

4-1-2007

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Recommended Citation

Philip J. Cardinale, *Sui Generis Database Protection: Second Thoughts in the European Union and What It Means for the United States*, 6 Chi. -Kent J. Intell. Prop. 157 (2007).

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SUI GENERIS DATABASE PROTECTION: SECOND THOUGHTS IN THE EUROPEAN UNION AND WHAT IT MEANS FOR THE UNITED STATES

Philip J. Cardinale*

Introduction

On March 11, 1996, the European Parliament and the Council of the European Union adopted Directive 96/9/EC on the legal protection of databases.¹ The E.U. Database Directive, as it is commonly called, had three chief aims: (1) “to remove existing differences in the legal protection of databases by harmonising the rules that applied to copyright protection,” (2) to “safeguard the investment of database makers,” and (3) to “ensure that the legitimate interests of users to access information compiled in databases were secured.”² To fulfill the first of these aims, the Directive created a uniform standard of originality to facilitate the free flow of database products throughout the E.U. Previously, it had been thought that the European database market had been impeded by different standards of originality among the *droit d’auteur* (or, “right of the author”) member countries, which required “intellectual creation” to ensure copyright protection, and common law member countries, which allowed protection based on the “sweat of the brow,” or substantial investments in compiling and checking factual data.³

In an effort to compromise between these competing thresholds of originality, the Directive established a two-tiered system. The higher level of protection was modeled after the *droit d’auteur* countries’ standard and required all member countries to provide copyright protection to databases that “by reason of their selection or arrangement of their contents constitute the author’s own intellectual creation.”⁴ This “intellectual creation” standard for databases paralleled the language of the U.S. Copyright Act’s definition of a “compilation” as a collection of data that by virtue of its selection, coordination, or arrangement “constitutes an original work of authorship.”⁵

For databases in the E.U. that did not meet the harmonized standard, but were previously afforded copyright protection under “sweat of the brow” doctrines in individual member states, the Directive created a secondary level of protection that gave database owners the option of preventing “the unauthorized extraction and/or re-utilization of all or a substantial

* 3L, George Washington University Law School. I would like to acknowledge Professors Ralph Oman and Gerald Mossinghoff for providing thoughtful critique and feedback in response to a draft version of this essay.

¹ *Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases*, (Mar. 27, 1996), OJ L 27, 20-28 [hereinafter *Directive*]. http://www.eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=en&numdoc=31996L0009&model=guichett

² *DG Internal Market and Services Working Paper: First Evaluation of Directive 96/9/EC on the legal protection of databases*, Commission of the European Communities, Brussels, (Dec. 12, 2005), p. 3 [hereinafter *Working Paper*], http://europa.eu.int/comm/internal_market/copyright/prot-databases/prot-databases_en.htm.

³ *Id.*

⁴ *Working Paper*, *supra* n. 2, at 3; *Directive*, *supra* n. 1, at Art. 3.

⁵ 17 U.S.C. § 101 (2000) (definition of “compilation”).

part of the contents” of their databases.⁶ The Directive titles this the “sui generis” right, adopting a Latin phrase meaning “of its own kind.” The right is defined in Art. 7(1) as:

a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presenting of the contents 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.

The Directive included exceptions to this right for (1) extractions for private purposes from paper databases, (2) extractions for educational and scientific research purposes, and (3) extractions and reutilization for the purposes of public security and/or administrative and judicial procedures.⁷ The term of protection runs for fifteen years from the first of January following the date of completion of the database, or, in the case of a public database, the date it is first made available to the public.⁸

“Sui generis” was an apt title. The right was unique and unprecedented in international law, with no other jurisdiction distinguishing in the same manner between creative and non-creative databases.⁹ Importantly from the perspective of other nations, the 1996 Directive contained a reciprocity provision extending sui generis rights to countries that adopted “comparable protection to databases.”¹⁰ Within months of the passage of 96/9/EC, reciprocal legislation was proposed in the United States. Five years earlier, the U.S. Supreme Court had unanimously rejected the “sweat of the brow” standard as a basis for copyright protection in *Feist v. Rural Telephone* (1991), holding that copyright did not protect the white pages of a phone book that a competitor had copied and included in a larger directory.¹¹ Since that case, the status of non-copyrightable databases and other information collections has been frequently debated in the U.S., leading to calls for the creation of a parallel right. The 1996 E.U. Directive’s reciprocity provision bolstered support for these efforts in the U.S.¹² Over the past decade, the U.S. Congress has periodically debated the value of sui generis database protection, but legislation has not been passed for a variety of reasons, including concerns brought by the scientific and education communities regarding First Amendment freedoms, probable increases in transaction costs for researchers, and deterrence of value-added uses of protected databases.¹³

The E.U. Database Directive has now come up for its first 10-year evaluation, and data users on both sides of the Atlantic are paying close attention to the outcome of this first formal review of the new sui generis right. The early results of this evaluation, given in a DG Internal Market and Services Working Paper published on December 12, 2005, indicate a negative to indifferent assessment. The Working Paper outlines four policy options: (1) repealing the Directive, (2) withdrawing the sui generis right, (3) amending the sui generis provisions, and (4)

⁶ See *Working Paper*, *supra* n. 2, at 3-4; *Directive*, *supra* n. 1, at Recital 41.

⁷ *Directive*, *supra* n. 1, at Art. 9.

⁸ *Id.* at Art. 10.

⁹ *Working Paper*, *supra* n. 2, at 4.

¹⁰ *Directive*, *supra* n. 1, at Recital 56.

¹¹ *Feist Publ'ns, Inc. v. Rural Tel. Svc. Co.*, 499 U.S. 340 (1991).

¹² Julie E. Cohen et al., *Copyright in a Global Information Economy*, 310 (Aspen: 2002).

¹³ *Id.* at 310-11.

maintaining the status quo.¹⁴ Given that three of the four options involve doing away with the sui generis right in its current form, it appears that the concept is undergoing serious reexamination. At the same time, this evaluation is ongoing, and the Working Paper's investigation was in many ways very limited.

The E.U. requested stakeholder submissions on this issue by March 31, 2006, and the results appeared online in late April.¹⁵ The submissions overwhelmingly favor retaining the sui generis right, supporting options three and four by a margin of 52-11. Contributors were split evenly at 26-26, however, between advocates of option 3 (amending the sui generis provisions) and option 4 (preserving the status quo). Within option 3, stakeholders were almost equally divided, at 13-10, between those who wished to tighten and those who wished to loosen the protections of the database right.¹⁶

The present paper seeks to evaluate the reservations that have been expressed within the E.U. regarding sui generis database protection, and particularly considers them in the context of what they might mean for efforts to institute a parallel sui generis scheme within the U.S. Part II of this paper gives background on U.S. case law on "originality" from 1991 onward and then surveys Congressional efforts over the past decade to enact database protection legislation. Part III sets forth a similar analysis for the E.U. over past decade, reviewing the implementation of the sui generis right, case law handed down by the European Court of Justice in November 2004, and finally the current reassessment of 96/9/EC. A final section will then analyze how future U.S. bills, if desirable, might integrate lessons learned from the E.U. experience.

I. U.S. Case Law on "Originality" and Efforts to Adopt Sui Generis Protection

A. The Feist Standard (1991-present)

In *Feist* (1991), the Supreme Court clarified that the Constitution's intellectual property clause requires that databases display a "minimal level of creativity" to ensure protection, and that a "narrow category of works" exists "in which the creative spark is utterly lacking or so trivial as to be virtually nonexistent."¹⁷ A factual compilation, Justice O'Connor wrote, "is copyrightable only to the extent that it features an original selection, coordination, or arrangement" of its component data.¹⁸ In *Feist*, alphabetized listings in a telephone directory's white pages failed this test, and the plaintiff company, which had made substantial investments in compiling the directory, had no remedy under the Copyright Act for a competitor's appropriation of the data. The Court primarily used language from the Copyright Acts of 1909 and 1976 to locate an originality requirement in the Constitution's intellectual property clause.

¹⁴ *Working Paper*, *supra* n. 2, at 25-27.

¹⁵ See "Stakeholder Consultation," available at http://europa.eu.int/comm/internal_market/copyright/prot-databases/prot-databases_en.htm#20060427 (accessed 5/1/06).

¹⁶ *Id.*

¹⁷ U.S. Const. art. I, § 8, cl. 8; *Feist*, 499 U.S. at 358-59.

¹⁸ *Feist*, 499 U.S. at 360; *cf.* 17 USC § 101 (definition of "compilation").

In doing so, it jettisoned labor theories that were traditionally sufficient in many jurisdictions to uphold copyrights for items such as scaled reproductions of statues and bingo cards.¹⁹

The Court was unanimous in *Feist*, and its subsequent denials of certiorari in similar cases suggest that the threshold of originality may be higher than simply not using an alphabetical arrangement, and may rule out common mechanical systems of arrangement in general. For example, the Court let stand an Eleventh Circuit decision that the topical arrangement of the yellow pages in a phone book did not merit protection, as well as a Second Circuit decision that Westlaw's volume and page numbering system was a non-copyrightable aspect of its database.²⁰ On the Roberts Court, Justice Alito wrote in *Southco v. Kanebridge* (3d Cir. 2003) that a manufacturer's part numbering system was uncopyrightable in part because works "produced mechanically using a system with fixed rules" contain no element of "randomness" that reflects the author's "mental conception," arguably suggesting "randomness" as a possible prerequisite for originality.²¹

On the other hand, the Court has also refused to hear an appeal for a case in which copyright protection was granted for a used car price guide on the basis of its sufficient originality in the selection and arrangement of facts used to calculate the prices.²² Similarly, the Ninth Circuit has found that a wholesale price list for collectable coins is copyrightable, and its use as a baseline for a published retail list was infringement, since the calculations of markup prices would be derived in a mechanical manner from the wholesale price list.²³

Nevertheless, there is a degree of confusion over what passes the "creative spark" standard of originality under *Feist*. Some lower courts have interpreted this language as creating a higher bar for creativity, despite the Court's qualification that unprotectable works comprise a "narrow category."²⁴ Of particular concern for database producers have been cases such as *Mid America Title Co. v. Kirk* (1995), in which the Seventh Circuit deemed a database of title commitments not copyrightable, and *Warren Publishing v. Microdos Data Corp.* (1997), wherein the Eleventh Circuit withheld protection for a cable TV "fact book."²⁵ In 1999, a district court judge in the Southern District of New York cited *Feist* in finding that a database of digital images of public domain art lacked sufficient originality to warrant copyright protection, in

¹⁹ See e.g. *Alva Studios, Inc. v. Winninger*, 177 F. Supp. 265 (S.D.N.Y. 1959) (finding sufficient originality in a scaled reproduction of Rodin's "Hand of God"); *In re Stuart Entm't, Inc.*, No. 99-02847-MFW (Bankr. D. Del. filed Aug. 13, 1999) (a company's bankruptcy attributable in part to loss of copyright protection for its bingo cards).

²⁰ *Bellsouth Advertising & Publg. Corp. v. Donnelly Info. Publg., Inc.*, 999 F.2d 1436 (11th Cir. 1993) (en banc), cert. denied, 510 U.S. 1101 (1994); *Matthew Bender & Co. v. West Publg. Co.*, 158 F.3d 693 (2d Cir. 1998), cert. denied, 526 U.S. 1154 (1999).

²¹ *Southco, Inc. v. Kanebridge Corp.*, 390 F.3d 276, 284 (3d Cir. 2001); *Feist*, 499 U.S. at 345.

²² *CCC Info. Servs., Inc. v. Maclean Hunter Mkt. Repts., Inc.*, 44 F.3d 61 (2d Cir. 1994), cert. denied, 516 U.S. 817 (1995).

²³ *CDN Inc. v. Kapes*, 197 F.3d 1256 (9th Cir. 1999).

²⁴ See generally Ralph D. Clifford, *Random Numbers, Chaos Theory, and Cogitation: A Search for the Minimal Creativity Standard in Copyright Law*, 82 Denv. U. L. Rev. 259, 289-90 and n 198 (2004) (for a list of such cases).

²⁵ *Warren Publg., Inc. v. Microdos Data Corp.*, 115 F.3d 1509 (11th Cir. 1997). *Mid Am. Title Co. v. Kirk*, 59 F.3d 719 (7th Cir. 1995).

effect, finding photographs to be unoriginal under U.S. copyright law for the first time in more than a hundred years.²⁶

Several factors in 1996 led to the first U.S. Congressional efforts for database protection legislation. These included the requirement of a higher quantum of creativity in some U.S. jurisdictions following *Feist* and the reciprocity provision in 96/9/EC, but perhaps the most important underlying factor was the rapid growth of the internet and associated technologies for information collections. The rationale usually cited for protecting such compilations was the necessity of protecting investments, coupled with the advantage of bringing U.S. standards in line with the E.U. in order to facilitate trade and eliminate any market advantage that would accrue to European database makers who would enjoy more protection than U.S. competitors. It was also thought that such protection would serve the interests of the Constitution's intellectual property clause by spurring the creation of new information collections.

B. U.S. Proposals for Database Protection Legislation (1996-present)

Feist, however, eliminated any possibility of U.S. sui generis legislation under the Constitution's intellectual property clause. Although the clause states only that Congress shall be empowered "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries," *Feist* affirmed that originality is a constitutional requirement. All U.S. database protection bills, therefore, have been designed to withstand judicial scrutiny under the Commerce Clause. The most recent bills have been careful to frame database protection proposals as a matter of protecting commercial interests, via unfair competition and misappropriation doctrines, rather than property.

As an early advocate of federal database protection put it, the potential clash between these two constitutional clauses was potentially resolvable by ensuring "appropriate and meaningful departures" with respect to the duration and the scope of protection under a U.S. sui generis scheme.²⁷ Under one proposal, this could mean limiting the duration of protection for databases to approximately a decade, and, more importantly, limiting the scope of protection by establishing a compulsory licensing scheme. Database users would be entitled to extract information, but database manufacturers would be guaranteed the right to be paid by third-party users.²⁸ Since information products are not normally covered by trade secret law, database protection legislation would serve commerce clause interests by preventing unfair competition and would create a "functional equivalent of the lead-time protection that trade secrecy laws historically conferred on compilations of applied know-how in the manufacturing era."²⁹

Over the past decade, the U.S. Congress has contemplated efforts to adopt database protection legislation comparable to that of the E.U. on a fairly regular basis, passing legislation

²⁶ *Bridgeman Art Library v. Corel Corp*, 36 F. Supp. 2d 191, 197 (S.D.N.Y. 1999). Cf. *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53 (1884) (holding that photographs were copyrightable).

²⁷ Jane C. Ginsburg, *No "Sweat"? Copyright and Other Protection of Works of Information After Feist v. Rural Telephone*, 92 Colum. L. Rev. 338, 371-2 (1992).

²⁸ *Id.*

²⁹ J.H. Reichman and Pamela Samuelson, *Intellectual Property Rights in Data?*, 50 Vand. L. Rev. 51, 145 (1997).

in the House twice in 1998 and on the House Judiciary Committee in 1999 and 2004, though in the current Congress the issue of database protection has been subordinated to other, often less controversial issues. Legislative efforts to protect databases are likely to remain dormant for the foreseeable future unless a new law or judicial holding pushes this issue to the forefront of public concern.

As has been noted, U.S. Congressional efforts to pass legislation were a response to a convergence of three factors: (1) post-*Feist* uncertainty about protection for database producers, (2) the rapid expansion of the internet as a marketplace for valuable information collections, and (3) the reciprocity clause in Directive 96/9/EC. Of these factors, the E.U.'s reciprocity clause provided the immediate catalyst, due to the expectation that the Directive would put U.S. database producers at a competitive disadvantage. A month before the Directive was adopted in March 1996, a spokesperson for the Information Industry Association (IIA), Barbara Munder, broached the issue in Congress by stating, while testifying on another bill before the House Subcommittee on Courts and Intellectual Property, that, while her organization had long believed that database protection would be necessary in the wake of *Feist*, the need had become urgent in light of the E.U.'s Directive, which if adopted would "eliminate any protection" in the E.U. for U.S.-based factual compilations and potentially allow E.U. electronic database users to abrogate contracts with U.S. providers.³⁰ Three months later, Subcommittee Chairman Carlos Moorhead (R-CA) introduced H.R. 3531, the Database Investment and Intellectual Antipiracy Act of 1996. The bill was modeled closely after 96/9/EC, containing similar language with reference to qualitative and quantitative assessments of databases, though its term of protection was 25 years as opposed to the E.U.'s 15 years. H.R. 3531 was referred by the Subcommittee to the House Judiciary Committee, which did not otherwise discuss it, and the bill was tabled as the 104th Congress concluded.³¹ This bill's provisions were to be consistent with a U.S.-proposed draft treaty under discussion in the World Intellectual Property Organization (WIPO), which was similarly tabled in December 1996.³²

In the 105th Congress (1997-98) a second version of the bill, H.R. 2652, the Collections of Information Antipiracy Act, was passed in the House and introduced in the Senate, coming the closest it has ever been to becoming law. In House hearings on February 23, 1998, the bill's sponsor, the new Courts and IP Subcommittee Chairman, Howard Coble (R-NC), defended the bill against allegations that it was being pushed through Congress on the "fast track."³³ Spokespersons designated by the IIA and the American Medical Association (AMA), along with legal scholar Jane Ginsburg, testified in favor of the bill. The IIA, represented by the general counsel of NASDAQ, Robert Aber, argued that in the financial information industry the bill would fend off unfair competition in the E.U., enhance database investments in the U.S., and fill gaps in the remedies available for database producers under misappropriation and unfair competition laws.³⁴ In particular, Aber pointed to a decision in the previous year that could worsen the effect of *Feist*. In *NBA v. Motorola*, he argued, the Second Circuit had limited the

³⁰ H.R. Jud. Comm., Subcommittee on Courts and IP, *The "NII" Copyright Protection Act of 1995, Hearing on H.R. 2441*, 104th Cong., 2d Sess. (Feb. 7, 1996) (Prepared Testimony of Barbara Munder, Senior VP of the McGraw-Hill Cos., Inc., on behalf of the IIA).

³¹ *IIA Praises Introduction of Database Protection Measure*, PR Newswire (May 30, 1996) (available at LEXIS).

³² Rep. Howard Coble, *Hyperlaw*, <http://www.hyperlaw.com/coble.htm> (accessed Oct. 9, 2006).

³³ *Id.*

³⁴ Robert E. Aber, *Hyperlaw*, <http://www.hyperlaw.com/dbpage.htm> (accessed Oct. 19, 2006).

misappropriation doctrine, establishing that only time-sensitive information taken by a direct competitor could be protected from misappropriation.³⁵ Certain data worthy of protection were historical in nature, he said, and third parties who pirated internet databases could wreak as much havoc as direct competitors, and these third parties were not subject to contract law remedies.³⁶ On the same lines, the financial information industry had engaged in self-help by installing technological protective measures, but these were not failsafe.

Also arguing on behalf of H.R. 2652, the AMA expressed specific concerns regarding its Physicians' Masterfile and Code Procedural Terminology databases, which required substantial investments that were threatened in the U.S. by the line of cases extending from *Feist* and in the E.U. by the implications of 96/9/EC.³⁷ Finally, Dr. Ginsburg, a scholar from Columbia University Law School, asserted that the bill was consistent with previous practices of the copyright office:

From the inception of our copyright law through to the eve of *Feist*, information compilations were, by and large, and regardless of originality, not only covered against direct copying, but in the later decisions were to some extent also protected against indirect competitors' rearrangement of their contents. Courts from the beginning have consistently emphasized at the same time that protection for the compilation conferred no rights in the information itself; second-comers were always free to engage in their own gathering of the same information. If justification for coverage of unoriginal compilations under the 1976 Act began to seem anomalous, many courts and commentators nonetheless concluded that protection was too well-entrenched to abandon. That is why the *Feist* decision provoked such surprise: as the then-Register of Copyrights exclaimed, in *Feist*, the Supreme Court "dropped a bomb."³⁸

More than one speaker referred to the U.S. Copyright Office's position, expressed in an August 1997 report to Congress, that there was a gap under current law after *Feist*.³⁹

Ginsburg's testimony stressed that H.R. 3261 would not create a "new" right, distancing the bill from 96/9/EC and its American parallel in the 104th Congress.⁴⁰ To the contrary, this bill was meant to create a federal misappropriation claim for database providers, and in that way it departed from the European property model for protection. This may have been a contrast in name only, as the bill's opponents widely asserted,⁴¹ but the operative language in § 1202 of S. 2291 – the version of the bill introduced in the Senate – differed from Art. 7(1) of 96/9/EC (cf. the quoted text on page 2 above) in so far as it stressed the harm to commerce rather than the taking of a property right:

³⁵ *NBA v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997).

³⁶ *Id.*

³⁷ Richard F. Corlin, *Hyperlaw*, <http://www.hyperlaw.com/dbpage.htm> (accessed Oct. 19, 2006).

³⁸ Jane C. Ginsburg, *Hyperlaw*, <http://www.hyperlaw.com/ginsburg.htm> (accessed Oct. 19, 2006) (quoting Ralph Oman).

³⁹ U.S. Copyright Office, *Report on Legal Protection for Databases*, August 1997.

⁴⁰ Ginsburg, *supra* n. 39.

⁴¹ See e.g. Jonathan Band, *Hyperlaw*, <http://www.hyperlaw.com/band.htm> (accessed Oct. 19, 2006) (Band argued that H.R. 2652 differed from traditional misappropriation law, and hence was more similar to a property right like H.R. 3531, in that it did not contain similar time restrictions, covered third parties as well as direct competitors, and focused on market harm rather than the undermining of the plaintiff's incentive to collect information); Tim D. Casey, *Hyperlaw*, <http://www.hyperlaw.com/casey.htm> (accessed Oct. 19, 2006).

Any person who extracts, or uses in commerce, all or a substantial part, measured either quantitatively or qualitatively, of a collection of information gathered, organized, or maintained by another person through the investment of substantial monetary or other resources, so as to cause harm to the actual or potential market of that other person, or a successor in interest of that other person, for a product or service that incorporates that collection of information and is offered or intended to be offered for sale or otherwise in commerce by that other person, or a successor in interest of that person, shall be liable...⁴²

The available remedies would have included injunctions, civil actions, monetary fines, and impoundment.

Those testifying against the bill in the House in 1998 included representatives of the Online Banking Association, the Information Technology Association of America, and the Association of Directory Publishers.⁴³ These organizations generally raised concerns about increases in transaction costs for assembling information which would thereby stifle competition. They argued that H.R. 2652 differed from traditional misappropriation law as embodied in *NBA v. Motorola*, and hence was more similar to a property right like H.R. 3531 and the 96/9/EC, for three reasons: (1) it did not contain similar restrictions to “time-sensitive” data, (2) it covered third parties as well as direct competitors, and (3) the language of the bill focused on market harm rather than on undermining a plaintiff’s incentive to collect information.

Despite these protests the bill passed by a voice vote in the House on May 18, 1998, and later that summer was integrated by another voice vote into the draft Digital Millennium Copyright Act (DMCA) referred to the Senate. Thus the House actually passed the bill’s language twice that year. However, the Senate never took up S.2291, and its language was excised during negotiations for the DMCA (S. 2037), which passed in September 1998.⁴⁴

From the 106th Congress (1999-2000) to the present 109th Congress (2005-6), subsequent database protection bills have been defeated by the opposition’s strategy of introducing alternative bills that no lawmakers appear to genuinely want, but through which opponents pay lip service to non-controversial aspects of the issue. Generally, database protection has not been a highly partisan issue, but to the extent that it has been pushed more by one party, the Republicans have pushed notably harder. In 1998, the only time a bill reached the Senate, the bill’s five Senate sponsors were Republicans, led at that time by Majority Leader Trent Lott. The last time a similar database protection bill was voted upon in the House, in 2004, eight of its 10 sponsors and co-sponsors were Republicans, and voting for the bill within the Judiciary Committee broke down on clear partisan lines, with seven of nine Democrats opposing it.⁴⁵

⁴² Sen. 2291, 106th Cong. § 1202 (1998).

⁴³ *Hyperlaw*, <http://www.hyperlaw.com/dbpage.htm> (accessed Oct. 19, 2006).

⁴⁴ Tech L. J., *Rep. Coble Reintroduces Database Protection Bill*, <http://www.techlawjournal.com/intelpro/19990122.htm> (accessed Jan. 22, 2006).

⁴⁵ Tech. L.J., *House Judiciary Committee Approves Database Protection Bill*, <http://www.techlawjournal.com/topstories/2004/20040121.asp> (accessed Jan. 22, 2006).

In the 106th Congress the same bill, renamed H.R. 354, was re-introduced in the first month that Congress came into session.⁴⁶ In a compromise the bill was eventually scaled back from a 25- to a 15-year term of protection, but opponents blocked it by introducing H.R. 1858, the “Consumer and Investor Access to Information Act,” which allowed protection only in very limited circumstances and left enforcement to the Federal Trade Commission (FTC) rather than private causes of action. The Judiciary Committee passed H.R. 354 on May 26, 1999, but it was ultimately rejected by the Energy and Commerce Committee, where the alternative bill had been jointly introduced by the Chairman and Ranking Minority Member.

Supporters regrouped during the 107th Congress (2001-2), and the Chairmen of the Judiciary Committee and the Energy and Commerce Committee, Reps. James Sensenbrenner (R-Wi.) and Billy Tauzin (R-La.) formed an alliance in favor of database protection legislation.⁴⁷ Their collaboration culminated during the 108th Congress (2003-4) in an unusual joint hearing between the Judiciary Committee’s recently-renamed Subcommittee on Courts, the Internet, and Intellectual Property (with “Internet” now added) and the Energy and Commerce Committee’s Subcommittee on Commerce, Trade, and Consumer Protection on September 23, 2003. The new version of the bill under discussion, H.R. 3261, the “Database and Collections of Information Misappropriation Act,” proposed under section 3 that

Any person who makes available in commerce to others a quantitatively substantial part of the information in a database generated, gathered, or maintained by another person, knowing that such making available in commerce is without the authorization of that other person (including a successor in interest) or that other person’s licensee, when acting within the scope of its license, shall be liable for the remedies set forth in section 7 if —

- (1) the database was generated, gathered, or maintained through a substantial expenditure of financial resources or time;
- (2) the unauthorized making available in commerce occurs in a time sensitive manner and inflicts injury on the database or a product or service offering access to multiple databases; and
- (3) the ability of other parties to free ride on the efforts of the plaintiff would so reduce the incentive to produce or make available the database or the product or service that its existence or quality would be substantially threatened.

This bill retained the key prohibition of its most recent predecessors.⁴⁸ However, the limitations of its three subsections corresponded directly to the three objections raised during the 1998 hearings, through which opponents had characterized this legislation as a misappropriation statute in name only and a property right in reality.⁴⁹ This test was modeled after the Second Circuit’s 1997 holding in *NBA v. Motorola*, a holding that had been criticized by a database protection advocate in 1998 as insufficient, but which, in a measure of how far the bill had been pared down, supporters were now willing to accept as federal law.

⁴⁶ Tech. L.J., *Rep. Coble Reintroduces Database Protection Bill*, <http://www.techlawjournal.com/intelpro/19990122.htm>.

⁴⁷ Tech. L.J., *House Judiciary Committee Approves Database Protection Bill*, <http://www.techlawjournal.com/topstories/2004/20040121.asp>.

⁴⁸ Sen. 2291, 106th Cong. § 1202.

⁴⁹ *Cf.* especially, J. Band, *Hyperlaw*, <http://www.hyperlaw.com/band.htm> (accessed Oct. 19, 2006).

The Judiciary Committee approved H.R. 3261 on January 21, 2004 by a vote of 16-7, with voting falling along party lines though two Democrats had supported the bill.⁵⁰ Those favoring the bill were led by Rep. Coble, who was now sponsoring database protection legislation for the third time, as well as by Rep. Lamar Smith (R.-Tex.), who had taken over from Rep. Coble the chairmanship of the Subcommittee on Courts, the Internet, and IP, and who today remains chairman. The opposition was led by Rick Boucher (D.-Va.), who also remains a member of the Subcommittee today.⁵¹ The opponents' strategy extrapolated from supporters' efforts to frame the bill as an appropriate statute rather than an IP right. The competing bill, H.R. 3872, the "Consumer Access to Information Act," codified *NBA v. Motorola*, but it was toothless in the same manner as its predecessor, providing a remedy pursuable only by the FTC rather than private actors.⁵²

Despite Reps. Sensenbrenner and Tauzin's attempts to reconcile their committees, the Energy and Commerce Committee endorsed the alternative bill on March 16, 2004, and Congress has seen no direct deliberation of database protection since then. The joint hearing between these committees, however, gives a frame of reference for determining the distance between the parties.⁵³ At that hearing, the General Counsel of the U.S. Copyright Office, David Carson, reiterated his agency's long held position advocating "an approach to database protection based on a misappropriation or unfair competition rather than an exclusive property rights model," and he characterized H.R. 3261 as a step in a "continuing evolution" toward that goal, a bill which was "designed to codify the standards set forth in the *NBA* case."⁵⁴ He suggested that even this may ultimately be insufficient, and that "serious consideration should be given to protecting more than hot news, but on the other hand, to the extent that the legislation would go beyond the protection of hot news, we are inclined to favor imposing some sort of time limit on the duration of protection for a database."⁵⁵ In an April 2006 email, a representative of Mr. Carson's office confirmed for this paper that the Copyright Office today maintains the position it took in this 2003 testimony, and that it has been monitoring the E.U.'s ongoing review of 96/9/EC, but is not in a position to characterize effects it may have in the U.S.⁵⁶

Interestingly, at the somewhat lengthy 2003 hearing (the full text of which exceeds 150 pages) the European Database Directive was mentioned only once. This occurred in the context of a database protection advocate, Keith Kupferschmid of Software and Information Industry Association (SIIA), noting that U.S. database production had shrunk from 69 to 60 percent of the

⁵⁰ Tech. L.J., *House Judiciary Committee Approves Database Protection Bill*, <http://www.techlawjournal.com/topstories/2004/20040121.asp>.

⁵¹ *Id.*

⁵² Tech. L.J., *House Commerce Committee Approves Alternative Database Bill*, <http://www.techlawjournal.com/topstories/2004/20040224.asp>.

⁵³ Database and Collections of Information Misappropriations: Joint Hearing before the Subcommittee on Courts, the Internet, and Intellectual Property of the Committee on the Judiciary and the Subcommittee on Commerce, Trade, and Consumer Protection of the Committee on Energy and Commerce, House of Representatives, 108th Cong., First Session, Sept. 23, 2003, Serial No. 51 (Committee on the Judiciary), Serial No. 108-46 (Committee on Energy and Commerce). Hereafter "2003 Joint Hearing."

⁵⁴ *Id.* at 10.

⁵⁵ *Id.* at 11.

⁵⁶ Email from Steven M. Tepp, Principal Legal Advisor, U.S. Copyright Office, to the author (April 25, 2006).

market from 1996-2003 following the adoption of the Directive.⁵⁷ The course of this discussion, and the general lack of discussion about international competition, casts doubt on the importance of the E.U.'s current review with regard to the future U.S. policy.

Reached recently via telephone, Mr. Kupferschmid noted that like Congress the SIIA has been inactive since 2004 in pushing database protection legislation. The ongoing European review "really hasn't had any effect whatsoever." "In H.R. 3261 and related legislation we were really pushing a solution that would fit in the context of the United States, and hopefully would obviously grant us protection in the E.U., but our primary purpose, enacted in the U.S., fit the United States." Regarding future database protection bills in Congress, he added: "If we were to get some really bad case, or something happens to provoke us to reintroduce legislation, we would do that, but as of right now, today, there are no such plans."⁵⁸

Asked if there were any pending cases that could prompt SIIA members to renew calls for legislation, Mr. Kupferschmid noted in broad terms three possible scenarios: The first was a case wherein a student or professor sued NASDAQ seeking a declaratory judgment that use of a certain financial database was non-infringement.⁵⁹ NASDAQ made the issue moot by offering use of the database for educational purposes, but if the judge had ruled against NASDAQ it would have created major problems within the software industry. Secondly, Mr. Kupferschmid noted that two consolidated cases being argued at the district court level in the Second Circuit involve McGraw-Hill or Standard & Poor's databases, and though these databases will most likely be protected, the stakes are very high. Finally, he noted *New York Mercantile Exchange, Inc. v. Intercontinentalexchange, Inc.*, 323 F.Supp.2d 559 (S.D.N.Y. 2004) (abbreviated *NYMEX v. ICE*), now on appeal in the Second Circuit. At the district court level, summary judgment was granted to a defendant accused of copyright infringement for using the plaintiff's settlement prices in over-the-counter derivative markets for petroleum products.⁶⁰ Mr. Kupferschmid expects a different result from the appeals court, but if not the software industry may renew calls for improved database protection. Broadly, he noted, recent concerns over database protection have come mostly from the financial sector, though there is no particular reason why financial-sector databases are more vulnerable than others.

In the 2003 Congressional hearings, the speakers against H.R. 3261 included a representative of the U.S. Chamber of Commerce, who asserted that the legislation was unnecessary and would lead to excessive litigation costs for American businesses, and also a spokesperson for the U.S. National Academies, including the American Library Association and other academic and scientific groups. The latter speaker, William Wulf, emphasized that H.R. 3261 contained "a number of significant improvements" over its previous incarnations, but Congress should be very careful not to overly protect intellectual property and thereby stifle academic and technological progress. At the same time, Wulf signaled that he was not

⁵⁷ 2003 Joint Hearing, at 67. Within a submitted document there is one other reference at p. 52, but this is only a general reference to the history of the issue since 1996.

⁵⁸ Telephone interview with Keith Kupferschmid, Vice President, Intellectual Property Policy & Enforcement, Software Industry Information Association, (Apr. 17, 2006).

⁵⁹ *Id.* (Mr. Kupferschmid was not able to provide the specific citation of this case, which he said ultimately was dropped, as well as that for the second scenario he offered).

⁶⁰ See e.g. *Referencing New York Mercantile Exchange is not Copyright or Trademark Infringement*, District Judge Rules for Ice, Foster Natural Gas Report, Oct. 6, 2005 at 19.

adamantly opposed to the concept, noting that “the Academy has remained committed to being helpful in producing a balanced and fair bill, assuming that one is deemed necessary.”⁶¹ The American Library Association has maintained its opposition to database protection today and in recent months has been particularly active in lobbying the E.U. to withdraw the sui generis provisions in 96/9/EC.

In the 109th Congress (2005-6), no database protection legislation has been openly debated, nor will it be. An attorney on the House Subcommittee on Courts, the Internet and IP (CIIP), Joe Keeley, reached via telephone chalked up Congress’ recent inaction to other, less controversial priorities on the subcommittee rather than a wait-and-see attitude toward the E.U.’s reassessment. “Nothing’s really going on right now” in the 109th Congress with database protection, he said. “I don’t know if the E.U. study will affect it one way or the other. We’ve got a lot of things that are occupying the committee’s time right now. There’s only six months left, so we’re just going to see what we can get through, and database protection is obviously more controversial.”⁶²

Reached later, the Chief Counsel of the CIIP Subcommittee, Blaine Merritt, confirmed that there are no long-term plans to reintroduce legislation.⁶³ Asked if the issue of database protection is dead in Congress, he replied “for the foreseeable future.” “The only way that would change would be if there were some legislative redress going the other way, taking away some of the rights that they [i.e., database producers] already have,” such as “if some new legislation were passed or if some court were out that there that cut back on existing rights, but that doesn’t appear to be the case.” He added in retrospect of past efforts: “By my count they’ve debated this 11 times. That’s a long time for Congress to discuss an issue and not pass anything... It was tough sledding for the coalition that wanted reform. It’s much easier to stop something from being passed than to pass something.”⁶⁴

In summary, U.S. proposals for database protection legislation from 1996-2006 have been successively scaled back so much that it is unlikely that the outcome of the E.U.’s reassessment of 96/9/EC will have any impact if this issue returns in the future. Although 96/9/EC’s reciprocity clause catalyzed the original debates over U.S. protection, Congressional proponents quickly abandoned attempts to frame legislation after the E.U. property model or rely on fears of a U.S. loss in competitiveness to Europe.

As of 2004, the standoff between the competing U.S. bills from two House subcommittees involved differences pertaining to (1) most importantly, the extent and type of remedies to be made available, (2) general doubts about the necessity of the bill, and (3) ensuring adequate exceptions for science and academia to freely access databases. There was an apparent consensus on framing the general prohibition after the *NBA v. Motorola* standard. While many opponents have since then maintained that there is no market failure that necessitates federal creation of a private cause of action, this may change with the continued growth of internet databases and search engines that profit by republishing factual data collected by others.

⁶¹ 2003 Joint Hearing, at 47.

⁶² Telephone interview with Joe Keeley, CIIP Subcommittee Counsel, House Judiciary Committee (Mar. 31, 2006).

⁶³ Telephone interview with Blaine Merritt, CIIP Chief Counsel, House Judiciary Committee (Apr. 10, 2006).

⁶⁴ *Id.*

II. E.U. Directive: Implementation, ECJ Case Law, and Reevaluation

The sui generis right within the European Database Directive was the result of a compromise between the *droit d'auteur* (or “right of the author”) countries, chiefly France, which adhered to an “intellectual creation” standard, and common law countries such as Ireland and England that also awarded copyright protection to compilations requiring substantial investments under “sweat of the brow” doctrines.⁶⁵ One impetus for creating the right was reportedly “pressure from France [that] was designed to protect Europe from perceived, potential, predatory practices by U.S. database producers.”⁶⁶ In addition to the British Isles, some Scandinavian countries – Denmark, Finland, and Sweden – had formerly used a “catalogue rule” system that protected factual compilations based on a labor theory, EFTA countries Iceland and Norway had their own sui generis schemes, and the Netherlands protected some unoriginal writings under its copyright laws.⁶⁷ All of these theories became obsolete under the harmonized standards set forth in 96/9/EC, which took effect in most of the EU-15 member states around 2001.⁶⁸ In the UK, a center for European database productivity, the Directive took effect in 1998.⁶⁹ Six years later litigation involving two UK companies led to the first authoritative guidelines defining the scope of the new right.

A. ECJ Case Law (November 2004)

Art. 7(1) of the Directive defines the sui generis right as:

a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presenting of the contents 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.

This language, notably broader than any of the prohibitions later contemplated in the U.S., contained several untested legal concepts. Interpretive issues regarding Art. 7(1) continue to percolate up through the court systems of the E.U.’s various member states.⁷⁰ However, some major questions were answered (and others created) when the sui generis right was first tested before the E.U.’s highest court, the European Court of Justice, in November 2004. At that time, the ECJ handed down judgments in four closely linked cases that involved the exploitation of horseracing and fixtures list data in betting coupons, *British Horseracing Board v. William Hill Org.*; *Fixtures Marketing v. Oy Veikkaus Ab*; *Fixtures Marketing v. Svenska Spel AB*; and

⁶⁵ *Working Paper*, *supra* n. 2, at 8.

⁶⁶ Barry Mahon, *Update: European common market’s database directive*, *Info. Today*, 26(1) (Feb. 1, 2006).

⁶⁷ *Working Paper*, *supra* n. 2, at 8 n. 9.

⁶⁸ *Working Paper*, *supra* n. 2, at 24.

⁶⁹ Copyright and Rights in Databases Regulations 1997, SI 1997/3032, HSI – Issue 302, p. 10145, effective Jan. 1, 1998.

⁷⁰ See P. Bernt Hugenholtz, *The New Database Right: Early Case Law from Europe*, <http://www.ivir.nl/publications/hughholtz/fordham2001.html> (Apr. 2001) (conf. paper containing survey).

Fixtures Marketing v. OPAP.⁷¹ The net result was a dramatic restriction of the scope of the sui generis right, the implications of which are still uncertain.

In those cases, the ECJ interpreted the language of Art. 7(1) in three major ways: first, it distinguished “obtained” data rather than “created” data as the relevant investment protected by the right; second, it interpreted the words “extraction” and “re-utilization;” and, finally, it set forth parameters as to what constitutes a “substantial part of a database.”

The first of these three holdings, the determination that “created” data is unprotected by the sui generis right, has proven the most problematic. The most relevant case in this matter dealt with the online bookmaker William Hill’s appropriation of racing information, such as race times and locations, from a database maintained by the British Horseracing Board (BHB). In 2001, Britain’s High Court of Justice had determined that BHB’s database was protected by the sui generis right since it required substantial funds for its upkeep, and William Hill had systematically extracted core information for profiting from betting.⁷² The ECJ overturned this decision by distinguishing between “created” and “obtained” data, stating that since BHB had “created” its own factual data regarding the time, place, and order of racing schedule, this was not a relevant investment. Only the actual obtaining of data was covered by the “sweat of the brow” doctrine embodied in the sui generis right.

There is arguably an analogy between this case and *NBA v. Motorola*. In the U.S. case, the Second Circuit ruled that the NBA similarly was not entitled to any rights in game information because they were created facts. However, the cases may differ in that Motorola did its own reporting to deliver game information, whereas Hill received a great portion of its data for up-to-the-minute odds-making electronically, and hence might potentially have been engaging in what in the U.S. might be called “hot news” misappropriation.

The ECJ’s distinction has been criticized as unmanageable and, in the words of one critic, may have “caused more (potential) confusion than clarity,” since it appears to say that “European publishers of directories, listings, and maps remain protected by the Directive as long as they do not ‘create’ their own data but obtain data from others.”⁷³ Thus organizations like BHB might in the future be able protect themselves simply by subcontracting the “obtaining” of race times from a separate entity created for scheduling and compiling race data for betting purposes. As the Working Paper put it in December 2005, “it can be expected that database makers will devise legal strategies to get around the distinction drawn in the ECJ judgments and that this might result in online databases increasingly being secured by systems of access control.”⁷⁴

The other two general holdings were more straightforward. In the second, the ECJ determined that the prohibition on “extraction” and “re-utilization” of data applied to indirect as

⁷¹ C-46/02, *Fixtures Marketing Ltd v. Oy Veikkaus Ab*; C-203/02, *The British Horseracing Board Ltd and Others v. William Hill Organisation Ltd*; C-338/02, *Fixtures Marketing Limited v. AB Svenska Spel*; and C-444/02, *Fixtures Marketing Ltd v. Organismos prognostikon agonon podofairou AE – “OPAP,”* http://europa.eu.int/comm/internal_market/copyright/prot-databases/jurisprudence_en.htm (accessed Oct. 29, 2006).

⁷² Mark J. Davison and P. Bernt Hugenoltz, *Football Fixtures, horse races and spin-offs: the ECJ domesticates the database right*, 27 EIPR 113 (2005).

⁷³ Mahon, *Info. Today*, at 26(1).

⁷⁴ *Working Paper*, *supra* n. 2, at 24.

well as direct actions, in that it was intended to cover “any act of appropriating and making available to the public, without the consent of the maker of the database, the results of his investment, thus depriving him of revenue which should have enabled him to redeem the cost of his investment.”⁷⁵ The ECJ’s language, framing 96/9/EC in terms of appropriation and including successors in interest, significantly parallels the development in U.S. drafts of database protection proposals. Finally, in its third holding the ECJ also noted that a “substantial part” of a database may be evaluated “qualitatively” by considering the scale of the investment required to compile the data in question, regardless of whether quantitatively that data occupies a substantial part in proportion to the entire contents of the database.⁷⁶ These latter two holdings have been more readily accepted.

B. Reevaluation of 96/9/EC (2005-present)

Subject to provisions within the Database Directive, the E.U. began a review of 96/9/EC in the summer of 2005 to assess its impact on the database market. There were two sources for the study eventually released as the “DG Internal Market and Services Working Paper” on December 12, 2005. The first source was an online survey of 500 database producers in Western Europe, which garnered 101 responses, 2/3 of which came from producers in the United Kingdom.⁷⁷ The second source was information from the Gale Directory of Databases (GDD), the world’s largest database directory, which has tracked the growth of the global database industry since the 1970s.⁷⁸

The results from these two sources are somewhat at odds, since the survey indicates broad support within the database industry for a *sui generis* right, while the empirical data does not indicate an economic impact that would support this view. Regarding the survey, the Working Paper summarizes that

The European publishing and database industries claim that “*sui generis*” protection is crucial to the continued success of their activities. 75% of respondents...are aware of the existence of the “*sui generis*” right; among these, 80% feel “protected” or “well protected” by such right. 90% believe that database protection at EU level, as opposed to national level, is important and 65% believe that today the legal protection of databases is higher than before harmonisation.⁷⁹

As the Working Paper notes in its analysis section, respondents concurred that the *sui generis* right had brought about legal certainty, reduced the costs of protecting databases, created more business opportunities, and facilitated the marketing of databases.⁸⁰ While this “endorsement” was “somewhat at odds” with the continued success of the U.S. without such a right, the European attachment to *sui generis* rights has become “a political reality.”⁸¹

⁷⁵ Borenius and Kemppinen, *ECJ Rulings in Database Cases* (available at LEXIS, Mondaq Business Briefing) (Finland, Jan. 4, 2006).

⁷⁶ *Id.*

⁷⁷ *Id.* at 5 and 5 n 5.

⁷⁸ *Id.* at 5.

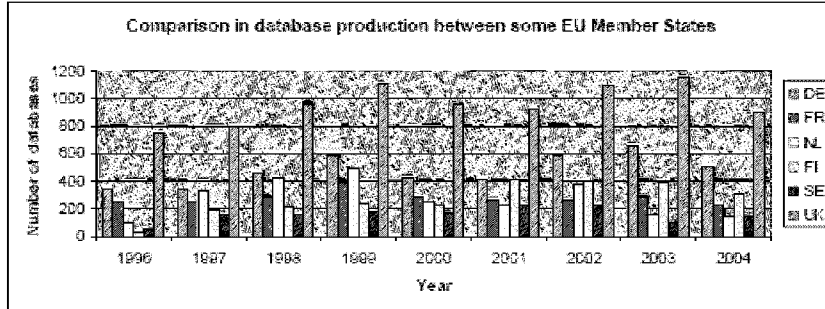
⁷⁹ *Working Paper, supra* n. 2 at 20.

⁸⁰ *Working Paper, supra* n. 2 at 25.

⁸¹ *Id.*

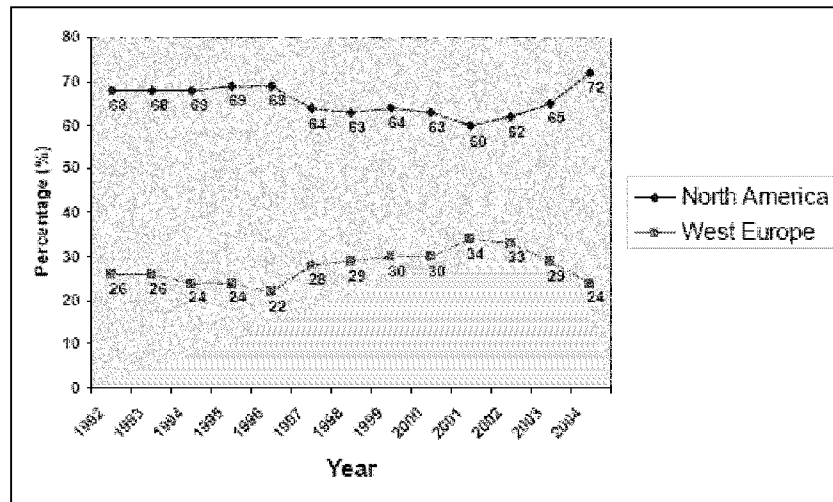
With regard to the GDD statistics, the Working Paper notes that while these are “the only empirical figures available at this stage to measure the evolution of the database markets – these figures are subject to considerable uncertainty.”⁸² The core of this data, visually displayed on Figures 6 and 7 of the Working Paper, has been reprinted below:⁸³

Figure 6 - Comparison in database production between some EU Member States (1996-2004)



Source: The Gale Directory of Databases (1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 edition)

Figure 7 - Database production in North America and West Europe (1992-2004)



Source: The Gale Directory of Databases 2005, Vol. 1, Part 2.

Figure 6 illustrates that the UK, which had a pre-1996 “sweat of the brow” doctrine, has remained Europe’s largest database provider, and the country’s output continued to grow through 2003. Figure 7 shows that Europe’s market share in the database industry, relative to that of the U.S., grew from around 1996 to 2001 and shrunk from 2001 onward. Fluctuations aside, the end result was that the number of EU-based database “entries” in the GDD was approximately the same in 1998, when the sui generis right took effect in the first EU countries to adopt it (including the UK) and the GDD consisted of 3095 European “entries,” and 2004, when the GDD listed 3092 European “entries.”⁸⁴

A third source of data for the ongoing reassessment is the stakeholder submissions that the Working Paper requested by a deadline of March 12, 2006, which was later extended to

⁸² Working Paper, *supra* n. 2, at 19.

⁸³ Working Paper, *supra* n. 2, at 20 and 23.

⁸⁴ Working Paper, *supra* n. 2, at 25.

March 31, 2006. These were posted by the E.U. on April 27, 2006.⁸⁵ Strong letters endorsing the sui generis right were submitted by the International Federation of Reproductive Rights Organisations (Brussels) and the Newspaper Society (UK), while the opposing viewpoint has been advocated by the Consumer Project on Technology (London) and an alliance of scientific and academic advocacy organizations that appear to be led by the American Library Association. Opponents of the sui generis right, as usual, criticized the Directive for overbreadth and specifically targeted the Working Paper's survey for its reliance on subjective data provided by the database producers, who are the beneficiaries of the sui generis right. Supporters, on the other hand, point to the Working Paper's candid admissions that the GDD data, while it is the only data available, is inconclusive and may have little probative value.⁸⁶

Some of the most widely circulated criticism of the sui generis right has been written by *Financial Times* columnist James Boyle, who likens the Working Paper's survey of database producers to a telephone conversation: "What is your emotional relationship with your monopoly? 'I really like it!' 'Do you think it hurts competition?' 'Not at all!'"⁸⁷ Boyle accuses the E.U. of "faith-based policy" for continuing to support the Directive when it has no proven effects, and he reiterates an extended analogy that he has made for several years in a series of previous *FT* articles:

Imagine applying these arguments to a drug trial. The patients in the control group have done better than those given the drug, and there is evidence that the drug might be harmful. But the drug companies like their profits, and want to keep the drug on the market. Though "somewhat at odds" with the evidence, this is a "political reality." Getting rid of the drug would reopen the debate on the search for a cure. Change is costly – true. But what is the purpose of a review, if the status quo is always to be preferred?⁸⁸

While Boyle's argument is interesting, there are problems with the drug trial analogy. In the U.S., for example, the FDA as a matter of policy does not withdraw drugs due to efficacy concerns, but rather only for safety concerns. The conclusion that the sui generis is doing "harm," simply because the U.S. has gained ground on Europe since 2001, is overly simplistic.

In another article, Boyle dismisses advances by the U.K. against the U.S. from 1996 to 2001 as simply a "one-time spike" brought on by passage and implementation of the Directive, but this assertion overlooks a number of other factors that may have impacted the U.S. versus the E.U. market. The Working Paper gives an equally simple treatment to this "one-time spike" (which, again, is illustrated by Fig. 7 above). For instance, the E.U.'s gain on the U.S. from 1996-2001, a trend that reversed from 2001 onward, could involve the "bursting of the bubble" in both U.S. and E.U. technology markets around that time, assuming that U.S. database producers were in a better position to recover quickly. The Working Paper could have acknowledged that the reversal coincided with upheaval in technology markets (not to mention

⁸⁵ Submissions authorized for publication by the E.U. are now *available at* http://europa.eu.int/comm/internal_market/copyright/prot-databases/prot-databases_en.htm#20060427 (accessed Oct. 29, 2006).

⁸⁶ *Working Paper, supra* n. 2, at 20.

⁸⁷ James Boyle, "Two Database Cheers for the EU," *Financial Times*, <http://news.ft.com/cms/s/99610a50-7bb2-11da-ab8e-0000779e2340.html> (Jan. 2, 2006).

⁸⁸ *Id.*

unexpected changes in foreign relations beginning on September 11, 2001). However, the Working Paper merely concludes that, “[i]t is noteworthy that the number of database ‘entries’ dropped just as most of the EU-15 had implemented the Directive into national laws into 2001.”⁸⁹ This statement ignores the fact that the largest producer, the U.K., had put 96/9/EC in effect in 1998, and thus the U.K. had been gaining ground on the U.S. for three years, contributing to a U.S. loss in the market share from 69 to 60 percent in those years.⁹⁰ Furthermore, 96/9/EC was meant to stimulate investments in the E.U. database market, and the GDD data measures production (and, at that, quantitative rather than qualitative production) rather than relative investment.

In sum, the Working Paper negotiates between two suspect sources of data. The survey is suspect because the parties are not disinterested, and the qualitative data is suspect because the statistics are inconclusive and may not have been good measures of the Directive’s success. A third source, the stakeholder submissions, mostly reflects the opinions of beneficiaries of the *sui generis* right. Of the 55 contributors, 31 were identifiable as database producers, 13 as academic associations, and 8 as users. In an overview they generally were united in a desire to retain *sui generis* protection (52-11), split evenly (26-26) on whether to amend 96/9/EC, and within the group that advocated amending the right, they were roughly split among those who wanted stricter and looser protection (13-10).⁹¹

The Working Paper’s analysis section arrives at three general conclusions about the Directive: (1) “the ‘*sui generis*’ right is difficult to understand,” (2) “‘*sui generis*’ protection comes close to protecting data as property,” and (3) “the economic impact of the ‘*sui generis*’ right is unproven.”⁹² The first two of these conclusions are primarily drawn from the ECJ case law, and the last through the GDD data.

The Working Paper draws up four policy options from those conclusions: (1) repealing the Directive, (2) withdrawal of the *sui generis* right, (3) amending the *sui generis* provisions, and (4) maintaining the status quo.⁹³ Option 1, the repeal of 96/9/EC, would have the advantage of allowing member states to revert to their previous systems for national protection, including “sweat of the brow” protection in applicable states, but it would have the disadvantage of also repealing the harmonized “intellectual creation” standard that appears to have succeeded. Option 3, amending the *sui generis* provision in Art. 7(1), could clarify the terms of the right, but would introduce more untested legal concepts and is likely to cause more protracted ECJ litigation. Option 4, maintenance of the status quo, would allow the November 2004 ECJ judgments time to have an effect, and it may be the least costly and presumably most easily administrable option.

Finally, Option 2 calls for withdrawing the *sui generis* right. The Working Paper deliberates this course of action at the greatest length, and, as *Washington Internet Daily* has suggested, this seems to be the course of action that the Working Paper prefers.⁹⁴ Listing its

⁸⁹ *Working Paper*, *supra* n. 2, at 20.

⁹⁰ *Cf. supra* at Figure 6; Kupferschmid, *supra* at n. 58.

⁹¹ See *Stakeholder Consultation*, http://europa.eu.int/comm/internal_market/copyright/prot-databases/prot-databases_en.htm#20060427 (Oct. 29, 2006) (Some contributors supported more than one position).

⁹² *Working Paper*, *supra* n. 2, at 24-26.

⁹³ *Working Paper*, *supra* n. 2, at 26-28.

⁹⁴ *International*, (Washington Internet Daily, Vol. 6, No. 239, Dec. 13, 2005) (*available at LEXIS*).

advantages, the study cites several factors that would ultimately draw the E.U. system closer to the database protection proposals that the U.S. has been debating. First, the study comments that withdrawal would allow the *droit d'auteur* countries to keep their threshold of originality while developing misappropriation and unfair competition law to cover “non-original” databases (as the U.S. has deliberated). The common law member states would also be able to revert to their systems, resulting in better regulation and relieving the E.U. courts of significant litigation. Additionally, the Working Paper suggests that this would bring the E.U. in line with the U.S. system, which has performed better over the last decade. Finally, this option would encourage providers to use self-help, such as user contracts, technological protection, and other forms of internet access control, while adding value to non-original databases that would make them qualify as “intellectual creations.” The only drawback that the Working Paper lists for Option 2 is resistance from E.U. database producers.

III. Analysis and Conclusions

A. *What is likely to occur in the E.U., and how will it affect the U.S.?*

The analysis section of the Working Paper seems to signal that the Commission is poised to recommend withdrawal of the *sui generis* right, though elsewhere it acknowledges that this might be more expensive than maintaining the status quo and that the E.U.’s attachment to the new right is a “political reality” that would need to be overcome.

Any proposed withdrawal would likely pit France and the U.K. against one another within larger E.U. deliberations. This could lead to a standoff that continues the status quo, which would not necessarily be a bad thing. The E.U. gained and lost ground against the U.S. in roughly equal measure in the last decade, and additional time to study the Directive’s effects may be helpful. However, assuming that the trend of the last five years continues, the success of U.S. database producers may ultimately lead Europe to adopt parallel systems (as the language of Option 2 suggests) that allow misappropriation and unfair competition laws that are aimed at stopping competitors from free riding. One manner of controlling this would be by blocking “hot news” for a limited time or adding mechanisms for compulsory licensing. In the BHB case, for example, William Hill was essentially free riding, using information from races that BHB arranged for its own betting purposes, and appropriating this information to administrate its own betting on BHB races. Hill, arguably, should not be barred from competing but rather licensed by BHB, if Hill wishes to use BHB’s database to directly compete in the betting business. In this sense, BHB might have been better served by a misappropriation tort than a property right.

Overall, even if the E.U. elects for immediate withdrawal, the second thoughts in the E.U. about *sui generis* protection are having a negligible impact in the U.S. As noted above, 96/9/EC has seldom been mentioned in Congressional deliberations over database protection bills, and the U.S. long ago chose a different model, that of a federal appropriation statute rather than a new intellectual property right. In 1996, the U.S. Congressional efforts on this issue resulted from the convergence of three rationales for the need for database protection: (1) E.U. reciprocity, (2) post-*Feist* concerns, and (3) the growth of the internet. In 2006, the first factor may no longer be vital since the two other factors have continued to propel this cause in Congress.

B. Is U.S. database protection desirable, and if so how should it proceed?

As far as the other two factors are concerned, in the long run database protection may be desirable, but the need appears less pressing today than in the late 1990s. If post-*Feist* concerns were the second major impetus, these concerns seem less pressing in 2006 now that the decision has settled in as a precedent. Following cases in the mid- to late-1990s that caused concern, such as *Mid America Title*, *Warren Publishing*, and *Bridgeman Art Library*, there do not seem to have been similar cases from 2000-06 in U.S. courts that have become rallying points for database protection advocates, though cases such as *NYMEX v. ICE* suggest that this issue may return. Nevertheless, the *NBA v. Motorola* prohibition is a possible basis for future legislation, with the extent of available remedies being the major sticking point in negotiations between the House Judiciary Committee and the Energy and Commerce Committee.

This leads to consideration of the third factor that propelled calls for database protection in the first place, the expansion of the internet. As online databases continue to quickly grow in value, and as the factual reliability of a database becomes arguably a more considerable “value added” feature in the internet context, this factor is becoming more important than it was a decade ago. The protection of databases also seems to be a growing concern outside the E.U. and U.S. In late April 2006, a major industry association in India, PHDDCI, criticized the Indian government for neglecting the need for database protection.⁹⁵ If India were to institute a reciprocity-based sui generis scheme at some future point this also could revive U.S. efforts.

There is a chance that the development of better technological protections by database providers may lessen the need for legislation. As the economic value of online databases increases, so too does the potential market harm wrought by database security breaches. For the moment, however, Congress has a long list of other priorities involving the internet, and it seems content to maintain the status quo for database protection. Only after we experience a major misappropriation of a valuable database will Congress rouse itself and determine that existing remedies are clearly inadequate, and that, as the world leader in database production, it must act.

⁹⁵ *PHDDCI Criticises Government for Neglecting Data Protection*, (Nationwide Int'l News, April 20, 2006) (available at LEXIS) (As of May 31, 2006, nothing further had been reported on this, but this issue may be one to watch in the future in India).