



## **Program Schedules, Event Data and Telephone Subscriber Listings under the Database Directive**

The 'Spin-Off' Doctrine in the Netherlands and elsewhere in Europe

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*Seven years after the adoption of the EC Database Directive, the contours of the new database right remain difficult to draw, and shrouded in controversy. One of many crucial questions soon to be addressed by the European Court of Justice concerns the 'substantial investment' test. The Directive requires that such investment be made in the 'obtaining, verification or presentation of the contents' of the database. Does this mean that the investment must be aimed at producing a database, or can data compilations that are generated as mere 'spin-offs' of other activities, such as program schedules and event data listings, also benefit from sui generis protection?*

### **Introduction**

Almost seven years have passed since the European Database Directive was adopted on 11 March 1996.<sup>[1]</sup> The Directive requires *sui generis* ('database right') protection 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' (Art. 7.1 of the Directive). Unfortunately, the Directive does not offer much guidance in interpreting the notion of 'substantial investment'. It does not clarify how much 'blood, sweat and tears' the database producer must have spent to qualify for protection. Nor is it clear which 'investments' may be taken into account when answering this question. This is especially problematic in cases dealing with compilations of data that are more or less automatically generated as by-products ('spin-offs') of other activities. Examples are radio and television program listings, rail and airline schedules, telephone directory listings and sports events schedules. Other examples are scientific data resulting from research or experimentation, sports results, stock exchange data and high school test results. May the cost and labour spent in the activities which have produced these data be considered as 'investment' in the ensuing database? Or does the database right merely protect investments that are directly attributable to producing a database (the so-called 'spin-off doctrine')? That is the central question of this paper.

### **The 'spin-off doctrine' in Dutch Parliament and before the Courts**

The 'spin-off doctrine' – the theory that database right does not extend to 'spun-off' databases – probably has its roots in Dutch parliamentary history. In the Netherlands the Database Directive was transposed on 8 July 1999. [2] The Dutch legislature elected to implement the Directive in two different legal instruments, the existing Copyright Act and a new Database Act (*Databankenwet*), that introduced the database right. The question of determining what activities may contribute to a finding of 'substantial investment' first surfaced during the legislative process which preceded the new Act. Members of Parliament asked the Minister of Justice, who has primary responsibility over legislation in the field of copyright and neighbouring rights, whether any of the following compilations would constitute protected databases as a result of 'substantial investment': [3]

- a list of ten Michelin-star rated restaurants in the Netherlands;
- a compilation of stars in a newly discovered galaxy;
- a compilation of radio or television program data.

In all cases, the MP's suggested, investment is not primarily aimed at producing a database. Rather, the ensuing databases are mere 'spin-offs' of other activities (e.g. restaurant classification, astronomic discovery or radio and television programming). The Minister of Justice agreed. The lists of 'starred' restaurants and newly discovered stars do not qualify as databases protected by the sui generis right, because the underlying investments are not aimed at producing a database. The Minister also agreed that a television program schedule, in so far as it is a mere 'spin-off' of the act of programming a broadcasting station, would fall short of the substantial investment test as well. [4]

The Minister's statements echoed a decision by the Netherlands Competition Authority in the case of *De Telegraaf v. NOS and HMG*. [5] Newspaper publisher De Telegraaf was refused a license to publish radio and television program listings owned by broadcasters NOS and HMG. Inspired by the Magill decision of the European Court of Justice, the Competition Authority opined that the broadcasters had abused their dominant positions. The decision also contained analysis of the new database right. The Authority questioned whether the requirement of 'substantial investment' was fulfilled, the program listings being mere 'spin-offs' of the broadcasters' main activities. Since the enactment of the Database Act, Dutch Courts have also produced a number of decisions dealing with the database right. Several of these have confirmed the validity of the spin-off argument.

*Algemeen Dagblad a.o. v. Eureka* [6]

This case concerned a web site ('Kranten.com') providing automatic hyperlinks to newspaper articles posted online. Newspaper publisher PCM argued that the unauthorized use of its compilation of headlines constituted database infringement. The Court did not agree; the headlines were a mere spin-off of PCM's newspaper publishing activities, and therefore did not reflect substantial investment. The Court opined: 'It cannot be said that the Newspapers have invested substantially in the contents of the lists of titles. Their investment is directed to gathering the reports and articles to fill the newspapers. The titles are invented as headlines.'

*NVM v. De Telegraaf* [7]

De Telegraaf operated a web-based search agent ('El Cheapo') allowing users to look for real estate and other goods for sale. According to plaintiff, the trade organization of real estate brokers (NVM), El Cheapo's retrieval of data from the NVM web site amounted to database right infringement. The Court of Appeal did not agree. After confirming that the collection of real estate objects was a database in a legal sense, the Court ruled that the required substantial investment in the database had not been proven. Individual NVM agents had previously set up

the database for use in an internal network; the NVM database was considered a mere spin-off of these previous investments. In doing so, the Court took into consideration the official position of the Ministry of Justice, 'which implies that there is no substantial investment if the data of the compilation are a mere spin-off of the main or other activities of the producer'.

The Court of Appeal's analysis, however, did not survive scrutiny by the Supreme Court (Hoge Raad). While not rejecting the validity of the spin-off argument in principle, the Court dismissed the distinction made by the Court of Appeal between producing an off-line and an on-line version of the NVM database. According to the Supreme Court, if a database is used for a variety of uses, the Database Directive does not require that a substantial investment be made for each of these uses. The investments made by NVM in the off-line version should, therefore, have been taken into account in respect of the online database.

*NOS v. De Telegraaf* [8]

The dispute between De Telegraaf and the broadcasters, which led to the decision by the Netherlands Competition Authority, has continued before the civil courts. Pending the final outcome of the competition case, De Telegraaf had copied program listings for publication in its weekly television guide. Again applying the spin-off doctrine, the Court of Appeals of the Hague held that the broadcasters did not enjoy database right protection for their listings because no substantial investment in the making of the database, above and beyond any investments in the programming as such, had been demonstrated. The Court noted

'that the broadcasting organizations, having as their primary task to provide nationwide radio or television broadcasting, cannot fulfill this task without gathering program data and drawing up program listings; lacking probable evidence to the contrary, it must be accepted that the mere drawing up of program listings does not amount to (separate) substantial investments in time, money or otherwise'.

Again, the Court of Appeals referred to the official position of the Minister of Justice.

In two other cases, both concerning copying from KPN Telecom (the former Dutch PTT) telephone subscriber listings, Dutch courts have refused to accept the 'spin-off' argument.

*KPN v. Denda International and others* [9]

The first court decision ever to deal with the spin-off argument preceded the adoption of the Database Right Act. In a case concerning wholesale copying of telephone subscriber listings owned by KPN Telecom, the Court of Appeal of Arnhem rejected the defendant's argument that the subscriber data were a mere by-product of its core activity as provider of public telephone services, and therefore did not reflect substantial investment. According to the Court, deciding in summary proceedings, 'the Directive does not distinguish between primary and secondary exploitation, as meant by [plaintiff] Denda.' This judgment was confirmed by the District Court of Almelo in a later decision on the merits. The Almelo Court refused to distinguish between the subscriber data administered by KPN and the ensuing telephone directory.

'The extracted database (i.e. the telephone directory data set) cannot exist without the substantial investment in the database [i.e. the '8008' subscriber data set] from which it is derived. Therefore, a substantial investment is needed for the obtaining of the derived database.'

Thus, the Court opined, KPN's telephone directory was the result of 'substantial investment'.

*KPN v. XSO*<sup>[10]</sup>

The President of the District Court of the Hague, ruling in summary proceedings, held that the operator of a dedicated search engine infringed KPN's database rights by providing data extracted from KPN's online telephone directory, without referring users of the service to its site, and thereby denying KPN advertising revenue. Again, the Court rejected the spin-off argument, failing to see why KPN's substantial investment should be refused protection by a Database Directive, which has as its express goal the protection of investment in databases, merely because the investment would have occurred even without such protection.

### 'Spin-off' case law elsewhere in Europe

Dutch courts are not alone in the European Union in embracing the 'spin-off doctrine' or similar arguments. In two ground-breaking decisions handed down elsewhere in Europe, the argument has played a major role as well. In *British Horseracing Board v. William Hill* British courts were faced with the question whether the racing data that online betting agent William Hill had extracted from the BHB's database were protected by database right. In first instance J. Laddie of the London High Court considered: <sup>[11]</sup>

'Of more significance to this dispute is the type of investment involved. As one would expect, effort put into creating the actual data which is subsequently collected together in the database is irrelevant. This is confirmed by art. 7(4) which draws a distinction between rights in the database and rights in the data within the database. [...] For this reason, 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 appeal the Court of Appeal referred a series of interesting questions to the European Court of Justice for a preliminary ruling. <sup>[12]</sup> The second question is particularly pertinent in this context:

'What is meant by 'obtaining' in Article 7(1) of the Directive? In particular, are the facts and matters in paragraphs 24-31 above capable of amounting to such obtaining?'

Another betting case, *Fixtures v. Veikkaus*, which is currently being litigated in Finland, has also produced important prejudicial questions concerning the database right. Betting agency Veikkaus used information from Fixtures' listing of English Premier League football matches for its sports betting activities. Fixtures claimed database right to its fixture list, arguing that the list is a database reflecting substantial investment. Veikkaus countered that the investments in fixing the match dates were not directed at the obtaining, verification or presentation of a database. The fixtures list, arguably, is no more than a 'spin-off' of activities falling outside the scope of database protection, and therefore not eligible for database protection. The District Court of Vantaa (Finland) decided to refer several questions to the European Court of Justice, <sup>[13]</sup> the first of which directly concerns the validity of the spin-off argument: <sup>[14]</sup>

'Can the requirement in Article 7(1) of the Directive regarding the investment being directed at the making of a database be interpreted so that the 'obtaining' referred to in paragraph (1), and the investment in the same, means in the case at hand the investment in the determination of the match times and of the clubs playing in each match itself, and does the drawing-up of a fixture list involve investments which cannot be taken into account when the criteria for protection under the sui generis right are being assessed?'

In a similar Swedish case, [\[15\]](#) *Fixtures Marketing Limited v AB Svenska Spel*, the Swedish Supreme Court (Högsta Domstolen) also has sought a preliminary ruling. [\[16\]](#) The first two questions addressed to the Court of Justice are particularly relevant:

'1) In assessing whether a database is the result of a "substantial investment" within the meaning of Article 7(1) of Council Directive 96/9/EC of 11 March 1996 on the legal protection of databases (the "database directive") can the maker of a database be credited with an investment primarily intended to create something which is independent of the database and which thus does not merely concern the "obtaining, verification or presentation" of the contents of the database? If so, does it make any difference if the investment or part of it nevertheless constitutes a prerequisite for the database?

AB Svenska Spel contends in this case that Fixtures Marketing Limited's investment is primarily concerned with the drawing up of the fixture lists for the English and Scottish football leagues and not with the databases where the data are stored. Fixtures Marketing Limited, for its part, argues that it is not possible to distinguish the work for the purpose of planning the game and that the purpose of drawing up the fixture lists.

2) Does a database enjoy protection under the database directive only in respect of activities covered by the objective of the database maker in creating the database?

AB Svenska Spel contends that Fixtures Marketing Limited's creation of the database is not intended to facilitate football pools and other gaming activities but that such activities are a by-product of the purpose of the investment. Fixtures Marketing Limited, for its part, argues that the purpose of the investment is irrelevant and disputes that the possibility of exploiting the database for football pools constitutes a by-product of the actual purpose of the investment in the database.'

## Analysis

How to assess the 'spin-off' argument? Dutch legal doctrine is divided on the issue, with a majority of scholars apparently in favour of the theory. [\[17\]](#) The Government of the Netherlands also firmly believes in the validity of the argument, as its recent comments in the case of *Fixtures v. Veikkaus*, brought before the Court of Justice, demonstrate. [\[18\]](#)

As our overview of case law shows, the spin-off doctrine really is a mix of independent arguments. Let us review these arguments individually, before drawing our conclusions.

As it was introduced during the Dutch parliamentary debates, the spin-off argument was first and foremost informed by the rationale of the database right. Recitals 10-12 preceding the Directive illustrate that the principal reason for introducing the sui generis right was to promote investment in the (then emerging) European database sector. [\[19\]](#) Judging from these recitals, the database right is not a right of intellectual property rooted in notions of natural law or justice, but a right based primarily on utilitarian (instrumentalist) reasoning. Departing from this *incentive* rationale, there would appear to be no reason to grant sui generis protection to data compilations that are generated quasi 'automatically' as by-products of other activities. [\[20\]](#)

Somewhat related is the argument that a direct link between the investment and the resulting database must be established. For example, it would be incorrect to impute the entire annual budget of the Reed Elsevier consortium to the costs of running its LexisNexis database. The

costs must be directly attributable to the database to qualify as relevant 'investment'.<sup>[21]</sup>

A quite different argument, but leading in the same direction, might be found in the (competition law based) maxim that the costs incurred in performing the primary activity (e.g. organising football matches) should be recouped with the same activity. Otherwise, consumers would end up paying twice. However, according to Speyart who perceives this argument as central to the spin-off theory, enterprises should be free to cross-finance their various activities, by using the profits made by selling the 'spin-off' to lower the price of its primary service.<sup>[22]</sup>

Much more is to be said of J. Laddie's argument, that investment in the 'creating' of the data are not to be taken into account. According to the Directive, a substantial investment is to be made 'in either the obtaining, verification or presentation of the contents' of the database. 'Verification' obviously relates to the checking, correcting and updating of data already existing in the database. 'Presentation' presumably involves the retrieval and communication of the compiled data, such as the digitalisation of analogue files, the creation of a thesaurus or the design of a user interface. But what to make of the 'obtaining'<sup>[23]</sup>? Clearly, this term refers primarily to the act of gathering, collecting or compiling data, works or other materials that already existed before the database was produced. A crucial question is whether 'obtaining' might also include creating or inventing the contents of a database from scratch (*ex nihilo*). A literal reading of the word 'obtaining' (from Lat. ob-tinere)<sup>[24]</sup> probably rules out such a broad interpretation; 'obtaining' an object presupposes the prior existence of the object.

The absence in the provisions of the Directive or its recitals of any reference to the actual creation or invention of the contents of a database confirms this restrictive reading. Moreover, as Recitals 45 and 46 clarify, <sup>[25]</sup> the sui generis right does not create rights in the contents of the database per se. An 'information right' of such far-reaching dimensions would unduly compromise the freedom of expression and information.

As Dutch commentator Struik has concluded, substantial investment must occur 'in the act of bringing together or keeping correct or up-to-date or presenting data, and *not merely* in the *inventing* of the data that constitute the database.'<sup>[26]</sup> This interpretation is confirmed by the leading German treatise on copyright and neighbouring rights, *Urheberrecht. Kommentar* by Professor Schricker a.o.:

'Nicht zu berücksichtigen sind [...] die Kosten für den Datengewinnung, sofern dies nicht mit den sammelnden, sichtenden und ordnenden Tätigkeit bei der Erstellung der Datenbank zusammenfällt. [...] Denn die Datengenerierung stellt lediglich eine dem Datenbankaufbau vorgeschaltete Tätigkeit dar, die vom Schutzzweck der §§ 87a ff. nicht mehr erfasst wird.'<sup>[27]</sup>

Recital 19 confirms that labour invested in generating the contents of the database as such, may not be taken into account :

'Whereas, as a rule, the compilation of several recordings of musical performances on a CD does not come within the scope of this Directive, both because, as a compilation, it does not meet the conditions for copyright protection and because it does not represent a substantial enough investment to be eligible under the sui generis right;'

This recital implies that the costs and labour of producing the phonographic recordings collected on a music CD are not to be taken into account as relevant 'investment'.<sup>[28]</sup>

Examples of such 'generated' data are: radio or television program listings, airline departure

times, telephone subscriber data, results of football matches, examination scores and stock exchange data. The cost and labour spent on producing these data may not be considered as 'investments' by the broadcasters, airlines, telephone companies, football clubs, universities or stock exchanges concerned. Only insofar as the subsequent activities *processing* of these data amount to 'substantial investment', will sui generis right protection for the database be available.

Admittedly, there are also arguments that run against the spin-off theory. If it is true that 'generated' data are not encompassed by the database right, why then did the original proposal of a directive provide for a system of compulsory licenses? If certain data sets could only be obtained from a single source (i.e. a database), the database producer would be under an obligation to grant licenses under fair and non-discriminatory conditions. [29] The apparent purpose of the proposed provision was to prevent monopolisation of such 'single source' as program listings, telephone subscriber information and other 'generated' data. In the final version of the Directive, the proposed compulsory licensing system was dropped, possibly because the European legislature considered such a scheme redundant.

Another argument that may be opposed to the spin-off doctrine, is that it is often difficult, if not impossible, to distinguish between generating (creating) and gathering (obtaining) data. Is discovering a new star 'creating' or 'obtaining'? Questions such as these push us towards the slippery slope of the philosophy of science, from which we shall escape immediately. [30]

## Conclusion

The final word in this controversy is, as always, for the Court of Justice of the EC. The Court will have at least three opportunities to opine on the 'spin-off theory', in cases all pitting sporting events organisers against gambling agencies. In *BHB v. William Hill* the Court will have to explain what 'obtaining' of data really means. In the *Fixtures* cases brought before the ECJ by Finnish and Swedish courts, it will have to determine whether the cost and labour of programming an event may be taken into account as relevant 'investment'.

Surely, a lot is to be said in favour of the 'spin-off doctrine'. In view of the principal rationale of the database right, i.e. promoting investment in databases, it would be irrational to protect databases that are generated automatically as by-products of other activities. By the same token, any cost and labour spent must be attributable to the database for it to qualify as relevant investment.

A different, but equally compelling argument is that investments in generating (creating) data are not protected by the database right as a matter of principle. For this reason alone, collections of Michelin stars, astronomical discoveries and television program data are to remain unprotected – not because they are 'spin-offs' of some primary activity, but because by judging restaurants, performing astronomical research and programming television channels new data are created. The database right was introduced to protect investment in gathering, processing and publishing pre-existing data. Granting exclusive intellectual property rights in novel (newly created or discovered) data, which can not be obtained from alternative sources almost by definition, would lead to unwanted monopolies, and unduly restrict the freedom of expression and information.

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