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Location, Location, Location: The European Union Database Directive Sets the Worldwide Agenda

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Your company has just spent a substantial amount of time and money compiling a database of all libraries in the world with internet connections; or a database of venture capital firms which have invested in the electronic publishing industry, verifying the size and dates of recent investments, as well as a list of their partners, together with e-mail addresses, telephone numbers and partner biographies; or a list of all websites with full-text medical journal articles. Until now, you would probably not, other than in the United Kingdom (UK), Ireland or, to a lesser extent, the Netherlands, have been able to use copyright law to prevent a competitor from copying these compilations word for word. Since these databases are primarily or exclusively factual databases, they do not benefit from copyright protection, which permits copyright owners to control distribution and reproduction of copyrighted works. This is especially true for compilations in print, which do not have the contractual protection of license agreements that often accompany databases in electronic media.

The adoption by the European Union (EU) Parliament and Council of the Directive on the Legal Protection of Databases on March 11, 1996, however, creates an entirely new intellectual property right and grants rights never previously enjoyed by producers of factual databases. This Directive promises to entirely change the legal status of databases, not just in the EU, but on a worldwide basis.

The Directive represents a balanced approach, remedying an inherent inequity in current law which provides no protection for database makers. The Directive provides more predictable protection for databases. This should lead to the wider availability to users of databases containing reliable, accurate and timely information.

The United States Congress and legislatures from other major database producing countries should consider adopting comparable legislation. Adequate provisions should, however, be made to permit use by scientists, educators, researchers and others, which does not harm the market for the original database.

I. Summary of the Directive

The Directive provides that database makers can, for a period of 15 years from the completion of a database, prevent unauthorized copying of the contents of that database. To receive protection, the database needs to be produced by a company based in the EU. Each of the 15 European Community Member States must implement the Directive into national law by January 1, 1998. Germany has already implemented the law, and the UK Patent Office has proposed implementing regulations. [1]

A. The Need For The Directive: Limitations Of Copyright Law

Copyright law in the United States, and most of Asia and Europe, has traditionally afforded little or no protection to databases that constitute compilations of facts or information. Rather, copyright law protects original creations that exhibit at least a minimal level of creativity. In the 1991 case of Feist Publications v. Rural Telephone Service [2], the US Supreme Court held that a company could copy the contents of a competitor's telephone book because telephone listings organized alphabetically show no creativity. Similarly, a 1991 case by the Dutch Supreme Court held that the listings in the Grote van Dale dictionary were not protected by copyright. [3] Many subsequent cases have similarly held that databases, such as listings of lawyers, or factbooks on cable television systems, enjoy no copyright protection or only "thin" copyright protection, [4] and that competitors may re-use these databases. In an ironic twist, the databases which are often most valuable to medical or business users--those which are comprehensive--receive the least protection because these exhibit the least creativity in selection or arrangement of their contents.

The UK and Ireland are two notable exceptions where copyright law does protect database makers who invest a substantial amount of resources creating or updating a database. This so-called "sweat of the brow" protection is based on the view that the "originality" test does not require a novel or creative work, but rather that it is simply the author's "original" creation. It is based on the author's independent skill and labour and is not copied from another source. Nordic countries and the Netherlands also provide some protection to catalog makers and those who create products with little originality; these producers may prevent unauthorized reproduction of the contents of their products in these markets.

Against this background, in 1988 the EU began to consider a measure to provide a standard level of legal protection for databases. The intent was to encourage investment in the information industry by creating certainty that databases would be protected from slavish copying by competitors. The rationale behind the Directive is that if database makers know they can expect to reap the economic benefits of their creations, they are more likely to make these investments.

B. *Sui generis*: The "New Right"

The EU Database Directive establishes an entirely new intellectual property right, called a *sui generis* right (from the Latin "of its own kind"). This *sui generis* right is the new kid on the intellectual property block, distinct from its older neighbors of

patent, trademark and traditional copyright. Under the Directive, database makers can, for a period of 15 years from the completion of, or substantial change in, the database, prevent unauthorized extraction and re-utilization of the contents of the database.

C. Protected Databases

A database that will benefit from the *sui generis* right is one that is "a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means." [5] Databases may include any type of information, such as text, sound, images, numbers, facts, or data. It is for this reason that commentators have also referred to the Directive as the "Multimedia Directive." To be protected, the contents of the database must be "individually" accessible. A linear film of "Great Moments in Library Research" or a musical composition would accordingly not be within the scope of the Directive. An interactive video, however, which is more like a research database and permits searching of individual video clips, might well be considered a database covered by the Directive.

Both electronic and print databases are covered under the Directive. Electronic media specifically include CD-ROMs and online services. The extension to print databases is a significant expansion from the earlier drafts of the Directive, which only covered electronic databases.

D. Harmonized Copyright Protection Under The Directive

Although the copyright provisions of the Directive are less dramatic than the *sui generis* right, the Directive instructs Member States to harmonize the copyright protection available in the EU. To be eligible for copyright protection, the selection or arrangements of the contents must be the result of the author's own intellectual creation. Member States may not apply additional or fewer criteria. In very rough terms, this will mean that a greater level of creativity will be needed for a database to obtain copyright protection in the UK and Ireland, while it will be easier to obtain copyright protection in the other EU countries, where selection or arrangement alone did not necessarily permit copyright protection prior to the Directive. In particular, it will now be easier to obtain copyright in Germany, where previously a work needed to exceed the average creations in the relevant field in order to obtain copyright protection.

II. Controversies and Unanswered Questions

There are a number of controversies and unanswered questions surrounding the Directive. These include (a) protection limited to databases produced by EU companies, (b) the definition of "substantial" copying, (c) enforcement rights linked to a "substantial " investment, (d) intellectual property rights of employees, and (e) terms of protection.

A. Location, Location, Location

One of the most controversial aspects of the Directive is that database makers must be nationals of an EU Member State, or have their habitual residence in the Community, in order to obtain the benefit of the *sui generis* right. The Directive cautions that companies cannot obtain EU residence for purposes of the Directive by simply establishing an office in the EU. The operations must be genuinely linked on an ongoing basis with the economy of a Member State. U.S. database producers lobbied the Commission unsuccessfully to remove this parochial provision. The U.S., however, does not have completely clean hands on this issue: Although U.S. database makers might now object to Europe forcing its view of intellectual property protection on the U.S. and other countries, the U.S. adopted a similarly high-handed provision in the Semiconductor Chip Protection Act of 1984. [6] In that law, the U.S. protected mask works fixed in semiconductor chip products only if the owner of the mask work was a national or domiciliary of the U.S., or if the foreign country had adopted similar legislation protecting mask works.

The EU can extend the *sui generis* right to databases made by companies based outside of the EU. It is expected that the EU will only do this for database makers located in countries that provide a similar level of protection, but presently there are no countries in the world that do. By this mechanism, the EU has created a lever to force all other major database-producing countries, or countries with industries dependent on the use of databases, to pass similar legislation.

B. What Is "Substantial" Copying?

The *sui generis* right permits EU database makers to prevent the "extraction" and "re-utilization" of all or a "substantial part" of the database, measured qualitatively or quantitatively. [7] Extraction is aimed more at the private use by a user; re-utilization is directed more toward distribution, including by competing commercial organizations. Since extraction includes the permanent or temporary transfer to another medium, and on-screen display of a database often necessitates such a transfer, it is covered by the Directive.
The Directive does not define what constitutes a "substantial part" of a database. If, for example, you are reviewing the database of primary publishers of cardiology journals in Israel and find that only one exists, does this constitute a "substantial part" of the database? Courts might well find that this is substantial and does infringe the rights of the database maker, since the intent of the Directive is clearly tilted toward protecting the economic interests of database makers. Users cannot circumvent the "substantial "part requirement by making repeated and systematic extractions of otherwise insubstantial parts of databases.

C. Enforcement Rights Linked To A "Substantial" Investment

A database maker who can prove a substantial investment will have enforcement rights. For example, a database maker who may benefit from this Directive is one that takes the initiative and the risk of investing in the database and invests a substantial amount of time, effort, or money in obtaining, verifying, or presenting the contents of the database.

The Directive does not provide much guidance on the "substantial" investment threshold other than to indicate that compiling a few recordings on a music CD is not a substantial enough investment. Nevertheless, since the Directive's purpose is to encourage the expansion of the European database industry, it is reasonable to assume that any investment above a token amount will suffice for an arguable showing of substantial investment.

D. Intellectual Property Rights Of Employees

The Directive explicitly excludes subcontractors from the definition of "database maker" but defers to the national law of the Member States to determine the rights of employees in databases they create. As employees rarely take the economic risk of investing in database creation, however, an employee's claim that he or she has rights under this Directive would appear to be weak. Furthermore, nothing in the Directive prevents a Member State from passing a work-made-for-hire law—that is, a law providing that the employer alone has all rights to a database created by an employee in the execution of the employee's duties. At present, among EU Member States, only the UK, Ireland and the Netherlands have work-for-hire laws, and no other Member States have announced intentions to introduce such laws.

E. Term Of Protection Unclear

Database makers can prevent unauthorized copying for 15 years from the later of completing the database or making it available to the public. Substantial changes to the database, including meaningful updates, will cause a new 15-year period to run. It is not clear whether the rolling 15-year period will protect the entire database, or just the revised portions. Again, since the Directive's intent is to protect the economic interests of database makers, the more consistent interpretation is that if the changes are substantial enough to warrant a new 15-year period of protection, then this should cover the entire database. This interpretation would also simplify the proof and enforcement issues. The practical result would be that dynamic databases, which are frequently updated, will have perpetual protection. Static or historical databases, which may be of equal value, nevertheless receive only the 15-year term of protection.

III. Global Impact

The Directive's impact will rapidly spread beyond the 15 Member States of the EU. First, it will be extended to other European countries. The three countries of the European Economic Area—Norway, Iceland, and Liechtenstein—adopted the Directive on October 25, 1996. [8] As the Directive is in the field of intellectual property, the countries of Central and Eastern Europe and Turkey are obliged, or will be strongly encouraged, to adopt similar legislation under their bilateral agreements with the EU.

Second, the Directive sparked a rapid response in the U.S., the location of the world's largest database industry. U.S. database makers realized that they will be disadvantaged if the U.S. does not adopt legislation similar to the *sui generis* right. In May 1996, only two months after the passage of the EU Directive, now-retired Rep. Carlos Moorhead (R-Cal.), then Chairman of the House Judiciary Subcommittee on

Courts and Intellectual Property, introduced H.R. 3531, the Database Investment and Intellectual Property Antipiracy Act of 1996. The comparisons in the table below set forth some of the salient differences between the US and the EU legislation.

Comparison of EU Database Directive and Proposed US Database Protection

EU Database Directive
1. *Term of Protection*: 15 years
2. *Permitted Use*: Substantial parts of databases for teaching or non-commercial scientific research, for public security, or for judicial proceedings. Substantial parts of nonelectronic databases for private purposes. Insubstantial parts may be used.
3. *Role of Contract*: Parties may not enter into contracts that undermine the rights of database users.
4. *Circumventing Copy Protection Technology*: Not covered.

Proposed U.S. Database Investment and Intellectual Antipiracy Act of 1996 (H.R. 3531)
1. *Term of Protection*: 25 years
2. *Permitted Use*: Insubstantial parts may always be used. In essence, use which does not cause commercial harm is permissible.
3. *Role of Contract*: Although extractions of insubstantial parts of databases would be permitted, parties may contract to alter these (and other) rights.
4. *Circumventing Copy Protection Technology*: Includes controversial provisions imposing penalties for circumventing copy protection systems or database management information systems.

No hearings were held on H.R. 3531. Congressman Moorhead retired, and the bill has not yet been introduced in the current session of Congress. The U.S. Copyright Office held discussions with proponents and opponents of the database bill, and released a report on the issue on August 21, 1997. [9] The intent of the report was to identify the key issues involved in the legislation, and to summarize the positions of proponents and opponents of the bill. It did not take a position on the advisability of a database bill. Following the release of the Copyright Office report, it is likely that proponents of a U.S. database bill will introduce a measure in Congress in the fall of 1997, which may be similar to H.R. 3531.

Third, U.S. proponents of database legislation proposed a new International Treaty on Intellectual Property in Respect of Databases. The World Intellectual Property Organization (WIPO), which met in Geneva in December 1996, debated the treaty but took no action on it. This draft treaty was supported by the U.S. delegation to the WIPO Conference, but it engendered significant opposition from the scientific and library communities, exemplified by a letter to U.S. Secretary of Commerce Michael Kantor from Bruce Alberts, president of the National Academy of Sciences, William Wulf, president of the National Academy of Engineering, and Kenneth Shine, president of the Institute of Medicine. In this letter, these leading academics stated that the database bill would “significantly inhibit researchers seeking to reuse and combine data for publication or for research.” They further claimed that the bill would

have a “deleterious long-term impact on [the United States’] research capabilities” and was “antithetical to the principle of full and open exchange of scientific data.” [10]

This argument is not persuasive. The EU Directive permits users to extract a substantial part of a database for teaching or noncommercial scientific research. Similarly, a U.S. database bill permitting use that does not harm the market for the original database, would no more inhibit researchers than do the current copyright laws. Such permitted use could provide for even greater use than that permitted under copyright's "fair use", where "the effect...upon the potential market...for the copyrighted work" is only one of four fair use factors. [11]

Adopting a standard of "commercial harm" gives usage rights to researchers in a manner which is both flexible and which has well-established criteria. The drafters of the EU Directive considered, and rejected, providing usage rights to researchers by a different means--compulsory licensing. The earlier drafts of the Directive contained provisions for compulsory licensing. This would have required that a database maker license the contents of the database on non-discriminatory terms if the contents “cannot be independently created, collected or obtained from any other source.” [12] In the face of publisher objections, this provision was eventually removed. The European Commission probably took the position that unfair competition law could curb database makers from exploiting their dominant market position by refusing to make their database available to others on reasonable terms. In any event, the Commission will, in 2001 and every three years thereafter, report on the impact of the Directive. In particular, it will report on whether the Directive has interfered with free competition and whether compulsory licensing should be recommended. [13]

The next international developments will be in September 1997, when WIPO meets again in Geneva to discuss the protection of databases under different legal systems and to consider the basis for further work.

Key Recommendations for Database Makers

1. *Incorporate and operate in the EU*. Database makers only benefit from the Directive’s protection if they are nationals of a Member State or have their residence in the EU. If a non-EU database maker has the capability of incorporating in the EU and producing a database in the EU, they should consider the benefits of the Directive when making these decisions.
2. *Advocate legislation*. Prospective database legislation before the US Congress faces stiff opposition. US-based database makers should consider whether passage of the legislation is important enough to their business to warrant advocating this legislation, perhaps through industry groups such as the Information Industry Association or the Coalition Against Database Piracy. This similarly applies to legislation in all other countries outside Europe.
3. *Develop employee assignment agreements*. The Directive does not specify whether employees or employers have rights in the databases created. Employers should take special care that all employees and contractors enter into agreements assigning to the company the rights in the databases created.

4. *Maintain Records*. Database makers bear the burden of proving that a substantial investment has been made to create or modify a database in order to benefit from the *sui generis* right. Therefore, records of the time, money, or ideas invested to create the database need to be maintained in order to assure that the company can benefit from the Directive.

IV. Conclusion

The adoption of the *sui generis* right represents one effort to create new legal protections for an era distinguished by new technology. Such protection is particularly necessary in the context of electronic distribution of databases. As users increasingly desire to search informational databases over the internet, the law should provide for protection for unauthorized copying and reuse of those databases. It is reasonable that organizations or companies that invest in creating databases of value may charge a market rate for use of such databases. The ability to realize money from these databases should provide an incentive to create more varied and useful databases. Such databases, in turn, provide the information essential to research and commerce in an increasingly information-based economy. Lest users fear, however, that access to information will be dramatically curtailed, the obvious should be restated: No organization is required to charge for their databases, and organizations could continue to make their information available freely on the web.

The speed with which U.S. publishers have reacted to the EU initiative points to the ability of this Directive to create waves far beyond European shores. Companies that plan to benefit from the protections granted by the EU Database Directive as a database producer may need to set up offices in the EU or lobby their national governments to pass legislation granting similar protections to database manufacturers. Considering how difficult it is to amend international treaties, it would seem that the more prudent course would be to gain experience under the Database Directive and the laws of other countries before adopting an international treaty. In fact, the WIPO Conference in December 1996 chose not to take any action on the Database Treaty, partly because it was believed that the issues had not been sufficiently considered.

The Directive has forced the issue of property interests in databases and database protection onto the worldwide political agenda. In an information economy, when the national boundaries are increasingly porous, this may be the Directive's most enduring contribution.

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FOOTNOTES

[1] Parliament and Council Directive 96/9/EC, Official Journal, No. L 77, March 23, 1996 at 20, unofficial text available at http://www2.echo.lu/legal/en/ipr/database/database.html. Germany implemented the Directive as part of its Multimedia Law. An unofficial translation, courtesy of Chris Kuner, Esq., of Gleiss Lutz Hootz Hirsch is available at http://ourworld.compuserve.com/homepages/ckuner/multimd3.htm
[2] 499 U.S. 340 (1991).

[3] Van Dale v. Romme Supreme Court of the Netherlands, 4 January 1991.
[4] Skinder-Strauss Associates v. Massachusetts Continuing Legal Education, 914 F. Supp. 665 (D. Mass. 1995); Warren Publishing, Inc. v. Microdos Data Corp., 1997 WL 308837 (11th Cir. June 10, 1997), available at http://www.law.emory.edu/11circuit/june97/93-8474.op.html
[5] Directive 96/9/EC, at Art. 1, Par. 2.
[6] Pub. L. No. 98-62, Title 17, ch. 9, USC §902(a), available at http://www.law.cornell.edu/uscode/17/ch9.html.
[7] Directive 96/9/EC, at art. 7, para. 1.
[8] Official Journal, No. L 21 (Jan. 23, 1997), p. 11.
[9] available at http://lcweb.loc.gov/copyright/more.html#rpt
[10] Letter from National Academy of Sciences (Oct. 9, 1996) (regarding the database proposal), available at http://arl.cni.org/info/frn/copy/data.html.
[11] 17 U.S.C. sec. 107, available at http://law.house.gov/uscsrch.htm
[12] Art. 8, para. 1 of the Commission's initial proposal, Official Journal, March 1992, C 156/9.
[13] Directive 96/9/EC, at art. 16, para. 3.

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