Legal update

Legal protection of databases: A wider transatlantic divide?

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Abstract The divide between the protection afforded to databases in Europe and that afforded to those in the USA is 'transatlantic' in every sense of the word. As previously described,[1] this is because in the European Economic Area (EEA), many databases benefit from the legal protection conferred by database right. This intellectual property right aims to protect the investment in obtaining, verifying and presenting the contents of a database by preventing their unauthorised extraction or re-utilisation. Database right was created though the enactment of national laws pursuant to the 1996 European Directive on the Legal Protection of Databases (96/9/EC, 'the Directive'). There is no direct equivalent of database right in the USA. Protection of databases in the USA is still, to a large extent, limited by the so-called 'modicum of creativity' copyright threshold set by the Supreme Court in *Feist*.[2] For this reason, it is generally accepted that databases enjoy greater protection in the EEA than they do in the USA.

As reported previously,[3] a hearing concerning database right and the interpretation of the Directive took place at the European Court of Justice (ECJ) in late March 2004. Specific questions had been referred by the national courts of Finland, Greece, Sweden and the UK, and the way in which the ECJ answers those questions will have wide-ranging implications for the degree of protection that European databases enjoy. Since the hearing, the Advocate General has provided opinions which very much favour owners of databases. These opinions may or may not be followed by the ECJ as described below. This paper examines some of the key issues addressed in the opinions and explains how, if followed, they would result in stronger protection for databases in Europe. Developments in US database law are also considered and an assessment is made as to whether the transatlantic database protection divide is likely to increase.

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BACKGROUND

The questions referred by the English Court of Appeal are from the UK's leading case on database right, *British Horseracing Board* (BHB) *v William Hill*.[4] The case concerned the alleged

infringement of database right in BHB's database of horseracing information by William Hill's use of lists of runners and riders on its internet betting site. The other three actions considered by the ECJ each involved the database of football fixtures in which Fixtures Marketing Ltd ('Fixtures Marketing') claimed database right. Fixtures Marketing took action against various parties that organised football betting and gaming activities, claiming that the contents of its database had been used by those parties in an infringing manner.

IMPORTANT ISSUES BEFORE THE EUROPEAN COURT

The questions referred by the national courts involve the consideration of several important issues of interpretation of the Directive that could significantly affect the degree of protection afforded by database right.

'Spin-off' arguments

The interpretation of 'obtaining' in the context of Article 7(1) of the Directive[5] 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 will enjoy database right protection. So, according to the 'spin-off' argument, where a database is created in the normal course of a business's commercial activities, the database is a mere by-product and should not be protected by database right.

'Database-ness' arguments

In the William Hill case, it was argued that the Directive should be interpreted as prohibiting only those acts which involve an arrangement of data in as systematic, methodical and accessible a way as the protected database. Whether or not such a similarity is required between the 'database-ness' of the parts used and the protected database clearly impacts on the scope of the prohibited acts and hence the strength of protection afforded by database right.

'Substantial' and 'insubstantial' parts

The interpretation of these terms is important as database right protects against activities involving substantial parts (Article 7(1) referred to above) or, in more limited circumstances, insubstantial parts of a database (under Article 7(5), which states: 'The *repeated and systematic* extraction and/or re-utilisation of *insubstantial parts* of the contents of the database implying acts which conflict with a normal exploitation of that database or which unreasonably prejudice the legitimate interests of the maker of the database shall not be permitted.' (Emphasis added.)

Direct or indirect access

For infringement purposes, is there any requirement for the protected database itself to be accessed or is use of data from another or intermediate source also prohibited?

How does database right protect so called 'dynamic' databases?

A 'dynamic' database is one that is constantly being updated and verified. Since a substantial change to a database (including a verification of the contents) can give rise to a new term of protection, this raises a question as to whether and when a new database is created. This issue also has implications for the 'little and often' type of infringement (under Article 7(5) referred to above) and, in particular, the

argument that the *repeated and systematic* extraction or re-utilisation of insubstantial parts must relate to the same database, as opposed to a series of databases.

THE ADVOCATE GENERAL'S OPINIONS

On 8th June, 2004, Advocate General Stix-Hackl delivered four separate opinions, one pertaining to each case. Having established that the questions referred by the national courts were admissible,[6] the Advocate General went on to give her opinions on how various aspects of the Directive should be interpreted before proposing answers to the questions. The implications of her opinions for the important issues referred to above are discussed below.

'Spin-off' arguments

As noted above, so called 'spin-off' arguments revolve around whether the investment that gave rise to a database was specifically directed at 'obtaining' its contents rather than being directed at some other primary purpose(s), such as arranging football fixtures. Although the Advocate General recognised that the Directive does not cover the mere generation of data, in her opinion, where production coincides with data collection and screening protection kicks in. She suggested that activities such as classifying and handling data from its receipt to its inclusion in a database would fall within the term 'obtaining'. Hence, in her opinion, 'spin off' arguments cannot apply.

In her conclusions on the William Hill case, the Advocate General proposed the question on the meaning of 'obtaining' be answered by stating that the term includes creation of data by the maker where the creation took place at the same time as processing the data and was inseparable from it. Moreover, she argued that the intention of the maker and the purpose of the database are not criteria by which the eligibility for protection should be assessed. Thus her opinion on the question raised in the Swedish Fixtures Marketing case was that the purpose of the investment is not material. For instance, investment for the purpose of drawing up the fixtures lists in a databank should be taken into account, presumably because such investment was directed at obtaining, verifying and/or presenting the contents of the database.

If the ECJ follows the Advocate General's opinions, the situations in which a spin-off-type argument could be successfully raised would be significantly restricted.

'Database-ness' arguments

The Advocate General also came down against so-called 'database-ness' arguments. In her view, having the same systematic or methodical arrangement or individual accessibility as the original database is not a criterion for determining infringement, and the suggestion that the Directive does not protect data compiled in an altered or differently structured way is fundamentally mistaken. She considered that materials derived from the database that are not so ordered can still infringe database right and that the arrangement and accessibility involved is irrelevant.

Substantial/insubstantial parts

The Advocate General confirmed that there are no legal definitions of 'substantial' and 'insubstantial' parts of a database — which terms describe the amounts of data required for infringement purposes — in the Directive. She also

confirmed that determining whether a part of a database is substantial involves making a quantitative and (where possible) a qualitative assessment. The Advocate General noted that there are two possible means of carrying out the quantitative assessment — assessing quantity in relative terms (the quantity of the part relative to the database as a whole) or an assessment of the quantity of the part in and of itself. She suggested that the quantitative assessment should be relative, explaining that the overall assessment would not disadvantage makers of large databases because even relatively small parts of their databases could still be considered substantial if they have sufficient quality. The qualitative assessment, she suggested, would take into account the technical and economic value of the part affected, so that where this was sufficient a part could still be deemed substantial even if it was small in relative terms.

The term 'insubstantial' parts was interpreted by the Advocate General as meaning a part which does not meet the threshold in terms of quantity or quality to be substantial, that threshold being the upper limit of 'insubstantial' parts. She confirmed that there is also a lower limit which stems from the general principle that database right does not protect the individual data in a database, but gave no further guidance on where that limit falls.

Direct/indirect access

When considering whether there was a need for a protected database to have been accessed directly for infringement to occur, the Advocate General drew a distinction between infringement by extraction and infringement by re-utilisation (both of which are prohibited under the Directive). Although, in her view, 'extraction' was to be given a wide meaning — extending to transfers of data to a different medium from that of the original database (so, for example, merely printing out part of a database's content could suffice) — direct transfer from the original database was required. Conversely, re-utilisation, which involves making part of a database available to the public, should not require direct access. Hence, according to the Advocate General, re-utilisation of data that has been sourced indirectly, for example from a print medium or the internet, rather than direct from the original database itself, could also infringe. Furthermore, she suggested that there might be infringement where data that are already in the public domain are re-utilised, and that the number of times the data have been copied from the database into other forms is irrelevant. In her view, the exhaustion of rights provision is restricted to physical objects containing databases (for example, CD-ROMs), and there is no exhaustion where re-utilisation occurs in some other way than through a copy, for example by online transmission.[7]

Dynamic databases

The Advocate General's opinions also addressed dynamic databases (discussed above). In her view, there is only ever one dynamic database, namely the most recent version. Previous versions 'disappear'. In other words the old database ceases to exist because it has been transformed into the new one. Thus, Article 10(3) provides for a 'rolling' term of protection. This view is consistent with the approach taken by Mr Justice Laddie in the William Hill first instance decision. It would mean that makers of dynamic databases are not disadvantaged, for example, where the 'little and often' type of infringement is argued (Article 7(5)).

IMPLICATIONS FOR DATABASE PROTECTION IN EUROPE

At the time of writing, a date for the handing down of the ECJ's final rulings in the four cases had not been entered in the Court's diary and the rulings are, therefore, not expected until after the Court resumes on 6th September, 2004, following its summer vacation. Given the manner in which the Advocate General's opinions were released, it is anticipated that four separate judgments will be handed down on the same day.

The Advocate General's opinions may or may not be followed by the ECJ. However, in the majority of cases such opinions are followed. Overall, by following the Advocate General's opinions, the ECJ would clarify the strength and degree of protection afforded by database right. In particular, so-called 'spin-off' and 'database-ness' defences would be of limited application in infringement proceedings before the national courts. Industry would benefit from judicial clarity on the interpretation of terms relevant to infringement.

As many real databases are verified and updated regularly, database makers would no doubt welcome a simple approach to the treatment of dynamic databases, such as where they are considered to be one database with a 'rolling' term of protection.

DATABASE PROTECTION IN THE USA

Following the implementation of the Directive, the degree of database protection in Europe has often been contrasted with that in the USA where there is no direct equivalent of database right. The scope of protection for databases afforded by copyright in the USA was significantly curtailed by the Supreme Court decision in *Feist* in 1991. Before that ruling, several US Courts had granted copyright protection to collections of facts such as databases where their creation had involved effort but little or no creativity. *Feist* put paid to this so-called 'sweat of the brow' approach by requiring some degree of creativity before databases could qualify for copyright protection irrespective of the amount of effort involved. Taking information already available to the public, such as that contained in the telephone directories with which the Court in *Feist* was concerned, and assembling it in alphabetical order was held not to be sufficiently creative. Moreover, it was held that using such information, even where a database is protected, would not infringe copyright law. A recent case before the Seventh Circuit Court of Appeal suggests this is still the case.[8]

Since *Feist*, there have been a series of failed attempts to introduce additional protection for databases in various forms in the USA. These have included a variety of federal US Bills, including the Database Investment and Intellectual Property Act (HR 3531); the Collections of Information Antipiracy Act (HR 2652); the Collections of Information Antipiracy Act (HR 354); the Consumer and Investor Access to Information Act (HR 1858); the two more recent bills discussed below, and a draft treaty of the World Intellectual Property Organisation (WIPO).[9] As these attempts have not been successful, US database makers have sought other alternative means of protecting their investments. One such means is by use of the so-called 'hot news' doctrine, which invokes state laws relating to misappropriation.[10] This requires that a number of narrow criteria be met, including that the information be highly time-sensitive and that the defendant's use constitutes free-riding on

the database owner's costly efforts and is in direct competition with a product or service of the database owner. The application of this doctrine is therefore somewhat limited, for example, in *National Basketball Association v Motorola*, Inc., 105 F.3d 841 (2nd Cir. 1997) the doctrine was found not to apply because the NBA failed to show any free-riding or competitive harm. Other US laws, such as California laws of trespass, have also been invoked in attempts to protect databases to some effect. (California trespass laws were used successfully in *eBay Inc. v Bidder's Edge Inc.*, 100F. Supp. 2d 1058 (ND Cal. 2000) to protect information posted on eBay's website.) However, none of these alternatives provides the sort of extensive protection afforded to European databases by database right.

A recent attempt at federal legislation, the Database and Collections of Information Misappropriate Act (HR 3261), which was introduced to the House of Representatives on 8th October, 2003, did seem to provide for such a right. The bill sought to protect databases generated, gathered or maintained through substantial expenditure of financial resources or time by prohibiting others from knowingly, without authorisation, making available quantitatively substantial parts of such databases for commercial purposes. The bill was approved with its provisions being largely maintained in the reported amended form by the House Committee for the Judiciary. The bill was then referred to the House Committee on Energy and Commerce, however, which recommended that it should not pass. The Committee's report reflected the significant degree of opposition to the bill from business, consumer and academic groups[11] and the constitutional difficulties such a right would raise.[12]

The Energy and Commerce Committee instead approved a different bill, the Consumer Access to Information Act (HR 3872), which offers a far lower degree of protection to databases more akin to that afforded by the 'hot news' doctrine referred to above, with enforcement by the Federal Trade Commission rather than through civil actions. Presented with these two very different bills and facing a significant degree of opposition to extending database protection, it is thought unlikely that either bill will be considered in the current session of Congress and, at the time of writing, moves to extend database protection in the USA appear to have stalled.

CONCLUSIONS

The Advocate General's opinions favour database owners. If the ECJ follows them, this would result in database right being strengthened and its application clarified. This would impact both on the number of databases which would benefit from protection (with the adoption of a wide interpretation of 'obtaining' and the restricted relevance of 'spin-off' arguments, for example) and a broad interpretation of infringement (from, for example, the extensive definition of 're-utilisation'). As a result, databases would have significantly greater protection in Europe than they have presently across the Atlantic.

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References

1 Nettleton, E. and Obhi, H. (2004) 'Legal protection for databases in Europe: The vexed question of whether US businesses can benefit', *Journal of Database Marketing & Customer Strategy Management*, Vol. 11, No. 3, pp. 268–273.

2 *Feist Publications, Inc. v Rural Tel. Serv. Co*. 499 US 340 (1991).

3 Obhi, H. and Nettleton, E. (2004) 'Database Right — Place your bets', *Journal of Database*

Marketing & Customer Strategy Management, Vol. 11, No. 4, pp. 373–378.

4 *British Horseracing Board and others v William Hill* [2001] RPC 31 (Laddie J), [2001] EWCA Civ 1268 (Court of Appeal).

5 Article 7(1) states: 'Member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the *obtaining*, verification or presentation of the contents to prevent extraction and/or re-utilization of the whole or of *a substantial part*, evaluated qualitatively and/or quantitatively, of the contents of that database.' (Emphasis added.)

6 Advocate General Stix-Hackl suggested that the questions were admissible insofar as they concerned interpretation rather than application of provisions of the Directive to the particular facts of each case. She noted that the Court of Justice should confine itself to interpreting the Community Law referred to it, rather than applying the law to the specific facts (which is a matter for the national courts).

7 Presumably, she means through 'resale of a copy'. Under Article 7(2)(b), the first sale of a copy of a database within the Community by the rightholder or with his consent shall exhaust the right to control resale of that copy within the Community. On a narrow interpretation of this provision, it would seem weak to argue that exhaustion occurs on first sale such that re-utilisation (other than by resale of the copy) does not infringe.

8 *Assessment Technologies of WI, LLC v Wiredata Inc.*, 350 F.3d 643 (7th Cir. 2003) where the Seventh Circuit, applying *Feist*, ruled that copyright law could not be used to prevent Wiredata from obtaining non-copyrighted information on properties from a database for use by real estate brokers.

9 The Draft Treaty on Intellectual Property in Respect of Databases which was considered at the 1996 diplomatic conference and in 1997 by a further session of the competent WIPO Governing Bodies. However, it was not adopted and since then, despite database protection appearing regularly on the agendas for sessions of the WIPO Standing Committee on Copyright and Related Rights, little progress has been made.

10 This doctrine is derived from *International News Service v Associated Press*, 248 US 215 (1918).

11 A letter dated 15th January, 2004, written to the chairmen of the two House Committees by a wide variety of corporations and interested groups including the likes of Amazon, Bloomberg, Google, the National Academy of Sciences, the Society of American Archivists and Consumer Project and Technology, illustrates the degree of opposition to the bill.

11 In particular, that the Intellectual Property clause of the US Constitution has been held by the Supreme Court to preclude the copyright of facts.