The Database Protection Debate in the 106th Congress

JONATHAN BAND*
MAKOTO KONO**

During the 106th Congress, two database protection bills were pending before the U.S. House of Representatives: H.R. 354,[1] introduced by Representative Howard Coble (6th District of North Carolina), and H.R. 1858,[2] introduced by Representative Tom Bliley (7th District of Virginia). These bills differed significantly in approach and scope. This paper summarizes the background of the debate, compares the two bills, and discusses the possible global ramifications of legislation in this area.

I. BACKGROUND

A. *The Status Quo*

Historically, America's basic information policy has been that facts reside in the public domain. This allows a second-generation publisher to extract facts from an existing compilation for reuse in its own compilation. Facts are viewed as the building blocks of knowledge that everyone is free to use and reuse.

Nonetheless, a database publisher has four ways of protecting his investment in collecting facts. First, the publisher can rely on copyright. Copyright protects the original selection, coordination, and arrangement of the facts in a compilation, but not the facts themselves. Thus, copyright usually prevents the wholesale copying of a database—which typically contains at least a minimal amount of original expression—but not the extraction and reuse of individual facts.

Second, the publisher can rely on contracts. Many databases, particularly online databases, are distributed subject to license agreements under which the licensee—the user—agrees not to re-disseminate the information.

Third, the publisher can rely on state common law misappropriation. Under this doctrine, the collector can prevent competitors from copying "hot-news" or other time sensitive information.[3] Additionally, courts are increasingly recognizing claims of "trespass to chattels" when information is extracted without authorization from a website.[4]

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* Jonathan Band, Morrison and Foerster, Washington, D.C.

** Makoto Kono, Fujitsu Limited, Tokyo, Japan.

1 Collections of Information Antipiracy Act, H.R. 354, 106th Cong. (1999).

2 The Consumer and Investor Access to Information Act, H.R. 1858, 106th Cong. (1999).

3 *See* NBA v. Motorola, 105 F.3d 841 (2d Cir. 1997).

4 *See* eBay, Inc. v. Bidder's Edge, Inc., 100 F.Supp. 2d 1058 (N.D. Cal. 2000).

Fourth, the publisher can rely on technological measures. These measures are particularly effective with respect to online databases, where the publisher can limit the user's access to relatively small amounts of information at any one time. These limitations impede the copying of the database as a whole. Technological measures now receive legal protection under the Digital Millennium Copyright Act (DMCA).[5] The DMCA created a new chapter 12 to the Copyright Act, which prohibits the manufacture and sale of devices that are designed to circumvent technological protection measures.

B. *The* Feist *Decision*

Until 1991, the collector could rely on yet another legal doctrine: "sweat of the brow." In a few circuits, courts interpreted the Copyright Act[6] as preventing the copying of facts in a compilation in which there were no original elements in selection or arrangement.[7] Courts in these jurisdictions thought it was unfair and unwise to afford no protection to the efforts of people who assembled plain vanilla directories. It is important to note that "sweat of the brow" was largely a stop-gap measure; courts typically applied it to compilations that lacked any expression and that were copied in their entirety.

In 1991, however, in *Feist v. Rural Telephone*,[8] the Supreme Court found the sweat of the brow doctrine unconstitutional. A unanimous Court held that under the copyright clause of the Constitution, copyright protection could extend only to expressive elements in compilations and that effort without creativity could not convert facts into expression. Notwithstanding the unconstitutionality of the sweat of the brow doctrine, the database industry in the U.S. has continued to grow, largely because of the protection afforded by copyright, contract, state common law, and technology, as discussed above. Nonetheless, some database publishers have sought to restore the protection afforded by the sweat of the brow doctrine.

C. *EU Database Directive*

This effort gained significant momentum in 1996, when the European Union adopted its Database Directive.[9] Under this regime, a second-generation publisher

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[5] Pub. L. No. 105-304, 112 Stat. 2860 (1998) (codified in scattered sections of 17 U.S.C.); H.R. 2281, 195th Cong. (1998). Title I of the DMCA, 17 U.S.C. §§ 1201–05, amended title 17 of the United States Code to implement the World Intellectual Property Organization Copyright Treaty and Performance and Phonograms Treaty.

[6] 17 U.S.C. § 101 et seq.

[7] *See* Harper House, Inc. v. Thomas Nelson, Inc., 889 F.2d 197 (9th Cir. 1989); Hutchinson Tel. Co. v. Fronteer Directory Co., 770 F.2d 128 (8th Cir. 1985).

[8] 499 U.S. 340 (1991).

[9] Council Directive 96/9/EC of 11 March 1996 on the Legal Protection of Databases, 1996 O.J. (L77) 20.

could not extract or reuse a qualitatively or quantitatively substantial part of a first generation database, even if the second publisher did not extract or reuse any protectable expression. The Database Directive's sui generis protection is available only on a reciprocity basis. That means a non-EU publisher can receive the heightened level of protection only if the publisher's country of origin afforded an equivalent level of protection. In other words, if the U.S. does not enact database legislation on par with the Database Directive, then U.S. publishers cannot receive this added protection in Europe.

There is, however, a loophole in this reciprocity requirement. If a non-EU publisher has a subsidiary operating in the EU, then databases distributed by the subsidiary should be able to receive the heightened protection.

In response to the EU Directive, Representative Carlos Moorhead (27th District of California) introduced H.R. 3531[10] in the 104th Congress. H.R. 3531 would have established a *sui generis* database protection regime even more stringent than that of the Directive; H.R. 3531 proposed a twenty-five-year term of protection, while the Directive establishes a fifteen-year term of protection. H.R. 3531 died with the end of the 104th Congress without further discussion.

Additionally, the EU and the U.S. Patent and Trademark Office suggested that a database treaty modeled on the EU Database Directive be placed on the agenda of the 1996 World Intellectual Property Organization (WIPO) Diplomatic Conference. At the beginning of the conference, however, discussion of a database treaty was deferred because too many other items relating to the Copyright Treaty and the Performances and Phonograms Treaty needed to be resolved. Moreover, representatives from other regions contended that discussion of a database treaty was premature.

D. *H.R. 2652*

In the 105th Congress, database protection reappeared in the form of H.R. 2652,[11] introduced by Representative Howard Coble, Chairman of the House Subcommittee on Courts and Intellectual Property. Although the legislation was styled as a misappropriation bill based on a tort rather than an intellectual property right theory, the substantive tests were almost identical to those of H.R. 3531. H.R. 2652 received support only from a limited number of large database publishers such as Reed Elsevier (the Anglo-Dutch owner of Lexis-Nexis) and Thomson (the Canadian owner of West).

Value-added publishers and the science, education, and library communities argued that H.R. 2652 was unnecessary—that copyright, contract, common law misappropriation, and technology provided databases with adequate protection.

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[10] Database Investment and Intellectual Property Antipiracy Act of 1996, H.R. 3531, 104th Cong. (1996).

[11] Collections of Information Antipiracy Act, H.R. 2652, 105th Cong. (1997).

Moreover, these opponents contended that the database industry was healthy and that there was no market failure that required legislative correction.

Nonetheless, H.R. 2652 passed the House twice—once as a stand-alone bill, and the second time as part of the House's version of the Digital Millennium Copyright Act. At this point, the Department of Commerce, the Department of Justice, and the Federal Trade Commission all registered serious concerns with the bill.[12] In the House-Senate conference on the DMCA in the closing days of the 105th Congress in October 1998, the database portion was dropped.[13]

II. THE DATABASE BILLS BEFORE THE 106TH CONGRESS

A. *H.R. 354: The Collections of Information Antipiracy Act*

On January 19, 1999, Chairman Coble introduced H.R. 354, which was very similar to H.R. 2652. Under H.R. 354, a person could not (i) make available to others (ii) a substantial part (iii) of a collection of information gathered or maintained by another person through the investment of substantial resources (iv) so as to cause material harm to the primary or related market for a product or service containing that collection of information. Additionally, one could not extract a substantial part of a collection of information so as to cause material harm to the primary market for the collection of information. The goal of the legislation was to protect the investment in databases by restoring the sweat of the brow doctrine and ensuring protection for U.S. publishers under the EU Database Directive through the establishment of a comparable regime here.

Many of the specific problems identified by the critics of H.R. 2652 existed in H.R. 354 as well. According to these critics, H.R. 354 went far beyond preventing database piracy and prevented legitimate reuse of information for socially valuable purposes. Specifically, given the ambiguity of the term "substantial part," the second-generation publisher is at risk whenever he extracts any information from an existing database; he has no way of knowing what the first publisher, or a court, will consider "substantial."

Further, most, if not all value-added databases harm a "related market" for a product containing the first collection of information. Indeed, the market for a value-added database almost by definition is a related market for a product containing the collection of information. H.R. 354 contained a "reasonable use" provision not found in H.R. 2652, but its terms were so vague as to provide little comfort to most value-added publishers.

Another concern identified by opponents of H.R. 354 was sole source databases. For many database markets, there is no feasible way for another person

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12 *See* DATABASE DATA, DATABASE LAW IN THE 105TH CONGRESS, *at* http://www.databasedata.org/copytoc/105links/105links.html (last modified Sept. 13, 2000).

13 Pub. L. No. 105-304, 112 Stat. 2860 (1998).

to collect the information independently. This may be because the information is historical, and thus can be found only in an existing database, or because the publisher has a special relationship with the producer of the information. The protection afforded by H.R. 354 would have guaranteed these publishers monopoly prices.

A final major concern was that notwithstanding the fifteen-year term limit, H.R. 354 as a practical matter conferred perpetual protection for databases. This would particularly be the case with dynamic online databases, where the second publisher has no way of knowing for which portions of the database has protection expired.

For these reasons, the opponents of H.R. 354 believed it would inflict serious harm on many sectors of the economy that rely heavily on access to information. Financial publishers such as Bloomberg and Dun & Bradstreet concluded that H.R. 354 would increase the cost of the information they incorporate in their products. Similarly, scientists felt that H.R. 354 would destroy the culture of sharing information which is so integral to scientific progress and has maintained U.S. scientific competitiveness for many decades.

In March 1999, the Intellectual Property Subcommittee held a hearing on H.R. 354. The subcommittee "marked-up" the bill in May 1999, and a few days later the full Judiciary Committee adopted it with no substantive debate.[14]

B. *H.R. 1858: The Consumer and Investor Access to Information Act*

On May 19, 1999, Representative Tom Bliley, Chairman of the House Commerce Committee; Ranking Member Representative John Dingell; and the chairmen and ranking members of the Telecommunications and Finance Subcommittees, jointly introduced H.R. 1858, the Consumer and Investor Access to Information Act.[15] H.R. 1858 targeted parasitical copying of databases, without prohibiting reuse of information to create new kinds of databases.[16] Specifically, this bill prohibited a person from distributing a duplicate of someone else's database in head-to-head competition with the first database.[17]

By establishing a narrower prohibition than H.R. 354, H.R. 1858 did not prevent reuse of information in innovative databases. It dealt with the sole source database problem by prohibiting misuse of the new protection. It eliminated the chilling effect of frivolous litigation by vesting enforcement authority in the

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[14] *See* H.R. Rep. No. 106-349, pt. 1, at 12 (1999).

[15] H.R. 1858, 106th Cong. (1999).

[16] *See id.*

[17] *See id.* § 102.

Federal Trade Commission rather than private parties. H.R. 1858 also had a more comprehensive exemption for online service providers than H.R. 354.[18]

This narrow approach had widespread support among financial publishers, the science, education, and research communities, Internet companies, and large corporate users of information. They believed that this bill successfully balanced concerns about database piracy with the need to use previously gathered information as a foundation for new products.

The Telecommunications and Finance Subcommittees held hearings on H.R. 1858 during June 1999.[19] Those hearings highlighted the difference between the two bills, and emphasized that the Judiciary Committee and the Commerce Committee view the issue of database protection from different perspectives. The Judiciary Committee is more concerned with protecting the publishers' investment, while the Commerce Committee is more concerned with ensuring the availability of information necessary for commercial activity.

H.R. 1858 was marked up in the Telecommunications and Finance Subcommittees in July 1999. It was considered and passed by the full Commerce Committee in early August 1999.

C. *Senate Action*

On January 19, 1999, Orrin Hatch, Chairman of the Senate Judiciary Committee, placed a statement concerning database protection in the *Congressional Record*.[20] He attached to his statement, for discussion purposes, three alternative bills: an early draft of H.R. 354; an early draft of H.R. 1858; and a draft his staff had produced during the 105th Congress based on H.R. 2652. To date, none of these bills has been formally introduced in the Senate.

Further, John McCain, Chairman of the Senate Commerce Committee, introduced S. 95, also on January 19, 1999.[21] While the other bills discussed above proposed *increased* protection for databases, the McCain bill headed in the other direction. It prohibited any limitation on the dissemination, by any medium of mass communication, of stock trading information.[22]

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[18] *Compare id.* § 104(b), *with* Collections of Information Antipiracy Act, H.R. 354, 106th Cong. § 1404(c) (1999).

[19] *See generally The Consumer and Investor Access to Information Act of 1999: Hearing on H.R. 1858 before the Subcommittee on Telecommunications, Trade, and Consumer Protection of the Committee on Commerce*, 106th Cong. (1999) [hereinafter *Subcommittee on Telecommunications*]; *The Consumer and Investor Access to Information Act of 1999: Hearing on H.R. 1858 Before the Subcommittee on Finance and Hazardous Materials of the Committee on Commerce*, 106th Cong. (1999).

[20] 145 CONG REC. S316–326 (daily ed. Jan. 19, 1999) (statement of Senator Hatch).

[21] *Id.* at S530 (introducing the Trading Information Act).

[22] *Id.* Senator McCain stated that "Americans must continue to have unfettered access to . . . vital information" and that the Trading Information Act will help to ensure that access. *Id.*

The stock exchanges, particularly the New York Stock Exchange and NASDAQ, had signaled support for H.R. 354. Financial publishers such as Bloomberg, as well as stock brokerages such as Charles Schwab & Co., feared that the exchanges would use broad database protection like H.R. 354 to increase the price of the live feeds of stock quotes, and otherwise restrict the downstream use of this information. The drafters of S. 95 intended to resolve this dispute by making stock information even more available than it is currently.[23]

D. *Clinton Administration Position*

The Clinton Administration concluded that there was a gap in existing protection for databases that needs to be filled. It raised specific concerns with the language of both H.R. 354 and H.R. 1858. With respect to H.R. 354, the Administration believed that its scope was too broad.[24] It believed that only acts of commercial distribution should be prohibited, and not acts of extraction without further dissemination to the public. It had continued concerns regarding perpetual protection and sole source databases. It also believed the definitions of terms such as "related markets" needed to be tightened. The Administration stressed that these concerns needed to be addressed in part to ensure that the legislation did not run afoul of the First Amendment of the United States Constitution. The Department of Justice in particular feared that restrictions on the use of information could violate the fundamental right of free speech.

The Clinton Administration also voiced concerns with respect to H.R. 1858.[25] It stated that some terms were too broadly defined, and could result in over-protection. At the same time, it claimed the absence of a private cause of action would result in under-protection. It strongly applauded H.R. 1858's focus on commercial misappropriation.

The Clinton Administration never signaled its preference of one bill over the other. This is not surprising given that the debate between the two bills has evolved in some measure into a political battle between two very powerful congressional committees.

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[23] Although S. 95 targeted only stock trading information, Senator McCain indicated that he was interested in the broader database issue.

[24] *Collections of Information Antipiracy Act: Hearing on H.R. 354 before the House Subcommittee on Courts and Intellectual Property*, 106th Cong. (Mar. 18, 1999) (statement of Andrew J. Pincus, General Counsel, United States Department of Commerce) (on file with Author).

[25] *See Subcommittee on Telecommunications*, *supra* note 19 (statement of Andrew J. Pincus, General Counsel, United States Department of Commerce).

E. *Federal Trade Commission Position*

On June 30, 1999, the Federal Trade Commission (FTC) issued testimony concerning H.R. 1858.[26] The testimony stated that H.R. 1858 successfully addressed many of the concerns the FTC had raised in 1998 with respect to H.R. 2652, the predecessor to H.R. 354. The FTC testimony identified a few areas where the language of H.R. 1858 was ambiguous, particularly in the misuse section.[27] The FTC also questioned whether it had sufficient resources to enforce H.R. 1858's prohibitions.[28]

F. *Legislative Stalemate*

After the House Commerce Committee passed H.R. 1858 in August 1999, database legislation in the 106th Congress ground to a halt. Rather than choosing between H.R. 354 and H.R. 1858, the House Rules Committee and the House Republican leadership urged the two committees to reach a consensus. Intermittent negotiations between the committee staffs failed to produce a compromise and both bills died with the end of the 106th Congress.

III. INTERNATIONAL DIMENSIONS

A. *Reciprocity under the EU Database Directive*

Proponents of H.R. 354 argued that H.R. 1858 did not offer comparable protection to the EU Database Directive and therefore will not lead to reciprocal protection under the Directive.[29] The Administration publicly stated that the U.S. should decide for itself what level of protection is appropriate for databases, and not worry about comparability with the Directive. Underlying this position was the realization that reciprocal protection was the outcome of a *political* process involving negotiations between the U.S. and the EU. In other words, the substantive merits of comparability are a minor, if not insignificant, factor in this political process.

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[26] *See Subcommittee on Telecommunications*, *supra* note 19, at 78–88 (prepared statement of the Federal Trade Commission).

[27] *See id.*

[28] *See id.*

[29] Council Directive 96/9/EC of 11 March 1996 on the Legal Protection of Databases, 1996 O.J. (L77) 20.

B. *WIPO Deliberations*

As noted above, the WIPO in 1996 decided not to consider a database treaty at the Diplomatic Conference. Since 1998, the WIPO has held two sessions of the Standing Committee on Copyright and Related Rights to study the subject, and database protection was on the agenda of regional meetings co-sponsored by the WIPO during the summer of 1999. While currently there seems to be no significant momentum to deliberate the database protection issue in the WIPO, it is likely that WIPO will pursue a database treaty after the U.S. enacts legislation. This is because the U.S. at that time probably will join together with the EU in placing great pressure on the WIPO to consider a database treaty very seriously. A database treaty will prove controversial because the developing world will view it as yet another stratagem by the developed world to impede the developing world's progress.

IV. CONCLUSION

The drafters of database bills before the 106th Congress sought to head the database industry, and arguably the economy as a whole, in dramatically different directions. While H.R. 354 would have granted first-generation publishers a new weapon against piracy, it would have also provided them with unprecedented control over downstream competition. At the other end of the spectrum, S. 95 indicated that the database debate imposed risks on first generation publishers. Congress may very well decide to deprive them of some of the protections they now have. As noted above, many database publishers are de facto monopolists, and Congress is appropriately suspicious of monopolies in the Information Age. In between these two extremes, H.R. 1858 provides an incremental increase of protection to first-generation publishers against pirates, without constraining legitimate activities by second-generation publishers.

Balance in this area is critical. Information is the oxygen of the new economy; drastic changes to information policy will hinder the expansion of the Internet, impede research, and stifle entrepreneurship and innovation. As Chairman Hatch stated, the U.S. Congress will consider the database issue within the context of the "national Internet policy."

The EU adopted the Database Directive with relatively little public participation. The database debate in the U.S., by contrast, has involved all stakeholders, including database publishers, Internet companies, commercial users, libraries, universities, science organizations, and a range of financial institutions. Accordingly, discussion of these issues has been far more robust in the U.S., and is far more likely to produce a balanced result. Therefore, anyone in a country without such discussion should closely monitor U.S. developments.

As the debate proceeds in the U.S. and abroad, certain threshold questions must be kept in mind: (1) Is additional protection truly needed?; (2) if so, what is the harm which needs to be addressed?; and (3) is the legislation designed to cure this harm drafted narrowly enough so as not to have unintended negative consequences? Furthermore, discussion of the database protection issue should reflect other fundamental domestic policies such as future development of the economy and technology.