted database right against the bookmaker William Hill, which had been extracting information from BHB's database, such as the details of runners and riders in horse races, for its internet betting service.^{2,3} The BHB database was being constantly updated and therefore benefited from ongoing database right protection.

While it is clear that European businesses can benefit from the protection afforded by database right, aspects of the relevant European and national legislation cast some doubt on whether US businesses making databases in Europe will receive the same protection. The important question of whether, and if so how, they might be able to benefit is considered below.

THE GENERAL POSITION FOR US COMPANIES

From the time that it was proposed by the European Commission in 1992, it was fairly clear that the Directive was not aimed at protecting the rights of businesses based outside the EEA. In its first draft form, the recitals to the Directive (the descriptive part which precedes the legal provisions) suggested

that one of the Directive's principal aims was to redress the imbalance between investment in databases made in the EEA and investments in those created in 'third countries' (ie countries outside the EEA) such as the USA. This aim was repeated right through the legislative process and is present in the recitals to the Directive in its final form.⁴ The means by which the Directive seeks to achieve this aim is by ensuring that only companies established in third countries which offer comparable database protection to European companies will be able to benefit from its protection.

This aim is embodied in the legislative provisions of the Directive which specify who can benefit from the protection it affords. In order for database right to apply, the individual makers must be nationals of a country of the EEA or have their habitual residence in the territory of the EEA, and company makers must have their centre of administration or principal place of business there. Indeed, under the Directive, companies from third countries such as the USA, may not be able to benefit from database right protection generally even where they seek to establish temporary links with the EEA for the purpose of making a database. This is because there is a requirement that their operations be 'genuinely linked on an ongoing basis with the economy of a member state'.⁵

The Directive does contain a provision by which companies and individuals from third countries may be able to benefit from its protection. However, this requires that an agreement be entered into by the Council of the European Union acting on a proposal from the European Commission. It is likely that such an agreement will only be considered if the third country in question has a

level of domestic protection for databases similar to database right. One such agreement has recently been entered into in respect of database protection in the Isle of Man. Under the agreement, the Isle of Man, will provide protection for databases which is equivalent to that afforded by the Directive, and extend that protection to nationals and companies of EU member states. The agreement, which came into force on 1st November, 2003, will also result in databases made by nationals and companies from the Isle of Man in other European countries receiving the benefit of database right generally.

The situation for database makers in the USA, even for US companies themselves, is far from cosy. This follows the US Supreme Court's decision in *Feist*.⁶ There it was held that compilations must show a 'modicum of creativity' before they meet the originality threshold for copyright protection and that mere facts could not be protected. Hence, US database makers do not receive protection for databases comprising facts unless there was some creativity in the arrangement of the database irrespective of the time and money invested. There have been attempts by the World Intellectual Property Organisation and by the proposal of various new US Bills to give databases in the USA an increased amount of protection, but thus far (to the authors' knowledge) none have succeeded. Other developments in US database law have extended protection further, but these are limited to online databases and are not sufficiently well established to be considered a sea change in US database protection.⁷

There is currently little prospect of US companies obtaining at home the level of protection European companies

enjoy in the EEA and, whilst that remains the case, there is little chance of them benefiting generally from the protection afforded by the Directive. For these reasons, it is generally accepted that US companies are unable to benefit from database right.

Indeed, the UK Patent Office has confirmed (at the time of writing) that there is no intention to extend protection to any other third countries following its extension to the Isle of Man and certainly not to the USA.

Means by which US companies might nevertheless obtain database right protection

Notwithstanding the above, there are two principal means by which it is conceivable that a US company's databases could be protected by database right in the EEA.

Assignment

The Directive unambiguously permits assignment of database right (ie the transfer of legal ownership of the right from one party by the assignment to another). Not only is the word 'rightholders' used throughout the Directive, rather than restricting the rights to the 'makers' of databases, the legal provisions of the Directive expressly permit database right to be transferred, assigned or licensed. The question therefore arises as to whether a valid and subsisting database right, which came into being when a database was created by a European company that fulfilled the requirements of the Directive, can be acquired by a US company by assignment. This question could be particularly pertinent where say, under a sale and purchase agreement, a European company purports to transfer all of its intellectual property rights (eg using a

conventional, widely-drafted definition of 'intellectual property' which would include rights in databases along with a multitude of other rights) to a company based in the USA. What happens to the database right owned by the European company in these circumstances?

Other than in the provisions which relate to third countries generally — discussed above — the Directive is silent about what happens to database right in this sort of situation. Certainly there is no specific provision which explicitly prohibits or renders ineffective such assignments. However, the final version of the Directive states that database right will apply to databases whose 'makers or rightholders' have their centre of administration or principal place of business in the EEA. Initially, when the Directive was first proposed, only 'makers' had to fulfil this requirement, suggesting that assignment to a US company of a valid and subsisting database right might be effective. Notably, however, the word 'rightholders' was introduced towards the end of the legislative process, 'makers' first being changed to 'owners' and then to 'makers or successors in title,' before the final wording of the Directive was adopted.

This subsequent clamping down by the inclusion of the word 'rightholders' must surely be interpreted as being aimed at preventing US companies, and those of other third countries, from benefiting from database right through assignment and, in light of this, it is difficult to see how an assignment could be effective under the Directive. However, applying such a rule to the mergers, acquisitions and buy-outs that occur in today's global economy throws up some difficult questions. First, in the context of this scenario, is the database right actually transferred to the US company? If not, the agreement

purporting to transfer it would be partially defective. Secondly, if it is transferred, does the database right continue to subsist, and thirdly, if it does, does it lie dormant in the hands of the US company? Lastly, what happens if the US company purports to assign the right back to a European company in a further transaction — is the right ‘reborn’? The scenario may well be happening in practice and the Directive has made no attempt to answer these questions.

Joint maker

The Directive also provides for companies to own rights jointly where a database has been jointly created (the UK’s implementing legislation on this is considered below). The relevant provision applies to another right provided for in the Directive, namely database copyright, but the same principle presumably applies to database right.^{8,9} In a further scenario, a European company might develop a database in Europe in collaboration with a company in the USA, with both companies providing similar levels of investment and expertise. Had both companies been based in the EEA, there would be no doubt that database right would subsist in the database and be jointly owned (assuming the general requirements of sufficient investment etc are fulfilled). However, as with assignment, what happens when a US company is involved as joint maker is far from clear cut. The Directive requires that ‘makers or rightholders’ have their centre of administration or principal place of business in the Community. Whether all of the makers must do so, however, is not made clear.

If the Directive prevents a US company from gaining protection under it, can the right actually be created if the US company is putting in a substantial

proportion of the investment? If the right does subsist, irrespective of this involvement, there is the further question of whether the US company can assert it or whether only the European company joint makers have that right. As with assignment, these questions are not addressed by the Directive.

One further scenario, which again could happen in practice, is worthy of mention. As noted above, the Directive provides for a new database right to be created where a substantial change is made to an existing database already protected by database right. If any of the scenarios described above result in a US company holding a valid and subsisting database right, would the US company gain the benefit of a new right on effecting such a change to the database if it puts in sufficient investment? This seems unlikely given the wording of the Directive, but again, it is a situation which is simply not dealt with.

ANOTHER FLY IN THE OINTMENT — NATIONAL LAWS OF EUROPEAN MEMBER STATES

One of the aims of the Directive was to harmonise the legal protection of databases throughout the member states of the EU. However, since each member state was obliged to enact its own national laws to give effect to the Directive, there may be discrepancies between member states on the detailed provisions enacted.

The Directive was implemented into UK law by domestic secondary legislation¹⁰ (‘the Regulations’) and there are differences in wording between the Directive and the Regulations. The UK Courts will construe the Regulations consistently with the Directive. Indeed, a High Court judge has commented: ‘What matters is the language of the Directive’.¹¹

The provisions in the Regulations regarding joint makers are rather more specific than the language of the Directive described above, however. Essentially, the UK Regulations specifically state that where there are joint makers, only one of them needs to be a qualifying maker for database right to *subsist*. The database right will be owned by all the makers, including those that are not qualifying makers.¹² This means that a US company that is a joint maker of a database can, under the UK Regulations, *own* database right in it. On the other hand, the Directive appears to state that database right will only apply to a database whose makers are in a country outside the EEA if there is 'reciprocity' of protection for databases produced there by EU residents (as discussed above).¹³ To the best of the authors' knowledge, this particular difference between the Regulations and the Directive has not yet been considered by the UK courts.¹⁴

There are also discrepancies between the Directive and the UK Regulations regarding assignment. The UK Regulations state that database right can be assigned in the same way as copyright¹⁵ and there is no specific bar on US companies owning database right in the Regulations.

It is quite possible that similar difficulties exist in relation to the national law of other European member states.

CONCLUSIONS

Although the protection afforded by the Directive will soon be extended to companies and nationals from another third country (the Isle of Man), it is highly unlikely that it will be extended to US companies generally in the near future, because of the lack of protection for databases currently available in the

USA. There are inconsistencies in implementation of the Directive, which are exemplified by how the UK Regulations deal with assignment and joint makers. In the light of these problems, and the various unanswered questions which we have considered above, it is hoped that the European Commission's first report on the Directive under Article 16(3), which is overdue and yet to be officially released by the Commission, will make some attempt to clarify the situation.

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References and notes

- 1 *France Télécom SA v MA Editions Sarl* [2001] ECC 4.
- 2 *British Horseracing Board Ltd v William Hill Organisation* [2002] EEC 24.
- 3 Though it should be noted that questions in relation to this case have been referred by the Court of Appeal to the European Court of Justice.
- 4 See recital 11.
- 5 See article 11(2).
- 6 *Feist Publications, Inc. v Rural Tel. Serv. Co.* 499 US 340 (1991).
- 7 As explained in Band, J. (2003) 'New theories of database protection', Euromoney Publications plc, London, pp. 50–53.
- 8 The Directive, eg in Article 11(1), refers to 'makers and rightholders' plural, suggesting that a database having joint makers would result in the database right being held jointly.
- 9 This is also the view that has been taken by member states when enacting the provisions of the Directive, as described in the next section for the UK.
- 10 Copyright and Rights in Databases Regulations 1997 (SI 1997/3032).
- 11 Jacob J in the context of trade marks in *British Sugar Plc v James Robertson & Sons Ltd* [1996] RPC 281 at p. 292. Note that the Court would also consider any permissible preparatory texts.
- 12 This interpretation of the Regulations is also taken in Laddie, H., Prescott, P., Vitoria, M., Speck, A. and Lane, L. (2000) 'The Modern Law of Copyright and Designs', 3rd edn, Butterworths, London.
- 13 Recital 56 and Article 11(3).
- 14 In the leading UK decision on database rights *British Horseracing Board Ltd v William Hill Organisation Ltd* [2001] RPC 31 the parties agreed to refer only to the text of the Directive.
- 15 Regulation 23, the UK Regulations.