



## **Abuse of Database Right**

### **Sole-source information banks under the EU Database Directive**

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## **Introduction**

Almost nine years have passed since the European Database Directive was adopted in March 1996.[\[2\]](#) The Directive obligated all EC Member States to introduce special legal protection for databases that reflect 'substantial investment' – the so-called database right. The Directive has now been transposed into the laws of all current and future member states, as well as in an increasing number of non-EU states with which the EU has concluded bilateral trading agreements. So far, the United States have resisted the call for database protection, but several bills proposing somewhat similar, albeit weaker legislation have been introduced into the Congress in recent years.[\[3\]](#)

In most European countries, the database right has been categorized as a neighbouring right (i.e. a right related to copyright), but from an economic perspective this is an understatement. The potential anticompetitive effect of the database right on the information market is much greater than that of copyright or neighbouring rights combined. Whereas the monopoly that copyright confers is limited to creative expression that is original to the author of a work, leaving unlimited alternative forms of expression to unlimited numbers of authors, the database right creates a monopoly in collections of facts and other non-copyrightable items that is difficult or sometimes even impossible to 'invent around'. The admittedly crude *idea/expression dichotomy* prevents copyright from monopolizing facts and untreated ideas, and leaves these essential resources for the information industry in the public domain. The database right, by contrast, confers significant market power.

In cases where databases are the only source of information, the database right might even result in a near-absolute downstream information monopoly in derivative information products or services.[\[4\]](#) Recent cases brought before national courts in several European Member States illustrate the anti-competitive potential of the database right, particularly in single-source situations. Producers of single-source data, such as public telephone service operators, broadcasting companies and organizers of sporting events have invoked their alleged database rights to monopolize downstream markets in telephone subscriber data, program schedule information (television guides), off-track betting, et cetera. Even government agencies, such as public trade registries, regularly claim database right to create market power and protect revenue streams from (semi)commercially exploited public sector databases. In some cases national courts have applied general rules of competition law to find remedies against these abuses.[\[5\]](#) Other courts have found cures inside the system of database right by interpreting the 'substantial investment' test in such a way as to rule out investment in 'spun-off' databases. On November 9, 2004 the European Court of Justice, ruling preliminarily in four closely related cases brought before it by a variety of national courts, embraced the so-called 'spin-off theory', and thereby denied protection to producers of such sole-source databases.

This paper will describe the database right's potential for abuse, and possible remedies against it. The first part will introduce the reader to the sui generis right's general characteristics, and illustrate its potential for abuse. In the second part we will look at possible remedies against such abuses, both in the field of general competition law, and within the database right itself.

## **A primer on database right**

The European Database Directive has equipped database producers with a double-edged sword, by obligating EU Member States to provide for a two-tier protection scheme. States are required to protect databases by copyright as

intellectual creations, and by a right *sui generis* to prevent unauthorised extraction or reutilization of the contents of a database, the so-called 'database right'. The transposition term has expired on 1 January 1998, a deadline that only Germany, Sweden, the United Kingdom and Austria have met.<sup>[6]</sup> In other Member States the transposition process was completed between 1998 and 2000.

Since the adoption of the Directive, the European Commission has aggressively promoted the database right as a model for database protection outside the European Union, primarily by making it part of so-called association (trade) agreements. At present over 50 states have adopted, or are soon to adopt, database right legislation, including most states of Eastern Europe, the former Soviet Union and even Mexico. In addition, the European Commission has been campaigning for the introduction of a treaty offering similar protection at the international level. A draft WIPO Database Protection Treaty was removed from the agenda of the 1996 WIPO diplomatic conference in Geneva only at the last minute. In a more recent communication to WIPO the Commission boldly advertises the alleged success of the database right in Europe, recommends it as an intellectual property regime beneficial to global economies, and urges WIPO to revive discussions aimed at establishing an international instrument.<sup>[7]</sup> As various commentators have pointed at, there is little or no economic evidence supporting the European Commission's enthusiastic claims.<sup>[8]</sup>

Following the implementation of the Directive into national intellectual property law national courts in Europe have produced a large number of decisions that may shed some light on the Commission's confident assessment of the database right.<sup>[9]</sup> Recently, the European Court of Justice has handed down its first decisions on database right, which will be discussed at some length below.

#### *Notion of 'database'*

The Directive 'concerns the legal protection of databases in any form' (Article 1 § 1). Unlike the original proposal, the Directive protects not only electronic databases, but also databases in 'paper' form, such as telephone directories, and hybrid databases using microfilm. Article 1 § 2 defines the Directive's object of protection as 'a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means.' Thus, a 'database' is more than a mere collection of simple data. A collection of works of authorship, such as an anthology, encyclopaedia or multimedia CD, may also qualify as such. A database may even consist of other 'materials', i.e. subject matter that is neither work nor data, such as sound recordings, non-original photographs, and other products protected by neighbouring rights. The Explanatory Memorandum describes the contents of the database as '“information” in the widest sense of that term.'<sup>[10]</sup>

The individual elements comprising a database must be 'independent' and 'individually accessible by electronic or other means'. A collection of moving images together constituting a movie (film) is not a 'database', according to Recital 17 preceding the Directive. The individual images lack sufficient 'independence'. For the same reason the District Court in Munich denied *sui generis* protection to a music file in MIDI format, even though the file constituted a collection of digital data.<sup>[11]</sup>

Moreover, the individual elements of the database must be 'arranged in a systematic or methodical way'. A decision by a Dutch Court of Appeal suggests that this is a very flexible criterion; according to the Court, the jobs section of a newspaper was sufficiently 'arranged' to qualify as a protected database.<sup>[12]</sup> Moreover, according to Recital 21, 'it is not necessary for those materials to have been physically stored in an organised manner'. It follows that a collection of unorganised data fixed on a hard disk would qualify as a database if combined with database management software enabling retrieval of the data. The Directive does not, however, protect the computer software driving the database as such (Article 1 § 3). Computer programs are protected independently by the European Software Directive of 1991.<sup>[13]</sup>

Notwithstanding these meagre restrictions, case law from national European courts amply demonstrates that the notion of 'database' is open-ended, leaving room for a wide variety of information products and services. Database protection has been granted, for instance, to telephone directories, collections of legal materials, real estate information websites, radio and television guides, bibliographies, encyclopaedia, address lists, company registries, exhibition catalogues, tourism websites, collections of hyperlinks, hit parades, et cetera. According to an early British ruling, even the 'discriminator' in a Mars vending machine, i.e. a computer chip that distinguishes inserted coins, might qualify as a database.<sup>[14]</sup>

#### *Subject matter of database right*

The database right protects the 'sweat of the brow' of the database producer, i.e. the skill, labour and financial means invested in the database. The investment must be 'substantial', either in a 'qualitative' and/or a 'quantitative' sense. A qualitative investment would, for instance, result from employing the expertise of a professional, e.g. a lexicographer selecting the keywords for a dictionary. In practice, most databases will probably result from some sort of quantitative investment, involving 'the deployment of financial resources and/or the expanding of time, effort and energy'.<sup>[15]</sup> The Directive defines the owner of the database right as the 'maker of a database' (Article 7 § 1). Pursuant to Recital 41, the 'maker of a database is the person who takes the initiative and the risk of investing'; subcontractors are excluded from the definition.

According to Article 7 § 1, the substantial investment is to be made 'in either the obtaining, verification or presentation of the contents' of the database. The 'obtaining' obviously refers to the collection of data, works or other materials comprising the database. 'Verification' relates to the checking, correcting and updating of data already existing in the database. 'Presentation' involves the retrieval and communication of the compiled data, such as the digitalisation (scanning) of analogue files, the creation of a thesaurus or the design of a user interface.

#### *Scope of database right*

The database right is defined in Article 7 § 1 as a right 'to prevent extraction and/or reutilization of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database.' Extraction is defined as 'the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form'. The right pertains to the downloading, copying, printing, or any other reproduction in whatever (permanent or temporary) form.

Reutilization is defined as 'any form of making available to the public all or a substantial part of the contents of a database by the distribution of copies, by renting, by on-line or other forms of transmission.' Again, the Directive fails to define 'substantial'; according to the Explanatory Memorandum 'no fixed limits can be placed in this Directive as to the volume of material which can be used'.<sup>[16]</sup> This 'substantial part' test becomes especially problematic in cases where only few data in 'quantitative' terms are taken, but the extracted data represent significant economic value nonetheless. Does this amount to the extraction of a 'substantial' part? If so, the database right would come perilously close to a property right in the data as such. Judging from Recitals 46 and 47, this is a result that the framers of the Directive have attempted to avoid.<sup>[17]</sup>

#### *Limitations and duration*

Adding to the database right's potential for monopoly, the Directive allows for only very few statutory limitations. Member States may permit private copying (from non-electronic databases only), as well as certain scientific and educational uses. Article 9 leaves no room for many exemptions traditionally found in copyright, such as journalistic freedoms, quotation rights, library privileges or reuse of government information. Apparently, the users' freedom to extract and reutilize 'insubstantial' parts of the database was considered, by the European legislature, to be sufficient, but this optimism is not shared by many commentators.

The term of the database right is 15 years from the date of completion of the making of the database (Article 10 § 1), or if later, the first making available to the public (Article 10 § 2). In practice, many databases are likely to be protected for a much longer period. According to Article 10 § 3, 'any substantial change, evaluated qualitatively or quantitatively, to the contents of the 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 terms of protection'. Thus, a regularly updated database is awarded permanent protection, as in trademark law. According to Recital 55, even a mere 'substantial verification of the contents of the database' would suffice to trigger a new term of protection.

#### *Beneficiaries of protection*

According to Article 11 of the Directive only nationals of a Member State or Community citizens will qualify for protection under the database right. Also, companies and firms formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the Community, will qualify (Article 11 § 2). The Council of the European Union may extend protection to nationals or residents of third countries on the basis of special agreements (Article 11 § 3). Surely, material reciprocity will be required for any

such agreement to come into existence.

### Compulsory licensing

As the previous survey has illustrated, the anti-competitive potential of the database right is considerable. The mere act of aggregating data into a database appears to be enough to trigger an exclusive right of ever-lasting duration with limited exceptions. The anti-competitive effect of the *sui generis* right is inversely proportional to the latitude left to potential competitors to 'invent around' a protected database. Whenever the protected database is the sole source of certain information, as is the case with railway schedules, football fixtures, telephone directories, event data and other collections of 'synthetic' data, protection by database right would amount to a full-fledged information monopoly preventing any uses in derivative markets.

In copyright law, the so-called idea/expression dichotomy avoids such downstream monopolization by limiting the copyright monopoly to original expression. Copyright leaves the data, theories and other 'objective' (i.e. descriptive, functional or technical) aspects of the copyrighted work in the public domain. Competitors are free to extract such elements from the work without incurring liability. The copyright system is further calibrated by (sometimes elaborate) statutory limitations or 'exceptions', that limit the right holder's exclusive rights to preserve free speech and freedom of competition. Only in such anomalous cases where idea and expression merge, but copyright protection is granted nonetheless, will the need for compulsory licensing rise. The Magill case, discussed below, is an example of such case.

The database right does not come equipped with a similar set of calibrating tools. Even if Recitals 45 and 46 preceding the Directive admonish that the *sui generis* right does not protect the data contained in a database as such,<sup>[18]</sup> there is no conceptual dividing line, comparable to the idea/expression dichotomy, which distinguishes the protected aggregated data from the unprotected individual data. Moreover, the Directive allows for only very few limitations.

When drafting the first proposal of the Database Directive, the European Commission rightly recognized the *sui generis* right's potential for abuse. Indeed, the first proposal did not even provide for an exclusive right, but rather for a special rule of unfair competition<sup>[19]</sup>, defined as a right to prevent unfair extraction, protecting only against unauthorized acts of commercial usage. Significantly, in the final version of the Directive, the word 'unfair' has disappeared.<sup>[20]</sup> As is illustrated by Recital 42, the right applies not only in competitive situations, but also 'to acts by the user which go beyond his legitimate rights and thereby harm the investment'.<sup>[21]</sup> Article 7 § 3 of the Directive confirms that the right has become a full-fledged intellectual property right: it is transferable, and can be subject to licensing. According to Gaster, the EC official who was responsible for drafting the Directive in its latter stages, the *sui generis* right is an economic right that 'has nothing in common with unfair competition remedies because it does not sanction behaviour a posteriori and because it provides for a term of protection'.<sup>[22]</sup>

Wisely, the First Proposal of the Directive provided for a scheme of compulsory licensing to cure the anti-competitive effects of sole-source database rights.<sup>[23]</sup> Art. 8, paras. 1 and 2, of the Proposal read as follows:

'(1) Notwithstanding the right provided for in Article 2(5) to prevent the unauthorized extraction and re-utilization of the contents of a database, if the works or materials contained in a database which is made publicly available cannot be independently created, collected or obtained from any other source, the right to extract and re-utilize, in whole or substantial part, works or materials from that database for commercial purposes, shall be licensed on fair and non-discriminatory terms. (2) The right to extract and re-utilize the contents of a database shall also be licensed on fair and non-discriminatory terms if the database is made publicly available by a public body which is either established to assemble or disclose information pursuant to legislation, or is under a general duty to do so.'

The aim of the proposed system of compulsory licensing was clearly to prevent abusive practices by information monopolists. According to the Explanatory Memorandum, the compulsory licensing provisions might, for instance, be invoked against an official stock exchange with respect to the stock market data it produces and collects, not however against the operator of an earth observation satellite.<sup>[24]</sup> Arguably, the ensuing collection of remote sensing data would not constitute the *only* source of such data.

Unfortunately, the compulsory licensing provisions have been removed from the final version of the Directive. This is disappointing and surprising for at least two reasons. First, as described above, on its way to final adoption the *sui generis* right was transformed from an, arguably weak, *ex post* remedy rooted in notions unfair competition into a powerful intellectual property right providing *ex ante* protection against the world. Second, the adoption by the

Council of Ministers of the Directive *absent* special rules on compulsory licensing occurred less than a year after landmark decision of the European Court of Justice in *Magill*.<sup>[25]</sup> A careful lawmaker with an eye for legal security would have incorporated the *Magill* rule in the new regime, rather than rely on courts and competition authorities to impose compulsory licenses based on general rules of competition law in an unpredictable way.

All that is left of the compulsory licensing scheme originally envisaged is Recital 47, admonishing that 'in the interests of competition between suppliers of information products and services, protection by the sui generis right must not be afforded in such a way as to facilitate abuses of a dominant position, in particular as regards the creation and distribution of new products and services which have an intellectual, documentary, technical, economic or commercial added value...'. The recital further clarifies that the provisions of the Directive are without prejudice to the application of Community or national competition law.

The *Magill* case has inspired sufficient commentary elsewhere, which need not be repeated here. The European Court of Justice upheld the compulsory licenses imposed by the European Commission upon British and Irish public broadcasters BBC, ITV and RTE, who under British and Irish copyright law owned the copyrights in their television programme listings.<sup>[26]</sup> Irish publisher *Magill* had been denied the licenses necessary to publish a 'comprehensive' television guide, including all programme listings relevant to Irish viewers. No such guides were available at the time to Irish or British audiences. BBC, ITV and RTE each published their own television guide, containing only proprietary programme listings. According to the European Commission, the broadcasters' behaviour was an abuse of a dominant position in the sense of Article 86 of the EEC Treaty. The European Court of Justice agreed; an unjustified refusal to license information which is indispensable for carrying on a business undertaking and thus prevents the introduction onto the market of a new product for which a potential consumer demand exists, thereby excluding all competition on a derivative market, amounts to an abuse of dominant position. This so-called *Magill* doctrine has been confirmed by the European Court of Justice in its recent decision in *IMS Health v. NDC Health*.<sup>[27]</sup>

Inspired by *Magill* and the Directive's Recital 47, national courts and competition authorities have applied general rules of competition law to counterbalance the database right's monopoly power on various occasions.<sup>[28]</sup> In the Netherlands a case resembling *Magill* has been ping-ponged between civil courts, administrative courts and the Dutch Competition Authority for almost a decade. Interestingly, this never-ending legal battle has produced the very first decision by the Dutch Competition Authority, which was established on 1 January 1998 following the enactment of the new Competition Act.<sup>[29]</sup> Public broadcaster NOS and commercial television broadcaster HMG had refused to license their program listings to newspaper publisher *De Telegraaf*. Referring to the *Magill* doctrine, the Authority opined that the broadcasters had abused their dominant position, and imposed a provisional compulsory license. By refusing to license, Dutch consumers were effectively prevented from buying newspapers containing program listings, an information product that did not, and does not, exist on the Dutch market. In a parallel civil proceeding, the Court of Appeals of The Hague, ruling provisionally in summary proceedings, also found the broadcasters' behaviour abusive, in a decision which was later upheld by the Dutch Supreme Court.<sup>[30]</sup> Unimpressed, the administrative court of appeal, however, squashed the Competition Authority's decision. According to the court, the Authority had failed to motivate why a newspaper containing program listings, as was envisaged by *De Telegraaf*, would qualify as a 'new product' within the meaning of the *Magill* doctrine. Substantial consumer demand for a product that is not yet on the market does not as such make it a 'new product'.<sup>[31]</sup>

### **Solving the sole-source problem: reinterpreting 'substantial investment'**

Fortunately, the database right may already provide for a built-in remedy against excessive protection of single-source databases. As the case may be, many of such databases may not qualify for database right in the first place, for lack of 'substantial investment'.

The Database 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 shed in order to qualify for sui generis protection. Nor is it clear which 'investments' may, or may not, be taken into account when answering this question. This is especially problematic in cases dealing with databases that are generated as by-products (so called 'spin-offs') of services offered to the public under a (quasi) monopoly. Examples of such databases are radio and television program listings, railway and airline schedules, telephone directory listings, stock exchange data, and sporting events schedules. Are the cost and labour spent in organizing the services which have generated these 'synthetic' data relevant investment in the ensuing database? Or does the database right merely protect investment that is directly attributable to the production of a database?

The latter approach – the so-called 'spin-off doctrine' – probably has its roots in Dutch case law and parliamentary history. In its decision in the case of *De Telegraaf v. NOS and HMG*, which was previously discussed,<sup>[32]</sup> the Dutch Competition Authority cast doubt on the broadcasters' (subsidiary) claims for sui generis protection. The Authority questioned whether the requirement of 'substantial investment' was fulfilled, the program listings being mere 'spin-offs' of the broadcasters' main activities. The question resurfaced during the parliamentary discussions that preceded the Act that implemented the Database Directive in the Netherlands.<sup>[33]</sup> 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':<sup>[34]</sup>

- a list of ten Michelin-star rated restaurants in the Netherlands;
- a compilation of stars in a newly discovered galaxy;
- a listing 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 directed 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.<sup>[35]</sup>

Since the enactment of the Database Act, several Courts in the Netherlands have confirmed the validity of the spin-off doctrine.<sup>[36]</sup> But Dutch courts were not alone in embracing the spin-off doctrine, or similar arguments. In two ground-breaking decisions handed down elsewhere in Europe, the argument played an important role as well. In the case of *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:

'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.[...]'<sup>[37]</sup>

On appeal, the Court of Appeal referred a series of intriguing questions to the European Court of Justice, which eventually led to the preliminary ruling discussed below.<sup>[38]</sup>

The case of *Fixtures v. Veikkaus*, another betting case litigated in Finland, has also led to prejudicial questions concerning the database right's criterion of 'substantial investment'. Betting agency Veikkaus used information from Fixtures' listing of English Premier League football matches for its sports betting activities. Fixtures claimed database right to the fixtures list, arguing that it 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) referred several questions to the European Court of Justice,<sup>[39]</sup> the first of which directly concerns the validity of the spin-off argument:<sup>[40]</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?' Similar questions were asked by the Swedish Supreme Court (Högsta Domstolen) in a nearly identical Swedish case, *Fixtures Marketing Limited v AB Svenska Spel*.<sup>[41]</sup>

### *Analysis*

What to make of this 'spin-off theory'? As it was introduced during the Dutch parliamentary debates, the spin-off argument was first and foremost informed by the economic rationale of the database right. Recitals 10-12 preceding the Directive clarify that the principal reason for introducing the sui generis right was to promote investment in the (then emerging) European database sector.<sup>[42]</sup> Judging from these recitals, the database right is a right of intellectual

property not based on notions of natural law or justice, but on utilitarian (instrumentalist) reasoning. In view of this incentive rationale, there would appear to be no reason to grant *sui generis* protection to data compilations that are generated 'automatically' as by-products of other activities.<sup>[43]</sup> 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>[44]</sup>

A literal reading of the definition of the database right, as stated in Article 7.1 of the Directive, leads to the same conclusion. 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 concerns 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'? 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, then, 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>[45]</sup> probably rules out such a broad interpretation; 'obtaining' an object presupposes the prior existence of the same.

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 such a restrictive reading. Moreover, as Recitals 45 and 46 clarify,<sup>[46]</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 guaranteed, *inter alia*, in the European Convention on Human Rights.

#### *The decisions by the European Court of Justice*

On November 9, 2004, the European Court of Justice pronounced its eagerly awaited answers to these and related questions regarding the database right.<sup>[47]</sup> Without expressly mentioning it, the Court unequivocally embraces many of the arguments supporting the 'spin-off doctrine'. The relevant paragraphs of the Court's decision are reproduced below:

'(29) Article 7(1) of the directive reserves the protection of the *sui generis* right to databases which meet a specific criterion, namely to those which show that there has been qualitatively and/or quantitatively a substantial investment in the obtaining, verification or presentation of their contents.

(30) Under the 9th, 10th and 12th recitals of the preamble to the directive, its purpose, as William Hill points out, is to promote and protect investment in data 'storage' and 'processing' systems which contribute to the development of an information market against a background of exponential growth in the amount of information generated and processed annually in all sectors of activity. It follows that the expression 'investment in ... the obtaining, verification or presentation of the contents' of a database must be understood, generally, to refer to investment in the creation of that database as such.

(31) Against that background, the expression 'investment in ... the obtaining ... of the contents' of a database must, as William Hill and the Belgian, German and Portuguese Governments point out, be understood to refer to the resources used to seek out existing independent materials and collect them in the database, and not to the resources used for the creation as such of independent materials. The purpose of the protection by the *sui generis* right provided for by the directive is to promote the establishment of storage and processing systems for existing information and not the creation of materials capable of being collected subsequently in a database.

(32) That interpretation is backed up by the 39th recital of the preamble to the directive, according to which the aim of the *sui generis* right is to safeguard the results of the financial and professional investment made in 'obtaining and collection of the contents' of a database. As the Advocate General notes in points 41 to 46 of her Opinion, despite slight variations in wording, all the language versions of the 39th recital support an interpretation which excludes the creation of the materials contained in a database from the definition of obtaining.

(33) The 19th recital of the preamble to the directive, according to which the compilation of several recordings of musical performances on a CD does not represent a substantial enough investment to be eligible under the *sui generis* right, provides an additional argument in support of that interpretation. Indeed, it appears from that recital that the resources used for the creation as such of works or materials included in the database, in this case on a CD, cannot be deemed equivalent to investment in the obtaining of the contents of that database and cannot, therefore, be taken into account in assessing whether the investment in the creation of the database was substantial.'<sup>[48]</sup>

Clearly, according to the European Court of Justice investment in 'creating' data does not count towards 'investment' in any database containing such data. Compilations of such 'synthetic' data, therefore, will therefore not

qualify for database right unless some *additional* 'substantial investment', for instance in presenting or verifying the database, can be demonstrated. Admittedly, such investment will not be difficult to achieve, and producers of sole-source databases will be quick to realize this. However, the Court's strict interpretation of the 'substantial investment' test is important in that it prevents the database right from being abused to convert the natural monopoly of a public service (utility) provider into a near-perfect legal monopoly in derivative information markets. For anyone concerned with freedom of competition in the information society, this is good news.

## Conclusion

Although the recent decisions of the European Court of Justice in the database right cases seem to have rounded off the sharpest edges of the database right, its potential for abuse in other cases not directly involving 'synthetic' data remains largely intact. What to make, for instance, of the database rights of large scientific publishers, such as Reed Elsevier, or of descriptions of the human genome by commercial scientific entrepreneur, such as Celera? Here, the 'spin-off' arguments that saved the day for the betting agencies, would not appear to add up to all that much. Of course, one could argue that scientific databases are compilations of 'created' data, but whether the European Court would be willing to stretch its 'creation doctrine' that far, is unsure. Distinguishing between data 'creation' (generation) and data 'obtaining' (gathering) raises philosophical questions well beyond the ambit of intellectual property and competition law.

Moreover, the European Court's curtailment of the database right does not, and cannot, solve the problem of *de facto* monopolization of data by sole-source database producers. Even without the legal back-up of a database right, a broadcasting station or a public telephony provider will be able to control the distribution of its own 'sole-source' data, either by contractual means and/or by applying technological measures or access control. What a would-be competitor needs under such circumstances is not a compulsory license or an absence of database right altogether, but an obligation on the part of provider to actually deliver the data under fair and non-discriminatory terms. Such obligations exist, for instance, in the realm of telecommunications law.<sup>[49]</sup>

The European Court's decisions do not deal directly with the application of competition law to abuses of the database right, and therefore do not provide guidance in this respect. What we can learn from the Court's reasoning, however, is that the primary rationale (or purpose) of the new right is to *promote* investment, rather than to *reward* it. This has indirect ramifications for any analysis, either under national or European competition law, of alleged abusive conduct. Any such conduct will have to be assessed in the light of the database right's 'specific object' (function). Any conduct that would clearly contravene the stated purpose of the database right would, therefore, run the risk of being disqualified as being anticompetitive.

Unfortunately, the Database Directive has turned a blind eye towards cases of anticompetitive behaviour. What is left in the Directive from the First Proposal's compulsory licensing provisions, is Article 16 § 3 obligating the European Commission to submit a report on the application of the Directive to the other organs of the European Communities, with special focus on possible abuses of the sui generis right. The report, which was due by 2001, appears to have been postponed indefinitely. As the *NOS v. De Telegraaf* saga, which may continue for many years to come, has amply demonstrated, the importance of internalizing rules of competition law, such as provisions on compulsory licensing, by codifying such rules in the law of intellectual property in as much detail as possible, cannot be overstated. Indeed, in patent law, where compulsory licensing is a regular and essential remedy against overreaching rights, such provisions have found their way into the statute books already many years ago. Even if the European Court of Justice has now downsized the database right to less draconic proportions, it would be good for the information market in Europe, database users and producers alike, if a regime of compulsory licensing would make a come-back in a soon-to-be amended Database Directive.

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## Notes

[1] This article is partly based on P. Bernt Hugenholtz, 'Program Schedules, Event Data and Telephone Subscriber Listings under the Database Directive - The 'Spin-Off' Doctrine in the Netherlands and elsewhere in Europe', paper presented at Eleventh Annual Conference on International IP Law & Policy, Fordham University School of Law, New York, 14-25 April 2003.

[2] Directive 96/9/EC of the European Parliament and of the Council on the legal protection of databases, 11 March 1996, OJ No. L 77/20 of 27 March 1996.

[3] The most recent U.S. bill is the Database and Collections of Information Misappropriation Bill, HR 3261.

- [4] See online overview of database right case law by Institute for Information Law, 'The Database Right File', available at <http://www.ivir.nl/files/database/index.html>.
- [5] See e.g. ADV-Firmenbuch, Austrian Supreme Court (Oberste Gerichtshof), 9 April 2002 (Republic of Austria's refusal to license data from public trade register considered abuse of database right), available at <http://www.ivir.nl/files/database/index.html>. See A. Kamperman Sanders, 'Intellectuele eigendom na HvJEG IMS Health / NDC Health: de dwanglicentie in opmars?', 28 [2004] AMI 124-132.
- [6] See P.B. Hugenholtz, 'Implementing the Database Directive', in: Jan J.C. Kabel and Gerard J.H.M. Mom (eds.), *Intellectual Property and Information Law - Essays in Honour of Herman Cohen Jehoram*, The Hague/Londen/Boston, p. 183.
- [7] Submission from the European Community and its Member States on the legal protection of databases, 22 November 2002, [http://europa.eu.int/comm/internal\\_market/en/intprop/news/wipo-protection-db\\_en.pdf](http://europa.eu.int/comm/internal_market/en/intprop/news/wipo-protection-db_en.pdf).
- [8] Stephen M. Maurer, P. Bernt Hugenholtz and Harlan J. Onsrud, 'Europe's Database Experiment', 2001 *Science* 789-790; James Boyle, 'A natural experiment', *Financial Times*, 22 November 2004.
- [9] See court decisions collected by Institute for Information Law, 'The Database Right File', <http://www.ivir.nl/files/database/index.html>.
- [10] Explanatory Memorandum, p. 19.
- [11] *MIDI files*, District Court (Landgericht) Munich, 30 March 2000, [2000] *Computer und Recht* 389, note M. Lehmann.
- [12] *Wegener v. Hunter*, Court of Appeal Leeuwarden, 27 November 2002, 27 [2003] AMI 59-63, note P.B. Hugenholtz.
- [13] Council Directive 91/250 on the legal protection of computer programs, OJ L 122/42 of 17 May 1991.
- [14] *Mars v. Teknowledge*, High Court, Chancery Division, 11 June 1999, [1999] EIPR N-158.
- [15] Recital 40.
- [16] Explanatory Memorandum, p. 52.
- [17] Recitals quoted below, note 46.
- [18] Recitals 45 and 46 read as follows: '(45) Whereas the right to prevent unauthorized extraction and/or re-utilization does not in any way constitute an extension of copyright protection to mere facts or data; (46) Whereas the existence of a right to prevent the unauthorized extraction and/or re-utilization of the whole or a substantial part of works, data or materials from a database should not give rise to the creation of a new right in the works, data or materials themselves; [...]'
- [19] J.H. Reichman and P. Samuelson, 'Intellectual property rights in data?', 50 *Vanderbilt Law Review* 51, at 81 (1997).
- [20] Traces of the sui generis right's origins in unfair competition law remain visible in the Directive. For instance, Recital 6 explains the need for the creation of the right 'in the absence of a harmonized system of unfair-competition legislation or of case-law'.
- [21] H.M.H. Speyart, 'De databank-richtlijn en haar gevolgen voor Nederland (II)', [1996] *Informatierecht/AMI* p. 176.
- [22] Jens L. Gaster, 'The EU Council of Ministers' common position concerning the legal protection of databases: a first comment', [1995] EIPR 259.
- [23] Proposal for a Council Directive on the Legal Protection of Databases, COM (92)24 final, Brussels, 13 May 1992, OJ 1992 C156/4. Article 8 § 1 and 2.
- [24] S. van Loon, *Databankenrecht en mededinging*, ITeR Reeks 67, The Hague: SDU 2004, 22-23. Proposal for a Council Directive on the Legal Protection of Databases, COM (92)24 final, Brussels, 13 May 1992, OJ 1992 C156/4, Explanatory Memorandum, § 8.1.
- [25] *RTE v. Commission of the European Communities*, European Court of Justice, 6 April 1995, 1 C.E.C. 400.
- [26] Note that the Magill case did not concern abuse of database right proper. When the case was brought before the national and European courts, the database right was still *in statu nascendi*. In the United Kingdom and Ireland, where copyright law requires the investment of 'skill and labour', not 'creativity' as in continental Europe, compilations of data were at the time safely protected by copyright. This may no longer be true after implementation of the Database Directive. The Directive does not allow the survival of copyright protection for databases that do not reflect 'intellectual creation'; see Art. 3.1 of the Directive: 'No other criteria shall be applied to determine their eligibility for that protection.' Presumably, this would rule out copyright protection for television program listings and the like.
- [27] *IMS Health v. NDC Health*, European Court of Justice, 29 April 2004, Case C-418/01.
- [28] See cases discussed in A. Kamperman Sanders, 'Intellectuele eigendom na HvJEG IMS Health / NDC Health: de dwanglicentie in opmars?', 28 [2004] AMI 124-132.
- [29] *De Telegraaf v. NOS and HMG*, Netherlands Competition Authority (Nederlandse Mededingingsautoriteit), 10 September 1998, [1998] *Mediaforum* 304.
- [30] *NOS v. De Telegraaf*, Court of Appeals of The Hague 30 January 2001, [2001] *Mediaforum* 90, affirmed Supreme Court of the Netherlands (Hoge Raad) 6 June 2003, [2003] AMI 141, note K.J. Koelman.
- [31] *NOS v. Dutch Competition Authority*, College van Beroep voor het Bedrijfsleven 15 July 2004, Case AWB 03/132.

- [32] *De Telegraaf v. NOS and HMG*, Netherlands Competition Authority (Nederlandse Mededingingsautoriteit), 10 September 1998, [1998] Mediaforum 304.
- [33] Act of 8 July 1999, Staatsblad 1999, 303, effective 21 July 1999.
- [34] Parliamentary report of 13 October 1998, Second Chamber of Parliament, TK 26108 no. 5, p. 4-5.
- [35] Memorandum in reply to Parliamentary report of 22 December 1998, Second Chamber of Parliament, TK 26108 no. 6, p. 5.
- [36] See inter alia *NOS v. De Telegraaf*, Court of Appeals of The Hague 30 January 2001, [2001] Mediaforum 90, note T.F.W. Overdijk; [2001] AMI 73, note H. Cohen Jehoram; see discussion of Dutch case law by Hugenholtz, note 5; see also S. van Loon, note 22, and E. Derclaye, [2004] EIPR 402-413.
- [37] High Court of Justice, Ch. Div., 9 February 2001, Case No. HC 2000 1335, § 33-34.
- [38] Case C-203/02, Official Journal of the EC 180/14 of 27 July 2002;
- [39] *Fixtures v. Veikkaus*, District Court of Vantaa, 1 February 2002, Case 99/4899, unofficial English translation at [http://www.ivir.nl/files/database/VantaanKO.010202.EC\]pääätös.käännös.doc](http://www.ivir.nl/files/database/VantaanKO.010202.EC]pääätös.käännös.doc)
- [40] Case C-46/02.
- [41] Case C-338/02.
- [42] '(10) Whereas the exponential growth, in the Community and worldwide, in the amount of information generated and processed annually in all sectors of commerce and industry calls for investment in all the Member States in advanced information processing systems; (11) Whereas there is at present a very great imbalance in the level of investment in the database sector both as between the Member States and between the Community and the world's largest database-producing third countries;
- (12) Whereas such an investment in modern information storage and processing systems will not take place within the Community unless a stable and uniform legal protection regime is introduced for the protection of the rights of makers of databases;'
- [43] Stephen M. Maurer, P. Bernt Hugenholtz and Harlan J. Onsrud, 'Europe's Database Experiment', 2001 *Science* 789-790.
- [44] T.F.W. Overdijk, [2002] Mediaforum 185 .
- [45] Merriam-Webster Collegiate Dictionary, <http://www.m-w.com/dictionary.htm>.
- [46] '(45) Whereas the right to prevent unauthorized extraction and/or re-utilization does not in any way constitute an extension of copyright protection to mere facts or data;
- (46) Whereas the existence of a right to prevent the unauthorized extraction and/or re-utilization of the whole or a substantial part of works, data or materials from a database should not give rise to the creation of a new right in the works, data or materials themselves;'
- [47] European Court of Justice, 9 November 2004, joint cases C-46/02, C-338/02 and C-442/02.
- [48] European Court of Justice, 9 November 2004, C-203/02 (*BHB v. William Hill*), par. 29-33.
- [49] See European Court of Justice, 25 November 2004, Case C-109/03 (*KPN v. OPTA*).